

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 May 2018

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

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[Exhibit 99.1](#)

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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: May 30, 2018

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 Months Ended March 31, 2018

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 months ended March 31, 2018, 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 First Quarter of 2018
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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, 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;
- “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;
- “Studio City” refers to a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau;
- “Studio City Casino” refers to the gaming areas being operated within Studio City;
- “Studio City Entertainment” refers to our affiliate, Studio City Entertainment Limited, a Macau company which the Parent acquired in July 2011, through acquisition of a 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;

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- “US\$” and “U.S. dollar(s)” refer to the legal currency of the United States;
 - “U.S. GAAP” refers to the U.S. generally accepted accounting principles; 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 months ended March 31, 2018.

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 visitations 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 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 operator
“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 player 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 patron”	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 player 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 gaming patrons
“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. dollars, while our current expenses are denominated predominantly in Patacas and H.K. dollars, and in connection with a portion of our indebtedness and certain expenses, in U.S. dollars. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars and from U.S. dollars to H.K. dollars in this quarterly report were made at the 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 March 30, 2018 in New York City for cable transfers in H.K. dollars for U.S. dollars, 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\$7.8484 to US\$1.00. On May 25, 2018, the noon buying rate was HK\$7.8456 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. dollars or H.K. dollars, 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, 2017. Our unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2017, except for the adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers (Topic 606)* (“New Revenue Standard”) using the modified retrospective method on January 1, 2018. Amounts for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. 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 first quarter of 2018, our total net revenues were US\$1.20 billion, an increase of 5.5% from US\$1.13 billion of net revenues for the first quarter of 2017. The increase in total net revenues was primarily attributable to the increased casino revenues generated from the operation of Studio City Casino by our subsidiary, Melco Resorts Macau, the gaming subconcessionaire, and the better performance of Altira Macau in all gaming segments, partially offset by higher commissions now reported as a reduction in revenue upon our company’s adoption of the New Revenue Standard. Our company adopted the New Revenue Standard using the modified retrospective method from January 1, 2018. Results for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis. Under the previous basis, before the adoption of the New Revenue Standard, net revenue for the first quarter of 2018 would have been US\$1.27 billion, which would have represented an increase of 12.5% from US\$1.13 billion for the comparable period in 2017. Net income from Studio City Casino gaming operations are reimbursed to Studio City Entertainment pursuant to the Services and Right to Use Arrangements. Such reimbursement is included in general and administrative expenses.

Net income for the first quarter of 2018 was US\$155.9 million, as compared to US\$130.0 million for the first quarter of 2017. The increase in profitability was primarily attributable to the increase in revenues in Altira Macau mentioned above.

The following summarizes the results of our operations:

	Three Months Ended March 31	
	2018	2017
	(In thousands of US\$)	
Net revenues	\$ 1,195,436	\$ 1,132,699
Total operating costs and expenses	\$(1,034,610)	\$ (999,110)
Operating income	\$ 160,826	\$ 133,589
Net income	\$ 155,863	\$ 130,005

Results of Operations

City of Dreams First Quarter Results

For the quarter ended March 31, 2018, net revenue at City of Dreams was US\$673.6 million compared to US\$699.1 million in the first quarter of 2017.

Rolling chip volume totaled US\$11.1 billion for the first quarter of 2018 versus US\$12.6 billion in the first quarter of 2017. The rolling chip win rate was 3.0% in the first quarter of 2018 versus 2.7% in the first quarter of 2017. The expected rolling chip win rate range is 2.7%-3.0%.

Mass market table games drop increased to US\$1,182.2 million compared with US\$1,059.8 million in the first quarter of 2017. The mass market table games hold percentage was 32.1% in the first quarter of 2018 compared to 36.9% in the first quarter of 2017.

Gaming machine handle for the first quarter of 2018 was US\$1,000.7 million, compared with US\$1,025.9 million in the first quarter of 2017. The gaming machine win rate was 5.0% in the first quarter of 2018 versus 3.4% in the first quarter of 2017.

Total non-gaming revenue at City of Dreams in the first quarter of 2018 was US\$104.0 million, compared with US\$83.7 million in the first quarter of 2017.

Altira Macau First Quarter Results

For the quarter ended March 31, 2018, net revenue at Altira Macau was US\$120.5 million compared to US\$109.1 million in the first quarter of 2017. The increase in net revenue was primarily a result of better performances in all gaming segments, partially offset by higher commissions now reported as a reduction in revenue upon the adoption of the New Revenue Standard.

Rolling chip volume totaled US\$5.6 billion in the first quarter of 2018 versus US\$4.1 billion in the first quarter of 2017. The rolling chip win rate was 3.0% in the first quarter of 2018 versus 3.1% in the first quarter of 2017. The expected rolling chip win rate range is 2.7%-3.0%.

In the mass market table games segment, drop totaled US\$139.3 million in the first quarter of 2018, representing an increase from the US\$99.7 million generated in the comparable period in 2017. The mass market table games hold percentage was 19.4% in the first quarter of 2018 compared with 20.6% in the first quarter of 2017.

Gaming machine handle for the first quarter of 2018 was US\$26.0 million, compared with US\$8.0 million in the first quarter of 2017. The gaming machine win rate was 5.4% in the first quarter of 2018 versus 5.8% in the first quarter of 2017.

Total non-gaming revenue at Altira Macau in the first quarter of 2018 was US\$6.8 million, compared with US\$6.7 million in the first quarter of 2017.

Mocha Clubs First Quarter Results

Net revenue from Mocha Clubs totaled US\$30.4 million in the first quarter of 2018 as compared to US\$31.1 million in the first quarter of 2017.

Gaming machine handle for the first quarter of 2018 was US\$654.6 million, compared with US\$603.1 million in the first quarter of 2017. The gaming machine win rate was 4.6% in the first quarter of 2018 versus 5.0% in the first quarter of 2017.

Other Factors Affecting First Quarter Earnings

Total net non-operating expenses for the first quarter of 2018 were US\$4.5 million, which mainly included interest expenses, net of capitalized interest, of US\$6.3 million, loan commitment fees of US\$1.2 million and a net foreign exchange gain of US\$2.3 million, as compared to total net non-operating expenses of US\$5.6 million for the first quarter of 2017, which mainly included interest expenses, net of capitalized interest, of US\$10.9 million, loan commitment fees of US\$1.2 million and a net foreign exchange gain of US\$6.3 million.

Depreciation and amortization costs of US\$62.1 million were recorded in the first quarter of 2018, 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.

Liquidity and Capital Resources

We have relied and intend to continue 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 Morpheus, the third phase of City of Dreams, and redeveloping and rebranding The Countdown at City of Dreams in Cotai, Macau. 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 March 31, 2018, we held cash and cash equivalents of US\$843.1 million and the HK\$9.75 billion (equivalent to approximately US\$1.25 billion) revolving credit facility under the 2015 Credit Facilities remained available for future drawdown, subject to satisfaction of certain conditions precedent. Further, the 2015 Credit Facilities includes an incremental facility of up to US\$1.3 billion to be made available upon further agreement with any of the existing lenders under the 2015 Credit Facilities or with other entities.

Cash Flows

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

	Three Months Ended	
	March 31,	
	2018	2017
	(In thousands of US\$)	
Net cash provided by operating activities	\$ 141,789	\$ 203,297
Net cash (used in) provided by investing activities	(95,694)	52,469
Net cash used in financing activities	(40,287)	(576,656)
Net increase (decrease) in cash and cash equivalents	5,808	(320,890)
Cash and cash equivalents at beginning of period	837,305	1,112,835
Cash and cash equivalents at end of period	<u>\$ 843,113</u>	<u>\$ 791,945</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\$141.8 million for the first quarter of 2018, compared to US\$203.3 million for the first quarter of 2017. The decrease in net cash provided by operating activities was mainly attributable to increased working capital for operations.

Investing Activities

Net cash used in investing activities was US\$95.7 million for the first quarter of 2018, compared to net cash provided by investing activities of US\$52.5 million for the first quarter of 2017. The change was primarily due to no withdrawals of bank deposits with original maturities over three months in the first quarter of 2018.

Net cash used in investing activities of US\$95.7 million for the first quarter of 2018 mainly included capital expenditure payments of US\$75.5 million, advance payments and deposits for acquisition of property and equipment of US\$15.2 million and loan to an affiliated company of US\$5.3 million.

Net cash provided by investing activities was US\$52.5 million for the first quarter of 2017 which mainly included withdrawals of bank deposits with original maturities over three months of US\$138.5 million, partially offset by capital expenditure payments of US\$76.0 million and advance payments and deposits for acquisition of property and equipment of US\$10.8 million.

