

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

REPORT OF FOREIGN ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of November 2017

Commission File Number: 001-33178

MELCO RESORTS & ENTERTAINMENT LIMITED

**36th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong**
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F. Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-N/A

[Table of Contents](#)

MELCO RESORTS & ENTERTAINMENT LIMITED
Form 6-K
TABLE OF CONTENTS

[Signature](#)

[Exhibit 99.1](#)
[Exhibit 99.2](#)
[Exhibit 99.3](#)
[Exhibit 99.4](#)

[Table of Contents](#)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**MELCO RESORTS & ENTERTAINMENT
LIMITED**

By: /s/ Geoffrey Davis
Name: Geoffrey Davis, CFA
Title: Chief Financial Officer

Date: November 29, 2017

[Table of Contents](#)

EXHIBIT INDEX

Exhibit No.	Description
Exhibit 99.1	Quarterly Report of Melco Resorts Finance Limited
Exhibit 99.2	Quarterly Report of Studio City Finance Limited
Exhibit 99.3	Quarterly Report of Studio City Investments Limited (5.875% senior secured notes due 2019)
Exhibit 99.4	Quarterly Report of Studio City Investments Limited (7.250% senior secured notes due 2021)

Explanatory Note
Melco Resorts Finance Limited's Quarterly Report
for the Three and Nine Months Ended September 30, 2017

This quarterly report serves to provide holders of Melco Resorts Finance Limited's US\$1,000,000,000 4.875% senior notes due 2025 (the "2017 Senior Notes") with Melco Resorts Finance Limited's unaudited condensed consolidated financial statements, comprising condensed consolidated balance sheets, condensed consolidated statements of operations and condensed consolidated statements of cash flows, for the three and nine months ended September 30, 2017, together with related information, pursuant to the terms of the indenture, dated June 6, 2017, relating to the 2017 Senior Notes. Melco Resorts Finance Limited is a wholly-owned subsidiary of Melco Resorts & Entertainment Limited.

[Table of Contents](#)

**Melco Resorts Finance Limited
Report for the Third Quarter of 2017
TABLE OF CONTENTS**

<u>INTRODUCTION</u>	1
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	3
<u>GLOSSARY</u>	4
<u>EXCHANGE RATE INFORMATION</u>	6
<u>FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	7
<u>INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1

Table of Contents

INTRODUCTION

In this quarterly report, unless otherwise indicated:

- “2015 Credit Facilities” refers to the credit facilities entered into pursuant to an amendment and restatement agreement dated June 19, 2015, as amended from time to time, between, among others, Melco Resorts Macau, Deutsche Bank AG, Hong Kong Branch as agent and DB Trustees (Hong Kong) Limited as security agent, in a total amount of HK\$13.65 billion (equivalent to approximately US\$1.75 billion), comprising a HK\$3.90 billion (equivalent to approximately US\$500 million) term loan facility and a HK\$9.75 billion (equivalent to approximately US\$1.25 billion) revolving credit facility;
- “Altira Macau” refers to an integrated casino and hotel development located in Taipa, Macau, that caters to Asian VIP rolling chip customers;
- “China” and “PRC” refer to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan from a geographical point of view;
- “City of Dreams” refers to a casino, hotel, retail and entertainment integrated resort located in Cotai, Macau, which currently features casino areas and three luxury hotels, including a collection of retail brands, a wet stage performance theater and other entertainment venues;
- “Cotai” refers to an area of reclaimed land located between the islands of Taipa and Coloane in Macau;
- “DICJ” refers to the Direcção de Inspecção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau), a department of the Public Administration of Macau;
- “HK\$” and “H.K. dollar(s)” refer to the legal currency of Hong Kong;
- “Hong Kong” refers to the Hong Kong Special Administrative Region of the PRC;
- “Macau” refers to the Macau Special Administrative Region of the PRC;
- “Melco Resorts Macau” refers to our subsidiary, Melco Resorts (Macau) Limited (formerly known as Melco Crown (Macau) Limited), a Macau company and the holder of our gaming subconcession;
- “Mocha Clubs” refer to, collectively, our clubs with gaming machines, which are now the largest non-casino based operations of electronic gaming machines in Macau;
- “our subconcession” and “our gaming subconcession” refer to the Macau gaming subconcession held by Melco Resorts Macau;
- “Parent” and “Melco” refer to Melco Resorts & Entertainment Limited, a Cayman Islands exempted company with limited liability;
- “Pataca(s)” and “MOP” refer to the legal currency of Macau;
- “Property” refers to a large-scale integrated leisure resort in Cotai, Macau, consisting of Studio City and the remaining project;
- “remaining project” refers to the part of the Studio City project with approximately a gross floor area of 229,968 square meters, which is required to be developed under the land concession contract;
- “Services and Right to Use Arrangements” refer to the agreement entered into among, *inter alia*, Melco Resorts Macau and Studio City Entertainment, dated May 11, 2007 and amended on June 15, 2012, as amended from time to time, and any other agreements or arrangements entered into from time to time, which may amend, supplement or relate to the aforementioned agreements or arrangements;
- “Studio City” refers to a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau, and being the first phase of the Property;
- “Studio City Casino” refers to the gaming areas being constructed or operated within the Property;

Table of Contents

- “Studio City Entertainment” refers to our affiliate, Studio City Entertainment Limited, a Macau company which the Parent acquired, through acquisition of 60% equity interest in Studio City International Holdings Limited, an intermediate holding company of Studio City Entertainment, an indirect holding of 60% of its equity interest in July 2011;
- “US\$” and “U.S. dollar(s)” refer to the legal currency of the United States;
- “U.S. GAAP” refers to the accounting principles generally accepted in the United States; and
- “we,” “us,” “our” and “our company” refer to Melco Resorts Finance Limited and, as the context requires, its predecessor entities and its consolidated subsidiaries.

This quarterly report includes our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2017.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

[Table of Contents](#)

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. We operate in a heavily regulated and evolving industry, and have a highly leveraged business model. Moreover, we operate in Macau's gaming sector, a market with intense competition, and therefore new risk factors may emerge from time to time. It is not possible for our management to predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed or implied in any forward-looking statement. Forward-looking statements involve inherent risks and uncertainties, and a number of factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to, (i) growth of the gaming market and visitation in Macau, (ii) capital and credit market volatility, (iii) local and global economic conditions, (iv) our anticipated growth strategies, (v) gaming authority and other governmental approvals and regulations, and (vi) our future business development, results of operations and financial condition. In some cases, forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "target," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions.

The forward-looking statements made in this quarterly report relate only to events or information as of the date on which the statements are made in this quarterly report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this quarterly report with the understanding that our actual future results may be materially different from what we expect.

Table of Contents

GLOSSARY

“cage”	a secure room within a casino with a facility that allows patrons to carry out transactions required to participate in gaming activities, such as exchange of cash for chips and exchange of chips for cash or other chips
“chip”	round token that is used on casino gaming tables in lieu of cash
“concession”	a government grant for the operation of games of fortune and chance in casinos in Macau under an administrative contract pursuant to which a concessionaire, or the entity holding the concession, is authorized to operate games of fortune and chance in casinos in Macau
“drop”	the amount of cash used to purchase gaming chips and promotional vouchers that is deposited in a gaming table’s drop box, plus gaming chips purchased at the casino cage
“drop box”	a box or container that serves as a repository for cash, chip purchase vouchers, credit markers and forms used to record movements in the chip inventory on each table game
“electronic gaming table”	table with an electronic or computerized wagering and payment system that allow players to place bets from multiple-player gaming seats
“gaming machine”	slot machine and/or electronic gaming table
“gaming machine handle”	the total amount wagered in gaming machines
“gaming machine win rate”	gaming machine win expressed as a percentage of gaming machine handle
“gaming promoter”	an individual or corporate entity who, for the purpose of promoting rolling chip and other gaming activities, arranges customer transportation and accommodation, provides credit in its sole discretion if authorized by a gaming operator and arranges food and beverage services and entertainment in exchange for commissions or other compensation from a gaming concessionaire or subconcessionaire
“integrated resort”	a resort which provides customers with a combination of hotel accommodations, casinos or gaming areas, retail and dining facilities, MICE space, entertainment venues and spas
“junket player”	a rolling chip patron sourced by gaming promoters to play in the VIP gaming rooms or areas
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“mass market player”	a customer who plays in the mass market segment
“mass market segment”	consists of both table games and gaming machines played by mass market players primarily for cash stakes
“mass market table games drop”	the amount of table games drop in the mass market table games segment
“mass market table games hold percentage”	mass market table games win as a percentage of mass market table games drop
“mass market table games segment”	the mass market segment consisting of mass market players who play table games
“MICE”	Meetings, Incentives, Conventions and Exhibitions, an acronym commonly used to refer to tourism involving large groups brought together for an event or specific purpose
“non-negotiable chip”	promotional casino chip that is not to be exchanged for cash

Table of Contents

“premium direct player”	a rolling chip patron who is a direct customer of the concessionaires or subconcessionaires and is attracted to the casino through direct marketing efforts and relationships with the gaming operator
“rolling chip” or “VIP rolling chip”	non-negotiable chip primarily used by rolling chip patrons to make wagers
“rolling chip patron”	a player who primarily plays on rolling chip or VIP rolling chip tables and typically plays for higher stakes than mass market players
“rolling chip segment”	consists of table games played in private VIP gaming rooms or areas by rolling chip patrons who are either premium direct players or junket players
“rolling chip volume”	the amount of non-negotiable chips wagered and lost by the rolling chip market segment
“rolling chip win rate”	rolling chip table games win (calculated before discounts and commissions) as a percentage of rolling chip volume
“slot machine”	traditional slot or electronic gaming machine operated by a single player
“subconcession”	an agreement for the operation of games of fortune and chance in casinos between the entity holding the concession, or the concessionaire, and a subconcessionaire, pursuant to which the subconcessionaire is authorized to operate games of fortune and chance in casinos in Macau
“table games win”	the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues
“VIP gaming room”	gaming rooms or areas that have restricted access to rolling chip patrons and typically offer more personalized service than the general mass market gaming areas

[Table of Contents](#)

EXCHANGE RATE INFORMATION

The majority of our current revenues are denominated in H.K. dollar, while our current expenses are denominated predominantly in Pataca and H.K. dollar, and in connection with a portion of our indebtedness and certain expenses, in U.S. dollar. Unless otherwise noted, all translations from H.K. dollar to U.S. dollar and from U.S. dollar to H.K. dollar in this quarterly report were made at a rate of HK\$7.78 to US\$1.00.

The H.K. dollar is freely convertible into other currencies (including the U.S. dollar). Since October 17, 1983, the H.K. dollar has been officially linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The market exchange rate has not deviated materially from the level of HK\$7.80 to US\$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has stated its intention to maintain the link at that rate, and, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. However, no assurance can be given that the Hong Kong government will maintain the link at HK\$7.75 to HK\$7.85 per U.S. dollar or at all.

The noon buying rate on September 29, 2017 in New York City for cable transfers in H.K. dollar per U.S. dollar, provided in the H.10 weekly statistical release of the Federal Reserve Board of the United States as certified for customs purposes by the Federal Reserve Bank of New York, was HK\$7.8110 to US\$1.00. On November 24, 2017, the noon buying rate was HK\$7.8087 to US\$1.00. We make no representation that any H.K. dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollar or H.K. dollar, as the case may be, at any particular rate or at all.

The Pataca is pegged to the H.K. dollar at a rate of HK\$1.00 = MOP1.03. All translations from Pataca to U.S. dollar in this quarterly report were made at the exchange rate of MOP8.0134 = US\$1.00. The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Pataca.

Table of Contents

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with our unaudited condensed consolidated financial statements included elsewhere in this quarterly report. Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2016. The historical results are not necessarily indicative of the results of operations to be expected in the future. Certain statements in this “Financial Condition and Results of Operations” are forward-looking statements.

Summary of Financial Results

For the third quarter of 2017, our total net revenues were US\$1.24 billion, an increase of 21.2% from US\$1.03 billion of net revenues for the third quarter of 2016. The increase in total net revenues was primarily attributable to the increased casino revenues generated from the operation of Studio City Casino by our subsidiary, Melco Resorts Macau, the gaming subconcessionaire, and better performance in City of Dreams’ rolling chip segment, partially offset by lower mass market table games revenues in City of Dreams and decreased casino revenues at Altira Macau. Net income from Studio City Casino gaming operations are reimbursed to Studio City Entertainment pursuant to the Services and Right to Use Arrangements. Such reimbursement is included in general and administrative expenses.

Net income for the third quarter of 2017 was US\$138.4 million as compared to US\$93.5 million for the third quarter of 2016. The increase in profitability was primarily attributable to the increase in revenues in City of Dreams mentioned above and recovery of previously provided doubtful debt in City of Dreams, partially offset by decreased casino revenues at Altira Macau and the loss on extinguishment of debt arising from the issuance of US\$350.0 million in additional 2017 Senior Notes in July 2017 for the purpose of refinancing the US\$1 billion senior notes issued in 2013.

The following summarizes the results of our operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenues	\$ 1,244,168	\$ 1,026,540	\$ 3,513,446	\$ 3,010,174
Total operating costs and expenses	\$(1,078,665)	\$ (921,791)	\$(3,115,465)	\$(2,694,836)
Operating income	\$ 165,503	\$ 104,749	\$ 397,981	\$ 315,338
Net income	\$ 138,353	\$ 93,518	\$ 321,689	\$ 280,906

Results of Operations

City of Dreams Third Quarter Results

For the third quarter of 2017, net revenue at City of Dreams was US\$723.2 million as compared to US\$629.2 million in the third quarter of 2016. The increase in net revenue was primarily a result of higher rolling chip revenues, partially offset by lower mass market table games revenues.

Table of Contents

Rolling chip volume totaled US\$11.2 billion for the third quarter of 2017 versus US\$10.6 billion in the third quarter of 2016. The rolling chip win rate was 3.5% in the third quarter of 2017 versus 2.6% in the third quarter of 2016. The expected rolling chip win rate range is 2.7%-3.0%.

Mass market table games drop increased to US\$1,145.0 million compared with US\$1,096.5 million in the third quarter of 2016. The mass market table games hold percentage was 32.3% in the third quarter of 2017 compared to 34.5% in the third quarter of 2016.

Gaming machine handle for the third quarter of 2017 was US\$981.7 million compared with US\$1,002.5 million in the third quarter of 2016. The gaming machine win rate was 3.2% in the third quarter of 2017 versus 3.5% in the third quarter of 2016.

Total non-gaming revenue at City of Dreams in the third quarter of 2017 was US\$88.7 million compared with US\$83.5 million in the third quarter of 2016.

Altira Macau Third Quarter Results

For the third quarter of 2017, net revenue at Altira Macau was US\$89.4 million compared to US\$128.9 million in the third quarter of 2016. The year-on-year decrease in net revenue was primarily a result of decreased casino revenues.

Rolling chip volume totaled US\$4.2 billion in the third quarter of 2017 versus US\$4.5 billion in the third quarter of 2016. The rolling chip win rate was 2.6% in the third quarter of 2017 versus 3.2% in the third quarter of 2016. The expected rolling chip win rate range is 2.7%-3.0%.

In the mass market table games segment, drop totaled US\$112.4 million in the third quarter of 2017, a decrease from US\$122.6 million generated in the comparable period in 2016. The mass market table games hold percentage was 15.7% in the third quarter of 2017 compared with 19.8% in the third quarter of 2016.

Gaming machine handle for the third quarter of 2017 was US\$11.3 million compared with US\$8.5 million in the third quarter of 2016. The gaming machine win rate was 6.1% in the third quarter of 2017 versus 6.9% in the third quarter of 2016.

Total non-gaming revenue at Altira Macau in the third quarter of 2017 was US\$6.9 million compared with US\$7.4 million in the third quarter of 2016.

Mocha Clubs Third Quarter Results

Net revenue from Mocha Clubs totaled US\$30.2 million in the third quarter of 2017 as compared to US\$31.8 million in the third quarter of 2016.

Gaming machine handle for the third quarter of 2017 was US\$628.1 million, compared with US\$673.4 million in the third quarter of 2016. The gaming machine win rate was 4.7% in the third quarter of 2017 versus 4.6% in the third quarter of 2016.

Other Factors Affecting Third Quarter Earnings

Total net non-operating expenses for the third quarter of 2017 were US\$26.5 million, which mainly included interest expenses, net of capitalized interest, of US\$5.2 million, other finance costs of US\$4.9 million, loss on extinguishment of debt of US\$16.9 million and costs associated with debt modification of US\$0.9 million, as compared to a total net non-operating expenses of US\$10.1 million for the third quarter of 2016, which mainly included interest expenses, net of capitalized interest, of US\$8.0 million, other finance costs of US\$6.5 million and net foreign exchange gain of US\$2.8 million. The year-on-year increase of US\$16.4 million in net non-operating expenses was primarily a result of the loss on extinguishment of debt arising from the issuance of the US\$350.0 million in additional 2017 Senior Notes in July 2017 for the refinancing of the US\$1 billion senior notes issued in 2013.

Table of Contents

Depreciation and amortization costs of US\$64.4 million were recorded in the third quarter of 2017, of which US\$14.3 million was related to the amortization of our gaming subconcession and US\$2.7 million was related to the amortization of land use rights.

Nine Months' Results

For the nine months ended September 30, 2017, our total net revenues were US\$3.51 billion compared to US\$3.01 billion for the nine months ended September 30, 2016. The year-on-year increase in net revenue was primarily attributable to the increased casino revenues generated from operating Studio City Casino, better performance in City of Dreams' rolling chip segment and the increase in non-gaming revenue in City of Dreams, partially offset by lower mass market table games revenues in City of Dreams and decreased casino revenues at Altira Macau.

Net income for the first nine months of 2017 was US\$321.7 million compared with net income of US\$280.9 million in the comparable period of 2016. The year-on-year increase in net income was primarily attributable to the increase in revenues in City of Dreams mentioned above and lower net provision for doubtful debt in City of Dreams and Altira Macau, partially offset by decreased casino revenues at Altira Macau and the loss on extinguishment of debt arising from the refinancing of the US\$1 billion senior notes issued in 2013.

