

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018  
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report  
Commission file number 001-33178

**MELCO RESORTS & ENTERTAINMENT LIMITED**

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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

Heather Rollo, Senior Vice President, Finance Tel +852 2598 3600, Fax +852 2537 3618  
36th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American depository shares each representing three ordinary shares	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None.  
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None.  
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

1,482,999,434 ordinary shares outstanding as of December 31, 2018

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

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## INTRODUCTION

In this annual report on Form 20-F, unless otherwise indicated:

- “2011 Credit Facilities” refers to the credit facilities entered into pursuant to an amendment agreement dated June 22, 2011, 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, comprising a term loan facility and a revolving credit facility, for a total amount of HK\$9.36 billion (equivalent to approximately US\$1.2 billion), and which have been amended and restated by the 2015 Credit Facilities;
- “2012 Studio City Notes” refers to the US\$825.0 million aggregate principal amount of 8.50% senior notes due 2020 issued by Studio City Finance on November 26, 2012 and as to which no amount remains outstanding following the redemption of all remaining outstanding amounts in March 2019;
- “2012 Studio City Notes Tender Offer” refers to the conditional tender offer by Studio City Finance to purchase for cash any and all of the outstanding 2012 Studio City Notes commenced in January 2019 and which expired in February 2019;
- “2013 Senior Notes” refers to the US\$1.0 billion aggregate principal amount of 5.00% senior notes due 2021 issued by Melco Resorts Finance on February 7, 2013 and fully redeemed on June 14, 2017;
- “2014 Top-up Placement” refers to the placing and top-up subscription of 485,177,000 MRP Shares conducted by MRP in June 2014, which raised approximately US\$122.2 million as net proceeds;
- “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;
- “2015 Private Placement” refers to the placing of 693,500,000 MRP Shares by MRP to MCO Investments, our subsidiary, in November 2015, at a subscription price of PHP3.90 per share, which increased the Company’s equity interest in MRP from 68.3% to 72.2% upon the completion of the placement;
- “2016 Studio City Notes” refers to 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;
- “2017 Senior Notes” refers to the US\$1.0 billion aggregate principal amount of 4.875% senior notes due 2025 issued by Melco Resorts Finance, of which US\$650.0 million in aggregate principal amount was issued on June 6, 2017 and US\$350.0 million in aggregate principal amount was issued on July 3, 2017;
- “2019 Studio City Notes” refers to the US\$600.0 million aggregate principal amount of 7.25% senior notes due 2024 issued by Studio City Finance on February 11, 2019;
- “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\$29.8 million) revolving credit facility and a HK\$1.0 million (equivalent to approximately US\$128,000) term loan facility;
- “ADSs” refers to our American depositary shares, each of which represents three ordinary shares;
- “Aircraft Term Loan” refers to the US\$43.0 million term loan credit facility entered into by MCE Transportation in June 2012 for the purpose of funding the acquisition of an aircraft;