Our total capital expenditure payments for the first quarter of 2018 were US\$75.5 million, as compared to US\$76.0 million for the first quarter of 2017. 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\$40.3 million for the first quarter of 2018, which primarily represented the dividend payment of US\$32.0 million and the scheduled repayment of the term loan under the 2015 Credit Facilities of US\$11.3 million.

Net cash used in financing activities amounted to US\$576.7 million for the first quarter of 2017, which primarily represented the dividend payment of US\$565.8 million and the scheduled repayment of the term loan under the 2015 Credit Facilities of US\$11.3 million.

Indebtedness

The following table presents a summary of our gross indebtedness as of March 31, 2018:

	As of March 31, 2018
	(In thousands of US\$)
2017 Senior Notes	\$ 1,000,000
2015 Credit Facilities	\$ 422,333
	<u>\$ 1,422,333</u>

Except for the scheduled repayment of the term loan under the 2015 Credit Facilities of US\$11.3 million during the first quarter of 2018, there have been no other changes in our gross indebtedness as of March 31, 2018 as compared to December 31, 2017.

Melco Resorts Finance Limited
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For the Three Months Ended March 31, 2018

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

	<u>March 31, 2018</u> (Unaudited)	<u>December 31, 2017</u> (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 843,113	\$ 837,305
Accounts receivable, net	164,920	147,590
Amounts due from affiliated companies	237,758	227,354
Loan to an affiliated company	100,171	92,730
Inventories	18,971	18,283
Prepaid expenses and other current assets	46,302	52,492
Total current assets	<u>1,411,235</u>	<u>1,375,754</u>
PROPERTY AND EQUIPMENT, NET	2,902,092	2,870,952
GAMING SUBCONCESSION, NET	241,774	256,083
INTANGIBLE ASSETS	4,220	4,220
GOODWILL	81,915	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	104,990	96,256
LAND USE RIGHTS, NET	332,819	335,535
TOTAL ASSETS	<u>\$ 5,079,045</u>	<u>\$ 5,020,715</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 11,688	\$ 10,580
Accrued expenses and other current liabilities	1,191,227	1,235,844
Income tax payable	651	62
Capital lease obligations, due within one year	90	100
Current portion of long-term debt, net	44,434	44,396
Amounts due to affiliated companies	69,862	73,282
Total current liabilities	<u>1,317,952</u>	<u>1,364,264</u>
LONG-TERM DEBT, NET	1,346,413	1,356,475
OTHER LONG-TERM LIABILITIES	17,945	18,640
DEFERRED TAX LIABILITIES	12,023	12,120
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR	27	47
AMOUNTS DUE TO AFFILIATED COMPANIES	919	919
ADVANCE FROM AN AFFILIATED COMPANY	1,949	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	529,397	413,884
Total shareholder's equity	<u>2,381,817</u>	<u>2,266,304</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 5,079,045</u>	<u>\$ 5,020,715</u>

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

	Three Months Ended March 31,	
	2018	2017
OPERATING REVENUES		
Casino	\$ 1,058,275	\$ 1,043,221
Rooms	32,701	31,795
Food and beverage	19,874	20,080
Entertainment, retail and other	84,586	78,210
Gross revenues	1,195,436	1,173,306
Less: promotional allowances	—	(40,607)
Net revenues	1,195,436	1,132,699
OPERATING COSTS AND EXPENSES		
Casino	(713,098)	(736,268)
Rooms	(8,518)	(3,848)
Food and beverage	(17,857)	(6,018)
Entertainment, retail and other	(15,478)	(14,605)
General and administrative	(211,038)	(165,357)
Pre-opening costs	(2,308)	(507)
Amortization of gaming subconcession	(14,309)	(14,309)
Amortization of land use rights	(2,716)	(2,716)
Depreciation and amortization	(45,105)	(50,225)
Property charges and other	(4,183)	(5,257)
Total operating costs and expenses	(1,034,610)	(999,110)
OPERATING INCOME	160,826	133,589
NON-OPERATING INCOME (EXPENSES)		
Interest income	745	174
Interest expenses, net of capitalized interest	(6,323)	(10,885)
Loan commitment fees	(1,159)	(1,159)
Foreign exchange gains, net	2,266	6,289
Other income, net	—	13
Total non-operating expenses, net	(4,471)	(5,568)
INCOME BEFORE INCOME TAX	156,355	128,021
INCOME TAX (EXPENSE) CREDIT	(492)	1,984
NET INCOME	\$ 155,863	\$ 130,005

Note: The Company adopted the New Revenue Standard using the modified retrospective method from January 1, 2018. Results for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis.

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

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	\$ 141,789	\$ 203,297
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of property and equipment	(75,517)	(75,999)
Advance payments and deposits for acquisition of property and equipment	(15,203)	(10,793)
Loan to an affiliated company	(5,325)	—
Proceeds from sale of property and equipment	351	722
Withdrawals of bank deposits with original maturities over three months	—	138,539
Net cash (used in) provided by investing activities	(95,694)	52,469
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(32,000)	(565,800)
Principal payments on long-term debt	(11,278)	(11,278)
Funds from an affiliated company	2,991	457
Principal payments on capital lease obligations	—	(35)
Net cash used in financing activities	(40,287)	(576,656)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,808	(320,890)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	837,305	1,112,835
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 843,113</u>	<u>\$ 791,945</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS		
Cash paid for interest, net of amounts capitalized	\$ —	\$ (13,205)
Cash paid for income taxes	—	(2,795)
NON-CASH INVESTING ACTIVITY		
Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment	<u>49,531</u>	<u>39,960</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>March 31, 2018</u>	<u>December 31, 2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 843,113	\$ 837,305
Accounts receivable, net	164,920	147,590
Amounts due from affiliated companies	237,762	227,362
Loan to an affiliated company	100,171	92,730
Amounts due from unconsolidated subsidiaries	2	2
Inventories	18,971	18,283
Prepaid expenses and other current assets	46,302	52,492
Total current assets	<u>1,411,241</u>	<u>1,375,764</u>
PROPERTY AND EQUIPMENT, NET	2,902,092	2,870,952
GAMING SUBCONCESSION, NET	241,774	256,083
INTANGIBLE ASSETS	4,220	4,220
GOODWILL	81,915	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	104,990	96,256
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES	6	6
LAND USE RIGHTS, NET	332,819	335,535
TOTAL ASSETS	<u>\$ 5,079,057</u>	<u>\$ 5,020,731</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 11,688	\$ 10,580
Accrued expenses and other current liabilities	1,191,227	1,235,844
Income tax payable	651	62
Capital lease obligations, due within one year	90	100
Current portion of long-term debt, net	44,434	44,396
Amounts due to affiliated companies	69,858	73,282
Total current liabilities	<u>1,317,948</u>	<u>1,364,264</u>
LONG-TERM DEBT, NET	1,346,413	1,356,475
OTHER LONG-TERM LIABILITIES	17,945	18,640
DEFERRED TAX LIABILITIES	12,023	12,120
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR	27	47
AMOUNTS DUE TO AFFILIATED COMPANIES	919	919
ADVANCE FROM AN AFFILIATED COMPANY	1,949	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	529,413	413,900
Total shareholder's equity	<u>2,381,833</u>	<u>2,266,320</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 5,079,057</u>	<u>\$ 5,020,731</u>

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

	Three Months Ended March 31,	
	2018	2017
OPERATING REVENUES		
Casino	\$ 1,058,275	\$ 1,043,221
Rooms	32,701	31,795
Food and beverage	19,874	20,080
Entertainment, retail and other	84,586	78,210
Gross revenues	1,195,436	1,173,306
Less: promotional allowances	—	(40,607)
Net revenues	1,195,436	1,132,699
OPERATING COSTS AND EXPENSES		
Casino	(713,098)	(736,268)
Rooms	(8,518)	(3,848)
Food and beverage	(17,857)	(6,018)
Entertainment, retail and other	(15,478)	(14,605)
General and administrative	(211,038)	(165,357)
Pre-opening costs	(2,308)	(507)
Amortization of gaming subconcession	(14,309)	(14,309)
Amortization of land use rights	(2,716)	(2,716)
Depreciation and amortization	(45,105)	(50,225)
Property charges and other	(4,183)	(5,257)
Total operating costs and expenses	(1,034,610)	(999,110)
OPERATING INCOME	160,826	133,589
NON-OPERATING INCOME (EXPENSES)		
Interest income	745	174
Interest expenses, net of capitalized interest	(6,323)	(10,885)
Loan commitment fees	(1,159)	(1,159)
Foreign exchange gains, net	2,266	6,289
Other income, net	—	13
Total non-operating expenses, net	(4,471)	(5,568)
INCOME BEFORE INCOME TAX	156,355	128,021
INCOME TAX (EXPENSE) CREDIT	(492)	1,984
NET INCOME	\$ 155,863	\$ 130,005

Note: The Company adopted the New Revenue Standard using the modified retrospective method from January 1, 2018. Results for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis.

