
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 August 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](#)

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: August 29, 2017

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 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 Six Months Ended June 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 six months ended June 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.

Melco Resorts Finance Limited
Report for the Second 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 |

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 Direção de Inspeção 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;

- “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 six months ended June 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.

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.

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 |
| “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 |

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 June 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\$7.8055 to US\$1.00. On August 18, 2017, the noon buying rate was HK\$7.8233 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.

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 second quarter of 2017, our total net revenues were US\$1.14 billion, an increase of 17.8% from US\$0.96 billion of net revenues for the second quarter of 2016. The increase in total net revenues was primarily attributable to the increased casino revenues generated from operating Studio City Casino, better performance in City of Dreams’ and Altira Macau’s 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 Altira Macau. Net income from Studio City Casino gaming operations will be 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 second quarter of 2017 was US\$53.3 million, as compared to US\$86.7 million for the second quarter of 2016. The decline in profitability was primarily attributable to the loss on extinguishment of debt arising from the refinancing of the US\$1 billion senior notes issued in 2013.

The following summarizes the results of our operations:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------------------|--------------------------------|-------------|------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (In thousands of US\$) | | | |
| Net revenues | \$ 1,136,579 | \$ 964,846 | \$ 2,269,278 | \$ 1,983,634 |
| Total operating costs and expenses | \$(1,037,690) | \$(864,079) | \$(2,036,800) | \$(1,773,045) |
| Operating income | \$ 98,889 | \$ 100,767 | \$ 232,478 | \$ 210,589 |
| Net income | \$ 53,331 | \$ 86,695 | \$ 183,336 | \$ 187,388 |

Results of Operations

City of Dreams Second Quarter Results

For the second quarter of 2017, net revenue at City of Dreams was US\$650.3 million compared to US\$636.9 million in the second quarter of 2016. The increase in net revenue was primarily a result of higher rolling chip revenues and increased non-gaming revenue, partially offset by lower mass market table games revenue.

Rolling chip volume totaled US\$12.2 billion for the second quarter of 2017 versus US\$9.9 billion in the second quarter of 2016. The rolling chip win rate was 2.9% in the second quarter of 2017 versus 3.0% in the second quarter of 2016. The expected rolling chip win rate range is 2.7%-3.0%.

Mass market table games drop increased to US\$1,073.2 million compared with US\$1,027.7 million in the second quarter of 2016. The mass market table games hold percentage was 32.4% in the second quarter of 2017 compared to 35.7% in the second quarter of 2016.

Gaming machine handle for the second quarter of 2017 was US\$937.9 million, compared with US\$1,003.5 million in the second quarter of 2016. The gaming machine win rate was 4.0% in the second quarter of 2017 versus 3.2% in the second quarter of 2016.

Total non-gaming revenue at City of Dreams in the second quarter of 2017 was US\$80.2 million, compared with US\$69.8 million in the second quarter of 2016.

Altira Macau Second Quarter Results

For the second quarter of 2017, net revenue at Altira Macau was US\$107.7 million compared to US\$98.9 million in the second 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 revenue.

Rolling chip volume totaled US\$4.0 billion in the second quarter of 2017 versus US\$4.2 billion in the second quarter of 2016. The rolling chip win rate was 3.3% in the second quarter of 2017 versus 2.7% in the second 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\$91.9 million in the second quarter of 2017, a decrease from US\$124.2 million generated in the comparable period in 2016. The mass market table games hold percentage was 15.2% in the second quarter of 2017 compared with 18.5% in the second quarter of 2016.

Gaming machine handle for the second quarter of 2017 was US\$7.6 million, compared with US\$7.3 million in the second quarter of 2016. The gaming machine win rate was 6.0% in the second quarter of 2017 versus 6.5% in the second quarter of 2016.

Total non-gaming revenue at Altira Macau in the second quarter of 2017 was US\$6.1 million compared with US\$7.0 million in the second quarter of 2016.

Mocha Clubs Second Quarter Results

Net revenue from Mocha Clubs totaled US\$29.3 million in the second quarter of 2017 as compared to US\$28.0 million in the second quarter of 2016.

Gaming machine handle for the second quarter of 2017 was US\$592.4 million, compared with US\$595.8 million in the second quarter of 2016. The gaming machine win rate was 4.8% in the second quarter of 2017 versus 4.6% in the second quarter of 2016.

Other Factors Affecting Second Quarter Earnings

Total net non-operating expenses for the second quarter of 2017 were US\$45.0 million, which mainly included interest expenses, net of capitalized interest, of US\$5.8 million, other finance costs of US\$5.5 million, loss on extinguishment of debt of US\$31.5 million and costs associated with debt modification of US\$1.9 million, as compared to a total net non-operating expenses of US\$13.1 million for the second quarter of 2016, which mainly included interest expenses, net of capitalized interest, of US\$7.1 million and other finance costs of US\$6.3 million. The year-on-year increase of US\$31.9 million in net non-operating expenses was primarily a result of loss on extinguishment of debt arising from the refinancing of the US\$1 billion senior notes issued in 2013.

Depreciation and amortization costs of US\$65.5 million were recorded in the second 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.

Six Months' Results

For the six months ended June 30, 2017, our total net revenues were US\$2.27 billion compared to US\$1.98 billion for the six months ended June 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' and Altira Macau's 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 Altira Macau.

Net income for the first six months of 2017 was US\$183.3 million, compared with net income of US\$187.4 million in the comparable period of 2016. The year-on-year decrease in net income was primarily attributable to the loss on extinguishment of debt arising from the refinancing of the US\$1 billion senior notes issued in 2013, partially offset by increase in revenues in Altira Macau and City of Dreams mentioned above and lower provision for doubtful debt in Altira Macau.

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 June 30, 2017, we held cash and cash equivalents of US\$813.1 million, and HK\$7.03 billion (equivalent to approximately US\$0.90 billion) of 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.

Cash Flows

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

| | Three Months Ended | | Six Months Ended | |
|--|------------------------|-------------------|-------------------|-------------------|
| | 2017 | June 30, 2016 | 2017 | June 30, 2016 |
| | (In thousands of US\$) | | | |
| Net cash provided by operating activities | \$ 258,542 | \$ 249,453 | \$ 461,839 | \$ 411,130 |
| Net cash (used in) provided by investing activities | (102,731) | 79,213 | (50,262) | 356,594 |
| Net cash used in financing activities | (134,697) | (737,606) | (711,353) | (1,087,828) |
| Net increase (decrease) in cash and cash equivalents | 21,114 | (408,940) | (299,776) | (320,104) |
| Cash and cash equivalents at beginning of period | 791,945 | 1,130,481 | 1,112,835 | 1,041,645 |
| Cash and cash equivalents at end of period | <u>\$ 813,059</u> | <u>\$ 721,541</u> | <u>\$ 813,059</u> | <u>\$ 721,541</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\$258.5 million for the second quarter of 2017, compared to US\$249.5 million for the second quarter of 2016. Net cash provided by operating activities was US\$461.8 million for the six months ended June 30, 2017, compared to US\$411.1 million for the six months ended June 30, 2016. The increase in net cash provided by operating activities was mainly attributable to decreased working capital for operations.

Investing Activities

Net cash used in investing activities was US\$102.7 million for the second quarter of 2017, compared to net cash provided by investing activities of US\$79.2 million for the second quarter of 2016. The change was primarily due to a decrease in net withdrawals of bank deposits with original maturities over three months, and increase in capital expenditure payments.

Net cash used in investing activities of US\$102.7 million for the second quarter of 2017 mainly included capital expenditure payments of US\$100.1 million.

Net cash provided by investing activities of US\$79.2 million for the second quarter of 2016 mainly included a net decrease in bank deposits with original maturities over three months of US\$147.0 million, partially offset by capital expenditure payments of US\$67.0 million.

Our total capital expenditure payments for the second quarter of 2017 were US\$100.1 million, as compared to US\$67.0 million for the second quarter of 2016. Such capital expenditures for both periods were mainly associated with our development projects, including Morpheus, as well as enhancement to our integrated resort offerings.

Net cash used in investing activities was US\$50.3 million for the six months ended June 30, 2017, compared to net cash provided by investing activities of US\$356.6 million for the six months ended June 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\$50.3 million for the six months ended June 30, 2017 mainly included capital expenditure payments of US\$176.1 million and advance payments and deposits for acquisition of property and equipment of US\$13.5 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\$356.6 million for the six months ended June 30, 2016 mainly included a net decrease in bank deposits with original maturities over three months of US\$538.6 million, partially offset by capital expenditure payments of US\$177.5 million.

Our total capital expenditure payments for the six months ended June 30, 2017 were US\$176.1 million, as compared to US\$177.5 million for the six months ended June 30, 2016. Such capital expenditures for both periods were mainly associated with our development projects, including Morpheus, as well as enhancements to our integrated resort offerings.

Financing Activities

Net cash used in financing activities amounted to US\$134.7 million for the second quarter of 2017, which primarily represented the dividend payment of US\$95.0 million, payment of debt issuance costs of US\$29.0 million arising from the refinancing of US\$1 billion senior notes issued in 2013, the scheduled repayment of the term loan under the 2015 Credit Facilities of US\$11.3 million and the early redemption of US\$1 billion senior notes with the proceeds from the issuance of the 2017 Senior Notes of US\$650.0 million and a partial drawdown of the revolving credit facility under the 2015 Credit Facilities of US\$350 million.