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- “Altira Hotel” refers to our former subsidiary, Altira Hotel Limited, a Macau company through which we operated hotel and certain other non-gaming businesses at Altira Macau and which has been merged with Altira Resorts;
- “Altira Macau” refers to an integrated casino and hotel development located in Taipa, Macau, that caters to Asian VIP rolling chip customers;
- “Altira Resorts” refers to our subsidiary, Altira Resorts Limited (formerly known as Altira Developments Limited), a Macau company through which we hold the land and building for Altira Macau and operate hotel and certain other non-gaming businesses at Altira Macau;
- “Articles” refers to our amended and restated memorandum and articles of association adopted on March 29, 2017;
- “board” and “board of directors” refer to the board of directors of our Company or a duly constituted committee thereof;
- “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 four luxury hotels, including a collection of retail brands, a wet stage performance theater and other entertainment venues;
- “City of Dreams Manila” refers to a casino, hotel, retail and entertainment integrated resort located within Entertainment City, Manila;
- “COD Hotels” refers to our former subsidiary, COD Hotels Limited (formerly known as Melco Crown (COD) Hotels Limited), a Macau company through which we operated hotels and certain other non-gaming businesses at City of Dreams and which has been merged with, among others, COD Resorts;
- “COD Resorts” refers to our subsidiary, COD Resorts Limited (formerly known as Melco Crown (COD) Developments Limited), a Macau company through which we hold the land and buildings for City of Dreams, operate hotel and certain other non-gaming businesses at City of Dreams and provide shared services within the Company;
- “Cotai” refers to an area of reclaimed land located between the islands of Taipa and Coloane in Macau;
- “Crown Asia Investments” refers to Crown Asia Investments Pty, Ltd.;
- “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;
- “Greater China” refers to mainland China, Hong Kong and Macau, collectively;
- “HIBOR” refers to the Hong Kong Interbank Offered Rate;
- “HK\$” and “H.K. dollar(s)” refer to the legal currency of Hong Kong;
- “HKSE” refers to The Stock Exchange of Hong Kong Limited;
- “Hong Kong” refers to the Hong Kong Special Administrative Region of the PRC;
- “Hyatt Regency” refers to the hotel development located in City of Dreams Manila which was recently rebranded as Hyatt Regency, City of Dreams Manila, from Hyatt City of Dreams Manila;
- “LIBOR” refers to the London Interbank Offered Rate;
- “Macau” refers to the Macau Special Administrative Region of the PRC;
- “MCE Transportation” refers to our subsidiary, MCE Transportation Limited, a company incorporated under the laws of the British Virgin Islands;

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- “MCO Investments” refers to our subsidiary, MCO (Philippines) Investments Limited, a company incorporated under the laws of the British Virgin Islands;
- “Melco Acquisition” refers to the privately-negotiated sale entered into between Melco Leisure and Crown Asia Investments on December 14, 2016 wherein Melco Leisure agreed to purchase 198,000,000 of our ordinary shares from Crown Asia Investments;
- “Melco International” refers to Melco International Development Limited, a Hong Kong-listed company;
- “Melco Leisure” refers to Melco Leisure and Entertainment Group Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of Melco International;
- “Melco Philippine Parties” refers to Melco Resorts Leisure, MPHIL Holdings No. 1 and MPHIL Holdings No. 2;
- “Melco Resorts Finance” refers to our subsidiary, Melco Resorts Finance Limited (formerly known as MCE Finance Limited), a Cayman Islands exempted company with limited liability;
- “Melco Resorts Leisure” refers to our subsidiary, Melco Resorts Leisure (PHP) Corporation (formerly known as MCE Leisure (Philippines) Corporation), a corporation incorporated in the Philippines and one of the Philippine Licensees holding the Regular License;
- “Melco Resorts Macau” refers to our subsidiary, Melco Resorts (Macau) Limited (formerly known as Melco Crown (Macau) Limited), a Macau company and the holder of our gaming subconcession;
- “Mocha Clubs” refer to, collectively, our clubs with gaming machines, which are now the largest non-casino based operations of electronic gaming machines in Macau;
- “MPHIL Holdings No. 1” refers to our subsidiary, MPHIL Holdings No. 1 Corporation (formerly known as MCE Holdings (Philippines) Corporation), a corporation incorporated in the Philippines and one of the Philippine Licensees holding the Regular License;
- “MPHIL Holdings No. 2” refers to our subsidiary, MPHIL Holdings No. 2 Corporation (formerly known as MCE Holdings No. 2 (Philippines) Corporation), a corporation incorporated in the Philippines and one of the Philippine Licensees holding the Regular License;
- “MRP” refers to our subsidiary, Melco Resorts and Entertainment (Philippines) Corporation (formerly known as Melco Crown (Philippines) Resorts Corporation), the shares of which are listed on the Philippine Stock Exchange but as to which trading has been suspended since December 10, 2018 due to MRP’s public ownership having fallen below the minimum requirement of the Philippine Stock Exchange;
- “MRP Share(s)” refers to the common shares of MRP of par value PHP1.00 per share;
- “MRP Tender Offer” refers to the voluntary tender offer conducted by MCO Investments pursuant to which the acquisition of a total of 1,338,477,668 MRP Shares by MCO Investments from other minority shareholders of MRP was completed on December 13, 2018;
- “Nobu Manila” refers to the hotel development located in City of Dreams Manila branded as Nobu Hotel Manila;
- “Nüwa Manila” refers to the hotel development located in City of Dreams Manila branded as Nüwa Hotel Manila, formerly branded as the Crown Towers hotel;
- “our subconcession” and “our gaming subconcession” refers to the Macau gaming subconcession held by Melco Resorts Macau;
- “PAGCOR” refers to the Philippines Amusement and Gaming Corporation, the Philippines regulatory body with jurisdiction over all gaming activities in the Philippines except for lottery, sweepstakes, cockfighting, horse racing and gaming inside the Cagayan Export Zone;