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

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	\$ 141,789	\$ 203,297
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of property and equipment	(75,517)	(75,999)
Advance payments and deposits for acquisition of property and equipment	(15,203)	(10,793)
Loan to an affiliated company	(5,325)	—
Proceeds from sale of property and equipment	351	722
Withdrawals of bank deposits with original maturities over three months	—	138,539
Net cash (used in) provided by investing activities	(95,694)	52,469
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(32,000)	(565,800)
Principal payments on long-term debt	(11,278)	(11,278)
Funds from an affiliated company	2,991	457
Principal payments on capital lease obligations	—	(35)
Net cash used in financing activities	(40,287)	(576,656)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,808	(320,890)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	837,305	1,112,835
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 843,113</u>	<u>\$ 791,945</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS		
Cash paid for interest, net of amounts capitalized	\$ —	\$ (13,205)
Cash paid for income taxes	—	(2,795)
NON-CASH INVESTING ACTIVITY		
Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment	<u>49,531</u>	<u>39,960</u>

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 Three Months Ended March 31, 2018
(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	MCO (Macau) Consulting Limited		
Condensed Consolidated Balance Sheets					
(Unaudited)					
As of March 31, 2018					
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 843,113	\$	\$	\$	\$ 843,113
Accounts receivable, net	164,920				164,920
Amounts due from affiliated companies	237,762	(2)	(2)		237,758
Loan to an affiliated company	100,171				100,171
Amounts due from unconsolidated subsidiaries	2			(2)	—
Inventories	18,971				18,971
Prepaid expenses and other current assets	46,302				46,302
Total current assets	1,411,241	(2)	(2)	(2)	1,411,235
PROPERTY AND EQUIPMENT, NET	2,902,092				2,902,092
GAMING SUBCONCESSION, NET	241,774				241,774
INTANGIBLE ASSETS	4,220				4,220
GOODWILL	81,915				81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	104,990				104,990
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES	6			(6)	—
ADVANCES TO GROUP COMPANIES	—		17,795	(17,795)	—
LAND USE RIGHTS, NET	332,819				332,819
TOTAL ASSETS	<u>\$ 5,079,057</u>	<u>\$ (2)</u>	<u>\$ 17,793</u>	<u>\$ (17,803)</u>	<u>\$ 5,079,045</u>
LIABILITIES AND SHAREHOLDER'S EQUITY					
CURRENT LIABILITIES					
Accounts payable	\$ 11,688	\$	\$	\$	\$ 11,688
Accrued expenses and other current liabilities	1,191,227				1,191,227
Income tax payable	651				651
Capital lease obligations, due within one year	90				90
Current portion of long-term debt, net	44,434				44,434
Amounts due to affiliated companies	69,858	2	2		69,862
Amounts due to group companies	—	1	1	(2)	—
Total current liabilities	1,317,948	3	3	(2)	1,317,952
LONG-TERM DEBT, NET	1,346,413				1,346,413
OTHER LONG-TERM LIABILITIES	17,945				17,945
DEFERRED TAX LIABILITIES	12,023				12,023
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR	27				27
AMOUNTS DUE TO AFFILIATED COMPANIES	919				919
ADVANCE FROM AN AFFILIATED COMPANY	1,949				1,949
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	529,413	(8)	(8)		529,397
Total shareholder's equity	2,381,833	(5)	(5)	(6)	2,381,817
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 5,079,057</u>	<u>\$ (2)</u>	<u>\$ 17,793</u>	<u>\$ (17,803)</u>	<u>\$ 5,079,045</u>

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 Three Months Ended March 31, 2018
(In thousands of U.S. dollars)

	Consolidated Total for Melco Resorts Finance Limited - Restricted Subsidiaries Group	Unrestricted Subsidiaries			Consolidated Total for Melco Resorts Finance Limited
		MCO (Macau) Hotel Limited	MCO (Macau) Consulting Limited	Elimination	
Condensed Consolidated Statements of Operations (Unaudited)					
For the Three Months Ended March 31, 2018					
OPERATING REVENUES					
Casino	\$ 1,058,275	\$	\$	\$	\$ 1,058,275
Rooms	32,701				32,701
Food and beverage	19,874				19,874
Entertainment, retail and other	84,586				84,586
Net revenues	1,195,436	—	—	—	1,195,436
OPERATING COSTS AND EXPENSES					
Casino	(713,098)				(713,098)
Rooms	(8,518)				(8,518)
Food and beverage	(17,857)				(17,857)
Entertainment, retail and other	(15,478)				(15,478)
General and administrative	(211,038)				(211,038)
Pre-opening costs	(2,308)				(2,308)
Amortization of gaming subconcession	(14,309)				(14,309)
Amortization of land use rights	(2,716)				(2,716)
Depreciation and amortization	(45,105)				(45,105)
Property charges and other	(4,183)				(4,183)
Total operating costs and expenses	(1,034,610)	—	—	—	(1,034,610)
OPERATING INCOME	160,826	—	—	—	160,826
NON-OPERATING INCOME (EXPENSES)					
Interest income	745				745
Interest expenses, net of capitalized interest	(6,323)				(6,323)
Loan commitment fees	(1,159)				(1,159)
Foreign exchange gains, net	2,266				2,266
Total non-operating expenses, net	(4,471)	—	—	—	(4,471)
INCOME BEFORE INCOME TAX	156,355	—	—	—	156,355
INCOME TAX EXPENSE	(492)				(492)
NET INCOME	\$ 155,863	\$ —	\$ —	\$ —	\$ 155,863

EXPLANATORY NOTE
Studio City Finance Limited's Quarterly Report
for the Three Months Ended March 31, 2018

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 months ended March 31, 2018, 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 First Quarter of 2018
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INTRODUCTION

In this quarterly report, unless otherwise indicated:

- “2021 Studio City Senior Secured Credit Facility” refers to the facility agreement dated November 23, 2016 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, 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;
- “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;
- “remaining project” refers to the part of the Studio City project comprised of a gross floor area of approximately 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;
- “Shareholders Agreement” refers to the agreement dated July 27, 2011, as amended by 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;
- “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 Casino” refers to the gaming areas being operated within Studio City;
- “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 secured notes due 2019 and the US\$850.0 million aggregate principal amount of 7.250% senior secured 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 U.S. generally accepted accounting principles; 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 months ended March 31, 2018.

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 visitations 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 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 operator
“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 player 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 patron”	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 player 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 gaming patrons
“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 Patacas, our revenues and expenses are denominated predominantly in H.K. dollars and, in connection with a portion of our indebtedness and certain expenses, in U.S. dollars. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars and from U.S. dollars to H.K. dollars in this quarterly report were made at the 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 March 30, 2018 in New York City for cable transfers in H.K. dollars for U.S. dollars, 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\$7.8484 to US\$1.00. On May 25, 2018, the noon buying rate was HK\$7.8456 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. dollars or H.K. dollars, as the case may be, at any particular rate or at all.

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

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, 2017. Our unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2017, except for the adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers (Topic 606)* (“New Revenue Standard”) using the modified retrospective method on January 1, 2018. Amounts for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. 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 large-scale cinematically-themed integrated entertainment, retail and gaming resort which opened in October 2015. During the first quarter of 2018, Studio City Casino had approximately 294 gaming tables and approximately 943 gaming machines operating. The gaming operations of Studio City are focused on the mass market and target all ranges of mass market patrons. While Studio City focuses on the mass market segment for gaming, VIP rolling chip operations, including both junket and premium direct VIP offerings, were introduced at Studio City in early November 2016 and a VIP rolling chip area has been built at Studio City with 45 VIP tables as of March 31, 2018. Studio City will assess and evaluate its focus on different market segments from time to time and will adjust its operations as appropriate. Studio City also includes luxury hotel offerings and various entertainment, retail and food and beverage outlets to attract a diverse range of customers. Designed to focus on the mass market segment, Studio City offers cinematically-themed, unique and innovative interactive attractions, including the world’s first figure-8 and Asia’s highest Ferris wheel, a Warner Bros.-themed family entertainment center, a Batman film franchise digital ride, a 5,000 seat multi-purpose live performance arena and a Pacha nightclub, as well as approximately 1,600 hotel rooms, various food and beverage outlets and approximately 35,000 square meters (equivalent to approximately 377,000 square feet) of themed and innovative retail space.