Liquidity and Capital Resources

We have relied and intend to rely on our cash generated from our operations and our debt and equity financings to meet our financing needs and repay our indebtedness, as the case may be. Our company is developing Phase 3 of City of Dreams, which includes the Morpheus Tower. Any other future developments may be subject to further financing and a number of other factors, many of which are beyond our control.

As of September 30, 2017, we held cash and cash equivalents of US\$954.4 million and the HK\$9.75 billion (equivalent to approximately US\$1.25 billion) revolving credit facility under the 2015 Credit Facilities remained available for future drawdown, subject to satisfaction of certain conditions precedent. Further, the 2015 Credit Facilities includes an incremental facility of up to US\$1.3 billion to be made available upon further agreement with any of the existing lenders under the 2015 Credit Facilities or with other entities.

Table of Contents

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net cash provided by operating activities	\$ 298,943	\$ 471,032	\$ 760,782	\$ 882,162
Net cash (used in) provided by investing activities	(101,068)	(104,500)	(151,330)	252,094
Net cash used in financing activities	(56,508)	(10,662)	(767,861)	(1,098,490)
Net increase (decrease) in cash and cash equivalents	141,367	355,870	(158,409)	35,766
Cash and cash equivalents at beginning of period	813,059	721,541	1,112,835	1,041,645
Cash and cash equivalents at end of period	<u>\$ 954,426</u>	<u>\$ 1,077,411</u>	<u>\$ 954,426</u>	<u>\$ 1,077,411</u>

Operating Activities

Operating cash flows are generally affected by changes in operating income and accounts receivable related to VIP table games play and hotel operations conducted on a cash and credit basis and the remainder of the business, including mass market table games play, gaming machine play, food and beverage and entertainment, are conducted primarily on a cash basis.

Net cash provided by operating activities was US\$298.9 million for the third quarter of 2017, compared to US\$471.0 million for the third quarter of 2016. Net cash provided by operating activities was US\$760.8 million for the nine months ended September 30, 2017 compared to US\$882.2 million for the nine months ended September 30, 2016. The decrease in net cash provided by operating activities was mainly attributable to increased working capital for operations, partially offset by an improvement in underlying operating performance as described in the foregoing sections.

Investing Activities

Net cash used in investing activities was US\$101.1 million for the third quarter of 2017 compared to net cash used in investing activities of US\$104.5 million for the third quarter of 2016. The change was primarily due to the decrease in placement of bank deposits with original maturities over three months, partially offset by an increase in capital expenditure payments and advance payments and deposits for acquisition of property and equipment.

Net cash used in investing activities of US\$101.1 million for the third quarter of 2017 mainly included capital expenditure payments of US\$96.5 million.

Net cash used in investing activities was US\$104.5 million for the third quarter of 2016 and mainly included capital expenditure payments of US\$90.3 million and placement of bank deposits with original maturities over three months of US\$18.5 million.

Our total capital expenditure payments for the third quarter of 2017 were US\$96.5 million as compared to US\$90.3 million for the third quarter of 2016. Such capital expenditures for both periods were mainly associated with our development projects, including Morpheus, as well as enhancing our integrated resort offerings.

Table of Contents

Net cash used in investing activities was US\$151.3 million for the nine months ended September 30, 2017, compared to net cash provided by investing activities of US\$252.1 million for the nine months ended September 30, 2016. The change was primarily due to a decrease in net withdrawals of bank deposits with original maturities over three months and increase in advance payments and deposits for acquisition of property and equipment.

Net cash used in investing activities of US\$151.3 million for the nine months ended September 30, 2017 mainly included capital expenditure payments of US\$272.6 million and advance payments and deposits for acquisition of property and equipment of US\$18.6 million, partially offset by withdrawals of bank deposits with original maturities over three months of US\$138.5 million.

Net cash provided by investing activities of US\$252.1 million for the nine months ended September 30, 2016 mainly included a net decrease in bank deposits with original maturities over three months of US\$520.1 million, partially offset by capital expenditure payments of US\$267.7 million.

Our total capital expenditure payments for the nine months ended September 30, 2017 were US\$272.6 million, as compared to US\$267.7 million for the nine months ended September 30, 2016. Such capital expenditures for both periods were mainly associated with our development projects, including Morpheus, as well as enhancing our integrated resort offerings.

Financing Activities

Net cash used in financing activities amounted to US\$56.5 million for the third quarter of 2017, which primarily represented the dividend payment of US\$45.0 million, the scheduled repayment of the term loan under the 2015 Credit Facilities of US\$11.3 million and the repayment of the revolving credit facility under the 2015 Credit Facilities of US\$350.0 million with the proceeds from the issuance of the additional 2017 Senior Notes of US\$352.6 million in July 2017, which priced at 100.75% of the principal amount.

Net cash used in financing activities amounted to US\$10.7 million for the third quarter of 2016 and primarily represented the scheduled repayment of the term loan under the 2015 Credit Facilities of US\$11.3 million.

Net cash used in financing activities amounted to US\$767.9 million for the nine months ended September 30, 2017, which primarily represented dividend payments of US\$705.8 million, the scheduled repayment of the term loan under the 2015 Credit Facilities of US\$33.8 million, payment of debt issuance costs of US\$33.1 million arising from the refinancing of the US\$1 billion senior notes issued in 2013 and the early redemption of such US\$1 billion senior notes in June 2017 with the proceeds from the issuance of 2017 Senior Notes in the aggregate principal amount of US\$650.0 million and a partial drawdown of the revolving credit facility under the 2015 Credit Facilities in the amount of US\$350.0 million, which was repaid with the proceeds from the issuance of the additional 2017 Senior Notes of US\$352.6 million in July 2017.

Net cash used in financing activities amounted to US\$1,098.5 million for the nine months ended September 30, 2016 and primarily represented dividend payments of US\$1,089.5 million and the scheduled repayment of the term loan under the 2015 Credit Facilities of US\$11.3 million.

Table of Contents

Indebtedness

The following table presents a summary of our gross indebtedness as of September 30, 2017:

	As of September 30, 2017
	(In thousands of US\$)
2017 Senior Notes	\$ 1,000,000
2015 Credit Facilities – term loan facility	\$ 444,891
	<u>\$ 1,444,891</u>

On July 3, 2017, we issued US\$350 million in aggregate principal amount of the 2017 Senior Notes, the net proceeds from which were used to repay in full the US\$350 million drawdown from the revolving credit facility under the 2015 Credit Facilities.

Table of Contents

**Melco Resorts Finance Limited
Index To Unaudited Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2017**

	<u>Page</u>
<u>Unaudited Melco Resorts Finance Limited Condensed Consolidated Financial Statements</u>	F- 2
<u>Unaudited Melco Resorts Finance Limited - Restricted Subsidiaries Group Condensed Consolidated Financial Statements</u>	F- 5
<u>Unaudited Reconciliation of Financial Condition and Results of Operations of Melco Resorts Finance Limited - Restricted Subsidiaries Group to Melco Resorts Finance Limited</u>	F- 8

[Table of Contents](#)

Melco Resorts Finance Limited
Condensed Consolidated Balance Sheets
(In thousands of U.S. dollars, except share and per share data)

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 954,426	\$ 1,112,835
Bank deposits with original maturities over three months	—	138,539
Accounts receivable, net	104,516	194,876
Amounts due from affiliated companies	224,871	240,097
Inventories	17,980	18,490
Prepaid expenses and other current assets	41,695	55,962
Total current assets	<u>1,343,488</u>	<u>1,760,799</u>
PROPERTY AND EQUIPMENT, NET	2,780,380	2,576,177
GAMING SUBCONCESSION, NET	270,392	313,320
INTANGIBLE ASSETS	4,220	4,220
GOODWILL	81,915	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	102,393	112,172
ADVANCE TO AN AFFILIATED COMPANY	—	597,974
LAND USE RIGHTS, NET	338,253	346,402
TOTAL ASSETS	<u>\$ 4,921,041</u>	<u>\$ 5,792,979</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 10,480	\$ 11,156
Accrued expenses and other current liabilities	1,162,817	1,080,190
Income tax payable	2,173	5,251
Capital lease obligations, due within one year	111	118
Current portion of long-term debt, net	44,340	44,210
Amounts due to affiliated companies	85,834	55,709
Total current liabilities	<u>1,305,755</u>	<u>1,196,634</u>
LONG-TERM DEBT, NET	1,366,347	1,372,219
OTHER LONG-TERM LIABILITIES	15,909	16,369
DEFERRED TAX LIABILITIES	13,705	14,185
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR	67	147
AMOUNT DUE TO AN AFFILIATED COMPANY	910	—
ADVANCE FROM AN AFFILIATED COMPANY	1,946	1,946
SHAREHOLDER'S EQUITY		
Ordinary share, par value \$0.01; 5,000,000 shares authorized; 1,202 shares issued	—	—
Additional paid-in capital	1,849,785	1,849,785
Accumulated other comprehensive income	2,635	2,635
Retained earnings	<u>363,982</u>	<u>1,339,059</u>
Total shareholder's equity	<u>2,216,402</u>	<u>3,191,479</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 4,921,041</u>	<u>\$ 5,792,979</u>

[Table of Contents](#)

Melco Resorts Finance Limited
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30, 2017	September 30, 2016	Nine Months Ended September 30, 2017	September 30, 2016
OPERATING REVENUES				
Casino	\$ 1,147,525	\$ 940,256	\$ 3,239,326	\$ 2,762,142
Rooms	32,595	33,155	96,058	95,774
Food and beverage	18,173	20,011	56,458	54,786
Entertainment, retail and other	85,517	75,155	240,182	215,986
Gross revenues	1,283,810	1,068,577	3,632,024	3,128,688
Less: promotional allowances	(39,642)	(42,037)	(118,578)	(118,514)
Net revenues	<u>1,244,168</u>	<u>1,026,540</u>	<u>3,513,446</u>	<u>3,010,174</u>
OPERATING COSTS AND EXPENSES				
Casino	(800,775)	(677,538)	(2,298,631)	(1,999,172)
Rooms	(3,705)	(3,747)	(11,327)	(11,196)
Food and beverage	(5,836)	(5,162)	(17,301)	(13,625)
Entertainment, retail and other	(15,229)	(14,884)	(44,099)	(43,506)
General and administrative	(184,991)	(151,958)	(534,375)	(423,520)
Pre-opening costs	(165)	(1,077)	(1,011)	(1,623)
Amortization of gaming subconcession	(14,310)	(14,309)	(42,928)	(42,928)
Amortization of land use rights	(2,716)	(2,717)	(8,149)	(8,150)
Depreciation and amortization	(47,410)	(50,399)	(146,063)	(150,635)
Property charges and other	(3,528)	—	(11,581)	(481)
Total operating costs and expenses	<u>(1,078,665)</u>	<u>(921,791)</u>	<u>(3,115,465)</u>	<u>(2,694,836)</u>
OPERATING INCOME	<u>165,503</u>	<u>104,749</u>	<u>397,981</u>	<u>315,338</u>
NON-OPERATING INCOME (EXPENSES)				
Interest income	23	390	250	2,323
Interest expenses, net of capitalized interest	(5,238)	(7,964)	(17,034)	(22,513)
Other finance costs	(4,902)	(6,473)	(16,522)	(18,491)
Foreign exchange gains, net	1,472	2,811	7,413	5,500
Other income, net	13	1,171	44	1,415
Loss on extinguishment of debt	(16,939)	—	(48,398)	—
Costs associated with debt modification	(881)	—	(2,793)	—
Total non-operating expenses, net	<u>(26,452)</u>	<u>(10,065)</u>	<u>(77,040)</u>	<u>(31,766)</u>
INCOME BEFORE INCOME TAX	<u>139,051</u>	<u>94,684</u>	<u>320,941</u>	<u>283,572</u>
INCOME TAX (EXPENSE) CREDIT	<u>(698)</u>	<u>(1,166)</u>	<u>748</u>	<u>(2,666)</u>
NET INCOME	<u><u>\$ 138,353</u></u>	<u><u>\$ 93,518</u></u>	<u><u>\$ 321,689</u></u>	<u><u>\$ 280,906</u></u>

[Table of Contents](#)

Melco Resorts Finance Limited
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30, 2017	September 30, 2016	Nine Months Ended September 30, 2017	September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net cash provided by operating activities	\$ 298,943	\$ 471,032	\$ 760,782	\$ 882,162
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for acquisition of property and equipment	(96,451)	(90,261)	(272,570)	(267,718)
Advance payments and deposits for acquisition of property and equipment	(5,143)	(431)	(18,595)	(2,293)
Proceeds from sale of property and equipment	526	524	1,296	1,095
Withdrawals of bank deposits with original maturities over three months	—	—	138,539	587,908
Placement of bank deposits with original maturities over three months	—	(18,462)	—	(67,819)
Payment for land use rights	—	—	—	(3,788)
Advance to an affiliated company	—	—	—	(1,800)
Payments for entertainment production costs	—	—	—	(33)
Changes in restricted cash	—	4,130	—	6,542
Net cash (used in) provided by investing activities	<u>(101,068)</u>	<u>(104,500)</u>	<u>(151,330)</u>	<u>252,094</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal payments on long-term debt	(361,280)	(11,279)	(733,837)	(11,279)
Dividends paid	(45,000)	—	(705,800)	(1,089,500)
Payments of deferred financing costs	(4,064)	—	(33,087)	(58)
Principal payments on capital lease obligations	(31)	(18)	(91)	(33)
Funds from an affiliated company	1,242	635	2,329	2,380
Proceeds from long-term debt	352,625	—	702,625	—
Net cash used in financing activities	<u>(56,508)</u>	<u>(10,662)</u>	<u>(767,861)</u>	<u>(1,098,490)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>141,367</u>	<u>355,870</u>	<u>(158,409)</u>	<u>35,766</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>813,059</u>	<u>721,541</u>	<u>1,112,835</u>	<u>1,041,645</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 954,426</u>	<u>\$ 1,077,411</u>	<u>\$ 954,426</u>	<u>\$ 1,077,411</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS				
Cash paid for interest, net of amounts capitalized	\$ (2)	\$ (15,063)	\$ (22,800)	\$ (31,394)
Cash paid for income taxes	(15)	(8)	(2,810)	(2,803)
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment	37,313	6,480	89,336	66,074
Change in advance to and amounts due from/to affiliated companies related to property and equipment	2,427	103	5,682	208
Settlement of dividends through offsetting with advance to an affiliated company	—	—	590,966	—

[Table of Contents](#)

Melco Resorts Finance Limited - Restricted Subsidiaries Group
Condensed Consolidated Balance Sheets (Unaudited)
(In thousands of U.S. dollars, except share and per share data)

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 954,426	\$ 1,112,835
Bank deposits with original maturities over three months	—	138,539
Accounts receivable, net	104,516	194,876
Amounts due from affiliated companies	224,875	240,101
Amounts due from unconsolidated subsidiaries	2	2
Inventories	17,980	18,490
Prepaid expenses and other current assets	41,695	55,962
Total current assets	<u>1,343,494</u>	<u>1,760,805</u>
PROPERTY AND EQUIPMENT, NET	2,780,380	2,576,177
GAMING SUBCONCESSION, NET	270,392	313,320
INTANGIBLE ASSETS	4,220	4,220
GOODWILL	81,915	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	102,393	112,172
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES	6	6
ADVANCE TO AN AFFILIATED COMPANY	—	597,974
LAND USE RIGHTS, NET	338,253	346,402
TOTAL ASSETS	<u>\$ 4,921,053</u>	<u>\$ 5,792,991</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 10,480	\$ 11,156
Accrued expenses and other current liabilities	1,162,817	1,080,190
Income tax payable	2,173	5,251
Capital lease obligations, due within one year	111	118
Current portion of long-term debt, net	44,340	44,210
Amounts due to affiliated companies	85,830	55,705
Total current liabilities	<u>1,305,751</u>	<u>1,196,630</u>
LONG-TERM DEBT, NET	1,366,347	1,372,219
OTHER LONG-TERM LIABILITIES	15,909	16,369
DEFERRED TAX LIABILITIES	13,705	14,185
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR	67	147
AMOUNT DUE TO AN AFFILIATED COMPANY	910	—
ADVANCE FROM AN AFFILIATED COMPANY	1,946	1,946
SHAREHOLDER'S EQUITY		
Ordinary shares, par value \$0.01; 5,000,000 shares authorized; 1,202 shares issued	—	—
Additional paid-in capital	1,849,785	1,849,785
Accumulated other comprehensive income	2,635	2,635
Retained earnings	363,998	1,339,075
Total shareholder's equity	<u>2,216,418</u>	<u>3,191,495</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 4,921,053</u>	<u>\$ 5,792,991</u>

[Table of Contents](#)

**Melco Resorts Finance Limited - Restricted Subsidiaries Group
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands of U.S. dollars)**