Net cash used in financing activities amounted to US\$737.6 million for the second quarter of 2016 and primarily represented the dividend payment of US\$739.2 million.

Net cash used in financing activities amounted to US\$711.4 million for the six months ended June 30, 2017, which primarily represented the dividends payments of US\$660.8 million, payment of debt issuance costs of US\$29.0 million arising from the refinancing of US\$1 billion senior notes issued in 2013, the scheduled repayment of the term loan under the 2015 Credit Facilities of US\$22.6 million and the early redemption of US\$1 billion senior notes with the proceeds from the issuance of the 2017 Senior Notes of US\$650.0 million and a partial drawdown of the revolving credit facility under the 2015 Credit Facilities of US\$350 million.

Net cash used in financing activities amounted to US\$1,087.8 million for the six months ended June 30, 2016 and primarily represented the dividends payments of US\$1,089.5 million.

Indebtedness

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

| | As of June 30, 2017 |
|--|--------------------------------|
| | (In thousands of US\$) |
| 2017 Senior Notes | \$ 650,000 |
| 2015 Credit Facilities – term loan facility | \$ 456,170 |
| 2015 Credit Facilities – revolving credit facility | 350,000 |
| | <u>\$ 1,456,170</u> |

On June 6, 2017, we issued US\$650 million in aggregate principal amount of the 2017 Senior Notes. On June 14, 2017, together with the proceeds from the issuance of US\$650 million in aggregate principal amount of the 2017 Senior Notes along with the proceeds in the amount of US\$350 million from a partial drawdown of the revolving credit facility under the 2015 Credit Facilities and cash on hand, we redeemed all of our outstanding US\$1 billion senior notes issued in 2013. On July 3, 2017, we issued US\$350 million in aggregate principal amount of 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.

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

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

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

| | <u>June 30, 2017</u> (Unaudited) | <u>December 31, 2016</u> (Audited) |
|--|-------------------------------------|---------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 813,059 | \$ 1,112,835 |
| Bank deposits with original maturities over three months | — | 138,539 |
| Accounts receivable, net | 133,150 | 194,876 |
| Amounts due from affiliated companies | 212,042 | 240,097 |
| Inventories | 18,363 | 18,490 |
| Prepaid expenses and other current assets | 44,263 | 55,962 |
| Total current assets | <u>1,220,877</u> | <u>1,760,799</u> |
| PROPERTY AND EQUIPMENT, NET | 2,681,817 | 2,576,177 |
| GAMING SUBCONCESSION, NET | 284,702 | 313,320 |
| INTANGIBLE ASSETS | 4,220 | 4,220 |
| GOODWILL | 81,915 | 81,915 |
| LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS | 130,991 | 112,172 |
| ADVANCE TO AN AFFILIATED COMPANY | — | 597,974 |
| LAND USE RIGHTS, NET | 340,969 | 346,402 |
| TOTAL ASSETS | <u>\$ 4,745,491</u> | <u>\$ 5,792,979</u> |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 11,679 | \$ 11,156 |
| Accrued expenses and other current liabilities | 1,062,700 | 1,080,190 |
| Income tax payable | 1,488 | 5,251 |
| Capital lease obligations, due within one year | 120 | 118 |
| Current portion of long-term debt, net | 44,285 | 44,210 |
| Amounts due to affiliated companies | 77,867 | 55,709 |
| Total current liabilities | <u>1,198,139</u> | <u>1,196,634</u> |
| LONG-TERM DEBT, NET | 1,383,908 | 1,372,219 |
| OTHER LONG-TERM LIABILITIES | 23,967 | 16,369 |
| DEFERRED TAX LIABILITIES | 13,706 | 14,185 |
| CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR | 87 | 147 |
| AMOUNT DUE TO AN AFFILIATED COMPANY | 689 | — |
| 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 | 270,629 | 1,339,059 |
| Total shareholder's equity | <u>2,123,049</u> | <u>3,191,479</u> |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | <u>\$ 4,745,491</u> | <u>\$ 5,792,979</u> |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------------|---------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| OPERATING REVENUES | | | | |
| Casino | \$ 1,048,580 | \$ 885,259 | \$ 2,091,801 | \$ 1,821,886 |
| Rooms | 31,668 | 31,300 | 63,463 | 62,619 |
| Food and beverage | 18,205 | 16,707 | 38,285 | 34,775 |
| Entertainment, retail and other | 76,455 | 69,821 | 154,665 | 140,831 |
| Gross revenues | 1,174,908 | 1,003,087 | 2,348,214 | 2,060,111 |
| Less: promotional allowances | (38,329) | (38,241) | (78,936) | (76,477) |
| Net revenues | 1,136,579 | 964,846 | 2,269,278 | 1,983,634 |
| OPERATING COSTS AND EXPENSES | | | | |
| Casino | (761,588) | (640,957) | (1,497,856) | (1,321,634) |
| Rooms | (3,774) | (3,676) | (7,622) | (7,449) |
| Food and beverage | (5,447) | (3,941) | (11,465) | (8,463) |
| Entertainment, retail and other | (14,265) | (15,146) | (28,870) | (28,622) |
| General and administrative | (184,027) | (133,518) | (349,384) | (271,562) |
| Pre-opening costs | (339) | (307) | (846) | (546) |
| Amortization of gaming subconcession | (14,309) | (14,310) | (28,618) | (28,619) |
| Amortization of land use rights | (2,717) | (2,716) | (5,433) | (5,433) |
| Depreciation and amortization | (48,428) | (49,431) | (98,653) | (100,236) |
| Property charges and other | (2,796) | (77) | (8,053) | (481) |
| Total operating costs and expenses | (1,037,690) | (864,079) | (2,036,800) | (1,773,045) |
| OPERATING INCOME | 98,889 | 100,767 | 232,478 | 210,589 |
| NON-OPERATING INCOME (EXPENSES) | | | | |
| Interest income | 53 | (7) | 227 | 1,933 |
| Interest expenses, net of capitalized interest | (5,841) | (7,103) | (11,796) | (14,549) |
| Other finance costs | (5,531) | (6,295) | (11,620) | (12,018) |
| Foreign exchange (losses) gains, net | (348) | 183 | 5,941 | 2,689 |
| Other income, net | 18 | 82 | 31 | 244 |
| Loss on extinguishment of debt | (31,459) | — | (31,459) | — |
| Costs associated with debt modification | (1,912) | — | (1,912) | — |
| Total non-operating expenses, net | (45,020) | (13,140) | (50,588) | (21,701) |
| INCOME BEFORE INCOME TAX | 53,869 | 87,627 | 181,890 | 188,888 |
| INCOME TAX (EXPENSE) CREDIT | (538) | (932) | 1,446 | (1,500) |
| NET INCOME | \$ 53,331 | \$ 86,695 | \$ 183,336 | \$ 187,388 |

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

| | Three Months Ended June 30, 2017 | 2016 | Six Months Ended June 30, 2017 | 2016 |
|--|-------------------------------------|-------------------|-----------------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net cash provided by operating activities | \$ 258,542 | \$ 249,453 | \$ 461,839 | \$ 411,130 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for acquisition of property and equipment | (100,120) | (67,005) | (176,119) | (177,457) |
| Advance payments and deposits for acquisition of property and equipment | (2,659) | (577) | (13,452) | (1,862) |
| Proceeds from sale of property and equipment | 48 | 350 | 770 | 571 |
| Withdrawals of bank deposits with original maturities over three months | — | 196,366 | 138,539 | 587,908 |
| Placement of bank deposits with original maturities over three months | — | (49,357) | — | (49,357) |
| Payment for land use rights | — | — | — | (3,788) |
| Advance to an affiliated company | — | (1,800) | — | (1,800) |
| Payments for entertainment production costs | — | (33) | — | (33) |
| Changes in restricted cash | — | 1,269 | — | 2,412 |
| Net cash (used in) provided by investing activities | (102,731) | 79,213 | (50,262) | 356,594 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Dividends paid | (95,000) | (739,243) | (660,800) | (1,089,500) |
| Principal payments on long-term debt | (361,279) | — | (372,557) | — |
| Payments of deferred financing costs | (29,023) | — | (29,023) | (58) |
| Principal payments on capital lease obligations | (25) | (7) | (60) | (15) |
| Funds from an affiliated company | 630 | 1,644 | 1,087 | 1,745 |
| Proceeds from long-term debt | 350,000 | — | 350,000 | — |
| Net cash used in financing activities | (134,697) | (737,606) | (711,353) | (1,087,828) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 21,114 | (408,940) | (299,776) | (320,104) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 791,945 | 1,130,481 | 1,112,835 | 1,041,645 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>\$ 813,059</u> | <u>\$ 721,541</u> | <u>\$ 813,059</u> | <u>\$ 721,541</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOWS | | | | |
| Cash paid for interest, net of amounts capitalized | \$ (9,593) | \$ (4) | \$ (22,798) | \$ (16,331) |
| Cash paid for income taxes | — | — | (2,795) | (2,795) |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | | | |
| Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment | 12,063 | 32,491 | 52,023 | 59,594 |
| Change in advance to and amounts due from/to affiliated companies related to property and equipment | 3,082 | 98 | 3,255 | 105 |
| Settlement of dividends through offsetting with advance to an affiliated company | <u>590,966</u> | <u>—</u> | <u>590,966</u> | <u>—</u> |