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

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

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

In February 2018, we announced that the Macau government granted an extension of the development period under the Studio City land concession contract. Pursuant to such extension, the development period for the land of Studio City has been extended to July 24, 2021. If we fail to fully develop our remaining project under the land concession contract by July 24, 2021, or receive a further extension of the development period from the Macau government, we may be forced to forfeit all or part of our investment in the granted land, along with our interest in Studio City.

The Adjusted EBITDA for Studio City as mentioned in Melco’s unaudited first quarter 2018 earnings release dated May 3, 2018 does not reflect the intra-Melco group fees for the Master Services Agreements charged to Studio City Finance Limited and its subsidiaries and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. The consolidated financials of Studio City Finance Limited contained in this report reflect such intra-Melco group fees charged and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. In addition, the Adjusted EBITDA for Studio City mentioned above includes operating income or losses generated at Studio City by SCI’s subsidiaries which are not subsidiaries of Studio City Finance Limited. Such operating income or losses are not included in the consolidated financials of Studio City Finance Limited. The total variance resulting from the above differences for the first quarter of 2018 is approximately US\$16 million.

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

For the first quarter of 2018, our total revenues were US\$156.8 million, an increase of US\$36.1 million, from US\$120.7 million of total revenues for the first quarter of 2017. The increase in total revenues was primarily due to the increase in revenues from the provision of gaming related services as a result of enhanced performances in the mass market table games and VIP rolling chip operations. The Company adopted the New Revenue Standard using the modified retrospective method from January 1, 2018. Results for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis. There were no material impacts on our total revenues for the three months ended March 31, 2018 as a result of the adoption of the New Revenue Standard from January 1, 2018.

Net income attributable to Studio City Finance Limited for the first quarter of 2018 was US\$12.6 million, an increase of US\$37.4 million from a net loss attributable to Studio City Finance Limited of US\$24.8 million for the first quarter of 2017, primarily due to increased revenues from the provision of gaming related services mentioned above.

Studio City generated gross gaming revenues of US\$425.5 million and US\$276.4 million for the first quarters of 2018 and 2017, respectively. Rolling chip volume totaled US\$6.6 billion for the first quarter of 2018 versus US\$3.6 billion in the first quarter of 2017. The rolling chip win rate was 2.7% in the first quarter of 2018 versus 2.4% in the first quarter of 2017. The expected rolling chip win rate range is 2.7% - 3.0%. Mass market table games drop increased to US\$825.2 million in the first quarter of 2018 compared with US\$656.3 million in the first quarter of 2017. The mass market table games hold percentage was 27.4% in the first quarter of 2018 compared to 26.4% in the first quarter of 2017. Gaming machine handle for the first quarter of 2018 was US\$581.6 million, compared with US\$497.4 million in the first quarter of 2017. The gaming machine win rate was 3.7% for both quarters ended March 31, 2018 and 2017. After Melco Resorts Macau deducted gaming tax and the costs incurred in connection with its operation of Studio City Casino pursuant to the Services and Right to Use Arrangements from the gross gaming revenues, US\$98.4 million and US\$59.2 million were recognized as revenues from provision of gaming related services for the first quarters of 2018 and 2017, respectively.

Total non-gaming revenue at Studio City for the first quarter of 2018 was US\$58.4 million, compared with US\$61.5 million for the first quarter of 2017.

Total net non-operating expenses for the first quarter of 2018 were US\$39.2 million, which mainly included interest expenses of US\$40.1 million, as compared to total net non-operating expenses of US\$39.3 million for the first quarter of 2017, which mainly included interest expenses of US\$39.9 million.

Depreciation and amortization costs of US\$42.2 million were recorded in the first quarter of 2018, of which US\$0.8 million was related to the amortization of land use right.

Liquidity and Capital Resources

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

As of March 31, 2018, we held cash and cash equivalents of US\$288.8 million, a bank deposit with original maturity over three months of US\$5.0 million and restricted cash of US\$50.9 million. Restricted cash represented certain bank account balances required to be maintained in accordance with the terms of the respective agreements of the Studio City Finance Notes, the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility. The revolving credit facility under the 2021 Studio City Senior Secured Credit Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated. The consolidated cash flows data for the three months ended March 31, 2017 have been adjusted to reflect the retrospective adoption on January 1, 2018 of Accounting Standards Update 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force). As a result of the adoption, restricted cash is included with cash and cash equivalents in the beginning and ending balances, and the changes in restricted cash that were previously reported within net cash used in investing activities in the consolidated statements of cash flows have been eliminated.

	Three Months Ended	
	March 31,	
	2018	2017
	(In thousands of US\$)	
Net cash provided by operating activities	\$ 80,020	\$ 30,186
Net cash used in investing activities	(99,366)	(9,098)
Cash used in a financing activity	—	(1,189)
Net (decrease) increase in cash, cash equivalents and restricted cash	(19,346)	19,899
Cash, cash equivalents and restricted cash at beginning of period	359,086	342,902
Cash, cash equivalents and restricted cash at end of period	<u>\$339,740</u>	<u>\$362,801</u>

Operating Activities

Operating cash flows are generally affected by changes in operating income and certain operating assets and liabilities, including receivables related to the provision of gaming related services and hotel operations, as well as the non-gaming businesses, including food and beverage, entertainment, mall, retail and other, which are conducted primarily on a cash basis.

Net cash provided by operating activities was US\$80.0 million for the three months ended March 31, 2018, as compared to net cash provided by operating activities of US\$30.2 million for the three months ended March 31, 2017. The increase in net cash provided by operating activities was primarily due to the higher contribution of cash generated from the improving operations of Studio City as described in the foregoing sections.

Investing Activities

Net cash used in investing activities was US\$99.4 million for the three months ended March 31, 2018 as compared to net cash used in investing activities of US\$9.1 million for the three months ended March 31, 2017. The change was primarily due to the increase in capital expenditure payments. Net cash used in investing activities for the three months ended March 31, 2018 mainly included capital expenditure payments of US\$97.3 million and funds to an affiliated company of US\$3.0 million.

Net cash used in investing activities for the three months ended March 31, 2017 mainly included capital expenditure payments of US\$8.8 million.

Financing Activities

There was no cash used in or provided by any financing activity for the three months ended March 31, 2018.

Cash used in a financing activity was US\$1.2 million for the three months ended March 31, 2017 due to the payment of debt issuance costs associated with the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility.

Indebtedness and Capital Contributions

The following table presents a summary of our gross indebtedness, before the reduction of debt issuance costs, as of March 31, 2018:

	<u>As of March 31, 2018</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	129
	<u>\$ 2,025,129</u>

There was no change in our gross indebtedness as of March 31, 2018 compared to December 31, 2017.

Prior to the opening of Studio City, MCE Cotai and New Cotai, the 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
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For the Three Months Ended March 31, 2018

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

	<u>March 31, 2018</u> (Unaudited)	<u>December 31, 2017</u> (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 288,834	\$ 346,259
Bank deposit with original maturity over three months	4,987	4,884
Restricted cash	50,776	12,697
Accounts receivable, net	1,966	2,236
Amounts due from affiliated companies	64,620	59,055
Inventories	9,774	9,813
Prepaid expenses and other current assets	19,123	19,791
Total current assets	<u>440,080</u>	<u>454,735</u>
PROPERTY AND EQUIPMENT, NET	2,241,610	2,272,429
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	54,753	55,266
RESTRICTED CASH	130	130
LAND USE RIGHT, NET	124,841	125,672
TOTAL ASSETS	<u>\$ 2,861,414</u>	<u>\$ 2,908,232</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 4,562	\$ 2,603
Accrued expenses and other current liabilities	92,429	149,263
Amounts due to affiliated companies	17,051	14,878
Total current liabilities	<u>114,042</u>	<u>166,744</u>
LONG-TERM DEBT, NET	2,001,255	1,999,354
OTHER LONG-TERM LIABILITIES	5,735	11,037
DEFERRED TAX LIABILITIES	582	589
SHAREHOLDER'S EQUITY		
Ordinary shares, par value \$1; 50,000 shares authorized; 3 shares issued and outstanding	—	—
Additional paid-in capital	1,460,083	1,460,083
Accumulated other comprehensive losses	(65)	(65)
Accumulated losses	<u>(711,761)</u>	<u>(721,037)</u>
Total Studio City Finance Limited shareholder's equity	748,257	738,981
Noncontrolling interests	<u>(8,457)</u>	<u>(8,473)</u>
Total equity	739,800	730,508
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,861,414</u>	<u>\$ 2,908,232</u>