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- “PAGCOR Charter” refers to the Presidential Decree No. 1869, of the Philippines;
- “Pataca(s)” and “MOP” refer to the legal currency of Macau;
- “Philippine Cooperation Agreement” refers to the cooperation agreement (as amended) entered into between the Philippine Parties and the Melco Philippine Parties on October 25, 2012, which became effective on March 13, 2013;
- “Philippine Licensees” refers to holders of the Regular License, which include the Melco Philippine Parties and the Philippine Parties;
- “Philippine Notes” refers to the PHP15 billion aggregate principal amount of 5.00% senior notes due 2019 issued by Melco Resorts Leisure on January 24, 2014 and guaranteed by our Company and fully redeemed by December 28, 2018;
- “Philippine Parties” refers to SM Investments Corporation, Belle Corporation and PremiumLeisure and Amusement, Inc.;
- “Philippine peso(s)” and “PHP” refer to the legal currency of the Philippines;
- “Philippine Stock Exchange” refers to The Philippine Stock Exchange, Inc.;
- “Provisional License” refers to the provisional gaming license issued by PAGCOR on December 12, 2008 for the development of an integrated tourism resort and to establish and operate a casino within Entertainment City in Manila, the Philippines, under which the Melco Philippine Parties and the Philippine Parties are co-licensees under the Amended Certificate of Affiliation and Provisional License dated January 28, 2013;
- “Regular License” refers to the regular gaming license dated April 29, 2015 issued by PAGCOR to the Philippine Licensees in replacement of the Provisional License for the operation of City of Dreams Manila;
- “Renminbi” and “RMB” refer to the legal currency of China;
- “SC ADSs” refers to the American depositary shares of SCI, each of which represents four Class A ordinary shares of SCI;
- “SCI” refers to our subsidiary, Studio City International Holdings Limited, an exempted company registered by way of continuation in the Cayman Islands, the American depositary receipts of which are listed on the New York Stock Exchange;
- “share(s)” and “ordinary share(s)” refer to our ordinary share(s), par value of US\$0.01 each;
- “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 Company” refers to our subsidiary, Studio City Company Limited, which is a company incorporated in the British Virgin Islands with limited liability and which is also an indirect subsidiary of SCI;
- “Studio City Developments” refers to our subsidiary, Studio City Developments Limited, which is a company incorporated in Macau with limited liability and which is also an indirect subsidiary of SCI;
- “Studio City Finance” refers to our subsidiary, Studio City Finance Limited, which is a company incorporated in the British Virgin Islands with limited liability and which is also an indirect subsidiary of SCI;
- “Studio City Hotels” refers to our subsidiary, Studio City Hotels Limited, which is a company incorporated in Macau with limited liability and which is also an indirect subsidiary of SCI;