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>June 30, 2017</u> | <u>December 31, 2016</u> |
|---|----------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 813,059 | \$ 1,112,835 |
| Bank deposits with original maturities over three months | — | 138,539 |
| Accounts receivable, net | 133,150 | 194,876 |
| Amounts due from affiliated companies | 212,046 | 240,101 |
| Amounts due from unconsolidated subsidiaries | 2 | 2 |
| Inventories | 18,363 | 18,490 |
| Prepaid expenses and other current assets | 44,263 | 55,962 |
| Total current assets | <u>1,220,883</u> | <u>1,760,805</u> |
| PROPERTY AND EQUIPMENT, NET | 2,681,817 | 2,576,177 |
| GAMING SUBCONCESSION, NET | 284,702 | 313,320 |
| INTANGIBLE ASSETS | 4,220 | 4,220 |
| GOODWILL | 81,915 | 81,915 |
| LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS | 130,991 | 112,172 |
| INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES | 6 | 6 |
| ADVANCE TO AN AFFILIATED COMPANY | — | 597,974 |
| LAND USE RIGHTS, NET | 340,969 | 346,402 |
| TOTAL ASSETS | <u>\$ 4,745,503</u> | <u>\$ 5,792,991</u> |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 11,679 | \$ 11,156 |
| Accrued expenses and other current liabilities | 1,062,700 | 1,080,190 |
| Income tax payable | 1,488 | 5,251 |
| Capital lease obligations, due within one year | 120 | 118 |
| Current portion of long-term debt, net | 44,285 | 44,210 |
| Amounts due to affiliated companies | 77,863 | 55,705 |
| Total current liabilities | <u>1,198,135</u> | <u>1,196,630</u> |
| LONG-TERM DEBT, NET | 1,383,908 | 1,372,219 |
| OTHER LONG-TERM LIABILITIES | 23,967 | 16,369 |
| DEFERRED TAX LIABILITIES | 13,706 | 14,185 |
| CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR | 87 | 147 |
| AMOUNT DUE TO AN AFFILIATED COMPANY | 689 | — |
| 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 | 270,645 | 1,339,075 |
| Total shareholder's equity | <u>2,123,065</u> | <u>3,191,495</u> |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | <u>\$ 4,745,503</u> | <u>\$ 5,792,991</u> |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------------|---------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| OPERATING REVENUES | | | | |
| Casino | \$ 1,048,580 | \$ 885,259 | \$ 2,091,801 | \$ 1,821,886 |
| Rooms | 31,668 | 31,300 | 63,463 | 62,619 |
| Food and beverage | 18,205 | 16,707 | 38,285 | 34,775 |
| Entertainment, retail and other | 76,455 | 69,821 | 154,665 | 140,831 |
| Gross revenues | 1,174,908 | 1,003,087 | 2,348,214 | 2,060,111 |
| Less: promotional allowances | (38,329) | (38,241) | (78,936) | (76,477) |
| Net revenues | 1,136,579 | 964,846 | 2,269,278 | 1,983,634 |
| OPERATING COSTS AND EXPENSES | | | | |
| Casino | (761,588) | (640,957) | (1,497,856) | (1,321,634) |
| Rooms | (3,774) | (3,676) | (7,622) | (7,449) |
| Food and beverage | (5,447) | (3,941) | (11,465) | (8,463) |
| Entertainment, retail and other | (14,265) | (15,146) | (28,870) | (28,622) |
| General and administrative | (184,027) | (133,518) | (349,384) | (271,562) |
| Pre-opening costs | (339) | (307) | (846) | (546) |
| Amortization of gaming subconcession | (14,309) | (14,310) | (28,618) | (28,619) |
| Amortization of land use rights | (2,717) | (2,716) | (5,433) | (5,433) |
| Depreciation and amortization | (48,428) | (49,431) | (98,653) | (100,236) |
| Property charges and other | (2,796) | (77) | (8,053) | (481) |
| Total operating costs and expenses | (1,037,690) | (864,079) | (2,036,800) | (1,773,045) |
| OPERATING INCOME | 98,889 | 100,767 | 232,478 | 210,589 |
| NON-OPERATING INCOME (EXPENSES) | | | | |
| Interest income | 53 | (7) | 227 | 1,933 |
| Interest expenses, net of capitalized interest | (5,841) | (7,103) | (11,796) | (14,549) |
| Other finance costs | (5,531) | (6,295) | (11,620) | (12,018) |
| Foreign exchange (losses) gains, net | (348) | 183 | 5,941 | 2,689 |
| Other income, net | 18 | 82 | 31 | 244 |
| Loss on extinguishment of debt | (31,459) | — | (31,459) | — |
| Costs associated with debt modification | (1,912) | — | (1,912) | — |
| Total non-operating expenses, net | (45,020) | (13,140) | (50,588) | (21,701) |
| INCOME BEFORE INCOME TAX | 53,869 | 87,627 | 181,890 | 188,888 |
| INCOME TAX (EXPENSE) CREDIT | (538) | (932) | 1,446 | (1,500) |
| NET INCOME | \$ 53,331 | \$ 86,695 | \$ 183,336 | \$ 187,388 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------------------|---------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net cash provided by operating activities | \$ 258,542 | \$ 249,453 | \$ 461,839 | \$ 411,130 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for acquisition of property and equipment | (100,120) | (67,005) | (176,119) | (177,457) |
| Advance payments and deposits for acquisition of property and equipment | (2,659) | (577) | (13,452) | (1,862) |
| Proceeds from sale of property and equipment | 48 | 350 | 770 | 571 |
| Withdrawals of bank deposits with original maturities over three months | — | 196,366 | 138,539 | 587,908 |
| Placement of bank deposits with original maturities over three months | — | (49,357) | — | (49,357) |
| Payment for land use rights | — | — | — | (3,788) |
| Advance to an affiliated company | — | (1,800) | — | (1,800) |
| Payments for entertainment production costs | — | (33) | — | (33) |
| Changes in restricted cash | — | 1,269 | — | 2,412 |
| Net cash (used in) provided by investing activities | (102,731) | 79,213 | (50,262) | 356,594 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Dividends paid | (95,000) | (739,243) | (660,800) | (1,089,500) |
| Principal payments on long-term debt | (361,279) | — | (372,557) | — |
| Payments of deferred financing costs | (29,023) | — | (29,023) | (58) |
| Principal payments on capital lease obligations | (25) | (7) | (60) | (15) |
| Funds from an affiliated company | 630 | 1,644 | 1,087 | 1,745 |
| Proceeds from long-term debt | 350,000 | — | 350,000 | — |
| Net cash used in financing activities | (134,697) | (737,606) | (711,353) | (1,087,828) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 21,114 | (408,940) | (299,776) | (320,104) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 791,945 | 1,130,481 | 1,112,835 | 1,041,645 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>\$ 813,059</u> | <u>\$ 721,541</u> | <u>\$ 813,059</u> | <u>\$ 721,541</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOWS | | | | |
| Cash paid for interest, net of amounts capitalized | \$ (9,593) | \$ (4) | \$ (22,798) | \$ (16,331) |
| Cash paid for income taxes | — | — | (2,795) | (2,795) |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | | | |
| Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment | 12,063 | 32,491 | 52,023 | 59,594 |
| Change in advance to and amounts due from/to affiliated companies related to property and equipment | 3,082 | 98 | 3,255 | 105 |
| Settlement of dividends through offsetting with advance to an affiliated company | 590,966 | — | 590,966 | — |
| Assignment of amount due from an unconsolidated subsidiary to advance to an affiliated company | — | — | — | 1,634,005 |

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 Six Months Ended June 30, 2017
(In thousands of U.S. dollars, except share and per share data)