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

	Three Months Ended March 31,	
	2018	2017
OPERATING REVENUES		
Provision of gaming related services	\$ 98,401	\$ 59,225
Rooms	21,833	21,833
Food and beverage	15,311	13,520
Entertainment	3,223	4,227
Services fee	10,745	12,026
Mall	6,434	8,202
Retail and other	855	1,691
Total revenues	<u>156,802</u>	<u>120,724</u>
OPERATING COSTS AND EXPENSES		
Provision of gaming related services	(5,495)	(6,070)
Rooms	(5,421)	(5,437)
Food and beverage	(13,201)	(12,027)
Entertainment	(2,642)	(3,431)
Mall	(2,202)	(1,554)
Retail and other	(653)	(911)
General and administrative	(32,909)	(33,491)
Pre-opening costs	(42)	19
Amortization of land use right	(831)	(831)
Depreciation and amortization	(41,369)	(42,798)
Property charges and other	(198)	—
Total operating costs and expenses	<u>(104,963)</u>	<u>(106,531)</u>
OPERATING INCOME	<u>51,839</u>	<u>14,193</u>
NON-OPERATING INCOME (EXPENSES)		
Interest income	721	238
Interest expenses	(40,082)	(39,936)
Loan commitment fees	(103)	(103)
Foreign exchange gains, net	141	271
Other income, net	155	232
Total non-operating expenses, net	<u>(39,168)</u>	<u>(39,298)</u>
INCOME (LOSS) BEFORE INCOME TAX	12,671	(25,105)
INCOME TAX (EXPENSE) CREDIT	(47)	4
NET INCOME (LOSS)	12,624	(25,101)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(49)	318
NET INCOME (LOSS) ATTRIBUTABLE TO STUDIO CITY FINANCE LIMITED	<u>\$ 12,575</u>	<u>\$ (24,783)</u>

Note: The Company adopted the New Revenue Standard using the modified retrospective method from January 1, 2018. Results for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis. Nevertheless, certain amounts in the condensed consolidated statements of operations for the three months ended March 31, 2017 have been reclassified, which have no effect on previously reported net loss, to conform to the current period presentation.

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

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	\$ 80,020	\$ 30,186
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of property and equipment	(97,308)	(8,814)
Placement of bank deposit with original maturity over three months	(4,987)	—
Funds to an affiliated company	(2,991)	(457)
Deposits for acquisition of property and equipment	(933)	(3)
Proceeds from sale of property and equipment and other long-term assets	1,969	176
Withdrawal of bank deposit with original maturity over three months	4,884	—
Net cash used in investing activities	<u>(99,366)</u>	<u>(9,098)</u>
CASH FLOW FROM A FINANCING ACTIVITY		
Payments of deferred financing costs	—	(1,189)
Cash used in a financing activity	—	(1,189)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(19,346)	19,899
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	359,086	342,902
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	<u>\$339,740</u>	<u>\$ 362,801</u>
NON-CASH INVESTING ACTIVITIES		
Change in accrued expenses and other current liabilities related to acquisition of property and equipment	\$ 3,307	\$ 1,743
Change in amounts due from/to affiliated companies related to acquisition of property and equipment and other long-term assets	<u>3,580</u>	<u>839</u>

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018	December 31, 2017
Cash and cash equivalents	\$288,834	\$ 346,259
Current portion of restricted cash	50,776	12,697
Non-current portion of restricted cash	130	130
Total cash, cash equivalents and restricted cash	<u>\$339,740</u>	<u>\$ 359,086</u>

Note: The Company adopted the new guidance on the classification and presentation of restricted cash in the statement of cash flows issued by the Financial Accounting Standards Board on a retrospective basis. For the three months ended March 31, 2017, the change in restricted cash of \$38,079 was previously reported within net cash used in investing activities in the condensed consolidated statements of cash flows.

EXPLANATORY NOTE
Studio City Investments Limited's Quarterly Report
for the Three Months Ended March 31, 2018

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 months ended March 31, 2018, 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 First Quarter of 2018

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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 dated November 23, 2016 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, 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;
- “remaining project” refers to the part of the Studio City project comprised of a gross floor area of approximately 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;
- “Shareholders Agreement” refers to the agreement dated July 27, 2011, as amended by 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;
- “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 Casino” refers to the gaming areas being operated within Studio City;
- “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 U.S. generally accepted accounting principles; 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 months ended March 31, 2018.

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 visitations 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 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 operator
“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 player 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 patron”	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 player 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 gaming patrons
“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 Patacas, our revenues and expenses are denominated predominantly in H.K. dollars and, in connection with a portion of our indebtedness and certain expenses, in U.S. dollars. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars and from U.S. dollars to H.K. dollars in this quarterly report were made at the 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 March 30, 2018 in New York City for cable transfers in H.K. dollars for U.S. dollars, 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\$7.8484 to US\$1.00. On May 25, 2018, the noon buying rate was HK\$7.8456 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. dollars or H.K. dollars, as the case may be, at any particular rate or at all.

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

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, 2017. Our unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2017, except for the adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers (Topic 606)* (“New Revenue Standard”) using the modified retrospective method on January 1, 2018. Amounts for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. 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 large-scale cinematically-themed integrated entertainment, retail and gaming resort which opened in October 2015. During the first quarter of 2018, Studio City Casino had approximately 294 gaming tables and approximately 943 gaming machines operating. The gaming operations of Studio City are focused on the mass market and target all ranges of mass market patrons. While Studio City focuses on the mass market segment for gaming, VIP rolling chip operations, including both junket and premium direct VIP offerings, were introduced at Studio City in early November 2016 and a VIP rolling chip area has been built at Studio City with 45 VIP tables as of March 31, 2018. Studio City will assess and evaluate its focus on different market segments from time to time and will adjust its operations as appropriate. Studio City also includes luxury hotel offerings and various entertainment, retail and food and beverage outlets to attract a diverse range of customers. Designed to focus on the mass market segment, Studio City offers cinematically-themed, unique and innovative interactive attractions, including the world’s first figure-8 and Asia’s highest Ferris wheel, a Warner Bros.-themed family entertainment center, a Batman film franchise digital ride, a 5,000 seat multi-purpose live performance arena and a Pacha nightclub, as well as approximately 1,600 hotel rooms, various food and beverage outlets and approximately 35,000 square meters (equivalent to approximately 377,000 square feet) of themed and innovative retail space.

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

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

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

In February 2018, we announced that the Macau government granted an extension of the development period under the Studio City land concession contract. Pursuant to such extension, the development period for the land of Studio City has been extended to July 24, 2021. If we fail to fully develop our remaining project under the land concession contract by July 24, 2021, or receive a further extension of the development period from the Macau government, we may be forced to forfeit all or part of our investment in the granted land, along with our interest in Studio City.

The Adjusted EBITDA for Studio City as mentioned in Melco’s unaudited first quarter 2018 earnings release dated May 3, 2018 does not reflect the intra-Melco group fees for the Master Services Agreements charged to Studio City Investments Limited and its subsidiaries and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. The consolidated financials of Studio City Investments Limited contained in this report reflect such intra-Melco group fees charged and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. In addition, the Adjusted EBITDA for Studio City mentioned above includes operating income or losses generated at Studio City by SCI’s subsidiaries which are not subsidiaries of Studio City Investments Limited. Such operating income or losses are not included in the consolidated financials of Studio City Investments Limited. The total variance resulting from the above differences for the first quarter of 2018 is approximately US\$16 million.

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

For the first quarter of 2018, our total revenues were US\$156.8 million, an increase of US\$36.1 million, from US\$120.7 million of total revenues for the first quarter of 2017. The increase in total revenues was primarily due to the increase in revenues from the provision of gaming related services as a result of enhanced performances in the mass market table games and VIP rolling chip operations. The Company adopted the New Revenue Standard using the modified retrospective method from January 1, 2018. Results for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis. There were no material impacts on our total revenues for the three months ended March 31, 2018 as a result of the adoption of the New Revenue Standard from January 1, 2018.

Net income attributable to Studio City Investments Limited for the first quarter of 2018 was US\$4.6 million, an increase of US\$35.9 million from a net loss attributable to Studio City Investments Limited of US\$31.3 million for the first quarter of 2017, primarily due to increased revenues from the provision of gaming related services mentioned above.