	Three Months Ended September 30, 2017	September 30, 2016	Nine Months Ended September 30, 2017	September 30, 2016
OPERATING REVENUES				
Casino	\$ 1,147,525	\$ 940,256	\$ 3,239,326	\$ 2,762,142
Rooms	32,595	33,155	96,058	95,774
Food and beverage	18,173	20,011	56,458	54,786
Entertainment, retail and other	85,517	75,155	240,182	215,986
Gross revenues	1,283,810	1,068,577	3,632,024	3,128,688
Less: promotional allowances	(39,642)	(42,037)	(118,578)	(118,514)
Net revenues	<u>1,244,168</u>	<u>1,026,540</u>	<u>3,513,446</u>	<u>3,010,174</u>
OPERATING COSTS AND EXPENSES				
Casino	(800,775)	(677,538)	(2,298,631)	(1,999,172)
Rooms	(3,705)	(3,747)	(11,327)	(11,196)
Food and beverage	(5,836)	(5,162)	(17,301)	(13,625)
Entertainment, retail and other	(15,229)	(14,884)	(44,099)	(43,506)
General and administrative	(184,991)	(151,958)	(534,375)	(423,520)
Pre-opening costs	(165)	(1,077)	(1,011)	(1,623)
Amortization of gaming subconcession	(14,310)	(14,309)	(42,928)	(42,928)
Amortization of land use rights	(2,716)	(2,717)	(8,149)	(8,150)
Depreciation and amortization	(47,410)	(50,399)	(146,063)	(150,635)
Property charges and other	(3,528)	—	(11,581)	(481)
Total operating costs and expenses	<u>(1,078,665)</u>	<u>(921,791)</u>	<u>(3,115,465)</u>	<u>(2,694,836)</u>
OPERATING INCOME	<u>165,503</u>	<u>104,749</u>	<u>397,981</u>	<u>315,338</u>
NON-OPERATING INCOME (EXPENSES)				
Interest income	23	390	250	2,323
Interest expenses, net of capitalized interest	(5,238)	(7,964)	(17,034)	(22,513)
Other finance costs	(4,902)	(6,473)	(16,522)	(18,491)
Foreign exchange gains, net	1,472	2,811	7,413	5,500
Other income, net	13	1,171	44	1,415
Loss on extinguishment of debt	(16,939)	—	(48,398)	—
Costs associated with debt modification	(881)	—	(2,793)	—
Total non-operating expenses, net	<u>(26,452)</u>	<u>(10,065)</u>	<u>(77,040)</u>	<u>(31,766)</u>
INCOME BEFORE INCOME TAX	<u>139,051</u>	<u>94,684</u>	<u>320,941</u>	<u>283,572</u>
INCOME TAX (EXPENSE) CREDIT	<u>(698)</u>	<u>(1,166)</u>	<u>748</u>	<u>(2,666)</u>
NET INCOME	<u><u>\$ 138,353</u></u>	<u><u>\$ 93,518</u></u>	<u><u>\$ 321,689</u></u>	<u><u>\$ 280,906</u></u>

[Table of Contents](#)

**Melco Resorts Finance Limited - Restricted Subsidiaries Group
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands of U.S. dollars)**

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net cash provided by operating activities	\$ 298,943	\$ 760,782	\$ 471,032	\$ 882,162
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for acquisition of property and equipment	(96,451)	(272,570)	(90,261)	(267,718)
Advance payments and deposits for acquisition of property and equipment	(5,143)	(18,595)	(431)	(2,293)
Proceeds from sale of property and equipment	526	1,296	524	1,095
Withdrawals of bank deposits with original maturities over three months	—	138,539	—	587,908
Placement of bank deposits with original maturities over three months	—	(67,819)	(18,462)	—
Payment for land use rights	—	—	—	(3,788)
Advance to an affiliated company	—	—	—	(1,800)
Payments for entertainment production costs	—	—	—	(33)
Changes in restricted cash	—	6,542	4,130	—
Net cash (used in) provided by investing activities	(101,068)	(151,330)	(104,500)	252,094
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal payments on long-term debt	(361,280)	(733,837)	(11,279)	(11,279)
Dividends paid	(45,000)	(705,800)	—	(1,089,500)
Payments of deferred financing costs	(4,064)	(33,087)	—	(58)
Principal payments on capital lease obligations	(31)	(91)	(18)	(33)
Funds from an affiliated company	1,242	2,329	635	2,380
Proceeds from long-term debt	352,625	—	702,625	—
Net cash used in financing activities	(56,508)	(1,098,490)	(10,662)	(767,861)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	141,367	35,766	355,870	(158,409)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	813,059	1,041,645	721,541	1,112,835
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 954,426</u>	<u>\$ 1,077,411</u>	<u>\$ 954,426</u>	<u>\$ 1,077,411</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS				
Cash paid for interest, net of amounts capitalized	\$ (2)	\$ (22,800)	\$ (15,063)	\$ (31,394)
Cash paid for income taxes	(15)	(2,810)	(8)	(2,803)
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment	37,313	6,480	89,336	66,074
Change in advance to and amounts due from/to affiliated companies related to property and equipment	2,427	103	5,682	208
Settlement of dividends through offsetting with advance to an affiliated company	—	—	590,966	—
Assignment of amount due from an unconsolidated subsidiary to advance to an affiliated company	—	—	—	1,634,005

[Table of Contents](#)

Melco Resorts Finance Limited
Unaudited Reconciliation of Financial Condition and Results of Operations
of Melco Resorts Finance Limited - Restricted Subsidiaries Group to Melco Resorts Finance Limited
For the Nine Months Ended September 30, 2017
(In thousands of U.S. dollars, except share and per share data)

	Consolidated Total for Melco Resorts Finance Limited - Restricted Subsidiaries Group	<u>Unrestricted Subsidiaries</u>			Consolidated Total for Melco Resorts Finance Limited		
		MCO (Macau) Hotel Limited	MCO (Macau) Consulting Limited	Elimination			
Condensed Consolidated Balance Sheets							
(Unaudited)							
As of September 30, 2017							
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 954,426	\$	\$	\$	\$ 954,426		
Accounts receivable, net	104,516				104,516		
Amounts due from affiliated companies	224,875	(2)	(2)		224,871		
Amounts due from unconsolidated subsidiaries	2			(2)	—		
Inventories	17,980				17,980		
Prepaid expenses and other current assets	41,695				41,695		
Total current assets	<u>1,343,494</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>1,343,488</u>		
PROPERTY AND EQUIPMENT, NET	2,780,380				2,780,380		
GAMING SUBCONCESSION, NET	270,392				270,392		
INTANGIBLE ASSETS	4,220				4,220		
GOODWILL	81,915				81,915		
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	102,393				102,393		
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES	6			(6)	—		
ADVANCES TO GROUP COMPANIES			17,795	(17,795)	—		
LAND USE RIGHTS, NET	338,253				338,253		
TOTAL ASSETS	<u>\$ 4,921,053</u>	<u>\$ (2)</u>	<u>\$ 17,793</u>	<u>\$ (17,803)</u>	<u>\$ 4,921,041</u>		
LIABILITIES AND SHAREHOLDER'S EQUITY							
CURRENT LIABILITIES							
Accounts payable	\$ 10,480	\$	\$	\$	\$ 10,480		
Accrued expenses and other current liabilities	1,162,817				1,162,817		
Income tax payable	2,173				2,173		
Capital lease obligations, due within one year	111				111		
Current portion of long-term debt, net	44,340				44,340		
Amounts due to affiliated companies	85,830	2	2		85,834		
Amounts due to group companies	—	1	1	(2)	—		
Total current liabilities	<u>1,305,751</u>	<u>3</u>	<u>3</u>	<u>(2)</u>	<u>1,305,755</u>		
LONG-TERM DEBT, NET	1,366,347				1,366,347		
OTHER LONG-TERM LIABILITIES	15,909				15,909		
DEFERRED TAX LIABILITIES	13,705				13,705		
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR	67				67		
AMOUNT DUE TO AN AFFILIATED COMPANY	910				910		
ADVANCE FROM AN AFFILIATED COMPANY	1,946				1,946		
ADVANCES FROM GROUP COMPANIES	—		17,795	(17,795)	—		
SHAREHOLDER'S EQUITY							
Ordinary shares, par value \$0.01; 5,000,000 shares authorized; 1,202 shares issued		3	3	(6)	—		
Additional paid-in capital	1,849,785				1,849,785		
Accumulated other comprehensive income	2,635				2,635		
Retained earnings	363,998	(8)	(8)		363,982		
Total shareholder's equity	<u>2,216,418</u>	<u>(5)</u>	<u>(5)</u>	<u>(6)</u>	<u>2,216,402</u>		
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 4,921,053</u>	<u>\$ (2)</u>	<u>\$ 17,793</u>	<u>\$ (17,803)</u>	<u>\$ 4,921,041</u>		

[Table of Contents](#)

Melco Resorts Finance Limited
Unaudited Reconciliation of Financial Condition and Results of Operations
of Melco Resorts Finance Limited - Restricted Subsidiaries Group to Melco Resorts Finance Limited
For the Nine Months Ended September 30, 2017
(In thousands of U.S. dollars)

	Consolidated Total for Melco Resorts Finance Limited - Restricted Subsidiaries Group	Unrestricted Subsidiaries			Consolidated Total for Melco Resorts Finance Limited
		MCO (Macau) Hotel Limited	MCO (Macau) Consulting Limited	Elimination	
Condensed Consolidated Statements of Operations (Unaudited) For the Nine Months Ended September 30, 2017					
OPERATING REVENUES					
Casino	\$ 3,239,326	\$ —	\$ —	\$ —	\$ 3,239,326
Rooms	96,058				96,058
Food and beverage	56,458				56,458
Entertainment, retail and other	240,182				240,182
Gross revenues	3,632,024	—	—	—	3,632,024
Less: promotional allowances	(118,578)				(118,578)
Net revenues	3,513,446	—	—	—	3,513,446
OPERATING COSTS AND EXPENSES					
Casino	(2,298,631)				(2,298,631)
Rooms	(11,327)				(11,327)
Food and beverage	(17,301)				(17,301)
Entertainment, retail and other	(44,099)				(44,099)
General and administrative	(534,375)				(534,375)
Pre-opening costs	(1,011)				(1,011)
Amortization of gaming subconcession	(42,928)				(42,928)
Amortization of land use rights	(8,149)				(8,149)
Depreciation and amortization	(146,063)				(146,063)
Property charges and other	(11,581)				(11,581)
Total operating costs and expenses	(3,115,465)	—	—	—	(3,115,465)
OPERATING INCOME	397,981	—	—	—	397,981
NON-OPERATING INCOME (EXPENSES)					
Interest income	250				250
Interest expenses, net of capitalized interest	(17,034)				(17,034)
Other finance costs	(16,522)				(16,522)
Foreign exchange gains, net	7,413				7,413
Other income, net	44				44
Loss on extinguishment of debt	(48,398)				(48,398)
Costs associated with debt modification	(2,793)				(2,793)
Total non-operating expenses, net	(77,040)	—	—	—	(77,040)
INCOME BEFORE INCOME TAX	320,941	—	—	—	320,941
INCOME TAX CREDIT	748				748
NET INCOME	\$ 321,689	\$ —	\$ —	\$ —	\$ 321,689

EXPLANATORY NOTE
Studio City Finance Limited's Quarterly Report
for the Three and Nine Months Ended September 30, 2017

This quarterly report serves to provide holders of Studio City Finance Limited's US\$825,000,000 8.50% senior notes due 2020 (the "Studio City Finance Notes") with Studio City Finance Limited's unaudited condensed consolidated financial statements, comprising condensed consolidated balance sheets, condensed consolidated statements of operations and condensed consolidated statements of cash flows, for the three and nine months ended September 30, 2017, together with the related information, pursuant to the terms of the indenture, dated November 26, 2012, relating to the Studio City Finance Notes. Studio City Finance Limited is a 60% owned subsidiary of Melco Resorts & Entertainment Limited.

[Table of Contents](#)

Studio City Finance Limited
Report for the Third Quarter of 2017
TABLE OF CONTENTS

<u>INTRODUCTION</u>	1
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	4
<u>GLOSSARY</u>	5
<u>EXCHANGE RATE INFORMATION</u>	7
<u>FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	8
<u>INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1

Table of Contents

INTRODUCTION

In this quarterly report, unless otherwise indicated:

- “2021 Studio City Senior Secured Credit Facility” refers to the facility agreement with, among others, Bank of China Limited, Macau Branch, to amend, restate and extend the Studio City Project Facility to provide for senior secured credit facilities in an aggregate amount of HK\$234.0 million, which consist of a HK\$233.0 million (equivalent to approximately US\$29.9 million) revolving credit facility and a HK\$1.0 million (equivalent to approximately US\$129,000) term loan facility;
- “Altira Macau” refers to an integrated casino and hotel development located in Taipa, Macau, that caters to Asian VIP rolling chip customers;
- “China” and “PRC” refer to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan from a geographical point of view;
- “City of Dreams” refers to a casino, hotel, retail and entertainment integrated resort located in Cotai, Macau, which currently features casino areas and three luxury hotels, including a collection of retail brands, a wet stage performance theater and other entertainment venues;
- “Concessionaire(s)” refers to the holder(s) of a concession for the operation of casino games in Macau;
- “Cotai” refers to an area of reclaimed land located between the islands of Taipa and Coloane in Macau;
- “DICJ” refers to the Direcção de Inspeção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau), a department of the Public Administration of Macau;
- “Gaming Operator” or “Melco Resorts Macau” refers to Melco Resorts (Macau) Limited (formerly known as Melco Crown (Macau) Limited), a company incorporated under the laws of Macau that is a wholly owned subsidiary of Melco, the holder of a subconcession under the Subconcession Contract and the operator of Studio City Casino;
- “HK\$” and “H.K. dollar(s)” refer to the legal currency of Hong Kong;
- “Hong Kong” refers to the Hong Kong Special Administrative Region of the PRC;
- “Land Grant” refers to the land concession by way of lease, for a period of 25 years as of October 17, 2001, subject to renewal, for a plot of land situated in Cotai, Macau, described with the Macau Immovable Property Registry under No. 23059 and registered in Studio City Developments Limited’s name under inscription no. 26642 of Book F, titled by Dispatch of the Secretary for Public Works and Transportation no. 100/2001 of October 9, 2001, published in the Macau Official Gazette no. 42 of October 17, 2001 as amended by Dispatch of the Secretary for Public Works and Transportation no. 31/2012 of July 19, 2012, published in the Macau Official Gazette no. 30 of July 25, 2012, and by Dispatch of Secretary for Public Works and Transportation no. 92/2015 of September 10, 2015, published in the Macau Official Gazette no. 38 of September 23, 2015 and including any other amendments from time to time to such land concession;
- “Macau” refers to the Macau Special Administrative Region of the PRC;
- “Master Services Agreements” refers to the services agreements (including work agreements) and arrangements for non-gaming services entered into on December 21, 2015 between SCI and certain of its subsidiaries, on the one hand, and certain Melco Affiliates, on the other hand, under which SCI and its subsidiaries and Melco Affiliates share and mutually provide certain non-gaming services at Studio City, City of Dreams and Altira Macau;
- “MCE Cotai” refers to MCE Cotai Investments Limited, a subsidiary of Melco and a shareholder of SCI;
- “Melco” refers to Melco Resorts & Entertainment Limited, a company incorporated in the Cayman Islands with its American depositary shares listed on the NASDAQ Global Select Market, and which, through its subsidiary MCE Cotai, ultimately owns a 60% interest in SCI;
- “Melco Affiliates” refers to the subsidiaries of Melco other than SCI and its subsidiaries;

Table of Contents

- “New Cotai” refers to New Cotai, LLC, a Delaware limited liability company owned by New Cotai Holdings;
- “New Cotai Holdings” refers to New Cotai Holdings, LLC, a Delaware limited liability company, and which, through its subsidiary New Cotai, ultimately owns a 40% interest in SCI;
- “Pataca(s)” and “MOP” refer to the legal currency of Macau;
- “Project Costs” refers to the construction and development costs and other project costs, including licensing, financing, interest, fees and pre-opening costs, of Studio City;
- “remaining project” refers to the part of the Studio City project with approximately a gross floor area of 229,968 square meters, which is required to be developed under the land concession contract;
- “SCI” refers to an indirect parent of our company, Studio City International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
- “Services and Right to Use Arrangements” refers to the agreement entered into among, *inter alia*, Melco Resorts Macau and Studio City Entertainment, dated May 11, 2007 and amended on June 15, 2012, and any other agreements or arrangements entered into from time to time, which may amend, supplement or relate to the aforementioned agreements or arrangements thereunder;
- “Shareholders Agreement” refers to the agreement dated July 27, 2011, as amended by the amendments dated September 25, 2012, May 17, 2013, June 3, 2014 and July 21, 2014, among MCE Cotai, New Cotai, Melco and SCI governing the relationship in connection with, and the conduct and operations of, SCI and its subsidiaries and the terms of further capital investment in SCI;
- “Site” or “Land” refers to the plot of land situated in Macau, at the Cotai reclaimed land area, with a gross area of approximately 1.4 million square feet (130,789 square meters), described at the Macau Immovable Property Registry under no. 23059, and registered in Studio City Developments Limited’s name under inscription no. 26642 of Book F, titled by Dispatch of the Secretary for Public Works and Transportation no. 100/2001 of October 9, 2001, as amended by Dispatch of the Secretary for Public Works and Transportation no. 31/2012 of July 19, 2012, published in the Macau Official Gazette no. 30 of July 25, 2012, and by Dispatch of Secretary for Public Works and Transportation no. 92/2015 of September 10, 2015, published in the Macau Official Gazette no. 38 of September 23, 2015, comprised of lots G300, G310 and G400, denoted by the letter “A” on map no. 5899/2000 issued by Macau Cartography and Cadastre Bureau on January 3, 2012;
- “Studio City Company” refers to our subsidiary, Studio City Company Limited, a British Virgin Islands company;
- “Studio City Company Notes” refers to, collectively, the US\$350.0 million aggregate principal amount of 5.875% senior notes due 2019 and the US\$850.0 million aggregate principal amount of 7.250% senior notes due 2021, each issued by Studio City Company on November 30, 2016;
- “Studio City Entertainment” refers to our subsidiary, Studio City Entertainment Limited, a Macau company;
- “Studio City Project Facility” refers to the senior secured project facility, dated January 28, 2013 and as amended from time to time, entered into between, among others, Studio City Company as borrower and certain subsidiaries as guarantors, comprising a term loan facility of HK\$10,080,460,000 (equivalent to approximately US\$1.3 billion) and revolving credit facility of HK\$775,420,000 (equivalent to approximately US\$100.0 million), and which has been amended, restated and extended by the 2021 Studio City Senior Secured Credit Facility;
- “Subconcession Contract” refers to the subconcession contract executed between the Gaming Operator and Wynn Resorts (Macau) S.A., or Wynn Resorts Macau, on September 8, 2006, that provides for the terms and conditions of the subconcession granted to the Gaming Operator by Wynn Resorts Macau;
- “Subconcessionaire(s)” refers to the holder(s) of a subconcession for the operation of casino games in Macau;

Table of Contents

- “US\$” and “U.S. dollar(s)” refer to the legal currency of the United States;
- “U.S. GAAP” refers to the accounting principles generally accepted in the United States; and
- “we,” “us,” “our,” “our company” and “the Company” refer to Studio City Finance Limited and, as the context requires, its predecessor entities and its consolidated subsidiaries.