| | Consolidated Total for Melco Resorts Finance Limited - Restricted Subsidiaries Group | Unrestricted Subsidiaries | | Elimination | Consolidated Total for Melco Resorts Finance Limited |
|---|---|--|---|-------------|--|
| | | MCO (Macau) Hotel Limited (Formerly known as Melco Crown (Macau Peninsula) Hotel Limited) | MCO (Macau) Consulting Limited (Formerly known as Melco Crown (Macau Peninsula) Developments Limited) | | |
| Condensed Consolidated Balance Sheets | | | | | |
| (Unaudited) | | | | | |
| As of June 30, 2017 | | | | | |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 813,059 | \$ | \$ | \$ | \$ 813,059 |
| Accounts receivable, net | 133,150 | | | | 133,150 |
| Amounts due from affiliated companies | 212,046 | (2) | (2) | | 212,042 |
| Amounts due from unconsolidated subsidiaries | 2 | | | (2) | — |
| Inventories | 18,363 | | | | 18,363 |
| Prepaid expenses and other current assets | 44,263 | | | | 44,263 |
| Total current assets | 1,220,883 | (2) | (2) | (2) | 1,220,877 |
| PROPERTY AND EQUIPMENT, NET | 2,681,817 | | | | 2,681,817 |
| GAMING SUBCONCESSION, NET | 284,702 | | | | 284,702 |
| INTANGIBLE ASSETS | 4,220 | | | | 4,220 |
| GOODWILL | 81,915 | | | | 81,915 |
| LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS | 130,991 | | | | 130,991 |
| INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES | 6 | | | (6) | — |
| ADVANCES TO GROUP COMPANIES | — | | 17,795 | (17,795) | — |
| LAND USE RIGHTS, NET | 340,969 | | | | 340,969 |
| TOTAL ASSETS | \$ 4,745,503 | \$ (2) | \$ 17,793 | \$ (17,803) | \$ 4,745,491 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$ 11,679 | \$ | \$ | \$ | \$ 11,679 |
| Accrued expenses and other current liabilities | 1,062,700 | | | | 1,062,700 |
| Income tax payable | 1,488 | | | | 1,488 |
| Capital lease obligations, due within one year | 120 | | | | 120 |
| Current portion of long-term debt, net | 44,285 | | | | 44,285 |
| Amounts due to affiliated companies | 77,863 | 2 | 2 | | 77,867 |
| Amounts due to group companies | — | 1 | 1 | (2) | — |
| Total current liabilities | 1,198,135 | 3 | 3 | (2) | 1,198,139 |
| LONG-TERM DEBT, NET | 1,383,908 | | | | 1,383,908 |
| OTHER LONG-TERM LIABILITIES | 23,967 | | | | 23,967 |
| DEFERRED TAX LIABILITIES | 13,706 | | | | 13,706 |
| CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR | 87 | | | | 87 |
| AMOUNT DUE TO AN AFFILIATED COMPANY | 689 | | | | 689 |
| 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 | 270,645 | (8) | (8) | | 270,629 |
| Total shareholder's equity | 2,123,065 | (5) | (5) | (6) | 2,123,049 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | \$ 4,745,503 | \$ (2) | \$ 17,793 | \$ (17,803) | \$ 4,745,491 |

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 Six Months Ended June 30, 2017
(In thousands of U.S. dollars)

| | Consolidated Total for Melco Resorts Finance Limited - Restricted Subsidiaries Group | Unrestricted Subsidiaries | | Elimination | Consolidated Total for Melco Resorts Finance Limited |
|--|--|--|---|-------------|--|
| | | MCO (Macau) Hotel Limited (Formerly known as Melco Crown (Macau Peninsula) Hotel Limited) | MCO (Macau) Consulting Limited (Formerly known as Melco Crown (Macau Peninsula) Developments Limited) | | |
| Condensed Consolidated Statements of Operations (Unaudited) | | | | | |
| For the Six Months Ended June 30, 2017 | | | | | |
| OPERATING REVENUES | | | | | |
| Casino | \$ 2,091,801 | \$ | \$ | \$ | \$ 2,091,801 |
| Rooms | 63,463 | | | | 63,463 |
| Food and beverage | 38,285 | | | | 38,285 |
| Entertainment, retail and other | 154,665 | | | | 154,665 |
| Gross revenues | 2,348,214 | — | — | — | 2,348,214 |
| Less: promotional allowances | (78,936) | | | | (78,936) |
| Net revenues | 2,269,278 | — | — | — | 2,269,278 |
| OPERATING COSTS AND EXPENSES | | | | | |
| Casino | (1,497,856) | | | | (1,497,856) |
| Rooms | (7,622) | | | | (7,622) |
| Food and beverage | (11,465) | | | | (11,465) |
| Entertainment, retail and other | (28,870) | | | | (28,870) |
| General and administrative | (349,384) | | | | (349,384) |
| Pre-opening costs | (846) | | | | (846) |
| Amortization of gaming subconcession | (28,618) | | | | (28,618) |
| Amortization of land use rights | (5,433) | | | | (5,433) |
| Depreciation and amortization | (98,653) | | | | (98,653) |
| Property charges and other | (8,053) | | | | (8,053) |
| Total operating costs and expenses | (2,036,800) | — | — | — | (2,036,800) |
| OPERATING INCOME | 232,478 | — | — | — | 232,478 |
| NON-OPERATING INCOME (EXPENSES) | | | | | |
| Interest income | 227 | | | | 227 |
| Interest expenses, net of capitalized interest | (11,796) | | | | (11,796) |
| Other finance costs | (11,620) | | | | (11,620) |
| Foreign exchange gains, net | 5,941 | | | | 5,941 |
| Other income, net | 31 | | | | 31 |
| Loss on extinguishment of debt | (31,459) | | | | (31,459) |
| Costs associated with debt modification | (1,912) | | | | (1,912) |
| Total non-operating expenses, net | (50,588) | — | — | — | (50,588) |
| INCOME BEFORE INCOME TAX | 181,890 | — | — | — | 181,890 |
| INCOME TAX CREDIT | 1,446 | | | | 1,446 |
| NET INCOME | \$ 183,336 | \$ — | \$ — | \$ — | \$ 183,336 |

EXPLANATORY NOTE
Studio City Finance Limited's Quarterly Report
for the Three and Six Months Ended June 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 six months ended June 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.

Studio City Finance Limited
Report for the Second 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 |

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 Direção 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;

- “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;

- “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 six months ended June 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.

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.

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 |
| “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 |

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 June 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\$7.8055 to US\$1.00. On August 18, 2017, the noon buying rate was HK\$7.8233 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 MOP 8.0134 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.

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. Studio City Casino has 250 mass market gaming tables and approximately 970 gaming machines. 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, a live magic theater 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 separate, ring-fenced credit group 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 self-managed 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 second quarter 2017 earnings release dated July 27, 2017 does not reflect the intra-Melco group fees for the Master Services Agreements charged to Studio City Finance Limited and its subsidiaries. The consolidated financials of Studio City Finance Limited contained in this report reflect such intra-Melco group fees charged. 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 second quarter of 2017 is approximately US\$12 million.

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

For the second quarter of 2017, our total net revenues were US\$131.7 million, an increase of US\$41.2 million, from US\$90.5 million of net revenues for the second quarter of 2016. The increase in total net revenues was primarily due to the increase in revenues from provision of gaming related services as a result of 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 second quarter of 2017 was US\$18.4 million, a decrease of US\$45.8 million from a net loss attributable to Studio City Finance Limited of US\$64.1 million for the second quarter of 2016, primarily due to the increased revenues from provision of gaming related services mentioned above.

Studio City generated casino revenues of US\$302.4 million and US\$151.9 million for the second quarters of 2017 and 2016, respectively. Rolling chip volume was US\$4.7 billion and the rolling chip win rate was 3.3% in the second quarter of 2017. Mass market table games drop increased to US\$661.4 million compared with US\$592.2 million for the second quarter of 2016. The mass market table games hold percentage was 26.8% for the second quarter of 2017 compared to 22.8% for the second quarter of 2016. Gaming machine handle for the second quarter of 2017 was US\$502.9 million, compared with US\$485.3 million for the second quarter of 2016. The gaming machine win rate was 3.7% in the second quarter of 2017 versus 3.6% in the second 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\$74.1 million and US\$27.9 million were recognized as revenues from provision of gaming related services for the second quarters of 2017 and 2016, respectively.

Total non-gaming revenue at Studio City for the second quarter of 2017 was US\$57.9 million, compared with US\$64.0 million for the second quarter of 2016.

Total net non-operating expenses for the second quarter of 2017 were US\$39.2 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\$39.1 million for the second quarter of 2016, which mainly included interest expenses of US\$32.9 million and other finance costs of US\$7.0 million.

Depreciation and amortization costs of US\$44.0 million were recorded in the second quarter of 2017, of which US\$0.8 million was related to the amortization of land use rights.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

For the six months ended June 30, 2017, our total net revenues were US\$252.4 million, an increase of US\$64.4 million, from US\$187.9 million of net revenues for the six months ended June 30, 2016. The increase in total net revenues was primarily due to the increase in revenues from 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 six months ended June 30, 2017 was US\$43.2 million, a decrease of US\$86.1 million from a net loss attributable to Studio City Finance Limited of US\$129.3 million for the six months ended June 30, 2016, primarily due to the increased revenues from provision of gaming related services mentioned above.

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 has 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 June 30, 2017, we held cash and cash equivalents of US\$321.5 million and restricted cash of US\$12.8 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, Studio City Company Notes and 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 June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (In thousands of US\$) | | | |
| Net cash (used in) provided by operating activities | \$ (7,672) | \$ (44,840) | \$ 22,514 | \$ (49,153) |
| Net cash provided by (used in) investing activities | 17,372 | 4,405 | (29,805) | 28,987 |
| Cash used in a financing activity | (70) | — | (1,259) | (7,669) |
| Net increase (decrease) in cash and cash equivalents | 9,630 | (40,435) | (8,550) | (27,835) |
| Cash and cash equivalents at beginning of period | 311,898 | 289,084 | 330,078 | 276,484 |
| Cash and cash equivalents at end of period | <u>\$321,528</u> | <u>\$248,649</u> | <u>\$321,528</u> | <u>\$248,649</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.

Net cash used in operating activities was US\$7.7 million for the three months ended June 30, 2017, as compared to net cash used in operating activities of US\$44.8 million for the three months ended June 30, 2016. Net cash provided by operating activities was US\$22.5 million for the six months ended June 30, 2017, as compared to net cash used in operating activities of US\$49.2 million for the six months ended June 30, 2016. The change for the three and six months ended June 30, 2017 compared to the same periods in 2016 was primarily due to the improvement in underlying performance as described in the foregoing section.