Studio City generated gross gaming revenues of US\$425.5 million and US\$276.4 million for the first quarters of 2018 and 2017, respectively. Rolling chip volume totaled US\$6.6 billion for the first quarter of 2018 versus US\$3.6 billion in the first quarter of 2017. The rolling chip win rate was 2.7% in the first quarter of 2018 versus 2.4% in the first quarter of 2017. The expected rolling chip win rate range is 2.7% - 3.0%. Mass market table games drop increased to US\$825.2 million in the first quarter of 2018 compared with US\$656.3 million in the first quarter of 2017. The mass market table games hold percentage was 27.4% in the first quarter of 2018 compared to 26.4% in the first quarter of 2017. Gaming machine handle for the first quarter of 2018 was US\$581.6 million, compared with US\$497.4 million in the first quarter of 2017. The gaming machine win rate was 3.7% for both quarters ended March 31, 2018 and 2017. After Melco Resorts Macau deducted gaming tax and the costs incurred in connection with its operation of Studio City Casino pursuant to the Services and Right to Use Arrangements from the gross gaming revenues, US\$98.4 million and US\$59.2 million were recognized as revenues from provision of gaming related services for the first quarters of 2018 and 2017, respectively.

Total non-gaming revenue at Studio City for the first quarter of 2018 was US\$58.4 million, compared with US\$61.5 million for the first quarter of 2017.

Total net non-operating expenses for the first quarter of 2018 were US\$48.4 million, which mainly included interest expenses of US\$49.3 million, as compared to total net non-operating expenses of US\$47.1 million for the first quarter of 2017, which mainly included interest expenses of US\$47.8 million.

Depreciation and amortization costs of US\$40.9 million were recorded in the first quarter of 2018, of which US\$0.8 million was related to the amortization of land use right.

Liquidity and Capital Resources

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

As of March 31, 2018, we held cash and cash equivalents of US\$288.8 million, a bank deposit with original maturity over three months of US\$5.0 million and restricted cash of US\$27.5 million. Restricted cash represented certain bank account balances required to be maintained in accordance with the terms of the respective agreements of the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility. The revolving credit facility under the 2021 Studio City Senior Secured Credit Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated. The consolidated cash flows data for the three months ended March 31, 2017 have been adjusted to reflect the retrospective adoption on January 1, 2018 of Accounting Standards Update 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force). As a result of the adoption, restricted cash is included with cash and cash equivalents in the beginning and ending balances, and the changes in restricted cash that were previously reported within net cash used in investing activities in the consolidated statements of cash flows have been eliminated.

	Three Months Ended March 31,	
	2018	2017
	(In thousands of US\$)	
Net cash provided by operating activities	\$ 62,531	\$ 12,752
Net cash used in investing activities	(99,409)	(9,196)
Cash used in a financing activity	—	(1,189)
Net (decrease) increase in cash, cash equivalents and restricted cash	(36,878)	2,367
Cash, cash equivalents and restricted cash at beginning of period	353,240	337,057
Cash, cash equivalents and restricted cash at end of period	<u>\$316,362</u>	<u>\$339,424</u>

Operating Activities

Operating cash flows are generally affected by changes in operating income and certain operating assets and liabilities, including receivables related to the provision of gaming related services and hotel operations, as well as the non-gaming businesses, including food and beverage, entertainment, mall, retail and other, which are conducted primarily on a cash basis.

Net cash provided by operating activities was US\$62.5 million for the three months ended March 31, 2018, as compared to net cash provided by operating activities of US\$12.8 million for the three months ended March 31, 2017. The increase in net cash provided by operating activities was primarily due to the higher contribution of cash generated from the improving operations of Studio City as described in the foregoing sections.

Investing Activities

Net cash used in investing activities was US\$99.4 million for the three months ended March 31, 2018 as compared to net cash used in investing activities of US\$9.2 million for the three months ended March 31, 2017. The change was primarily due to the increase in capital expenditure payments. Net cash used in investing activities for the three months ended March 31, 2018 mainly included capital expenditure payments of US\$97.3 million and funds to an affiliated company of US\$3.0 million.

Net cash used in investing activities for the three months ended March 31, 2017 mainly included capital expenditure payments of US\$8.8 million.

Financing Activities

There was no cash used in or provided by any financing activity for the three months ended March 31, 2018.

Cash used in a financing activity was US\$1.2 million for the three months ended March 31, 2017 due to the payment of debt issuance costs associated with the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility.

Indebtedness and Capital Contributions

The following table presents a summary of our gross indebtedness, before the reduction of debt issuance costs, as of March 31, 2018:

	As of March 31, 2018 (in thousands of US\$)
Studio City Company Notes	\$ 1,200,000
Studio City Intercompany Note	686,652
2021 Studio City Senior Secured Credit Facility	129
	<u>\$ 1,886,781</u>

Prior to the opening of Studio City, MCE Cotai and New Cotai, the 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
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For the Three Months Ended March 31, 2018

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

	<u>March 31, 2018</u> (Unaudited)	<u>December 31, 2017</u> (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 288,834	\$ 346,259
Bank deposit with original maturity over three months	4,987	4,884
Restricted cash	27,398	6,851
Accounts receivable, net	1,966	2,236
Amounts due from affiliated companies	64,834	59,180
Inventories	9,774	9,813
Prepaid expenses and other current assets	19,087	19,785
Total current assets	<u>416,880</u>	<u>449,008</u>
PROPERTY AND EQUIPMENT, NET	2,130,094	2,159,638
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	54,753	55,266
ADVANCE TO AN AFFILIATED COMPANY	2,387	2,344
RESTRICTED CASH	130	130
LAND USE RIGHT, NET	124,841	125,672
TOTAL ASSETS	<u>\$ 2,729,085</u>	<u>\$ 2,792,058</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 4,562	\$ 2,603
Accrued expenses and other current liabilities	69,022	143,372
Amounts due to affiliated companies	17,057	14,824
Total current liabilities	<u>90,641</u>	<u>160,799</u>
LONG-TERM DEBT, NET	1,183,175	1,181,847
LOAN FROM AN AFFILIATED COMPANY	686,652	676,834
OTHER LONG-TERM LIABILITIES	5,735	11,037
DEFERRED TAX LIABILITIES	582	589
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	(686,289)	(687,621)
Total Studio City Investments Limited shareholder's equity	770,755	769,423
Noncontrolling interests	(8,455)	(8,471)
Total equity	<u>762,300</u>	<u>760,952</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,729,085</u>	<u>\$ 2,792,058</u>

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

	Three Months Ended	
	2018	March 31, 2017
OPERATING REVENUES		
Provision of gaming related services	\$ 98,401	\$ 59,225
Rooms	21,833	21,833
Food and beverage	15,311	13,520
Entertainment	3,223	4,227
Services fee	10,745	12,026
Mall	6,434	8,202
Retail and other	855	1,691
Total revenues	<u>156,802</u>	<u>120,724</u>
OPERATING COSTS AND EXPENSES		
Provision of gaming related services	(5,495)	(6,070)
Rooms	(5,421)	(5,437)
Food and beverage	(13,201)	(12,027)
Entertainment	(2,642)	(3,431)
Mall	(2,202)	(1,554)
Retail and other	(653)	(911)
General and administrative	(32,878)	(33,444)
Pre-opening costs	(42)	19
Amortization of land use right	(831)	(831)
Depreciation and amortization	(40,094)	(41,496)
Property charges and other	(198)	—
Total operating costs and expenses	<u>(103,657)</u>	<u>(105,182)</u>
OPERATING INCOME	<u>53,145</u>	<u>15,542</u>
NON-OPERATING INCOME (EXPENSES)		
Interest income	721	238
Interest expenses	(49,327)	(47,779)
Loan commitment fees	(103)	(103)
Foreign exchange gains, net	136	279
Other income, net	155	232
Total non-operating expenses, net	<u>(48,418)</u>	<u>(47,133)</u>
INCOME (LOSS) BEFORE INCOME TAX	4,727	(31,591)
INCOME TAX (EXPENSE) CREDIT	(47)	4
NET INCOME (LOSS)	4,680	(31,587)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(49)	318
NET INCOME (LOSS) ATTRIBUTABLE TO STUDIO CITY INVESTMENTS LIMITED	<u>\$ 4,631</u>	<u>\$ (31,269)</u>

Note: The Company adopted the New Revenue Standard using the modified retrospective method from January 1, 2018. Results for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis. Nevertheless, certain amounts in the condensed consolidated statements of operations for the three months ended March 31, 2017 have been reclassified, which have no effect on previously reported net loss, to conform to the current period presentation.