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- “Studio City Investments” refers to our subsidiary, Studio City Investments Limited, which is a company incorporated in the British Virgin Islands with limited liability and which is also an indirect subsidiary of SCI;
- “Studio City IPO” refers to the initial public offering of a total of 33,062,500 SC ADSs, comprising the 28,750,000 SC ADSs sold initially and the 4,312,500 SC ADSs sold pursuant to the over-allotment option, at the price of US\$12.50 per SC ADS;
- “Studio City Notes” refer to, collectively, the 2016 Studio City Notes and the 2019 Studio City Notes;
- “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;
- “the Philippines” refers to the Republic of the Philippines;
- “TWD” and “New Taiwan dollar(s)” refer to the legal currency of Taiwan;
- “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”, “the Company” and “Melco” refer to Melco Resorts & Entertainment Limited and, as the context requires, its predecessor entities and its consolidated subsidiaries.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2016, 2017 and 2018 and as of December 31, 2017 and 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.

## GLOSSARY

“average daily rate” or “ADR”	calculated by dividing total room revenues including complimentary rooms (less service charges, if any) by total rooms occupied, including complimentary rooms, i.e., average price of occupied rooms per day
“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
“dealer”	a casino employee who takes and pays out wagers or otherwise oversees a gaming table
“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 (calculated before non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) 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

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“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 (calculated before discounts, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of mass market table games drop
“mass market table games segment”	the mass market segment consisting of mass market patrons 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
“net rolling”	net turnover in a non-negotiable chip game
“non-negotiable chip”	promotional casino chip that is not to be exchanged for cash
“non-rolling chip”	chip that can be exchanged for cash, used by mass market patrons to make wagers
“occupancy rate”	the average percentage of available hotel rooms occupied, including complimentary rooms, during a period
“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
“progressive jackpot”	a jackpot for a gaming machine or table game where the value of the jackpot increases as wagers are made; multiple gaming machines or table games may be linked together to establish one progressive jackpot
“revenue per available room” or “REVPAR”	calculated by dividing total room revenues including complimentary rooms (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy
“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 a 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, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of rolling chip volume
“slot machine”	traditional slot or electronic gaming machine operated by a single player

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“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

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F 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. The forward-looking statements are contained principally in the sections entitled “Item 3. Key Information — D. Risk Factors,” “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects.” 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. See “Item 3. Key Information — D. Risk Factors” for a discussion of some risk factors that may affect our business and results of operations. Moreover, because we operate in a heavily regulated and evolving industry, may become highly leveraged and operate in Macau, a high-growth market with intense competition, and the Philippines, a market that is expected to experience growth over the next several years, 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.

In some cases, forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. We have based the forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- our ability to raise additional financing;
- our future business development, results of operations and financial condition;
- growth of the gaming market in and visitation to Macau and the Philippines;
- our anticipated growth strategies;
- the liberalization of travel restrictions on PRC citizens and convertibility of the Renminbi;
- the availability of credit for gaming patrons;
- the uncertainty of tourist behavior related to spending and vacationing at casino resorts in Macau and the Philippines;
- fluctuations in occupancy rates and average daily room rates in Macau and the Philippines;
- increased competition and other planned casino hotel and resort projects in Macau and elsewhere in Asia, including in Macau from Sociedade de Jogos de Macau, S.A., or SJM, Venetian Macau, S.A., or VML, Wynn Resorts (Macau) S.A., or Wynn Macau, Galaxy Casino, S.A., or Galaxy, and MGM Grand Paradise, S.A., or MGM Grand Paradise;
- our ability to develop the additional land on which Studio City is located in accordance with Studio City land concession requirements, our business plan, completion time and within budget;
- our entering into new development and construction projects and new ventures in or outside of Macau or the Philippines;
- construction cost estimates for our development projects, including projected variances from budgeted costs;
- government regulation of the casino industry, including gaming table allocations, gaming license approvals and the legalization of gaming in other jurisdictions;

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- the completion of infrastructure projects in Macau and the Philippines;
- the outcome of any current and future litigation; and
- other factors described under “Item 3. Key Information — D. Risk Factors.”