Investing Activities

Net cash provided by investing activities was US\$17.4 million for the three months ended June 30, 2017 as compared to net cash provided by investing activities of US\$4.4 million for the three months ended June 30, 2016. The change was primarily due to a larger decrease in restricted cash in the current quarter. Net cash provided by investing activities for the three months ended June 30, 2017 mainly included a decrease in restricted cash of US\$38.1 million, partially offset by capital expenditure payments of US\$19.8 million.

Net cash provided by investing activities for the three months ended June 30, 2016 mainly included a decrease in restricted cash of US\$24.7 million, partially offset by capital expenditure payments of US\$21.3 million.

Net cash used in investing activities was US\$29.8 million for the six months ended June 30, 2017 as compared to net cash provided by investing activities of US\$29.0 million for the six months ended June 30, 2016. The change was primarily due to a smaller change in restricted cash balances and a decrease in capital expenditure payments in the current period. Net cash used in investing activities for the six months ended June 30, 2017 mainly included capital expenditure payments of US\$28.6 million.

Net cash provided by investing activities for the six months ended June 30, 2016 mainly included a decrease in restricted cash of US\$104.5 million, partially offset by capital expenditure payments of US\$78.8 million.

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

Financing Activities

Cash used in a financing activity was US\$70,000 for the three months ended June 30, 2017 due to the payment of debt issuance cost associated with the Studio City Company Notes. There was no cash used in or provided by any financing activity for the three months ended June 30, 2016.

Cash used in a financing activity was US\$1.3 million for the six months ended June 30, 2017 due to the payment of debt issuance cost associated with the Studio City Company Notes and 2021 Studio City Senior Secured Credit Facility. Cash used in a financing activity was US\$7.7 million for the six months ended June 30, 2016 mainly due to the payment of legal and professional fees incurred for amending the loan documentation for the Studio City Project Facility.

Indebtedness and Capital Contributions

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

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

There was no change in our gross indebtedness as of June 30, 2017 compared to March 31, 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.

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

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

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

| | <u>June 30, 2017</u> (Unaudited) | <u>December 31, 2016</u> (Audited) |
|---|-------------------------------------|---------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 321,528 | \$ 330,078 |
| Restricted cash | 12,696 | 12,694 |
| Accounts receivable, net | 1,667 | 2,695 |
| Amounts due from affiliated companies | 38,538 | 18,190 |
| Inventories | 9,426 | 9,105 |
| Prepaid expenses and other current assets | 12,663 | 12,142 |
| Total current assets | <u>396,518</u> | <u>384,904</u> |
| PROPERTY AND EQUIPMENT, NET | 2,335,245 | 2,408,394 |
| LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS | 67,535 | 77,812 |
| RESTRICTED CASH | 130 | 130 |
| LAND USE RIGHT, NET | 127,334 | 128,995 |
| TOTAL ASSETS | <u>\$ 2,926,762</u> | <u>\$ 3,000,235</u> |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 3,028 | \$ 3,368 |
| Accrued expenses and other current liabilities | 124,589 | 154,593 |
| Amounts due to affiliated companies | 30,599 | 33,469 |
| Total current liabilities | <u>158,216</u> | <u>191,430</u> |
| LONG-TERM DEBT, NET | 1,995,670 | 1,992,123 |
| OTHER LONG-TERM LIABILITIES | 17,337 | 17,333 |
| DEFERRED TAX LIABILITIES | 776 | 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 | (697,001) | (653,836) |
| Total Studio City Finance Limited shareholder's equity | <u>763,017</u> | <u>806,182</u> |
| Noncontrolling interests | (8,254) | (7,633) |
| Total equity | <u>754,763</u> | <u>798,549</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$ 2,926,762</u> | <u>\$ 3,000,235</u> |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------------------|------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| OPERATING REVENUES | | | | |
| Provision of gaming related services | \$ 74,127 | \$ 27,904 | \$ 133,352 | \$ 53,876 |
| Rooms | 21,428 | 20,474 | 43,454 | 41,432 |
| Food and beverage | 13,299 | 12,564 | 27,002 | 24,367 |
| Entertainment, retail and other | 23,182 | 30,973 | 49,546 | 71,363 |
| Gross revenues | <u>132,036</u> | <u>91,915</u> | <u>253,354</u> | <u>191,038</u> |
| Less: promotional allowances | (380) | (1,441) | (974) | (3,094) |
| Net revenues | <u>131,656</u> | <u>90,474</u> | <u>252,380</u> | <u>187,944</u> |
| OPERATING COSTS AND EXPENSES | | | | |
| Provision of gaming related services | (5,071) | (1,917) | (12,334) | (5,608) |
| Rooms | (5,428) | (5,455) | (11,023) | (11,216) |
| Food and beverage | (12,160) | (13,782) | (24,098) | (28,133) |
| Entertainment, retail and other | (9,689) | (15,745) | (19,779) | (37,871) |
| General and administrative | (30,547) | (35,864) | (58,582) | (69,481) |
| Pre-opening costs | 21 | 119 | 40 | (678) |
| Amortization of land use right | (830) | (830) | (1,661) | (1,661) |
| Depreciation and amortization | (43,182) | (41,638) | (85,980) | (83,287) |
| Property charges and other | (4,267) | — | (4,267) | — |
| Total operating costs and expenses | <u>(111,153)</u> | <u>(115,112)</u> | <u>(217,684)</u> | <u>(237,935)</u> |
| OPERATING INCOME (LOSS) | <u>20,503</u> | <u>(24,638)</u> | <u>34,696</u> | <u>(49,991)</u> |
| NON-OPERATING INCOME (EXPENSES) | | | | |
| Interest income | 526 | 421 | 764 | 602 |
| Interest expenses | (38,080) | (32,922) | (76,159) | (65,968) |
| Other finance costs | (1,983) | (7,020) | (3,943) | (14,396) |
| Foreign exchange gains, net | 97 | 174 | 368 | 417 |
| Other income, net | 232 | 232 | 464 | 463 |
| Total non-operating expenses, net | <u>(39,208)</u> | <u>(39,115)</u> | <u>(78,506)</u> | <u>(78,882)</u> |
| LOSS BEFORE INCOME TAX | <u>(18,705)</u> | <u>(63,753)</u> | <u>(43,810)</u> | <u>(128,873)</u> |
| INCOME TAX CREDIT (EXPENSE) | 20 | (394) | 24 | (390) |
| NET LOSS | <u>(18,685)</u> | <u>(64,147)</u> | <u>(43,786)</u> | <u>(129,263)</u> |
| NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 303 | — | 621 | — |
| NET LOSS ATTRIBUTABLE TO STUDIO CITY FINANCE LIMITED | <u>\$ (18,382)</u> | <u>\$ (64,147)</u> | <u>\$ (43,165)</u> | <u>\$ (129,263)</u> |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------------|------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net cash (used in) provided by operating activities | \$ (7,672) | \$ (44,840) | \$ 22,514 | \$ (49,153) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for acquisition of property and equipment | (19,778) | (21,307) | (28,592) | (78,787) |
| Funds to an affiliated company | (630) | (1,644) | (1,087) | (1,745) |
| Advance payments and deposits for acquisition of property and equipment | (654) | (279) | (657) | (309) |
| Changes in restricted cash | 38,077 | 24,724 | (2) | 104,499 |
| Proceeds from sale of property and equipment and other long-term assets | 357 | 911 | 533 | 3,329 |
| Repayment of loan to an affiliated company | — | 2,000 | — | 2,000 |
| Net cash provided by (used in) investing activities | <u>17,372</u> | <u>4,405</u> | <u>(29,805)</u> | <u>28,987</u> |
| CASH FLOW FROM A FINANCING ACTIVITY | | | | |
| Payments of deferred financing costs | (70) | — | (1,259) | (7,669) |
| Cash used in a financing activity | <u>(70)</u> | <u>—</u> | <u>(1,259)</u> | <u>(7,669)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 9,630 | (40,435) | (8,550) | (27,835) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>311,898</u> | <u>289,084</u> | <u>330,078</u> | <u>276,484</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>\$321,528</u> | <u>\$248,649</u> | <u>\$321,528</u> | <u>\$248,649</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOWS | | | | |
| Cash paid for interest | \$ (76,158) | \$ (50,790) | \$ (76,159) | \$ (66,135) |
| NON-CASH INVESTING ACTIVITIES | | | | |
| Change in accrued expenses and other current liabilities and other long-term liabilities related to acquisition of property and equipment | (936) | 31,044 | 807 | 28,826 |
| Change in amounts due from/to affiliated companies related to acquisition of property and equipment and other long-term assets | 2,229 | 2,857 | 3,068 | 4,216 |
| Change in prepaid expenses and other current assets related to sale of property and equipment | <u>—</u> | <u>2,618</u> | <u>—</u> | <u>2,618</u> |

EXPLANATORY NOTE
Studio City Investments Limited's Quarterly Report
for the Three and Six Months Ended June 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 six months ended June 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.

Studio City Investments Limited
Report for the Second 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 |

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 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 depository 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;
- “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;
- “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 six months ended June 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.

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.

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 |
| “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 |

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 June 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\$7.8055 to US\$1.00. On August 18, 2017, the noon buying rate was HK\$7.8233 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 MOP 8.0134 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.