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

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	\$ 62,531	\$ 12,752
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of property and equipment	(97,308)	(8,813)
Placement of bank deposit with original maturity over three months	(4,987)	—
Funds to an affiliated company	(2,991)	(457)
Deposits for acquisition of property and equipment	(933)	(3)
Advance to an affiliated company	(43)	(99)
Proceeds from sale of property and equipment and other long-term assets	1,969	176
Withdrawal of bank deposit with original maturity over three months	4,884	—
Net cash used in investing activities	<u>(99,409)</u>	<u>(9,196)</u>
CASH FLOW FROM A FINANCING ACTIVITY		
Payments of deferred financing costs	—	(1,189)
Cash used in a financing activity	—	(1,189)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(36,878)	2,367
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	353,240	337,057
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	<u>\$316,362</u>	<u>\$ 339,424</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS		
Cash paid for interest	\$ (17,533)	\$ (17,532)
NON-CASH INVESTING ACTIVITIES		
Change in accrued expenses and other current liabilities related to acquisition of property and equipment	3,307	1,743
Change in amounts due from/to affiliated companies related to acquisition of property and equipment and other long-term assets	<u>3,580</u>	<u>839</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONDENSED CONSOLIDATED BALANCE SHEETS		
	March 31, 2018	December 31, 2017
Cash and cash equivalents	\$288,834	\$ 346,259
Current portion of restricted cash	27,398	6,851
Non-current portion of restricted cash	130	130
Total cash, cash equivalents and restricted cash	<u>\$316,362</u>	<u>\$ 353,240</u>

Note: The Company adopted the new guidance on the classification and presentation of restricted cash in the statement of cash flows issued by the Financial Accounting Standards Board on a retrospective basis. For the three months ended March 31, 2017, the change in restricted cash of \$20,547 was previously reported within net cash used in investing activities in the condensed consolidated statements of cash flows.

EXPLANATORY NOTE
Studio City Investments Limited's Quarterly Report
for the Three Months Ended March 31, 2018

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 months ended March 31, 2018, 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 First Quarter of 2018

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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 dated November 23, 2016 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, 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;
- “remaining project” refers to the part of the Studio City project comprised of a gross floor area of approximately 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;
- “Shareholders Agreement” refers to the agreement dated July 27, 2011, as amended by 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;
- “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 Casino” refers to the gaming areas being operated within Studio City;
- “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 U.S. generally accepted accounting principles; 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 months ended March 31, 2018.

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 visitations 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 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 operator
“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 player 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 patron”	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 player 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 gaming patrons
“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 Patacas, our revenues and expenses are denominated predominantly in H.K. dollars and, in connection with a portion of our indebtedness and certain expenses, in U.S. dollars. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars and from U.S. dollars to H.K. dollars 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 March 30, 2018 in New York City for cable transfers in H.K. dollars for U.S. dollars, 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\$7.8484 to US\$1.00. On May 25, 2018, the noon buying rate was HK\$7.8456 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. dollars or H.K. dollars, as the case may be, at any particular rate or at all.

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

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, 2017. Our unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2017, except for the adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers (Topic 606)* (“New Revenue Standard”) using the modified retrospective method on January 1, 2018. Amounts for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. 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 large-scale cinematically-themed integrated entertainment, retail and gaming resort which opened in October 2015. During the first quarter of 2018, Studio City Casino had approximately 294 gaming tables and approximately 943 gaming machines operating. The gaming operations of Studio City are focused on the mass market and target all ranges of mass market patrons. While Studio City focuses on the mass market segment for gaming, VIP rolling chip operations, including both junket and premium direct VIP offerings, were introduced at Studio City in early November 2016 and a VIP rolling chip area has been built at Studio City with 45 VIP tables as of March 31, 2018. Studio City will assess and evaluate its focus on different market segments from time to time and will adjust its operations as appropriate. Studio City also includes luxury hotel offerings and various entertainment, retail and food and beverage outlets to attract a diverse range of customers. Designed to focus on the mass market segment, Studio City offers cinematically-themed, unique and innovative interactive attractions, including the world’s first figure-8 and Asia’s highest Ferris wheel, a Warner Bros.-themed family entertainment center, a Batman film franchise digital ride, a 5,000 seat multi-purpose live performance arena and a Pacha nightclub, as well as approximately 1,600 hotel rooms, various food and beverage outlets and approximately 35,000 square meters (equivalent to approximately 377,000 square feet) of themed and innovative retail space.

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

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

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

In February 2018, we announced that the Macau government granted an extension of the development period under the Studio City land concession contract. Pursuant to such extension, the development period for the land of Studio City has been extended to July 24, 2021. If we fail to fully develop our remaining project under the land concession contract by July 24, 2021, or receive a further extension of the development period from the Macau government, we may be forced to forfeit all or part of our investment in the granted land, along with our interest in Studio City.

The Adjusted EBITDA for Studio City as mentioned in Melco’s unaudited first quarter 2018 earnings release dated May 3, 2018 does not reflect the intra-Melco group fees for the Master Services Agreements charged to Studio City Investments Limited and its subsidiaries and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. The consolidated financials of Studio City Investments Limited contained in this report reflect such intra-Melco group fees charged and the costs related to VIP rolling chip operations at Studio City Casino under the Services and Right to Use Arrangements. In addition, the Adjusted EBITDA for Studio City mentioned above includes operating income or losses generated at Studio City by SCI’s subsidiaries which are not subsidiaries of Studio City Investments Limited. Such operating income or losses are not included in the consolidated financials of Studio City Investments Limited. The total variance resulting from the above differences for the first quarter of 2018 is approximately US\$16 million.

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

For the first quarter of 2018, our total revenues were US\$156.8 million, an increase of US\$36.1 million, from US\$120.7 million of total revenues for the first quarter of 2017. The increase in total revenues was primarily due to the increase in revenues from the provision of gaming related services as a result of enhanced performances in the mass market table games and VIP rolling chip operations. The Company adopted the New Revenue Standard using the modified retrospective method from January 1, 2018. Results for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis. There were no material impacts on our total revenues for the three months ended March 31, 2018 as a result of the adoption of the New Revenue Standard from January 1, 2018.

Net income attributable to Studio City Investments Limited for the first quarter of 2018 was US\$4.6 million, an increase of US\$35.9 million from a net loss attributable to Studio City Investments Limited of US\$31.3 million for the first quarter of 2017, primarily due to increased revenues from the provision of gaming related services mentioned above.

Studio City generated gross gaming revenues of US\$425.5 million and US\$276.4 million for the first quarters of 2018 and 2017, respectively. Rolling chip volume totaled US\$6.6 billion for the first quarter of 2018 versus US\$3.6 billion in the first quarter of 2017. The rolling chip win rate was 2.7% in the first quarter of 2018 versus 2.4% in the first quarter of 2017. The expected rolling chip win rate range is 2.7% - 3.0%. Mass market table games drop increased to US\$825.2 million in the first quarter of 2018 compared with US\$656.3 million in the first quarter of 2017. The mass market table games hold percentage was 27.4% in the first quarter of 2018 compared to 26.4% in the first quarter of 2017. Gaming machine handle for the first quarter of 2018 was US\$581.6 million, compared with US\$497.4 million in the first quarter of 2017. The gaming machine win rate was 3.7% for both quarters ended March 31, 2018 and 2017. After Melco Resorts Macau deducted gaming tax and the costs incurred in connection with its operation of Studio City Casino pursuant to the Services and Right to Use Arrangements from the gross gaming revenues, US\$98.4 million and US\$59.2 million were recognized as revenues from provision of gaming related services for the first quarters of 2018 and 2017, respectively.

Total non-gaming revenue at Studio City for the first quarter of 2018 was US\$58.4 million, compared with US\$61.5 million for the first quarter of 2017.

Total net non-operating expenses for the first quarter of 2018 were US\$48.4 million, which mainly included interest expenses of US\$49.3 million, as compared to total net non-operating expenses of US\$47.1 million for the first quarter of 2017, which mainly included interest expenses of US\$47.8 million.

Depreciation and amortization costs of US\$40.9 million were recorded in the first quarter of 2018, of which US\$0.8 million was related to the amortization of land use right.