This quarterly report includes our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2017.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

[Table of Contents](#)

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. Known and unknown risks, uncertainties and other factors may cause our actual results, performances or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. We operate in a heavily regulated and evolving industry, and have a highly leveraged business model. Moreover, we operate in Macau's gaming sector, a market with intense competition, and therefore new risk factors may emerge from time to time. It is not possible for our management to predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed or implied in any forward-looking statement. Forward-looking statements involve inherent risks and uncertainties, and a number of factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to, (i) growth of the gaming market and visitation in Macau, (ii) capital and credit market volatility, (iii) local and global economic conditions, (iv) our anticipated growth strategies, (v) gaming authority and other governmental approvals and regulations and (vi) our future business development, results of operations and financial condition. In some cases, forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "target," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions.

The forward-looking statements made in this quarterly report relate only to events or information as of the date on which the statements are made in this quarterly report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this quarterly report with the understanding that our actual future results may be materially different from what we expect.

Table of Contents

GLOSSARY

“cage”	a secure room within a casino with a facility that allows patrons to carry out transactions required to participate in gaming activities, such as exchange of cash for chips and exchange of chips for cash or other chips
“chip”	round token that is used on casino gaming tables in lieu of cash
“concession”	a government grant for the operation of games of fortune and chance in casinos in Macau under an administrative contract pursuant to which a concessionaire, or the entity holding the concession, is authorized to operate games of fortune and chance in casinos in Macau
“drop”	the amount of cash used to purchase gaming chips and promotional vouchers that is deposited in a gaming table’s drop box, plus gaming chips purchased at the casino cage
“drop box”	a box or container that serves as a repository for cash, chip purchase vouchers, credit markers and forms used to record movements in the chip inventory on each table game
“electronic gaming table”	table with an electronic or computerized wagering and payment system that allow players to place bets from multiple-player gaming seats
“gaming machine”	slot machine and/or electronic gaming table
“gaming machine handle”	the total amount wagered in gaming machines
“gaming machine win rate”	gaming machine win expressed as a percentage of gaming machine handle
“gaming promoter”	an individual or corporate entity who, for the purpose of promoting rolling chip and other gaming activities, arranges customer transportation and accommodation, provides credit in its sole discretion if authorized by a gaming operator and arranges food and beverage services and entertainment in exchange for commissions or other compensation from a gaming concessionaire or subconcessionaire
“integrated resort”	a resort which provides customers with a combination of hotel accommodations, casinos or gaming areas, retail and dining facilities, MICE space, entertainment venues and spas
“junket player”	a rolling chip patron sourced by gaming promoters to play in the VIP gaming rooms or areas
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“mass market player”	a customer who plays in the mass market segment
“mass market segment”	consists of both table games and gaming machines played by mass market players primarily for cash stakes
“mass market table games drop”	the amount of table games drop in the mass market table games segment
“mass market table games hold percentage”	mass market table games win as a percentage of mass market table games drop
“mass market table games segment”	the mass market segment consisting of mass market players who play table games
“MICE”	Meetings, Incentives, Conventions and Exhibitions, an acronym commonly used to refer to tourism involving large groups brought together for an event or specific purpose
“non-negotiable chip”	promotional casino chip that is not to be exchanged for cash

Table of Contents

“premium direct player”	a rolling chip patron who is a direct customer of the concessionaires or subconcessionaires and is attracted to the casino through direct marketing efforts and relationships with the gaming operator
“rolling chip” or “VIP rolling chip”	non-negotiable chip primarily used by rolling chip patrons to make wagers
“rolling chip patron”	a player who primarily plays on rolling chip or VIP rolling chip tables and typically plays for higher stakes than mass market players
“rolling chip segment”	consists of table games played in private VIP gaming rooms or areas by rolling chip patrons who are either premium direct players or junket players
“rolling chip volume”	the amount of non-negotiable chips wagered and lost by the rolling chip market segment
“rolling chip win rate”	rolling chip table games win (calculated before discounts and commissions) as a percentage of rolling chip volume
“slot machine”	traditional slot or electronic gaming machine operated by a single player
“subconcession”	an agreement for the operation of games of fortune and chance in casinos between the entity holding the concession, or the concessionaire, and a subconcessionaire, pursuant to which the subconcessionaire is authorized to operate games of fortune and chance in casinos in Macau
“table games win”	the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues
“VIP gaming room”	gaming rooms or areas that have restricted access to rolling chip patrons and typically offer more personalized service than the general mass market gaming areas

[Table of Contents](#)

EXCHANGE RATE INFORMATION

Although we have certain expenses and revenues denominated in Pataca, our revenues and expenses are denominated predominantly in H.K. dollar and, in connection with a portion of our indebtedness and certain expenses, in U.S. dollar. Unless otherwise noted, all translations from H.K. dollar to U.S. dollar and from U.S. dollar to H.K. dollar in this quarterly report were made at a rate of HK\$7.78 to US\$1.00.

The H.K. dollar is freely convertible into other currencies (including the U.S. dollar). Since October 17, 1983, the H.K. dollar has been officially linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The market exchange rate has not deviated materially from the level of HK\$7.80 to US\$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has stated its intention to maintain the link at that rate, and, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. However, no assurance can be given that the Hong Kong government will maintain the link at HK\$7.75 to HK\$7.85 per U.S. dollar or at all.

The noon buying rate on September 30, 2017 in New York City for cable transfers in H.K. dollar per U.S. dollar, provided in the H.10 weekly statistical release of the Federal Reserve Board of the United States as certified for customs purposes by the Federal Reserve Bank of New York, was HK\$7.8110 to US\$1.00. On November 24, 2017, the noon buying rate was HK\$7.8087 to US\$1.00. We make no representation that any H.K. dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollar or H.K. dollar, as the case may be, at any particular rate or at all.

The Pataca is pegged to the H.K. dollar at a rate of HK\$1.00 to MOP1.03. All translations from Pataca to U.S. dollar in this quarterly report were made at the exchange rate of MOP8.0134 to US\$1.00. The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Pataca.

Table of Contents

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with our unaudited condensed consolidated financial statements included elsewhere in this quarterly report. Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2016. The historical results are not necessarily indicative of the results of operations to be expected in the future. Certain statements in this “Financial Condition and Results of Operations” are forward-looking statements.

Results of Operations

Studio City is a world-class gaming, retail and entertainment resort located in Cotai, Macau. During the third quarter of 2017, Studio City Casino had approximately 245 mass market gaming tables and approximately 970 gaming machines operating. The mass market focus of Studio City Casino is complemented with junket and premium direct VIP rolling chip operations, which include 45 VIP rolling chip tables. Studio City’s cinematically-themed integrated resort is designed to attract a wide range of customers by providing highly differentiated non-gaming attractions, including the world’s first figure-8 Ferris wheel, a Warner Bros.- themed family entertainment center, a 4-D Batman flight simulator, a 5,000-seat live performance arena and the exclusive Pacha night club. Studio City features approximately 1,600 luxury hotel rooms, diverse food and beverage establishments and approximately 35,000 square meters of complementary retail space. Studio City was named *Casino/Integrated Resort of the Year* in 2016 by the International Gaming Awards.

Studio City Casino is operated by the Gaming Operator, one of the subsidiaries of Melco and a holder of a gaming subconcession, and we operate the non-gaming businesses of Studio City.

Studio City sits within a ring-fenced credit group separate from its shareholders and Studio City’s debt obligations are not guaranteed by its shareholders. In particular, Melco is not a guarantor under the 2021 Studio City Senior Secured Credit Facility, the Studio City Finance Notes or the Studio City Company Notes. As such, SCI and its shareholders are not contractually required to provide any additional financial support to Studio City with respect to the Studio City debt obligations.

The plan for the additional development on the remaining land on which Studio City is located remains at an early stage and is subject to various conditions. The remaining project may include a hotel and related amenities. We expect to have significant capital expenditures in the future if we continue to expand our existing operations at Studio City and develop the remaining project.

In October 2016, we filed an application with the Macau government requesting an extension of the development period for the land under the land concession contract. Such application is currently under review by the Macau government. If the Macau government does not grant us an extension of the development period and we fail to complete the remaining project by the deadline under the land concession contract, we may be forced to forfeit all or part of our investment in Studio City.

The Adjusted EBITDA for Studio City as mentioned in Melco’s unaudited third quarter 2017 earnings release dated November 2, 2017 does not reflect the intra-Melco group fees for the Master Services Agreements charged to Studio City Finance Limited and its subsidiaries and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. The consolidated financials of Studio City Finance Limited contained in this report reflect such intra-Melco group fees charged and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. In addition, the Adjusted EBITDA for Studio City mentioned above includes operating income or losses generated at Studio City by SCI’s subsidiaries which are not subsidiaries of Studio City Finance Limited. Such operating income or losses are not included in the consolidated financials of Studio City Finance Limited. The total variance resulting from the above differences for the third quarter of 2017 is approximately US\$17 million.

Table of Contents

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

For the third quarter of 2017, our total net revenues were US\$141.3 million, an increase of US\$26.7 million from US\$114.6 million of net revenues for the third quarter of 2016. The increase in total net revenues was primarily due to the increase in revenues from the provision of gaming related services as a result of the commencement of rolling chip operations in Studio City Casino in November 2016 and better performance in the mass market table games segment, partially offset by decreased non-gaming revenue.

Net loss attributable to Studio City Finance Limited for the third quarter of 2017 was US\$4.5 million, a decrease of US\$35.7 million from a net loss attributable to Studio City Finance Limited of US\$40.1 million for the third quarter of 2016, primarily due to increased revenues from the provision of gaming related services mentioned above.

Studio City generated casino revenues of US\$353.5 million and US\$190.7 million for the third quarters of 2017 and 2016, respectively. Rolling chip volume was US\$5.1 billion and the rolling chip win rate was 4.0% in the third quarter of 2017. Mass market table games drop increased to US\$747.1 million compared with US\$657.6 million in the third quarter of 2016. The mass market table games hold percentage was 25.0% in the third quarter of 2017 compared to 25.5% in the third quarter of 2016. Gaming machine handle for the third quarter of 2017 was US\$581.2 million, compared with US\$587.9 million in the third quarter of 2016. The gaming machine win rate was 3.3% in the third quarter of 2017 versus 3.9% in the third quarter of 2016. After the reimbursement to Melco Resorts Macau for the costs incurred in connection with its operation of the Studio City Casino pursuant to the Services and Right to Use Arrangements, US\$80.5 million and US\$46.5 million were recognized as revenues from the provision of gaming related services for the third quarters of 2017 and 2016, respectively.

Total non-gaming revenue at Studio City for the third quarter of 2017 was US\$61.5 million, compared with US\$69.0 million for the third quarter of 2016.

Total net non-operating expenses for the third quarter of 2017 were US\$39.3 million, which mainly included interest expenses of US\$38.1 million and other finance costs of US\$2.0 million, as compared to total net non-operating expenses of US\$39.6 million for the third quarter of 2016, which mainly included interest expenses of US\$33.1 million and other finance costs of US\$7.3 million.

Depreciation and amortization costs of US\$43.8 million were recorded in the third quarter of 2017, of which US\$0.8 million was related to the amortization of land use right.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

For the nine months ended September 30, 2017, our total net revenues were US\$393.7 million, an increase of US\$91.1 million from US\$302.6 million of net revenues for the nine months ended September 30, 2016. The increase in total net revenues was primarily due to the increase in revenues from the provision of gaming related services as a result of the commencement of rolling chip operations in Studio City Casino in November 2016 and better performance in mass market table games segment, partially offset by decreased non-gaming revenue.

Net loss attributable to Studio City Finance Limited for the nine months ended September 30, 2017 was US\$47.6 million, a decrease of US\$121.8 million from a net loss attributable to Studio City Finance Limited of US\$169.4 million for the nine months ended September 30, 2016, primarily due to the increased revenues from the provision of gaming related services mentioned above.

Table of Contents

Liquidity and Capital Resources

Up through the opening of Studio City, our principal sources of liquidity included shareholder equity contributions, loan facilities and senior notes facilities to meet our project development needs. Following the opening of Studio City in October 2015, we relied on, and intend to continue to rely on, our cash generated from our operations and our debt and equity financings. On August 14, 2017, SCI announced it submitted on a confidential basis to the U.S. Securities and Exchange Commission a draft registration statement for a possible initial public offering of American depositary shares representing ordinary shares of SCI.

As of September 30, 2017, we held cash and cash equivalents of US\$339.4 million, a bank deposit with original maturity over three months of US\$4.9 million and restricted cash of US\$50.9 million. Restricted cash represented certain bank account balances required to be maintained in accordance with the terms of the respective agreements of the Studio City Finance Notes, the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility. The revolving credit facility under the 2021 Studio City Senior Secured Credit Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	2017	2016	2017	2016
	(In thousands of US\$)			
Net cash provided by (used in) operating activities	\$ 65,909	\$ 37,541	\$ 88,423	\$ (11,612)
Net cash (used in) provided by investing activities	(47,997)	(19,067)	(77,802)	9,920
Cash used in financing activities	—	(38,870)	(1,259)	(46,539)
Net increase (decrease) in cash and cash equivalents	17,912	(20,396)	9,362	(48,231)
Cash and cash equivalents at beginning of period	321,528	248,649	330,078	276,484
Cash and cash equivalents at end of period	<u><u>\$339,440</u></u>	<u><u>\$228,253</u></u>	<u><u>\$339,440</u></u>	<u><u>\$228,253</u></u>

Operating Activities

Operating cash flows are generally affected by changes in operating income and receivable related to provision of gaming related services and hotel operations and the remainder of the business, including food and beverage and entertainment, is conducted primarily on a cash basis.

Table of Contents

Net cash provided by operating activities was US\$65.9 million for the three months ended September 30, 2017, as compared to net cash provided by operating activities of US\$37.5 million for the three months ended September 30, 2016. Net cash provided by operating activities was US\$88.4 million for the nine months ended September 30, 2017, as compared to net cash used in operating activities of US\$11.6 million for the nine months ended September 30, 2016. The change for the three and nine months ended September 30, 2017 compared to the same periods in 2016, was primarily due to the improvement in underlying performance as described in the foregoing sections.

Investing Activities

Net cash used in investing activities was US\$48.0 million for the three months ended September 30, 2017 as compared to net cash used in investing activities of US\$19.1 million for the three months ended September 30, 2016. The change was primarily due to an increase in restricted cash and placement of a bank deposit with original maturity over three months in the three months ended September 30, 2017, partially offset by a decrease in capital expenditure payments. Net cash used in investing activities for the three months ended September 30, 2017 mainly included an increase in restricted cash of US\$38.1 million, placement of a bank deposit with original maturity over three months of US\$4.9 million and capital expenditure payments of US\$3.4 million.

Net cash used in investing activities for the three months ended September 30, 2016 mainly included capital expenditure payments of US\$24.1 million, partially offset by a decrease in restricted cash of US\$4.5 million.

Net cash used in investing activities was US\$77.8 million for the nine months ended September 30, 2017 as compared to net cash provided by investing activities of US\$9.9 million for the nine months ended September 30, 2016. The change was primarily due to an increase in restricted cash in the current period, partially offset by a decrease in capital expenditure payments. Net cash used in investing activities for the nine months ended September 30, 2017 mainly included an increase in restricted cash of US\$38.1 million, capital expenditure payments of US\$32.0 million and placement of a bank deposit with original maturity over three months of US\$4.9 million.

Net cash provided by investing activities for the nine months ended September 30, 2016 mainly included a decrease in restricted cash of US\$109.0 million and proceeds from the sale of property and equipment and other long-term assets of US\$4.5 million, offset by capital expenditure payments of US\$102.9 million.

The movement of the restricted cash for the three and nine months ended September 30, 2017 and 2016 primarily related to the placement to, or withdrawal and payment from, bank accounts which are restricted in accordance with the terms of the respective agreements of the Studio City Finance Notes, the Studio City Company Notes and the Studio City Project Facility (such as payments of Studio City Project Costs and interest payments for the Studio City Finance Notes and the Studio City Company Notes).

Financing Activities

There was no cash used in or provided by any financing activity for the three months ended September 30, 2017. Cash used in financing activities was US\$38.9 million for the three months ended September 30, 2016 due to the scheduled repayment of the term loan under the Studio City Project Facility.

Cash used in financing activities was US\$1.3 million for the nine months ended September 30, 2017 due to the payment of debt issuance cost associated with the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility. Cash used in financing activities was US\$46.5 million for the nine months ended September 30, 2016 mainly due to the scheduled repayment of the term loan under the Studio City Project Facility and the payment of legal and professional fees incurred for amending the loan documentation for the Studio City Project Facility.

Table of Contents

Indebtedness and Capital Contributions

The following table presents a summary of our gross indebtedness, before the reduction of debt issuance costs, as of September 30, 2017:

	<u>As of September 30, 2017</u> (in thousands of US\$)
Studio City Company Notes	\$ 1,200,000
Studio City Finance Notes	825,000
2021 Studio City Senior Secured Credit Facility	129
	<u>\$ 2,025,129</u>

There was no change in our gross indebtedness as of September 30, 2017 compared to June 30, 2017.

Prior to the opening of Studio City, MCE Cotai and New Cotai, shareholders of SCI, contributed US\$1,250.0 million to Studio City and US\$30.0 million for the initial design work for the remaining project in accordance with the Shareholders Agreement, representing all of the capital contributions required under the Shareholders Agreement. The Shareholders Agreement does not require MCE Cotai or New Cotai to make any additional capital contributions to SCI.