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. Studio City Casino has 250 mass market gaming tables and approximately 970 gaming machines. 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, a live magic theater 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 separate, ring-fenced credit group 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 self-managed 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 second quarter 2017 earnings release dated July 27, 2017 does not reflect the intra-Melco group fees for the Master Services Agreements charged to Studio City Investments Limited and its subsidiaries. The consolidated financials of Studio City Investments Limited contained in this report reflect such intra-Melco group fees charged. 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 second quarter of 2017 is approximately US\$12 million.

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

For the second quarter of 2017, our total net revenues were US\$131.7 million, an increase of US\$41.2 million, from US\$90.5 million of net revenues for the second quarter of 2016. The increase in total net revenues was primarily due to the increase in revenues from provision of gaming related services as a result of 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 second quarter of 2017 was US\$25.2 million, a decrease of US\$44.6 million from a net loss attributable to Studio City Investments Limited of US\$69.7 million for the second quarter of 2016, primarily due to the increased revenues from provision of gaming related services mentioned above.

Studio City generated casino revenues of US\$302.4 million and US\$151.9 million for the second quarters of 2017 and 2016, respectively. Rolling chip volume was US\$4.7 billion and the rolling chip win rate was 3.3% in the second quarter of 2017. Mass market table games drop increased to US\$661.4 million compared with US\$592.2 million for the second quarter of 2016. The mass market table games hold percentage was 26.8% for the second quarter of 2017 compared to 22.8% for the second quarter of 2016. Gaming machine handle for the second quarter of 2017 was US\$502.9 million, compared with US\$485.3 million for the second quarter of 2016. The gaming machine win rate was 3.7% in the second quarter of 2017 versus 3.6% in the second 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\$74.1 million and US\$27.9 million were recognized as revenues from provision of gaming related services for the second quarters of 2017 and 2016, respectively.

Total non-gaming revenue at Studio City for the second quarter of 2017 was US\$57.9 million, compared with US\$64.0 million for the second quarter of 2016.

Total net non-operating expenses for the second quarter of 2017 were US\$47.4 million, which mainly included interest expenses of US\$46.8 million and other finance costs of US\$1.5 million, as compared to total net non-operating expenses of US\$46.1 million for the second quarter of 2016, which mainly included interest expenses of US\$40.3 million and other finance costs of US\$6.5 million.

Depreciation and amortization costs of US\$42.7 million were recorded in the second quarter of 2017, of which US\$0.8 million was related to the amortization of land use rights.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

For the six months ended June 30, 2017, our total net revenues were US\$252.4 million, an increase of US\$64.4 million, from US\$187.9 million of net revenues for the six months ended June 30, 2016. The increase in total net revenues was primarily due to the increase in revenues from 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 six months ended June 30, 2017 was US\$56.4 million, a decrease of US\$83.7 million from a net loss attributable to Studio City Investments Limited of US\$140.1 million for the six months ended June 30, 2016, primarily due to the increased revenues from provision of gaming related services mentioned above.

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 has 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 June 30, 2017, we held cash and cash equivalents of US\$321.5 million and restricted cash of US\$7.0 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 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 June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (In thousands of US\$) | | | |
| Net cash provided by (used in) operating activities | \$ 9,860 | \$ (27,310) | \$ 22,612 | \$ (54,857) |
| Net cash (used in) provided by investing activities | (160) | (13,125) | (29,903) | 34,691 |
| Cash used in a financing activity | (70) | — | (1,259) | (7,669) |
| Net increase (decrease) in cash and cash equivalents | 9,630 | (40,435) | (8,550) | (27,835) |
| Cash and cash equivalents at beginning of period | 311,898 | 289,084 | 330,078 | 276,484 |
| Cash and cash equivalents at end of period | <u>\$321,528</u> | <u>\$248,649</u> | <u>\$321,528</u> | <u>\$248,649</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.

Net cash provided by operating activities was US\$9.9 million for the three months ended June 30, 2017, as compared to net cash used in operating activities of US\$27.3 million for the three months ended June 30, 2016. Net cash provided by operating activities was US\$22.6 million for the six months ended June 30, 2017, as compared to net cash used in operating activities of US\$54.9 million for the six months ended June 30, 2016. The change for the three and six months ended June 30, 2017 compared to the same periods in 2016 was primarily due to the improvement in underlying performance as described in the foregoing section.

Investing Activities

Net cash used in investing activities was US\$0.2 million for the three months ended June 30, 2017 as compared to net cash used in investing activities of US\$13.1 million for the three months ended June 30, 2016. The change was primarily due to a larger decrease in restricted cash in the current quarter. Net cash used in investing activities for the three months ended June 30, 2017 mainly included capital expenditure payments of US\$19.8 million and advance payments and deposits for acquisition of property and equipment of US\$0.7 million, partially offset by a decrease in restricted cash of US\$20.5 million.

Net cash used in investing activities for the three months ended June 30, 2016 mainly included capital expenditure payments of US\$21.3 million, partially offset by a decrease in restricted cash of US\$7.2 million.

Net cash used in investing activities was US\$29.9 million for the six months ended June 30, 2017 as compared to net cash provided by investing activities of US\$34.7 million for the six months ended June 30, 2016. The change was primarily due to a smaller change in restricted cash balances and a decrease in capital expenditure payments in the current period. Net cash used in investing activities for the six months ended June 30, 2017 mainly included capital expenditure payments of US\$28.6 million.

Net cash provided by investing activities for the six months ended June 30, 2016 mainly included a decrease in restricted cash of US\$110.3 million, partially offset by capital expenditure payments of US\$78.8 million.

The movement of the restricted cash for the three and six months ended June 30, 2017 and 2016 primarily related to 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 Studio City Project Facility (such as payments of Studio City Project Costs and interest payments for Studio City Company Notes).

Financing Activities

Cash used in a financing activity was US\$70,000 for the three months ended June 30, 2017 due to the payment of debt issuance cost associated with the Studio City Company Notes. There was no cash used in or provided by any financing activity for the three months ended June 30, 2016.

Cash used in a financing activity was US\$1.3 million for the six months ended June 30, 2017 due to the payment of debt issuance cost associated with the Studio City Company Notes and 2021 Studio City Senior Secured Credit Facility. Cash used in a financing activity was US\$7.7 million for the six months ended June 30, 2016 mainly due to the payment of legal and professional fees incurred for amending the loan documentation for the Studio City Project Facility.

Indebtedness and Capital Contributions

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

| | <u>As of June 30, 2017</u> <u>(in thousands of US\$)</u> |
|---|---|
| Studio City Company Notes | \$ 1,200,000 |
| Studio City Intercompany Note | 658,336 |
| 2021 Studio City Senior Secured Credit Facility | 129 |
| | <u>\$ 1,858,465</u> |

There was no change in our gross indebtedness as of June 30, 2017 compared to March 31, 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.