Liquidity and Capital Resources

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

As of March 31, 2018, we held cash and cash equivalents of US\$288.8 million, a bank deposit with original maturity over three months of US\$5.0 million and restricted cash of US\$27.5 million. Restricted cash represented certain bank account balances required to be maintained in accordance with the terms of the respective agreements of the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility. The revolving credit facility under the 2021 Studio City Senior Secured Credit Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated. The consolidated cash flows data for the three months ended March 31, 2017 have been adjusted to reflect the retrospective adoption on January 1, 2018 of Accounting Standards Update 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force). As a result of the adoption, restricted cash is included with cash and cash equivalents in the beginning and ending balances, and the changes in restricted cash that were previously reported within net cash used in investing activities in the consolidated statements of cash flows have been eliminated.

	Three Months Ended March 31,	
	2018	2017
	(In thousands of US\$)	
Net cash provided by operating activities	\$ 62,531	\$ 12,752
Net cash used in investing activities	(99,409)	(9,196)
Cash used in a financing activity	—	(1,189)
Net (decrease) increase in cash, cash equivalents and restricted cash	(36,878)	2,367
Cash, cash equivalents and restricted cash at beginning of period	353,240	337,057
Cash, cash equivalents and restricted cash at end of period	<u>\$316,362</u>	<u>\$339,424</u>

Operating Activities

Operating cash flows are generally affected by changes in operating income and certain operating assets and liabilities, including receivables related to the provision of gaming related services and hotel operations, as well as the non-gaming businesses, including food and beverage, entertainment, mall, retail and other, which are conducted primarily on a cash basis.

Net cash provided by operating activities was US\$62.5 million for the three months ended March 31, 2018, as compared to net cash provided by operating activities of US\$12.8 million for the three months ended March 31, 2017. The increase in net cash provided by operating activities was primarily due to the higher contribution of cash generated from the improving operations of Studio City as described in the foregoing sections.

Investing Activities

Net cash used in investing activities was US\$99.4 million for the three months ended March 31, 2018 as compared to net cash used in investing activities of US\$9.2 million for the three months ended March 31, 2017. The change was primarily due to the increase in capital expenditure payments. Net cash used in investing activities for the three months ended March 31, 2018 mainly included capital expenditure payments of US\$97.3 million and funds to an affiliated company of US\$3.0 million.

Net cash used in investing activities for the three months ended March 31, 2017 mainly included capital expenditure payments of US\$8.8 million.

Financing Activities

There was no cash used in or provided by any financing activity for the three months ended March 31, 2018.

Cash used in a financing activity was US\$1.2 million for the three months ended March 31, 2017 due to the payment of debt issuance costs associated with the Studio City Company Notes and the 2021 Studio City Senior Secured Credit Facility.

Indebtedness and Capital Contributions

The following table presents a summary of our gross indebtedness, before the reduction of debt issuance costs, as of March 31, 2018:

	As of March 31, 2018 (in thousands of US\$)
Studio City Company Notes	\$ 1,200,000
Studio City Intercompany Note	686,652
2021 Studio City Senior Secured Credit Facility	129
	<u>\$ 1,886,781</u>

Prior to the opening of Studio City, MCE Cotai and New Cotai, the 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
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For the Three Months Ended March 31, 2018

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

	<u>March 31, 2018</u> (Unaudited)	<u>December 31, 2017</u> (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 288,834	\$ 346,259
Bank deposit with original maturity over three months	4,987	4,884
Restricted cash	27,398	6,851
Accounts receivable, net	1,966	2,236
Amounts due from affiliated companies	64,834	59,180
Inventories	9,774	9,813
Prepaid expenses and other current assets	19,087	19,785
Total current assets	<u>416,880</u>	<u>449,008</u>
PROPERTY AND EQUIPMENT, NET	2,130,094	2,159,638
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	54,753	55,266
ADVANCE TO AN AFFILIATED COMPANY	2,387	2,344
RESTRICTED CASH	130	130
LAND USE RIGHT, NET	124,841	125,672
TOTAL ASSETS	<u>\$ 2,729,085</u>	<u>\$ 2,792,058</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 4,562	\$ 2,603
Accrued expenses and other current liabilities	69,022	143,372
Amounts due to affiliated companies	17,057	14,824
Total current liabilities	<u>90,641</u>	<u>160,799</u>
LONG-TERM DEBT, NET	1,183,175	1,181,847
LOAN FROM AN AFFILIATED COMPANY	686,652	676,834
OTHER LONG-TERM LIABILITIES	5,735	11,037
DEFERRED TAX LIABILITIES	582	589
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	(686,289)	(687,621)
Total Studio City Investments Limited shareholder's equity	770,755	769,423
Noncontrolling interests	(8,455)	(8,471)
Total equity	<u>762,300</u>	<u>760,952</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 2,729,085</u>	<u>\$ 2,792,058</u>

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

	Three Months Ended	
	2018	March 31, 2017
OPERATING REVENUES		
Provision of gaming related services	\$ 98,401	\$ 59,225
Rooms	21,833	21,833
Food and beverage	15,311	13,520
Entertainment	3,223	4,227
Services fee	10,745	12,026
Mall	6,434	8,202
Retail and other	855	1,691
Total revenues	<u>156,802</u>	<u>120,724</u>
OPERATING COSTS AND EXPENSES		
Provision of gaming related services	(5,495)	(6,070)
Rooms	(5,421)	(5,437)
Food and beverage	(13,201)	(12,027)
Entertainment	(2,642)	(3,431)
Mall	(2,202)	(1,554)
Retail and other	(653)	(911)
General and administrative	(32,878)	(33,444)
Pre-opening costs	(42)	19
Amortization of land use right	(831)	(831)
Depreciation and amortization	(40,094)	(41,496)
Property charges and other	(198)	—
Total operating costs and expenses	<u>(103,657)</u>	<u>(105,182)</u>
OPERATING INCOME	<u>53,145</u>	<u>15,542</u>
NON-OPERATING INCOME (EXPENSES)		
Interest income	721	238
Interest expenses	(49,327)	(47,779)
Loan commitment fees	(103)	(103)
Foreign exchange gains, net	136	279
Other income, net	155	232
Total non-operating expenses, net	<u>(48,418)</u>	<u>(47,133)</u>
INCOME (LOSS) BEFORE INCOME TAX	4,727	(31,591)
INCOME TAX (EXPENSE) CREDIT	(47)	4
NET INCOME (LOSS)	4,680	(31,587)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(49)	318
NET INCOME (LOSS) ATTRIBUTABLE TO STUDIO CITY INVESTMENTS LIMITED	<u>\$ 4,631</u>	<u>\$ (31,269)</u>

Note: The Company adopted the New Revenue Standard using the modified retrospective method from January 1, 2018. Results for the period beginning after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis. Nevertheless, certain amounts in the condensed consolidated statements of operations for the three months ended March 31, 2017 have been reclassified, which have no effect on previously reported net loss, to conform to the current period presentation.

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

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	\$ 62,531	\$ 12,752
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of property and equipment	(97,308)	(8,813)
Placement of bank deposit with original maturity over three months	(4,987)	—
Funds to an affiliated company	(2,991)	(457)
Deposits for acquisition of property and equipment	(933)	(3)
Advance to an affiliated company	(43)	(99)
Proceeds from sale of property and equipment and other long-term assets	1,969	176
Withdrawal of bank deposit with original maturity over three months	4,884	—
Net cash used in investing activities	<u>(99,409)</u>	<u>(9,196)</u>
CASH FLOW FROM A FINANCING ACTIVITY		
Payments of deferred financing costs	—	(1,189)
Cash used in a financing activity	—	(1,189)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(36,878)	2,367
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	353,240	337,057
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	<u>\$316,362</u>	<u>\$ 339,424</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS		
Cash paid for interest	\$ (17,533)	\$ (17,532)
NON-CASH INVESTING ACTIVITIES		
Change in accrued expenses and other current liabilities related to acquisition of property and equipment	3,307	1,743
Change in amounts due from/to affiliated companies related to acquisition of property and equipment and other long-term assets	<u>3,580</u>	<u>839</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONDENSED CONSOLIDATED BALANCE SHEETS		
	March 31,	December 31,
	2018	2017
Cash and cash equivalents	<u>\$288,834</u>	<u>\$ 346,259</u>
Current portion of restricted cash	27,398	6,851
Non-current portion of restricted cash	130	130
Total cash, cash equivalents and restricted cash	<u>\$316,362</u>	<u>\$ 353,240</u>

Note: The Company adopted the new guidance on the classification and presentation of restricted cash in the statement of cash flows issued by the Financial Accounting Standards Board on a retrospective basis. For the three months ended March 31, 2017, the change in restricted cash of \$20,547 was previously reported within net cash used in investing activities in the condensed consolidated statements of cash flows.