Table of Contents

**Studio City Finance Limited
Index To Unaudited Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2017**

	<u>Page</u>
<u>Unaudited Condensed Consolidated Balance Sheets</u>	F- 2
<u>Unaudited Condensed Consolidated Statements of Operations</u>	F- 3
<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	F- 4

[Table of Contents](#)

Studio City Finance Limited
Condensed Consolidated Balance Sheets
(In thousands of U.S. dollars, except share and per share data)

	<u>September 30, 2017</u> (Unaudited)	<u>December 31, 2016</u> (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 339,440	\$ 330,078
Bank deposit with original maturity over three months	4,884	—
Restricted cash	50,774	12,694
Accounts receivable, net	2,039	2,695
Amounts due from affiliated companies	44,211	18,190
Inventories	10,009	9,105
Prepaid expenses and other current assets	17,028	12,142
Total current assets	<u>468,385</u>	<u>384,904</u>
PROPERTY AND EQUIPMENT, NET	2,314,395	2,408,394
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	61,670	77,812
RESTRICTED CASH	130	130
LAND USE RIGHT, NET	126,502	128,995
TOTAL ASSETS	<u>\$ 2,971,082</u>	<u>\$ 3,000,235</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 5,080	\$ 3,368
Accrued expenses and other current liabilities	178,212	154,593
Amounts due to affiliated companies	25,100	33,469
Total current liabilities	<u>208,392</u>	<u>191,430</u>
LONG-TERM DEBT, NET	1,997,500	1,992,123
OTHER LONG-TERM LIABILITIES	14,329	17,333
DEFERRED TAX LIABILITIES	710	800
SHAREHOLDER'S EQUITY		
Ordinary shares, par value \$1; 50,000 shares authorized; 3 shares issued and outstanding	—	—
Additional paid-in capital	1,460,083	1,460,083
Accumulated other comprehensive losses	(65)	(65)
Accumulated losses	<u>(701,469)</u>	<u>(653,836)</u>
Total Studio City Finance Limited shareholder's equity	758,549	806,182
Noncontrolling interests	(8,398)	(7,633)
Total equity	<u>750,151</u>	<u>798,549</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,971,082</u>	<u>\$ 3,000,235</u>

[Table of Contents](#)

Studio City Finance Limited
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
OPERATING REVENUES				
Provision of gaming related services	\$ 80,498	\$ 46,476	\$ 213,850	\$ 100,352
Rooms	22,787	22,318	66,241	63,750
Food and beverage	13,880	17,023	40,882	41,390
Entertainment, retail and other	24,801	29,699	74,347	101,062
Gross revenues	141,966	115,516	395,320	306,554
Less: promotional allowances	(673)	(910)	(1,647)	(4,004)
Net revenues	<u>141,293</u>	<u>114,606</u>	<u>393,673</u>	<u>302,550</u>
OPERATING COSTS AND EXPENSES				
Provision of gaming related services	(6,884)	(2,226)	(19,218)	(7,834)
Rooms	(5,523)	(6,448)	(16,546)	(17,664)
Food and beverage	(11,757)	(11,600)	(35,855)	(39,733)
Entertainment, retail and other	(11,447)	(13,635)	(31,226)	(51,506)
General and administrative	(27,235)	(36,035)	(85,817)	(105,516)
Pre-opening costs	(23)	(2,715)	17	(3,393)
Amortization of land use right	(832)	(832)	(2,493)	(2,493)
Depreciation and amortization	(42,926)	(41,645)	(128,906)	(124,932)
Property charges and other	(65)	—	(4,332)	—
Total operating costs and expenses	<u>(106,692)</u>	<u>(115,136)</u>	<u>(324,376)</u>	<u>(353,071)</u>
OPERATING INCOME (LOSS)				
	<u>34,601</u>	<u>(530)</u>	<u>69,297</u>	<u>(50,521)</u>
NON-OPERATING INCOME (EXPENSES)				
Interest income	585	321	1,349	923
Interest expenses	(38,080)	(33,128)	(114,239)	(99,096)
Other finance costs	(2,026)	(7,322)	(5,969)	(21,718)
Foreign exchange gains, net	11	321	379	738
Other income, net	231	232	695	695
Total non-operating expenses, net	<u>(39,279)</u>	<u>(39,576)</u>	<u>(117,785)</u>	<u>(118,458)</u>
LOSS BEFORE INCOME TAX				
INCOME TAX CREDIT (EXPENSE)				
NET LOSS	<u>(4,612)</u>	<u>(40,126)</u>	<u>(48,398)</u>	<u>(169,389)</u>
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>144</u>	<u>—</u>	<u>765</u>	<u>—</u>
NET LOSS ATTRIBUTABLE TO STUDIO CITY FINANCE LIMITED	<u><u>\$ (4,468)</u></u>	<u><u>\$ (40,126)</u></u>	<u><u>\$ (47,633)</u></u>	<u><u>\$ (169,389)</u></u>

[Table of Contents](#)

Studio City Finance Limited
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net cash provided by (used in) operating activities	\$ 65,909	\$ 37,541	\$ 88,423	\$ (11,612)
CASH FLOWS FROM INVESTING ACTIVITIES				
Changes in restricted cash	(38,078)	4,498	(38,080)	108,997
Payments for acquisition of property and equipment	(3,369)	(24,115)	(31,961)	(102,902)
Placement of bank deposit with original maturity over three months	(4,884)	—	(4,884)	—
Funds to an affiliated company	(1,242)	(635)	(2,329)	(2,380)
Advance payments and deposits for acquisition of property and equipment	(766)	(4)	(1,423)	(313)
Proceeds from sale of property and equipment and other long-term assets	342	1,189	875	4,518
Repayment of loan to an affiliated company	—	—	—	2,000
Net cash (used in) provided by investing activities	(47,997)	(19,067)	(77,802)	9,920
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of deferred financing costs	—	—	(1,259)	(7,669)
Principal payments on long-term debt	—	(38,870)	—	(38,870)
Cash used in financing activities	—	(38,870)	(1,259)	(46,539)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,912	(20,396)	9,362	(48,231)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	321,528	248,649	330,078	276,484
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$339,440	\$228,253	\$339,440	\$ 228,253
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS				
Cash paid for interest	\$ (2)	\$ (15,602)	\$ (76,161)	\$ (81,737)
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Change in accrued expenses and other current liabilities and other long-term liabilities related to acquisition of property and equipment	14,973	(515)	15,780	28,311
Change in amounts due from/to affiliated companies related to acquisition of property and equipment and other long-term assets	621	2,392	3,689	6,608
Change in prepaid expenses and other current assets related to sale of property and equipment	—	—	—	2,618
Issuance of share through settlement of advance from an affiliated company	—	942,779	—	942,779

EXPLANATORY NOTE
Studio City Investments Limited's Quarterly Report
for the Three and Nine Months Ended September 30, 2017

This quarterly report serves to provide holders of Studio City Company Limited's US\$350,000,000 5.875% senior secured notes due 2019 (the "2019 Studio City Company Notes") with Studio City Investments Limited's unaudited condensed consolidated financial statements, comprising condensed consolidated balance sheets, condensed consolidated statements of operations and condensed consolidated statements of cash flows, for the three and nine months ended September 30, 2017, together with the related information, pursuant to the terms of the indenture, dated November 30, 2016, as supplemented, relating to the 2019 Studio City Company Notes. Each of Studio City Investments Limited and Studio City Company Limited is a 60% owned subsidiary of Melco Resorts & Entertainment Limited. Studio City Investments Limited is the parent guarantor of the 2019 Studio City Company Notes.

[Table of Contents](#)

Studio City Investments Limited
Report for the Third Quarter of 2017
TABLE OF CONTENTS

<u>INTRODUCTION</u>	1
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	4
<u>GLOSSARY</u>	5
<u>EXCHANGE RATE INFORMATION</u>	7
<u>FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	8
<u>INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1

Table of Contents

INTRODUCTION

In this quarterly report, unless otherwise indicated:

- “2021 Studio City Company Notes” refers to the US\$850.0 million aggregate principal amount of 7.250% senior notes due 2021 issued by Studio City Company Limited on November 30, 2016;
- “2021 Studio City Senior Secured Credit Facility” refers to the facility agreement with, among others, Bank of China Limited, Macau Branch, to amend, restate and extend the Studio City Project Facility to provide for senior secured credit facilities in an aggregate amount of HK\$234.0 million, which consist of a HK\$233.0 million (equivalent to approximately US\$29.9 million) revolving credit facility and a HK\$1.0 million (equivalent to approximately US\$129,000) term loan facility;
- “Altira Macau” refers to an integrated casino and hotel development located in Taipa, Macau, that caters to Asian VIP rolling chip customers;
- “China” and “PRC” refer to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan from a geographical point of view;
- “City of Dreams” refers to a casino, hotel, retail and entertainment integrated resort located in Cotai, Macau, which currently features casino areas and three luxury hotels, including a collection of retail brands, a wet stage performance theater and other entertainment venues;
- “Concessionaire(s)” refers to the holder(s) of a concession for the operation of casino games in Macau;
- “Cotai” refers to an area of reclaimed land located between the islands of Taipa and Coloane in Macau;
- “DICJ” refers to the Direcção de Inspecção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau), a department of the Public Administration of Macau;
- “Gaming Operator” or “Melco Resorts Macau” refers to Melco Resorts (Macau) Limited (formerly known as Melco Crown (Macau) Limited), a company incorporated under the laws of Macau that is a wholly owned subsidiary of Melco, the holder of a subconcession under the Subconcession Contract and the operator of Studio City Casino;
- “HK\$” and “H.K. dollar(s)” refer to the legal currency of Hong Kong;
- “Hong Kong” refers to the Hong Kong Special Administrative Region of the PRC;
- “Land Grant” refers to the land concession by way of lease, for a period of 25 years as of October 17, 2001, subject to renewal, for a plot of land situated in Cotai, Macau, described with the Macau Immovable Property Registry under No. 23059 and registered in Studio City Developments Limited’s name under inscription no. 26642 of Book F, titled by Dispatch of the Secretary for Public Works and Transportation no. 100/2001 of October 9, 2001, published in the Macau Official Gazette no. 42 of October 17, 2001 as amended by Dispatch of the Secretary for Public Works and Transportation no. 31/2012 of July 19, 2012, published in the Macau Official Gazette no. 30 of July 25, 2012, and by Dispatch of Secretary for Public Works and Transportation no. 92/2015 of September 10, 2015, published in the Macau Official Gazette no. 38 of September 23, 2015 and including any other amendments from time to time to such land concession;
- “Macau” refers to the Macau Special Administrative Region of the PRC;
- “Master Services Agreements” refers to the services agreements (including work agreements) and arrangements for non-gaming services entered into on December 21, 2015 between SCI and certain of its subsidiaries, on the one hand, and certain Melco Affiliates, on the other hand, under which SCI and its subsidiaries and Melco Affiliates share and mutually provide certain non-gaming services at Studio City, City of Dreams and Altira Macau;
- “MCE Cotai” refers to MCE Cotai Investments Limited, a subsidiary of Melco and a shareholder of SCI;
- “Melco” refers to Melco Resorts & Entertainment Limited, a company incorporated in the Cayman Islands with its American depositary shares listed on the NASDAQ Global Select Market, and which, through its subsidiary MCE Cotai, ultimately owns a 60% interest in SCI;

Table of Contents

- “Melco Affiliates” refers to the subsidiaries of Melco other than SCI and its subsidiaries;
- “New Cotai” refers to New Cotai, LLC, a Delaware limited liability company owned by New Cotai Holdings;
- “New Cotai Holdings” refers to New Cotai Holdings, LLC, a Delaware limited liability company, and which, through its subsidiary New Cotai, ultimately owns a 40% interest in SCI;
- “Pataca(s)” and “MOP” refer to the legal currency of Macau;
- “Project Costs” refers to the construction and development costs and other project costs, including licensing, financing, interest, fees and pre-opening costs, of Studio City;
- “remaining project” refers to the part of the Studio City project with approximately a gross floor area of 229,968 square meters, which is required to be developed under the land concession contract;
- “SCI” refers to an indirect parent of our company, Studio City International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
- “Services and Right to Use Arrangements” refers to the agreement entered into among, *inter alia*, Melco Resorts Macau and Studio City Entertainment, dated May 11, 2007 and amended on June 15, 2012, and any other agreements or arrangements entered into from time to time, which may amend, supplement or relate to the aforementioned agreements or arrangements thereunder;
- “Shareholders Agreement” refers to the agreement dated July 27, 2011, as amended by the amendments dated September 25, 2012, May 17, 2013, June 3, 2014 and July 21, 2014, among MCE Cotai, New Cotai, Melco and SCI governing the relationship in connection with, and the conduct and operations of, SCI and its subsidiaries and the terms of further capital investment in SCI;
- “Site” or “Land” refers to the plot of land situated in Macau, at the Cotai reclaimed land area, with a gross area of approximately 1.4 million square feet (130,789 square meters), described at the Macau Immovable Property Registry under no. 23059, and registered in Studio City Developments Limited’s name under inscription no. 26642 of Book F, titled by Dispatch of the Secretary for Public Works and Transportation no. 100/2001 of October 9, 2001, as amended by Dispatch of the Secretary for Public Works and Transportation no. 31/2012 of July 19, 2012, published in the Macau Official Gazette no. 30 of July 25, 2012, and by Dispatch of Secretary for Public Works and Transportation no. 92/2015 of September 10, 2015, published in the Macau Official Gazette no. 38 of September 23, 2015, comprised of lots G300, G310 and G400, denoted by the letter “A” on map no. 5899/2000 issued by Macau Cartography and Cadastre Bureau on January 3, 2012;
- “Studio City Company Notes” refers to, collectively, the 2019 Studio City Company Notes and the 2021 Studio City Company Notes;
- “Studio City Entertainment” refers to our subsidiary, Studio City Entertainment Limited, a Macau company;
- “Studio City Finance” refers to Studio City Finance Limited, a British Virgin Islands company;
- “Studio City Finance Notes” refers to the US\$825.0 million aggregate principal amount of 8.500% senior notes due 2020 issued by Studio City Finance Limited on November 26, 2012;
- “Studio City Intercompany Note” refers to the on-loan by Studio City Finance to our company of the proceeds of the Studio City Finance Notes offering;
- “Studio City Project Facility” refers to the senior secured project facility, dated January 28, 2013 and as amended from time to time, entered into between, among others, Studio City Company Limited as borrower and certain subsidiaries as guarantors, comprising a term loan facility of HK\$10,080,460,000 (equivalent to approximately US\$1.3 billion) and revolving credit facility of HK\$775,420,000 (equivalent to approximately US\$100.0 million), and which has been amended, restated and extended by the 2021 Studio City Senior Secured Credit Facility;

Table of Contents

- “Subconcession Contract” refers to the subconcession contract executed between the Gaming Operator and Wynn Resorts (Macau) S.A., or Wynn Resorts Macau, on September 8, 2006, that provides for the terms and conditions of the subconcession granted to the Gaming Operator by Wynn Resorts Macau;
- “Subconcessionaire(s)” refers to the holder(s) of a subconcession for the operation of casino games in Macau;
- “US\$” and “U.S. dollar(s)” refer to the legal currency of the United States;
- “U.S. GAAP” refers to the accounting principles generally accepted in the United States; and
- “we,” “us,” “our,” “our company” and “the Company” refer to Studio City Investments Limited and, as the context requires, its predecessor entities and its consolidated subsidiaries.

This quarterly report includes our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2017.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

[Table of Contents](#)

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. Known and unknown risks, uncertainties and other factors may cause our actual results, performances or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. We operate in a heavily regulated and evolving industry, and have a highly leveraged business model. Moreover, we operate in Macau's gaming sector, a market with intense competition, and therefore new risk factors may emerge from time to time. It is not possible for our management to predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed or implied in any forward-looking statement. Forward-looking statements involve inherent risks and uncertainties, and a number of factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to, (i) growth of the gaming market and visitation in Macau, (ii) capital and credit market volatility, (iii) local and global economic conditions, (iv) our anticipated growth strategies, (v) gaming authority and other governmental approvals and regulations and (vi) our future business development, results of operations and financial condition. In some cases, forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "target," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions.

The forward-looking statements made in this quarterly report relate only to events or information as of the date on which the statements are made in this quarterly report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this quarterly report with the understanding that our actual future results may be materially different from what we expect.