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

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

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

| | <u>June 30, 2017</u> (Unaudited) | <u>December 31, 2016</u> (Audited) |
|---|-------------------------------------|---------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 321,528 | \$ 330,078 |
| Restricted cash | 6,850 | 6,849 |
| Accounts receivable, net | 1,667 | 2,695 |
| Amounts due from affiliated companies | 38,664 | 18,243 |
| Inventories | 9,426 | 9,105 |
| Prepaid expenses and other current assets | 12,615 | 12,136 |
| Total current assets | <u>390,750</u> | <u>379,106</u> |
| PROPERTY AND EQUIPMENT, NET | 2,219,153 | 2,289,699 |
| LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS | 67,535 | 77,812 |
| ADVANCE TO AN AFFILIATED COMPANY | 2,308 | 2,209 |
| RESTRICTED CASH | 130 | 130 |
| LAND USE RIGHT, NET | 127,334 | 128,995 |
| TOTAL ASSETS | <u>\$ 2,807,210</u> | <u>\$ 2,877,951</u> |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 3,028 | \$ 3,368 |
| Accrued expenses and other current liabilities | 118,676 | 148,724 |
| Amounts due to affiliated companies | 30,563 | 33,401 |
| Total current liabilities | <u>152,267</u> | <u>185,493</u> |
| LONG-TERM DEBT, NET | 1,179,268 | 1,176,780 |
| LOAN FROM AN AFFILIATED COMPANY | 658,336 | 641,259 |
| OTHER LONG-TERM LIABILITIES | 17,337 | 17,333 |
| DEFERRED TAX LIABILITIES | 776 | 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 | (649,565) | (593,126) |
| Total Studio City Investments Limited shareholder's equity | 807,479 | 863,918 |
| Noncontrolling interests | (8,253) | (7,632) |
| Total equity | <u>799,226</u> | <u>856,286</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$ 2,807,210</u> | <u>\$ 2,877,951</u> |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------------------|------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| OPERATING REVENUES | | | | |
| Provision of gaming related services | \$ 74,127 | \$ 27,904 | \$ 133,352 | \$ 53,876 |
| Rooms | 21,428 | 20,474 | 43,454 | 41,432 |
| Food and beverage | 13,299 | 12,564 | 27,002 | 24,367 |
| Entertainment, retail and other | 23,182 | 30,973 | 49,546 | 71,363 |
| Gross revenues | <u>132,036</u> | <u>91,915</u> | <u>253,354</u> | <u>191,038</u> |
| Less: promotional allowances | (380) | (1,441) | (974) | (3,094) |
| Net revenues | <u>131,656</u> | <u>90,474</u> | <u>252,380</u> | <u>187,944</u> |
| OPERATING COSTS AND EXPENSES | | | | |
| Provision of gaming related services | (5,071) | (1,917) | (12,334) | (5,608) |
| Rooms | (5,428) | (5,455) | (11,023) | (11,216) |
| Food and beverage | (12,160) | (13,782) | (24,098) | (28,133) |
| Entertainment, retail and other | (9,689) | (15,745) | (19,779) | (37,871) |
| General and administrative | (30,460) | (35,789) | (58,448) | (69,361) |
| Pre-opening costs | 21 | 119 | 40 | (678) |
| Amortization of land use right | (830) | (830) | (1,661) | (1,661) |
| Depreciation and amortization | (41,881) | (40,379) | (83,377) | (80,770) |
| Property charges and other | (4,267) | — | (4,267) | — |
| Total operating costs and expenses | <u>(109,765)</u> | <u>(113,778)</u> | <u>(214,947)</u> | <u>(235,298)</u> |
| OPERATING INCOME (LOSS) | <u>21,891</u> | <u>(23,304)</u> | <u>37,433</u> | <u>(47,354)</u> |
| NON-OPERATING INCOME (EXPENSES) | | | | |
| Interest income | 525 | 421 | 763 | 602 |
| Interest expenses | (46,788) | (40,345) | (93,236) | (80,463) |
| Other finance costs | (1,450) | (6,532) | (2,884) | (13,426) |
| Foreign exchange gains, net | 97 | 173 | 376 | 422 |
| Other income, net | 232 | 232 | 464 | 463 |
| Total non-operating expenses, net | <u>(47,384)</u> | <u>(46,051)</u> | <u>(94,517)</u> | <u>(92,402)</u> |
| LOSS BEFORE INCOME TAX | <u>(25,493)</u> | <u>(69,355)</u> | <u>(57,084)</u> | <u>(139,756)</u> |
| INCOME TAX CREDIT (EXPENSE) | 20 | (394) | 24 | (390) |
| NET LOSS | <u>(25,473)</u> | <u>(69,749)</u> | <u>(57,060)</u> | <u>(140,146)</u> |
| NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 303 | — | 621 | — |
| NET LOSS ATTRIBUTABLE TO STUDIO CITY INVESTMENTS LIMITED | <u>\$ (25,170)</u> | <u>\$ (69,749)</u> | <u>\$ (56,439)</u> | <u>\$ (140,146)</u> |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-------------------------|------------------------------|-------------------------|
| | 2017 | 2016 | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net cash provided by (used in) operating activities | \$ 9,860 | \$ (27,310) | \$ 22,612 | \$ (54,857) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for acquisition of property and equipment | (19,779) | (21,307) | (28,592) | (78,787) |
| Funds to an affiliated company | (630) | (1,644) | (1,087) | (1,745) |
| Advance payments and deposits for acquisition of property and equipment | (654) | (279) | (657) | (309) |
| Advance to an affiliated company | — | 2 | (99) | (139) |
| Changes in restricted cash | 20,546 | 7,192 | (1) | 110,342 |
| Proceeds from sale of property and equipment and other long-term assets | 357 | 911 | 533 | 3,329 |
| Repayment of loan to an affiliated company | — | 2,000 | — | 2,000 |
| Net cash (used in) provided by investing activities | (160) | (13,125) | (29,903) | 34,691 |
| CASH FLOW FROM A FINANCING ACTIVITY | | | | |
| Payments of deferred financing costs | (70) | — | (1,259) | (7,669) |
| Cash used in a financing activity | (70) | — | (1,259) | (7,669) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 9,630 | (40,435) | (8,550) | (27,835) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 311,898 | 289,084 | 330,078 | 276,484 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>\$321,528</u> | <u>\$248,649</u> | <u>\$321,528</u> | <u>\$248,649</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOWS | | | | |
| Cash paid for interest | \$ (58,627) | \$ (33,259) | \$ (76,159) | \$ (71,979) |
| NON-CASH INVESTING ACTIVITIES | | | | |
| Change in accrued expenses and other current liabilities and other long-term liabilities related to acquisition of property and equipment | (936) | 31,044 | 807 | 28,826 |
| Change in amounts due from/to affiliated companies related to acquisition of property and equipment and other long-term assets | 2,229 | 2,857 | 3,068 | 4,216 |
| Change in prepaid expenses and other current assets related to sale of property and equipment | — | 2,618 | — | 2,618 |

EXPLANATORY NOTE
Studio City Investments Limited's Quarterly Report
for the Three and Six Months Ended June 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 six months ended June 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.

Studio City Investments Limited
Report for the Second 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 |

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 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 depository 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;
- “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;

- “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 six months ended June 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.

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.

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 |
| “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 |

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 June 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\$7.8055 to US\$1.00. On August 18, 2017, the noon buying rate was HK\$7.8233 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 MOP 8.0134 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.

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. Studio City Casino has 250 mass market gaming tables and approximately 970 gaming machines. 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, a live magic theater 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 separate, ring-fenced credit group 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 self-managed 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 second quarter 2017 earnings release dated July 27, 2017 does not reflect the intra-Melco group fees for the Master Services Agreements charged to Studio City Investments Limited and its subsidiaries. The consolidated financials of Studio City Investments Limited contained in this report reflect such intra-Melco group fees charged. 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 second quarter of 2017 is approximately US\$12 million.

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

For the second quarter of 2017, our total net revenues were US\$131.7 million, an increase of US\$41.2 million, from US\$90.5 million of net revenues for the second quarter of 2016. The increase in total net revenues was primarily due to the increase in revenues from provision of gaming related services as a result of 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 second quarter of 2017 was US\$25.2 million, a decrease of US\$44.6 million from a net loss attributable to Studio City Investments Limited of US\$69.7 million for the second quarter of 2016, primarily due to the increased revenues from provision of gaming related services mentioned above.

Studio City generated casino revenues of US\$302.4 million and US\$151.9 million for the second quarters of 2017 and 2016, respectively. Rolling chip volume was US\$4.7 billion and the rolling chip win rate was 3.3% in the second quarter of 2017. Mass market table games drop increased to US\$661.4 million compared with US\$592.2 million for the second quarter of 2016. The mass market table games hold percentage was 26.8% for the second quarter of 2017 compared to 22.8% for the second quarter of 2016. Gaming machine handle for the second quarter of 2017 was US\$502.9 million, compared with US\$485.3 million for the second quarter of 2016. The gaming machine win rate was 3.7% in the second quarter of 2017 versus 3.6% in the second 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\$74.1 million and US\$27.9 million were recognized as revenues from provision of gaming related services for the second quarters of 2017 and 2016, respectively.

Total non-gaming revenue at Studio City for the second quarter of 2017 was US\$57.9 million, compared with US\$64.0 million for the second quarter of 2016.

Total net non-operating expenses for the second quarter of 2017 were US\$47.4 million, which mainly included interest expenses of US\$46.8 million and other finance costs of US\$1.5 million, as compared to total net non-operating expenses of US\$46.1 million for the second quarter of 2016, which mainly included interest expenses of US\$40.3 million and other finance costs of US\$6.5 million.

Depreciation and amortization costs of US\$42.7 million were recorded in the second quarter of 2017, of which US\$0.8 million was related to the amortization of land use rights.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

For the six months ended June 30, 2017, our total net revenues were US\$252.4 million, an increase of US\$64.4 million, from US\$187.9 million of net revenues for the six months ended June 30, 2016. The increase in total net revenues was primarily due to the increase in revenues from 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 six months ended June 30, 2017 was US\$56.4 million, a decrease of US\$83.7 million from a net loss attributable to Studio City Investments Limited of US\$140.1 million for the six months ended June 30, 2016, primarily due to the increased revenues from provision of gaming related services mentioned above.

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 has 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 June 30, 2017, we held cash and cash equivalents of US\$321.5 million and restricted cash of US\$7.0 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 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 June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (In thousands of US\$) | | | |
| Net cash provided by (used in) operating activities | \$ 9,860 | \$ (27,310) | \$ 22,612 | \$ (54,857) |
| Net cash (used in) provided by investing activities | (160) | (13,125) | (29,903) | 34,691 |
| Cash used in a financing activity | (70) | — | (1,259) | (7,669) |
| Net increase (decrease) in cash and cash equivalents | 9,630 | (40,435) | (8,550) | (27,835) |
| Cash and cash equivalents at beginning of period | 311,898 | 289,084 | 330,078 | 276,484 |
| Cash and cash equivalents at end of period | <u>\$321,528</u> | <u>\$248,649</u> | <u>\$321,528</u> | <u>\$248,649</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.

Net cash provided by operating activities was US\$9.9 million for the three months ended June 30, 2017, as compared to net cash used in operating activities of US\$27.3 million for the three months ended June 30, 2016. Net cash provided by operating activities was US\$22.6 million for the six months ended June 30, 2017, as compared to net cash used in operating activities of US\$54.9 million for the six months ended June 30, 2016. The change for the three and six months ended June 30, 2017 compared to the same periods in 2016 was primarily due to the improvement in underlying performance as described in the foregoing section.