Table of Contents

GLOSSARY

“cage”	a secure room within a casino with a facility that allows patrons to carry out transactions required to participate in gaming activities, such as exchange of cash for chips and exchange of chips for cash or other chips
“chip”	round token that is used on casino gaming tables in lieu of cash
“concession”	a government grant for the operation of games of fortune and chance in casinos in Macau under an administrative contract pursuant to which a concessionaire, or the entity holding the concession, is authorized to operate games of fortune and chance in casinos in Macau
“drop”	the amount of cash used to purchase gaming chips and promotional vouchers that is deposited in a gaming table’s drop box, plus gaming chips purchased at the casino cage
“drop box”	a box or container that serves as a repository for cash, chip purchase vouchers, credit markers and forms used to record movements in the chip inventory on each table game
“electronic gaming table”	table with an electronic or computerized wagering and payment system that allow players to place bets from multiple-player gaming seats
“gaming machine”	slot machine and/or electronic gaming table
“gaming machine handle”	the total amount wagered in gaming machines
“gaming machine win rate”	gaming machine win expressed as a percentage of gaming machine handle
“gaming promoter”	an individual or corporate entity who, for the purpose of promoting rolling chip and other gaming activities, arranges customer transportation and accommodation, provides credit in its sole discretion if authorized by a gaming operator and arranges food and beverage services and entertainment in exchange for commissions or other compensation from a gaming concessionaire or subconcessionaire
“integrated resort”	a resort which provides customers with a combination of hotel accommodations, casinos or gaming areas, retail and dining facilities, MICE space, entertainment venues and spas
“junket player”	a rolling chip patron sourced by gaming promoters to play in the VIP gaming rooms or areas
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“mass market player”	a customer who plays in the mass market segment
“mass market segment”	consists of both table games and gaming machines played by mass market players primarily for cash stakes
“mass market table games drop”	the amount of table games drop in the mass market table games segment
“mass market table games hold percentage”	mass market table games win as a percentage of mass market table games drop
“mass market table games segment”	the mass market segment consisting of mass market players who play table games
“MICE”	Meetings, Incentives, Conventions and Exhibitions, an acronym commonly used to refer to tourism involving large groups brought together for an event or specific purpose
“non-negotiable chip”	promotional casino chip that is not to be exchanged for cash

Table of Contents

“premium direct player”	a rolling chip patron who is a direct customer of the concessionaires or subconcessionaires and is attracted to the casino through direct marketing efforts and relationships with the gaming operator
“rolling chip” or “VIP rolling chip”	non-negotiable chip primarily used by rolling chip patrons to make wagers
“rolling chip patron”	a player who primarily plays on rolling chip or VIP rolling chip tables and typically plays for higher stakes than mass market players
“rolling chip segment”	consists of table games played in private VIP gaming rooms or areas by rolling chip patrons who are either premium direct players or junket players
“rolling chip volume”	the amount of non-negotiable chips wagered and lost by the rolling chip market segment
“rolling chip win rate”	rolling chip table games win (calculated before discounts and commissions) as a percentage of rolling chip volume
“slot machine”	traditional slot or electronic gaming machine operated by a single player
“subconcession”	an agreement for the operation of games of fortune and chance in casinos between the entity holding the concession, or the concessionaire, and a subconcessionaire, pursuant to which the subconcessionaire is authorized to operate games of fortune and chance in casinos in Macau
“table games win”	the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues
“VIP gaming room”	gaming rooms or areas that have restricted access to rolling chip patrons and typically offer more personalized service than the general mass market gaming areas

[Table of Contents](#)

EXCHANGE RATE INFORMATION

Although we have certain expenses and revenues denominated in Pataca, our revenues and expenses are denominated predominantly in H.K. dollar and, in connection with a portion of our indebtedness and certain expenses, in U.S. dollar. Unless otherwise noted, all translations from H.K. dollar to U.S. dollar and from U.S. dollar to H.K. dollar in this quarterly report were made at a rate of HK\$7.78 to US\$1.00.

The H.K. dollar is freely convertible into other currencies (including the U.S. dollar). Since October 17, 1983, the H.K. dollar has been officially linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The market exchange rate has not deviated materially from the level of HK\$7.80 to US\$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has stated its intention to maintain the link at that rate, and, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. However, no assurance can be given that the Hong Kong government will maintain the link at HK\$7.75 to HK\$7.85 per U.S. dollar or at all.

The noon buying rate on September 30, 2017 in New York City for cable transfers in H.K. dollar per U.S. dollar, provided in the H.10 weekly statistical release of the Federal Reserve Board of the United States as certified for customs purposes by the Federal Reserve Bank of New York, was HK\$7.8110 to US\$1.00. On November 24, 2017, the noon buying rate was HK\$7.8087 to US\$1.00. We make no representation that any H.K. dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollar or H.K. dollar, as the case may be, at any particular rate or at all.

The Pataca is pegged to the H.K. dollar at a rate of HK\$1.00 to MOP1.03. All translations from Pataca to U.S. dollar in this quarterly report were made at the exchange rate of MOP8.0134 to US\$1.00. The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Pataca.

Table of Contents

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with our unaudited condensed consolidated financial statements included elsewhere in this quarterly report. Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2016. The historical results are not necessarily indicative of the results of operations to be expected in the future. Certain statements in this “Financial Condition and Results of Operations” are forward-looking statements.

Results of Operations

Studio City is a world-class gaming, retail and entertainment resort located in Cotai, Macau. During the third quarter of 2017, Studio City Casino had approximately 245 mass market gaming tables and approximately 970 gaming machines operating. The mass market focus of Studio City Casino is complemented with junket and premium direct VIP rolling chip operations, which include 45 VIP rolling chip tables. Studio City’s cinematically-themed integrated resort is designed to attract a wide range of customers by providing highly differentiated non-gaming attractions, including the world’s first figure-8 Ferris wheel, a Warner Bros.- themed family entertainment center, a 4-D Batman flight simulator, a 5,000-seat live performance arena and the exclusive Pacha night club. Studio City features approximately 1,600 luxury hotel rooms, diverse food and beverage establishments and approximately 35,000 square meters of complementary retail space. Studio City was named *Casino/Integrated Resort of the Year* in 2016 by the International Gaming Awards.

Studio City Casino is operated by the Gaming Operator, one of the subsidiaries of Melco and a holder of a gaming subconcession, and we operate the non-gaming businesses of Studio City.

Studio City sits within a ring-fenced credit group separate from its shareholders and Studio City’s debt obligations are not guaranteed by its shareholders. In particular, Melco is not a guarantor under the 2021 Studio City Senior Secured Credit Facility, the Studio City Finance Notes or the Studio City Company Notes. As such, SCI and its shareholders are not contractually required to provide any additional financial support to Studio City with respect to the Studio City debt obligations.

The plan for the additional development on the remaining land on which Studio City is located remains at an early stage and is subject to various conditions. The remaining project may include a hotel and related amenities. We expect to have significant capital expenditures in the future if we continue to expand our existing operations at Studio City and develop the remaining project.

In October 2016, we filed an application with the Macau government requesting an extension of the development period for the land under the land concession contract. Such application is currently under review by the Macau government. If the Macau government does not grant us an extension of the development period and we fail to complete the remaining project by the deadline under the land concession contract, we may be forced to forfeit all or part of our investment in Studio City.

The Adjusted EBITDA for Studio City as mentioned in Melco’s unaudited third quarter 2017 earnings release dated November 2, 2017 does not reflect the intra-Melco group fees for the Master Services Agreements charged to Studio City Investments Limited and its subsidiaries and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. The consolidated financials of Studio City Investments Limited contained in this report reflect such intra-Melco group fees charged and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. In addition, the Adjusted EBITDA for Studio City mentioned above includes operating income or losses generated at Studio City by SCI’s subsidiaries which are not subsidiaries of Studio City Investments Limited. Such operating income or losses are not included in the consolidated financials of Studio City Investments Limited. The total variance resulting from the above differences for the third quarter of 2017 is approximately US\$17 million.

Table of Contents

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

For the third quarter of 2017, our total net revenues were US\$141.3 million, an increase of US\$26.7 million from US\$114.6 million of net revenues for the third quarter of 2016. The increase in total net revenues was primarily due to the increase in revenues from the provision of gaming related services as a result of the commencement of rolling chip operations in Studio City Casino in November 2016 and better performance in the mass market table games segment, partially offset by decreased non-gaming revenue.

Net loss attributable to Studio City Investments Limited for the third quarter of 2017 was US\$11.6 million, a decrease of US\$34.4 million from a net loss attributable to Studio City Investments Limited of US\$46.0 million for the third quarter of 2016, primarily due to the increased revenues from the provision of gaming related services mentioned above.

Studio City generated casino revenues of US\$353.5 million and US\$190.7 million for the third quarters of 2017 and 2016, respectively. Rolling chip volume was US\$5.1 billion and the rolling chip win rate was 4.0% in the third quarter of 2017. Mass market table games drop increased to US\$747.1 million compared with US\$657.6 million in the third quarter of 2016. The mass market table games hold percentage was 25.0% in the third quarter of 2017 compared to 25.5% in the third quarter of 2016. Gaming machine handle for the third quarter of 2017 was US\$581.2 million, compared with US\$587.9 million in the third quarter of 2016. The gaming machine win rate was 3.3% in the third quarter of 2017 versus 3.9% in the third quarter of 2016. After the reimbursement to Melco Resorts Macau for the costs incurred in connection with its operation of the Studio City Casino pursuant to the Services and Right to Use Arrangements, US\$80.5 million and US\$46.5 million were recognized as revenues from the provision of gaming related services for the third quarters of 2017 and 2016, respectively.

Total non-gaming revenue at Studio City for the third quarter of 2017 was US\$61.5 million, compared with US\$69.0 million for the third quarter of 2016.

Total net non-operating expenses for the third quarter of 2017 were US\$47.8 million, which mainly included interest expenses of US\$47.1 million and other finance costs of US\$1.5 million, as compared to total net non-operating expenses of US\$46.8 million for the third quarter of 2016, which mainly included interest expenses of US\$40.9 million and other finance costs of US\$6.8 million.

Depreciation and amortization costs of US\$42.5 million were recorded in the third quarter of 2017, of which US\$0.8 million was related to the amortization of land use right.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

For the nine months ended September 30, 2017, our total net revenues were US\$393.7 million, an increase of US\$91.1 million from US\$302.6 million of net revenues for the nine months ended September 30, 2016. The increase in total net revenues was primarily due to the increase in revenues from the provision of gaming related services as a result of the commencement of rolling chip operations in Studio City Casino in November 2016 and better performance in mass market table games segment, partially offset by decreased non-gaming revenue.

Net loss attributable to Studio City Investments Limited for the nine months ended September 30, 2017 was US\$68.1 million, a decrease of US\$118.1 million from a net loss attributable to Studio City Investments Limited of US\$186.2 million for the nine months ended September 30, 2016, primarily due to the increased revenues from the provision of gaming related services mentioned above.

Table of Contents

Liquidity and Capital Resources

Up through the opening of Studio City, our principal sources of liquidity included shareholder equity contributions, loan facilities and senior notes facilities to meet our project development needs. Following the opening of Studio City in October 2015, we relied on, and intend to continue to rely on, our cash generated from our operations and our debt and equity financings. On August 14, 2017, SCI announced it submitted on a confidential basis to the U.S. Securities and Exchange Commission a draft registration statement for a possible initial public offering of American depositary shares representing ordinary shares of SCI.

As of September 30, 2017, we held cash and cash equivalents of US\$339.4 million, a bank deposit with original maturity over three months of US\$4.9 million and restricted cash of US\$27.5 million. Restricted cash represented certain bank account balances required to be maintained in accordance with the terms of the respective agreements of the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility. The revolving credit facility under the 2021 Studio City Senior Secured Credit Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	2017	2016	2017	2016
Net cash provided by (used in) operating activities	\$ 48,380	\$ 20,013	\$ 70,992	\$ (34,844)
Net cash (used in) provided by investing activities	(30,468)	(1,539)	(60,371)	33,152
Cash used in financing activities	—	(38,870)	(1,259)	(46,539)
Net increase (decrease) in cash and cash equivalents	17,912	(20,396)	9,362	(48,231)
Cash and cash equivalents at beginning of period	321,528	248,649	330,078	276,484
Cash and cash equivalents at end of period	<u><u>\$339,440</u></u>	<u><u>\$228,253</u></u>	<u><u>\$339,440</u></u>	<u><u>\$228,253</u></u>

Operating Activities

Operating cash flows are generally affected by changes in operating income and receivable related to provision of gaming related services and hotel operations and the remainder of the business, including food and beverage and entertainment, is conducted primarily on a cash basis.

Table of Contents

Net cash provided by operating activities was US\$48.4 million for the three months ended September 30, 2017, as compared to net cash provided by operating activities of US\$20.0 million for the three months ended September 30, 2016. Net cash provided by operating activities was US\$71.0 million for the nine months ended September 30, 2017, as compared to net cash used in operating activities of US\$34.8 million for the nine months ended September 30, 2016. The change for the three and nine months ended September 30, 2017, compared to the same periods in 2016, was primarily due to the improvement in underlying performance as described in the foregoing sections.

Investing Activities

Net cash used in investing activities was US\$30.5 million for the three months ended September 30, 2017 as compared to net cash used in investing activities of US\$1.5 million for the three months ended September 30, 2016. The change was primarily due to an increase in restricted cash and placement of a bank deposit with original maturity over three months in the three months ended September 30, 2017, partially offset by a decrease in capital expenditure payments. Net cash used in investing activities for the three months ended September 30, 2017 mainly included an increase in restricted cash of US\$20.5 million, placement of a bank deposit with original maturity over three months of US\$4.9 million and capital expenditure payments of US\$3.4 million.

Net cash used in investing activities for the three months ended September 30, 2016 mainly included capital expenditure payments of US\$24.1 million, offset by a decrease in restricted cash of US\$22.0 million.

Net cash used in investing activities was US\$60.4 million for the nine months ended September 30, 2017 as compared to net cash provided by investing activities of US\$33.2 million for the nine months ended September 30, 2016. The change was primarily due to an increase in restricted cash in the current period, partially offset by a decrease in capital expenditure payments. Net cash used in investing activities for the nine months ended September 30, 2017 mainly included capital expenditure payments of US\$32.0 million, an increase in restricted cash of US\$20.5 million and placement of a bank deposit with original maturity over three months of US\$4.9 million.

Net cash provided by investing activities for the nine months ended September 30, 2016 mainly included a decrease in restricted cash of US\$132.4 million and proceeds from the sale of property and equipment and other long-term assets of US\$4.5 million, partially offset by capital expenditure payments of US\$102.9 million.

The movement of the restricted cash for the three and nine months ended September 30, 2017 and 2016 primarily related to the placement to, or withdrawal and payment from, bank accounts which are restricted in accordance with the terms of the respective agreements of the Studio City Company Notes and the Studio City Project Facility (such as payments of Studio City Project Costs and interest payments for the Studio City Company Notes).

Financing Activities

There was no cash used in or provided by any financing activity for the three months ended September 30, 2017. Cash used in financing activities was US\$38.9 million for the three months ended September 30, 2016 due to the scheduled repayment of the term loan under the Studio City Project Facility.

Cash used in financing activities was US\$1.3 million for the nine months ended September 30, 2017 due to the payment of debt issuance cost associated with the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility. Cash used in financing activities was US\$46.5 million for the nine months ended September 30, 2016 mainly due to the scheduled repayment of the term loan under the Studio City Project Facility and the payment of legal and professional fees incurred for amending the loan documentation for the Studio City Project Facility.

Table of Contents

Indebtedness and Capital Contributions

The following table presents a summary of our gross indebtedness, before the reduction of debt issuance costs, as of September 30, 2017:

	<u>As of September 30, 2017</u> (in thousands of US\$)
Studio City Company Notes	\$ 1,200,000
Studio City Intercompany Note	667,401
2021 Studio City Senior Secured Credit Facility	129
	<u>\$ 1,867,530</u>

Prior to the opening of Studio City, MCE Cotai and New Cotai, shareholders of SCI, contributed US\$1,250.0 million to Studio City and US\$30.0 million for the initial design work for the remaining project in accordance with the Shareholders Agreement, representing all of the capital contributions required under the Shareholders Agreement. The Shareholders Agreement does not require MCE Cotai or New Cotai to make any additional capital contributions to SCI.

Table of Contents

**Studio City Investments Limited
Index To Unaudited Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2017**

	<u>Page</u>
<u>Unaudited Condensed Consolidated Balance Sheets</u>	F-2
<u>Unaudited Condensed Consolidated Statements of Operations</u>	F-3
<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	F-4

[Table of Contents](#)

Studio City Investments Limited
Condensed Consolidated Balance Sheets
(In thousands of U.S. dollars, except share and per share data)

	<u>September 30, 2017</u> (Unaudited)	<u>December 31, 2016</u> (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 339,440	\$ 330,078
Bank deposit with original maturity over three months	4,884	—
Restricted cash	27,397	6,849
Accounts receivable, net	2,039	2,695
Amounts due from affiliated companies	44,337	18,243
Inventories	10,009	9,105
Prepaid expenses and other current assets	17,003	12,136
Total current assets	<u>445,109</u>	<u>379,106</u>
PROPERTY AND EQUIPMENT, NET	2,199,605	2,289,699
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	61,670	77,812
ADVANCE TO AN AFFILIATED COMPANY	2,310	2,209
RESTRICTED CASH	130	130
LAND USE RIGHT, NET	126,502	128,995
TOTAL ASSETS	<u>\$ 2,835,326</u>	<u>\$ 2,877,951</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 5,080	\$ 3,368
Accrued expenses and other current liabilities	154,744	148,724
Amounts due to affiliated companies	<u>25,064</u>	<u>33,401</u>
Total current liabilities	<u>184,888</u>	<u>185,493</u>
LONG-TERM DEBT, NET	1,180,550	1,176,780
LOAN FROM AN AFFILIATED COMPANY	667,401	641,259
OTHER LONG-TERM LIABILITIES	14,329	17,333
DEFERRED TAX LIABILITIES	710	800
SHAREHOLDER'S EQUITY		
Ordinary shares, par value \$1; 50,000 shares authorized; 3 shares issued and outstanding	—	—
Additional paid-in capital	1,457,109	1,457,109
Accumulated other comprehensive losses	(65)	(65)
Accumulated losses	<u>(661,200)</u>	<u>(593,126)</u>
Total Studio City Investments Limited shareholder's equity	795,844	863,918
Noncontrolling interests	(8,396)	(7,632)
Total equity	<u>787,448</u>	<u>856,286</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,835,326</u>	<u>\$ 2,877,951</u>

[Table of Contents](#)