Investing Activities

Net cash used in investing activities was US\$0.2 million for the three months ended June 30, 2017 as compared to net cash used in investing activities of US\$13.1 million for the three months ended June 30, 2016. The change was primarily due to a larger decrease in restricted cash in the current quarter. Net cash used in investing activities for the three months ended June 30, 2017 mainly included capital expenditure payments of US\$19.8 million and advance payments and deposits for acquisition of property and equipment of US\$0.7 million, partially offset by a decrease in restricted cash of US\$20.5 million.

Net cash used in investing activities for the three months ended June 30, 2016 mainly included capital expenditure payments of US\$21.3 million, partially offset by a decrease in restricted cash of US\$7.2 million.

Net cash used in investing activities was US\$29.9 million for the six months ended June 30, 2017 as compared to net cash provided by investing activities of US\$34.7 million for the six months ended June 30, 2016. The change was primarily due to a smaller change in restricted cash balances and a decrease in capital expenditure payments in the current period. Net cash used in investing activities for the six months ended June 30, 2017 mainly included capital expenditure payments of US\$28.6 million.

Net cash provided by investing activities for the six months ended June 30, 2016 mainly included a decrease in restricted cash of US\$110.3 million, partially offset by capital expenditure payments of US\$78.8 million.

The movement of restricted cash for the three and six months ended June 30, 2017 and 2016 primarily related to 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 Studio City Project Facility (such as payments of Studio City Project Costs and interest payments for Studio City Company Notes).

Financing Activities

Cash used in a financing activity was US\$70,000 for the three months ended June 30, 2017 due to the payment of debt issuance cost associated with the Studio City Company Notes. There was no cash used in or provided by any financing activity for the three months ended June 30, 2016.

Cash used in a financing activity was US\$1.3 million for the six months ended June 30, 2017 due to the payment of debt issuance cost associated with the Studio City Company Notes and 2021 Studio City Senior Secured Credit Facility. Cash used in a financing activity was US\$7.7 million for the six months ended June 30, 2016 mainly due to the payment of legal and professional fees incurred for amending the loan documentation for the Studio City Project Facility.

Indebtedness and Capital Contributions

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

| | <u>As of June 30, 2017</u> <u>(in thousands of US\$)</u> |
|---|---|
| Studio City Company Notes | \$ 1,200,000 |
| Studio City Intercompany Note | 658,336 |
| 2021 Studio City Senior Secured Credit Facility | 129 |
| | <u>\$ 1,858,465</u> |

There was no change in our gross indebtedness as of June 30, 2017 compared to March 31, 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.

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

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

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

| | <u>June 30, 2017</u> (Unaudited) | <u>December 31, 2016</u> (Audited) |
|---|-------------------------------------|---------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 321,528 | \$ 330,078 |
| Restricted cash | 6,850 | 6,849 |
| Accounts receivable, net | 1,667 | 2,695 |
| Amounts due from affiliated companies | 38,664 | 18,243 |
| Inventories | 9,426 | 9,105 |
| Prepaid expenses and other current assets | 12,615 | 12,136 |
| Total current assets | <u>390,750</u> | <u>379,106</u> |
| PROPERTY AND EQUIPMENT, NET | 2,219,153 | 2,289,699 |
| LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS | 67,535 | 77,812 |
| ADVANCE TO AN AFFILIATED COMPANY | 2,308 | 2,209 |
| RESTRICTED CASH | 130 | 130 |
| LAND USE RIGHT, NET | 127,334 | 128,995 |
| TOTAL ASSETS | <u>\$ 2,807,210</u> | <u>\$ 2,877,951</u> |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 3,028 | \$ 3,368 |
| Accrued expenses and other current liabilities | 118,676 | 148,724 |
| Amounts due to affiliated companies | 30,563 | 33,401 |
| Total current liabilities | <u>152,267</u> | <u>185,493</u> |
| LONG-TERM DEBT, NET | 1,179,268 | 1,176,780 |
| LOAN FROM AN AFFILIATED COMPANY | 658,336 | 641,259 |
| OTHER LONG-TERM LIABILITIES | 17,337 | 17,333 |
| DEFERRED TAX LIABILITIES | 776 | 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 | (649,565) | (593,126) |
| Total Studio City Investments Limited shareholder's equity | 807,479 | 863,918 |
| Noncontrolling interests | (8,253) | (7,632) |
| Total equity | <u>799,226</u> | <u>856,286</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$ 2,807,210</u> | <u>\$ 2,877,951</u> |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------------------|------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| OPERATING REVENUES | | | | |
| Provision of gaming related services | \$ 74,127 | \$ 27,904 | \$ 133,352 | \$ 53,876 |
| Rooms | 21,428 | 20,474 | 43,454 | 41,432 |
| Food and beverage | 13,299 | 12,564 | 27,002 | 24,367 |
| Entertainment, retail and other | 23,182 | 30,973 | 49,546 | 71,363 |
| Gross revenues | <u>132,036</u> | <u>91,915</u> | <u>253,354</u> | <u>191,038</u> |
| Less: promotional allowances | (380) | (1,441) | (974) | (3,094) |
| Net revenues | <u>131,656</u> | <u>90,474</u> | <u>252,380</u> | <u>187,944</u> |
| OPERATING COSTS AND EXPENSES | | | | |
| Provision of gaming related services | (5,071) | (1,917) | (12,334) | (5,608) |
| Rooms | (5,428) | (5,455) | (11,023) | (11,216) |
| Food and beverage | (12,160) | (13,782) | (24,098) | (28,133) |
| Entertainment, retail and other | (9,689) | (15,745) | (19,779) | (37,871) |
| General and administrative | (30,460) | (35,789) | (58,448) | (69,361) |
| Pre-opening costs | 21 | 119 | 40 | (678) |
| Amortization of land use right | (830) | (830) | (1,661) | (1,661) |
| Depreciation and amortization | (41,881) | (40,379) | (83,377) | (80,770) |
| Property charges and other | (4,267) | — | (4,267) | — |
| Total operating costs and expenses | <u>(109,765)</u> | <u>(113,778)</u> | <u>(214,947)</u> | <u>(235,298)</u> |
| OPERATING INCOME (LOSS) | <u>21,891</u> | <u>(23,304)</u> | <u>37,433</u> | <u>(47,354)</u> |
| NON-OPERATING INCOME (EXPENSES) | | | | |
| Interest income | 525 | 421 | 763 | 602 |
| Interest expenses | (46,788) | (40,345) | (93,236) | (80,463) |
| Other finance costs | (1,450) | (6,532) | (2,884) | (13,426) |
| Foreign exchange gains, net | 97 | 173 | 376 | 422 |
| Other income, net | 232 | 232 | 464 | 463 |
| Total non-operating expenses, net | <u>(47,384)</u> | <u>(46,051)</u> | <u>(94,517)</u> | <u>(92,402)</u> |
| LOSS BEFORE INCOME TAX | <u>(25,493)</u> | <u>(69,355)</u> | <u>(57,084)</u> | <u>(139,756)</u> |
| INCOME TAX CREDIT (EXPENSE) | 20 | (394) | 24 | (390) |
| NET LOSS | <u>(25,473)</u> | <u>(69,749)</u> | <u>(57,060)</u> | <u>(140,146)</u> |
| NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 303 | — | 621 | — |
| NET LOSS ATTRIBUTABLE TO STUDIO CITY INVESTMENTS LIMITED | <u>\$ (25,170)</u> | <u>\$ (69,749)</u> | <u>\$ (56,439)</u> | <u>\$ (140,146)</u> |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------------|------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net cash provided by (used in) operating activities | \$ 9,860 | \$ (27,310) | \$ 22,612 | \$ (54,857) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for acquisition of property and equipment | (19,779) | (21,307) | (28,592) | (78,787) |
| Funds to an affiliated company | (630) | (1,644) | (1,087) | (1,745) |
| Advance payments and deposits for acquisition of property and equipment | (654) | (279) | (657) | (309) |
| Advance to an affiliated company | — | 2 | (99) | (139) |
| Changes in restricted cash | 20,546 | 7,192 | (1) | 110,342 |
| Proceeds from sale of property and equipment and other long-term assets | 357 | 911 | 533 | 3,329 |
| Repayment of loan to an affiliated company | — | 2,000 | — | 2,000 |
| Net cash (used in) provided by investing activities | (160) | (13,125) | (29,903) | 34,691 |
| CASH FLOW FROM A FINANCING ACTIVITY | | | | |
| Payments of deferred financing costs | (70) | — | (1,259) | (7,669) |
| Cash used in a financing activity | (70) | — | (1,259) | (7,669) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 9,630 | (40,435) | (8,550) | (27,835) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 311,898 | 289,084 | 330,078 | 276,484 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$321,528 | \$248,649 | \$321,528 | \$248,649 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOWS | | | | |
| Cash paid for interest | \$ (58,627) | \$ (33,259) | \$ (76,159) | \$ (71,979) |
| NON-CASH INVESTING ACTIVITIES | | | | |
| Change in accrued expenses and other current liabilities and other long-term liabilities related to acquisition of property and equipment | (936) | 31,044 | 807 | 28,826 |
| Change in amounts due from/to affiliated companies related to acquisition of property and equipment and other long-term assets | 2,229 | 2,857 | 3,068 | 4,216 |
| Change in prepaid expenses and other current assets related to sale of property and equipment | — | 2,618 | — | 2,618 |