Studio City Investments Limited
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
OPERATING REVENUES				
Provision of gaming related services	\$ 80,498	\$ 46,476	\$ 213,850	\$ 100,352
Rooms	22,787	22,318	66,241	63,750
Food and beverage	13,880	17,023	40,882	41,390
Entertainment, retail and other	24,801	29,699	74,347	101,062
Gross revenues	141,966	115,516	395,320	306,554
Less: promotional allowances	(673)	(910)	(1,647)	(4,004)
Net revenues	<u>141,293</u>	<u>114,606</u>	<u>393,673</u>	<u>302,550</u>
OPERATING COSTS AND EXPENSES				
Provision of gaming related services	(6,884)	(2,226)	(19,218)	(7,834)
Rooms	(5,523)	(6,448)	(16,546)	(17,664)
Food and beverage	(11,757)	(11,600)	(35,855)	(39,733)
Entertainment, retail and other	(11,447)	(13,635)	(31,226)	(51,506)
General and administrative	(27,189)	(35,989)	(85,637)	(105,350)
Pre-opening costs	(23)	(2,715)	17	(3,393)
Amortization of land use right	(832)	(832)	(2,493)	(2,493)
Depreciation and amortization	(41,624)	(40,387)	(125,001)	(121,157)
Property charges and other	(65)	—	(4,332)	—
Total operating costs and expenses	<u>(105,344)</u>	<u>(113,832)</u>	<u>(320,291)</u>	<u>(349,130)</u>
OPERATING INCOME (LOSS)	<u>35,949</u>	<u>774</u>	<u>73,382</u>	<u>(46,580)</u>
NON-OPERATING INCOME (EXPENSES)				
Interest income	585	320	1,348	922
Interest expenses	(47,144)	(40,854)	(140,380)	(121,317)
Other finance costs	(1,478)	(6,818)	(4,362)	(20,244)
Foreign exchange gains, net	13	324	389	746
Other income, net	231	232	695	695
Total non-operating expenses, net	<u>(47,793)</u>	<u>(46,796)</u>	<u>(142,310)</u>	<u>(139,198)</u>
LOSS BEFORE INCOME TAX	<u>(11,844)</u>	<u>(46,022)</u>	<u>(68,928)</u>	<u>(185,778)</u>
INCOME TAX CREDIT (EXPENSE)	<u>66</u>	<u>(20)</u>	<u>90</u>	<u>(410)</u>
NET LOSS	<u>(11,778)</u>	<u>(46,042)</u>	<u>(68,838)</u>	<u>(186,188)</u>
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>143</u>	<u>—</u>	<u>764</u>	<u>—</u>
NET LOSS ATTRIBUTABLE TO STUDIO CITY INVESTMENTS LIMITED	<u><u>\$ (11,635)</u></u>	<u><u>\$ (46,042)</u></u>	<u><u>\$ (68,074)</u></u>	<u><u>\$ (186,188)</u></u>

[Table of Contents](#)

Studio City Investments Limited
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net cash provided by (used in) operating activities	\$ 48,380	\$ 20,013	\$ 70,992	\$ (34,844)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for acquisition of property and equipment	(3,369)	(24,115)	(31,961)	(102,902)
Changes in restricted cash	(20,547)	22,030	(20,548)	132,372
Placement of bank deposit with original maturity over three months	(4,884)	—	(4,884)	—
Funds to an affiliated company	(1,242)	(635)	(2,329)	(2,380)
Advance payments and deposits for acquisition of property and equipment	(766)	(4)	(1,423)	(313)
Advance to an affiliated company	(2)	(4)	(101)	(143)
Proceeds from sale of property and equipment and other long-term assets	342	1,189	875	4,518
Repayment of loan to an affiliated company	—	—	—	2,000
Net cash (used in) provided by investing activities	(30,468)	(1,539)	(60,371)	33,152
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of deferred financing costs	—	—	(1,259)	(7,669)
Principal payments on long-term debt	—	(38,870)	—	(38,870)
Cash used in financing activities	—	(38,870)	(1,259)	(46,539)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,912	(20,396)	9,362	(48,231)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	321,528	248,649	330,078	276,484
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$339,440	\$228,253	\$339,440	\$ 228,253
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS				
Cash paid for interest	\$ (17,533)	\$ (33,133)	\$ (93,692)	\$ (105,112)
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Change in accrued expenses and other current liabilities and other long-term liabilities related to acquisition of property and equipment	14,973	(515)	15,780	28,311
Change in amounts due from/to affiliated companies related to acquisition of property and equipment and other long-term assets	621	2,392	3,689	6,608
Change in prepaid expenses and other current assets related to sale of property and equipment	—	—	—	2,618
Issuance of share through assignment of balance and settlement of advance from an affiliated company	—	939,805	—	939,805

EXPLANATORY NOTE
Studio City Investments Limited's Quarterly Report
for the Three and Nine Months Ended September 30, 2017

This quarterly report serves to provide holders of Studio City Company Limited's US\$850,000,000 7.250% senior secured notes due 2021 (the "2021 Studio City Company Notes") with Studio City Investments Limited's unaudited condensed consolidated financial statements, comprising condensed consolidated balance sheets, condensed consolidated statements of operations and condensed consolidated statements of cash flows, for the three and nine months ended September 30, 2017, together with the related information, pursuant to the terms of the indenture, dated November 30, 2016, as supplemented, relating to the 2021 Studio City Company Notes. Each of Studio City Investments Limited and Studio City Company Limited is a 60% owned subsidiary of Melco Resorts & Entertainment Limited. Studio City Investments Limited is the parent guarantor of the 2021 Studio City Company Notes.

[Table of Contents](#)

Studio City Investments Limited
Report for the Third Quarter of 2017
TABLE OF CONTENTS

<u>INTRODUCTION</u>	1
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	4
<u>GLOSSARY</u>	5
<u>EXCHANGE RATE INFORMATION</u>	7
<u>FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	8
<u>INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1

Table of Contents

INTRODUCTION

In this quarterly report, unless otherwise indicated:

- “2019 Studio City Company Notes” refers to the US\$350.0 million aggregate principal amount of 5.875% senior notes due 2019 issued by Studio City Company Limited on November 30, 2016;
- “2021 Studio City Senior Secured Credit Facility” refers to the facility agreement with, among others, Bank of China Limited, Macau Branch, to amend, restate and extend the Studio City Project Facility to provide for senior secured credit facilities in an aggregate amount of HK\$234.0 million, which consist of a HK\$233.0 million (equivalent to approximately US\$29.9 million) revolving credit facility and a HK\$1.0 million (equivalent to approximately US\$129,000) term loan facility;
- “Altira Macau” refers to an integrated casino and hotel development located in Taipa, Macau, that caters to Asian VIP rolling chip customers;
- “China” and “PRC” refer to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan from a geographical point of view;
- “City of Dreams” refers to a casino, hotel, retail and entertainment integrated resort located in Cotai, Macau, which currently features casino areas and three luxury hotels, including a collection of retail brands, a wet stage performance theater and other entertainment venues;
- “Concessionaire(s)” refers to the holder(s) of a concession for the operation of casino games in Macau;
- “Cotai” refers to an area of reclaimed land located between the islands of Taipa and Coloane in Macau;
- “DICJ” refers to the Direcção de Inspecção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau), a department of the Public Administration of Macau;
- “Gaming Operator” or “Melco Resorts Macau” refers to Melco Resorts (Macau) Limited (formerly known as Melco Crown (Macau) Limited), a company incorporated under the laws of Macau that is a wholly owned subsidiary of Melco, the holder of a subconcession under the Subconcession Contract and the operator of Studio City Casino;
- “HK\$” and “H.K. dollar(s)” refer to the legal currency of Hong Kong;
- “Hong Kong” refers to the Hong Kong Special Administrative Region of the PRC;
- “Land Grant” refers to the land concession by way of lease, for a period of 25 years as of October 17, 2001, subject to renewal, for a plot of land situated in Cotai, Macau, described with the Macau Immovable Property Registry under No. 23059 and registered in Studio City Developments Limited’s name under inscription no. 26642 of Book F, titled by Dispatch of the Secretary for Public Works and Transportation no. 100/2001 of October 9, 2001, published in the Macau Official Gazette no. 42 of October 17, 2001 as amended by Dispatch of the Secretary for Public Works and Transportation no. 31/2012 of July 19, 2012, published in the Macau Official Gazette no. 30 of July 25, 2012, and by Dispatch of Secretary for Public Works and Transportation no. 92/2015 of September 10, 2015, published in the Macau Official Gazette no. 38 of September 23, 2015 and including any other amendments from time to time to such land concession;
- “Macau” refers to the Macau Special Administrative Region of the PRC;
- “Master Services Agreements” refers to the services agreements (including work agreements) and arrangements for non-gaming services entered into on December 21, 2015 between SCI and certain of its subsidiaries, on the one hand, and certain Melco Affiliates, on the other hand, under which SCI and its subsidiaries and Melco Affiliates share and mutually provide certain non-gaming services at Studio City, City of Dreams and Altira Macau;
- “MCE Cotai” refers to MCE Cotai Investments Limited, a subsidiary of Melco and a shareholder of SCI;
- “Melco” refers to Melco Resorts & Entertainment Limited, a company incorporated in the Cayman Islands with its American depositary shares listed on the NASDAQ Global Select Market, and which, through its subsidiary MCE Cotai, ultimately owns a 60% interest in SCI;

Table of Contents

- “Melco Affiliates” refers to the subsidiaries of Melco other than SCI and its subsidiaries;
- “New Cotai” refers to New Cotai, LLC, a Delaware limited liability company owned by New Cotai Holdings;
- “New Cotai Holdings” refers to New Cotai Holdings, LLC, a Delaware limited liability company, and which, through its subsidiary New Cotai, ultimately owns a 40% interest in SCI;
- “Pataca(s)” and “MOP” refer to the legal currency of Macau;
- “Project Costs” refers to the construction and development costs and other project costs, including licensing, financing, interest, fees and pre-opening costs, of Studio City;
- “remaining project” refers to the part of the Studio City project with approximately a gross floor area of 229,968 square meters, which is required to be developed under the land concession contract;
- “SCI” refers to an indirect parent of our company, Studio City International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
- “Services and Right to Use Arrangements” refers to the agreement entered into among, *inter alia*, Melco Resorts Macau and Studio City Entertainment, dated May 11, 2007 and amended on June 15, 2012, and any other agreements or arrangements entered into from time to time, which may amend, supplement or relate to the aforementioned agreements or arrangements thereunder;
- “Shareholders Agreement” refers to the agreement dated July 27, 2011, as amended by the amendments dated September 25, 2012, May 17, 2013, June 3, 2014 and July 21, 2014, among MCE Cotai, New Cotai, Melco and SCI governing the relationship in connection with, and the conduct and operations of, SCI and its subsidiaries and the terms of further capital investment in SCI;
- “Site” or “Land” refers to the plot of land situated in Macau, at the Cotai reclaimed land area, with a gross area of approximately 1.4 million square feet (130,789 square meters), described at the Macau Immovable Property Registry under no. 23059, and registered in Studio City Developments Limited’s name under inscription no. 26642 of Book F, titled by Dispatch of the Secretary for Public Works and Transportation no. 100/2001 of October 9, 2001, as amended by Dispatch of the Secretary for Public Works and Transportation no. 31/2012 of July 19, 2012, published in the Macau Official Gazette no. 30 of July 25, 2012, and by Dispatch of Secretary for Public Works and Transportation no. 92/2015 of September 10, 2015, published in the Macau Official Gazette no. 38 of September 23, 2015, comprised of lots G300, G310 and G400, denoted by the letter “A” on map no. 5899/2000 issued by Macau Cartography and Cadastre Bureau on January 3, 2012;
- “Studio City Company Notes” refers to, collectively, the 2019 Studio City Company Notes and the 2021 Studio City Company Notes;
- “Studio City Entertainment” refers to our subsidiary, Studio City Entertainment Limited, a Macau company;
- “Studio City Finance” refers to Studio City Finance Limited, a British Virgin Islands company;
- “Studio City Finance Notes” refers to the US\$825.0 million aggregate principal amount of 8.500% senior notes due 2020 issued by Studio City Finance Limited on November 26, 2012;
- “Studio City Intercompany Note” refers to the on-loan by Studio City Finance to our company of the proceeds of the Studio City Finance Notes offering;
- “Studio City Project Facility” refers to the senior secured project facility, dated January 28, 2013 and as amended from time to time, entered into between, among others, Studio City Company Limited as borrower and certain subsidiaries as guarantors, comprising a term loan facility of HK\$10,080,460,000 (equivalent to approximately US\$1.3 billion) and revolving credit facility of HK\$775,420,000 (equivalent to approximately US\$100.0 million), and which has been amended, restated and extended by the 2021 Studio City Senior Secured Credit Facility;

Table of Contents

- “Subconcession Contract” refers to the subconcession contract executed between the Gaming Operator and Wynn Resorts (Macau) S.A., or Wynn Resorts Macau, on September 8, 2006, that provides for the terms and conditions of the subconcession granted to the Gaming Operator by Wynn Resorts Macau;
- “Subconcessionaire(s)” refers to the holder(s) of a subconcession for the operation of casino games in Macau;
- “US\$” and “U.S. dollar(s)” refer to the legal currency of the United States;
- “U.S. GAAP” refers to the accounting principles generally accepted in the United States; and
- “we,” “us,” “our,” “our company” and “the Company” refer to Studio City Investments Limited and, as the context requires, its predecessor entities and its consolidated subsidiaries.

This quarterly report includes our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2017.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

[Table of Contents](#)

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. Known and unknown risks, uncertainties and other factors may cause our actual results, performances or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. We operate in a heavily regulated and evolving industry, and have a highly leveraged business model. Moreover, we operate in Macau's gaming sector, a market with intense competition, and therefore new risk factors may emerge from time to time. It is not possible for our management to predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed or implied in any forward-looking statement. Forward-looking statements involve inherent risks and uncertainties, and a number of factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to, (i) growth of the gaming market and visitation in Macau, (ii) capital and credit market volatility, (iii) local and global economic conditions, (iv) our anticipated growth strategies, (v) gaming authority and other governmental approvals and regulations and (vi) our future business development, results of operations and financial condition. In some cases, forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "target," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions.

The forward-looking statements made in this quarterly report relate only to events or information as of the date on which the statements are made in this quarterly report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this quarterly report with the understanding that our actual future results may be materially different from what we expect.

Table of Contents

GLOSSARY

“cage”	a secure room within a casino with a facility that allows patrons to carry out transactions required to participate in gaming activities, such as exchange of cash for chips and exchange of chips for cash or other chips
“chip”	round token that is used on casino gaming tables in lieu of cash
“concession”	a government grant for the operation of games of fortune and chance in casinos in Macau under an administrative contract pursuant to which a concessionaire, or the entity holding the concession, is authorized to operate games of fortune and chance in casinos in Macau
“drop”	the amount of cash used to purchase gaming chips and promotional vouchers that is deposited in a gaming table’s drop box, plus gaming chips purchased at the casino cage
“drop box”	a box or container that serves as a repository for cash, chip purchase vouchers, credit markers and forms used to record movements in the chip inventory on each table game
“electronic gaming table”	table with an electronic or computerized wagering and payment system that allow players to place bets from multiple-player gaming seats
“gaming machine”	slot machine and/or electronic gaming table
“gaming machine handle”	the total amount wagered in gaming machines
“gaming machine win rate”	gaming machine win expressed as a percentage of gaming machine handle
“gaming promoter”	an individual or corporate entity who, for the purpose of promoting rolling chip and other gaming activities, arranges customer transportation and accommodation, provides credit in its sole discretion if authorized by a gaming operator and arranges food and beverage services and entertainment in exchange for commissions or other compensation from a gaming concessionaire or subconcessionaire
“integrated resort”	a resort which provides customers with a combination of hotel accommodations, casinos or gaming areas, retail and dining facilities, MICE space, entertainment venues and spas
“junket player”	a rolling chip patron sourced by gaming promoters to play in the VIP gaming rooms or areas
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“mass market player”	a customer who plays in the mass market segment
“mass market segment”	consists of both table games and gaming machines played by mass market players primarily for cash stakes
“mass market table games drop”	the amount of table games drop in the mass market table games segment
“mass market table games hold percentage”	mass market table games win as a percentage of mass market table games drop
“mass market table games segment”	the mass market segment consisting of mass market players who play table games
“MICE”	Meetings, Incentives, Conventions and Exhibitions, an acronym commonly used to refer to tourism involving large groups brought together for an event or specific purpose
“non-negotiable chip”	promotional casino chip that is not to be exchanged for cash

Table of Contents

“premium direct player”	a rolling chip patron who is a direct customer of the concessionaires or subconcessionaires and is attracted to the casino through direct marketing efforts and relationships with the gaming operator
“rolling chip” or “VIP rolling chip”	non-negotiable chip primarily used by rolling chip patrons to make wagers
“rolling chip patron”	a player who primarily plays on rolling chip or VIP rolling chip tables and typically plays for higher stakes than mass market players
“rolling chip segment”	consists of table games played in private VIP gaming rooms or areas by rolling chip patrons who are either premium direct players or junket players
“rolling chip volume”	the amount of non-negotiable chips wagered and lost by the rolling chip market segment
“rolling chip win rate”	rolling chip table games win (calculated before discounts and commissions) as a percentage of rolling chip volume
“slot machine”	traditional slot or electronic gaming machine operated by a single player
“subconcession”	an agreement for the operation of games of fortune and chance in casinos between the entity holding the concession, or the concessionaire, and a subconcessionaire, pursuant to which the subconcessionaire is authorized to operate games of fortune and chance in casinos in Macau
“table games win”	the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues
“VIP gaming room”	gaming rooms or areas that have restricted access to rolling chip patrons and typically offer more personalized service than the general mass market gaming areas

Table of Contents

EXCHANGE RATE INFORMATION

Although we have certain expenses and revenues denominated in Pataca, our revenues and expenses are denominated predominantly in H.K. dollar and, in connection with a portion of our indebtedness and certain expenses, in U.S. dollar. Unless otherwise noted, all translations from H.K. dollar to U.S. dollar and from U.S. dollar to H.K. dollar in this quarterly report were made at a rate of HK\$7.78 to US\$1.00.

The H.K. dollar is freely convertible into other currencies (including the U.S. dollar). Since October 17, 1983, the H.K. dollar has been officially linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The market exchange rate has not deviated materially from the level of HK\$7.80 to US\$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has stated its intention to maintain the link at that rate, and, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. However, no assurance can be given that the Hong Kong government will maintain the link at HK\$7.75 to HK\$7.85 per U.S. dollar or at all.

The noon buying rate on September 30, 2017 in New York City for cable transfers in H.K. dollar per U.S. dollar, provided in the H.10 weekly statistical release of the Federal Reserve Board of the United States as certified for customs purposes by the Federal Reserve Bank of New York, was HK\$7.8110 to US\$1.00. On November 24, 2017, the noon buying rate was HK\$7.8087 to US\$1.00. We make no representation that any H.K. dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollar or H.K. dollar, as the case may be, at any particular rate or at all.

The Pataca is pegged to the H.K. dollar at a rate of HK\$1.00 to MOP1.03. All translations from Pataca to U.S. dollar in this quarterly report were made at the exchange rate of MOP8.0134 to US\$1.00. The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Pataca.

Table of Contents

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with our unaudited condensed consolidated financial statements included elsewhere in this quarterly report. Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2016. The historical results are not necessarily indicative of the results of operations to be expected in the future. Certain statements in this “Financial Condition and Results of Operations” are forward-looking statements.

Results of Operations

Studio City is a world-class gaming, retail and entertainment resort located in Cotai, Macau. During the third quarter of 2017, Studio City Casino had approximately 245 mass market gaming tables and approximately 970 gaming machines operating. The mass market focus of Studio City Casino is complemented with junket and premium direct VIP rolling chip operations, which include 45 VIP rolling chip tables. Studio City’s cinematically-themed integrated resort is designed to attract a wide range of customers by providing highly differentiated non-gaming attractions, including the world’s first figure-8 Ferris wheel, a Warner Bros.- themed family entertainment center, a 4-D Batman flight simulator, a 5,000-seat live performance arena and the exclusive Pacha night club. Studio City features approximately 1,600 luxury hotel rooms, diverse food and beverage establishments and approximately 35,000 square meters of complementary retail space. Studio City was named *Casino/Integrated Resort of the Year* in 2016 by the International Gaming Awards.

Studio City Casino is operated by the Gaming Operator, one of the subsidiaries of Melco and a holder of a gaming subconcession, and we operate the non-gaming businesses of Studio City.

Studio City sits within a ring-fenced credit group separate from its shareholders and Studio City’s debt obligations are not guaranteed by its shareholders. In particular, Melco is not a guarantor under the 2021 Studio City Senior Secured Credit Facility, the Studio City Finance Notes or the Studio City Company Notes. As such, SCI and its shareholders are not contractually required to provide any additional financial support to Studio City with respect to the Studio City debt obligations.

The plan for the additional development on the remaining land on which Studio City is located remains at an early stage and is subject to various conditions. The remaining project may include a hotel and related amenities. We expect to have significant capital expenditures in the future if we continue to expand our existing operations at Studio City and develop the remaining project.

In October 2016, we filed an application with the Macau government requesting an extension of the development period for the land under the land concession contract. Such application is currently under review by the Macau government. If the Macau government does not grant us an extension of the development period and we fail to complete the remaining project by the deadline under the land concession contract, we may be forced to forfeit all or part of our investment in Studio City.

The Adjusted EBITDA for Studio City as mentioned in Melco’s unaudited third quarter 2017 earnings release dated November 2, 2017 does not reflect the intra-Melco group fees for the Master Services Agreements charged to Studio City Investments Limited and its subsidiaries and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. The consolidated financials of Studio City Investments Limited contained in this report reflect such intra-Melco group fees charged and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. In addition, the Adjusted EBITDA for Studio City mentioned above includes operating income or losses generated at Studio City by SCI’s subsidiaries which are not subsidiaries of Studio City Investments Limited. Such operating income or losses are not included in the consolidated financials of Studio City Investments Limited. The total variance resulting from the above differences for the third quarter of 2017 is approximately US\$17 million.

Table of Contents

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

For the third quarter of 2017, our total net revenues were US\$141.3 million, an increase of US\$26.7 million from US\$114.6 million of net revenues for the third quarter of 2016. The increase in total net revenues was primarily due to the increase in revenues from the provision of gaming related services as a result of the commencement of rolling chip operations in Studio City Casino in November 2016 and better performance in the mass market table games segment, partially offset by decreased non-gaming revenue.

Net loss attributable to Studio City Investments Limited for the third quarter of 2017 was US\$11.6 million, a decrease of US\$34.4 million from a net loss attributable to Studio City Investments Limited of US\$46.0 million for the third quarter of 2016, primarily due to the increased revenues from the provision of gaming related services mentioned above.

Studio City generated casino revenues of US\$353.5 million and US\$190.7 million for the third quarters of 2017 and 2016, respectively. Rolling chip volume was US\$5.1 billion and the rolling chip win rate was 4.0% in the third quarter of 2017. Mass market table games drop increased to US\$747.1 million compared with US\$657.6 million in the third quarter of 2016. The mass market table games hold percentage was 25.0% in the third quarter of 2017 compared to 25.5% in the third quarter of 2016. Gaming machine handle for the third quarter of 2017 was US\$581.2 million, compared with US\$587.9 million in the third quarter of 2016. The gaming machine win rate was 3.3% in the third quarter of 2017 versus 3.9% in the third quarter of 2016. After the reimbursement to Melco Resorts Macau for the costs incurred in connection with its operation of the Studio City Casino pursuant to the Services and Right to Use Arrangements, US\$80.5 million and US\$46.5 million were recognized as revenues from the provision of gaming related services for the third quarters of 2017 and 2016, respectively.

Total non-gaming revenue at Studio City for the third quarter of 2017 was US\$61.5 million, compared with US\$69.0 million for the third quarter of 2016.

Total net non-operating expenses for the third quarter of 2017 were US\$47.8 million, which mainly included interest expenses of US\$47.1 million and other finance costs of US\$1.5 million, as compared to total net non-operating expenses of US\$46.8 million for the third quarter of 2016, which mainly included interest expenses of US\$40.9 million and other finance costs of US\$6.8 million.

Depreciation and amortization costs of US\$42.5 million were recorded in the third quarter of 2017, of which US\$0.8 million was related to the amortization of land use right.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

For the nine months ended September 30, 2017, our total net revenues were US\$393.7 million, an increase of US\$91.1 million from US\$302.6 million of net revenues for the nine months ended September 30, 2016. The increase in total net revenues was primarily due to the increase in revenues from the provision of gaming related services as a result of the commencement of rolling chip operations in Studio City Casino in November 2016 and better performance in mass market table games segment, partially offset by decreased non-gaming revenue.

Net loss attributable to Studio City Investments Limited for the nine months ended September 30, 2017 was US\$68.1 million, a decrease of US\$118.1 million from a net loss attributable to Studio City Investments Limited of US\$186.2 million for the nine months ended September 30, 2016, primarily due to the increased revenues from the provision of gaming related services mentioned above.

Table of Contents

Liquidity and Capital Resources

Up through the opening of Studio City, our principal sources of liquidity included shareholder equity contributions, loan facilities and senior notes facilities to meet our project development needs. Following the opening of Studio City in October 2015, we relied on, and intend to continue to rely on, our cash generated from our operations and our debt and equity financings. On August 14, 2017, SCI announced it submitted on a confidential basis to the U.S. Securities and Exchange Commission a draft registration statement for a possible initial public offering of American depository shares representing ordinary shares of SCI.

As of September 30, 2017, we held cash and cash equivalents of US\$339.4 million, a bank deposit with original maturity over three months of US\$4.9 million and restricted cash of US\$27.5 million. Restricted cash represented certain bank account balances required to be maintained in accordance with the terms of the respective agreements of the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility. The revolving credit facility under the 2021 Studio City Senior Secured Credit Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	2017	2016	2017	2016
Net cash provided by (used in) operating activities	\$ 48,380	\$ 20,013	\$ 70,992	\$ (34,844)
Net cash (used in) provided by investing activities	(30,468)	(1,539)	(60,371)	33,152
Cash used in financing activities	—	(38,870)	(1,259)	(46,539)
Net increase (decrease) in cash and cash equivalents	17,912	(20,396)	9,362	(48,231)
Cash and cash equivalents at beginning of period	321,528	248,649	330,078	276,484
Cash and cash equivalents at end of period	<u><u>\$339,440</u></u>	<u><u>\$228,253</u></u>	<u><u>\$339,440</u></u>	<u><u>\$228,253</u></u>

Operating Activities

Operating cash flows are generally affected by changes in operating income and receivable related to provision of gaming related services and hotel operations and the remainder of the business, including food and beverage and entertainment, is conducted primarily on a cash basis.

Table of Contents

Net cash provided by operating activities was US\$48.4 million for the three months ended September 30, 2017, as compared to net cash provided by operating activities of US\$20.0 million for the three months ended September 30, 2016. Net cash provided by operating activities was US\$71.0 million for the nine months ended September 30, 2017, as compared to net cash used in operating activities of US\$34.8 million for the nine months ended September 30, 2016. The change for the three and nine months ended September 30, 2017, compared to the same periods in 2016, was primarily due to the improvement in underlying performance as described in the foregoing sections.

Investing Activities

Net cash used in investing activities was US\$30.5 million for the three months ended September 30, 2017 as compared to net cash used in investing activities of US\$1.5 million for the three months ended September 30, 2016. The change was primarily due to an increase in restricted cash and placement of a bank deposit with original maturity over three months in the three months ended September 30, 2017, partially offset by a decrease in capital expenditure payments. Net cash used in investing activities for the three months ended September 30, 2017 mainly included an increase in restricted cash of US\$20.5 million, placement of a bank deposit with original maturity over three months of US\$4.9 million and capital expenditure payments of US\$3.4 million.

Net cash used in investing activities for the three months ended September 30, 2016 mainly included capital expenditure payments of US\$24.1 million, offset by a decrease in restricted cash of US\$22.0 million.

Net cash used in investing activities was US\$60.4 million for the nine months ended September 30, 2017 as compared to net cash provided by investing activities of US\$33.2 million for the nine months ended September 30, 2016. The change was primarily due to an increase in restricted cash in the current period, partially offset by a decrease in capital expenditure payments. Net cash used in investing activities for the nine months ended September 30, 2017 mainly included capital expenditure payments of US\$32.0 million, an increase in restricted cash of US\$20.5 million and placement of a bank deposit with original maturity over three months of US\$4.9 million.

Net cash provided by investing activities for the nine months ended September 30, 2016 mainly included a decrease in restricted cash of US\$132.4 million and proceeds from the sale of property and equipment and other long-term assets of US\$4.5 million, partially offset by capital expenditure payments of US\$102.9 million.

The movement of the restricted cash for the three and nine months ended September 30, 2017 and 2016 primarily related to the placement to, or withdrawal and payment from, bank accounts which are restricted in accordance with the terms of the respective agreements of the Studio City Company Notes and the Studio City Project Facility (such as payments of Studio City Project Costs and interest payments for the Studio City Company Notes).

Financing Activities

There was no cash used in or provided by any financing activity for the three months ended September 30, 2017. Cash used in financing activities was US\$38.9 million for the three months ended September 30, 2016 due to the scheduled repayment of the term loan under the Studio City Project Facility.

Cash used in financing activities was US\$1.3 million for the nine months ended September 30, 2017 due to the payment of debt issuance cost associated with the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility. Cash used in financing activities was US\$46.5 million for the nine months ended September 30, 2016 mainly due to the scheduled repayment of the term loan under the Studio City Project Facility and the payment of legal and professional fees incurred for amending the loan documentation for the Studio City Project Facility.

Table of Contents

Indebtedness and Capital Contributions

The following table presents a summary of our gross indebtedness, before the reduction of debt issuance costs, as of September 30, 2017:

	<u>As of September 30, 2017</u> (in thousands of US\$)
Studio City Company Notes	\$ 1,200,000
Studio City Intercompany Note	667,401
2021 Studio City Senior Secured Credit Facility	129
	<u>\$ 1,867,530</u>

Prior to the opening of Studio City, MCE Cotai and New Cotai, shareholders of SCI, contributed US\$1,250.0 million to Studio City and US\$30.0 million for the initial design work for the remaining project in accordance with the Shareholders Agreement, representing all of the capital contributions required under the Shareholders Agreement. The Shareholders Agreement does not require MCE Cotai or New Cotai to make any additional capital contributions to SCI.

Table of Contents

**Studio City Investments Limited
Index To Unaudited Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2017**

	<u>Page</u>
<u>Unaudited Condensed Consolidated Balance Sheets</u>	F-2
<u>Unaudited Condensed Consolidated Statements of Operations</u>	F-3
<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	F-4

[Table of Contents](#)

Studio City Investments Limited
Condensed Consolidated Balance Sheets
(In thousands of U.S. dollars, except share and per share data)

	<u>September 30, 2017</u> (Unaudited)	<u>December 31, 2016</u> (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 339,440	\$ 330,078
Bank deposit with original maturity over three months	4,884	—
Restricted cash	27,397	6,849
Accounts receivable, net	2,039	2,695
Amounts due from affiliated companies	44,337	18,243
Inventories	10,009	9,105
Prepaid expenses and other current assets	17,003	12,136
Total current assets	<u>445,109</u>	<u>379,106</u>
PROPERTY AND EQUIPMENT, NET	2,199,605	2,289,699
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	61,670	77,812
ADVANCE TO AN AFFILIATED COMPANY	2,310	2,209
RESTRICTED CASH	130	130
LAND USE RIGHT, NET	126,502	128,995
TOTAL ASSETS	<u>\$ 2,835,326</u>	<u>\$ 2,877,951</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 5,080	\$ 3,368
Accrued expenses and other current liabilities	154,744	148,724
Amounts due to affiliated companies	<u>25,064</u>	<u>33,401</u>
Total current liabilities	<u>184,888</u>	<u>185,493</u>
LONG-TERM DEBT, NET	1,180,550	1,176,780
LOAN FROM AN AFFILIATED COMPANY	667,401	641,259
OTHER LONG-TERM LIABILITIES	14,329	17,333
DEFERRED TAX LIABILITIES	710	800
SHAREHOLDER'S EQUITY		
Ordinary shares, par value \$1; 50,000 shares authorized; 3 shares issued and outstanding	—	—
Additional paid-in capital	1,457,109	1,457,109
Accumulated other comprehensive losses	(65)	(65)
Accumulated losses	<u>(661,200)</u>	<u>(593,126)</u>
Total Studio City Investments Limited shareholder's equity	795,844	863,918
Noncontrolling interests	(8,396)	(7,632)
Total equity	<u>787,448</u>	<u>856,286</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,835,326</u>	<u>\$ 2,877,951</u>

[Table of Contents](#)

Studio City Investments Limited
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
OPERATING REVENUES				
Provision of gaming related services	\$ 80,498	\$ 46,476	\$ 213,850	\$ 100,352
Rooms	22,787	22,318	66,241	63,750
Food and beverage	13,880	17,023	40,882	41,390
Entertainment, retail and other	24,801	29,699	74,347	101,062
Gross revenues	141,966	115,516	395,320	306,554
Less: promotional allowances	(673)	(910)	(1,647)	(4,004)
Net revenues	<u>141,293</u>	<u>114,606</u>	<u>393,673</u>	<u>302,550</u>
OPERATING COSTS AND EXPENSES				
Provision of gaming related services	(6,884)	(2,226)	(19,218)	(7,834)
Rooms	(5,523)	(6,448)	(16,546)	(17,664)
Food and beverage	(11,757)	(11,600)	(35,855)	(39,733)
Entertainment, retail and other	(11,447)	(13,635)	(31,226)	(51,506)
General and administrative	(27,189)	(35,989)	(85,637)	(105,350)
Pre-opening costs	(23)	(2,715)	17	(3,393)
Amortization of land use right	(832)	(832)	(2,493)	(2,493)
Depreciation and amortization	(41,624)	(40,387)	(125,001)	(121,157)
Property charges and other	(65)	—	(4,332)	—
Total operating costs and expenses	<u>(105,344)</u>	<u>(113,832)</u>	<u>(320,291)</u>	<u>(349,130)</u>
OPERATING INCOME (LOSS)				
NON-OPERATING INCOME (EXPENSES)				
Interest income	585	320	1,348	922
Interest expenses	(47,144)	(40,854)	(140,380)	(121,317)
Other finance costs	(1,478)	(6,818)	(4,362)	(20,244)
Foreign exchange gains, net	13	324	389	746
Other income, net	231	232	695	695
Total non-operating expenses, net	<u>(47,793)</u>	<u>(46,796)</u>	<u>(142,310)</u>	<u>(139,198)</u>
LOSS BEFORE INCOME TAX				
INCOME TAX CREDIT (EXPENSE)				
NET LOSS	(11,778)	(46,042)	(68,838)	(186,188)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	143	—	764	—
NET LOSS ATTRIBUTABLE TO STUDIO CITY INVESTMENTS LIMITED	<u>\$ (11,635)</u>	<u>\$ (46,042)</u>	<u>\$ (68,074)</u>	<u>\$ (186,188)</u>

[Table of Contents](#)

Studio City Investments Limited
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands of U.S. dollars)

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net cash provided by (used in) operating activities	\$ 48,380	\$ 20,013	\$ 70,992	\$ (34,844)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for acquisition of property and equipment	(3,369)	(24,115)	(31,961)	(102,902)
Changes in restricted cash	(20,547)	22,030	(20,548)	132,372
Placement of bank deposit with original maturity over three months	(4,884)	—	(4,884)	—
Funds to an affiliated company	(1,242)	(635)	(2,329)	(2,380)
Advance payments and deposits for acquisition of property and equipment	(766)	(4)	(1,423)	(313)
Advance to an affiliated company	(2)	(4)	(101)	(143)
Proceeds from sale of property and equipment and other long-term assets	342	1,189	875	4,518
Repayment of loan to an affiliated company	—	—	—	2,000
Net cash (used in) provided by investing activities	(30,468)	(1,539)	(60,371)	33,152
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of deferred financing costs	—	—	(1,259)	(7,669)
Principal payments on long-term debt	—	(38,870)	—	(38,870)
Cash used in financing activities	—	(38,870)	(1,259)	(46,539)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,912	(20,396)	9,362	(48,231)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	321,528	248,649	330,078	276,484
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$339,440	\$228,253	\$339,440	\$ 228,253
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS				
Cash paid for interest	\$ (17,533)	\$ (33,133)	\$ (93,692)	\$ (105,112)
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Change in accrued expenses and other current liabilities and other long-term liabilities related to acquisition of property and equipment	14,973	(515)	15,780	28,311
Change in amounts due from/to affiliated companies related to acquisition of property and equipment and other long-term assets	621	2,392	3,689	6,608
Change in prepaid expenses and other current assets related to sale of property and equipment	—	—	—	2,618
Issuance of share through assignment of balance and settlement of advance from an affiliated company	—	939,805	—	939,805