The forward-looking statements made in this annual report on Form 20-F relate only to events or information as of the date on which the statements are made in this annual report on Form 20-F. 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 annual report on Form 20-F and the documents that we referenced in this annual report on Form 20-F and have filed as exhibits with the U.S. Securities and Exchange Commission, or the SEC, completely and with the understanding that our actual future results may be materially different from what we expect.

### **PART I**

#### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

#### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**
**A. SELECTED FINANCIAL DATA**

The following selected consolidated statement of operations data for the years ended December 31, 2018, 2017 and 2016 and balance sheet data as of December 31, 2018 and 2017 have been derived from our audited consolidated financial statements included elsewhere in this annual report beginning on page F-1. The Company adopted a new revenue recognition standard issued by the Financial Accounting Standards Board (the “New Revenue Standard”) on January 1, 2018 under the modified retrospective method. Results for the periods beginning on or 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.

The selected consolidated statement of operations data for the years ended December 31, 2015 and 2014 and the balance sheet data as of December 31, 2016, 2015 and 2014 have been derived from our consolidated financial statements not included in this annual report. The consolidated balance sheet data as of December 31, 2015 and 2014 reflect our retrospective adoption in 2016 of the new guidance on simplifying the presentation of debt issuance costs issued by the Financial Accounting Standards Board. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. You should read the selected consolidated financial data in conjunction with our consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. The historical results are not necessarily indicative of the results of operations to be expected in the future.

	<b>Year Ended December 31,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(In thousands of US\$, except share and per share data and operating data)</i>				
<b>Consolidated Statements of Operations Data:</b>					
Net revenues (1)	\$ 5,158,509	\$ 5,284,823	\$ 4,519,396	\$ 3,974,800	\$ 4,802,309
Total operating costs and expenses	\$ (4,531,673)	\$ (4,677,211)	\$ (4,156,280)	\$ (3,876,385)	\$ (4,116,949)
Operating income	\$ 626,836	\$ 607,612	\$ 363,116	\$ 98,415	\$ 685,360
Net income (loss)	\$ 353,851	\$ 315,293	\$ 66,918	\$ (60,808)	\$ 527,386
Net (income) loss attributable to noncontrolling interests	\$ (2,336)	\$ 31,709	\$ 108,988	\$ 166,555	\$ 80,894
Net income attributable to Melco Resorts & Entertainment Limited	\$ 351,515	\$ 347,002	\$ 175,906	\$ 105,747	\$ 608,280
<b>Net income attributable to Melco Resorts &amp; Entertainment Limited per share</b>					
— Basic	\$ 0.242	\$ 0.236	\$ 0.116	\$ 0.065	\$ 0.369
— Diluted	\$ 0.240	\$ 0.235	\$ 0.115	\$ 0.065	\$ 0.366
<b>Net income attributable to Melco Resorts &amp; Entertainment Limited per ADS (2)</b>					
— Basic	\$ 0.727	\$ 0.709	\$ 0.348	\$ 0.196	\$ 1.108
— Diluted	\$ 0.721	\$ 0.704	\$ 0.346	\$ 0.195	\$ 1.099
<b>Weighted average shares outstanding used in net income attributable to Melco Resorts &amp; Entertainment Limited per share calculation</b>					
— Basic	1,451,051,051	1,467,653,209	1,516,714,277	1,617,263,041	1,647,571,547
— Diluted	1,460,909,324	1,479,342,209	1,525,284,272	1,627,108,770	1,660,503,130
<b>Dividends declared per share</b>	<b>\$ 0.1867</b>	<b>\$ 0.5604</b>	<b>\$ 0.2408</b>	<b>\$ 0.0389</b>	<b>\$ 0.2076</b>

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	December 31,				
	2018	2017	2016	2015	2014
	<i>(In thousands of US\$)</i>				
<b>Consolidated Balance Sheets Data:</b>					
Cash and cash equivalents	\$1,436,558	\$1,408,211	\$1,702,310	\$ 1,611,026	\$ 1,597,655
Investment securities	91,598	89,874	—	—	—
Bank deposits with original maturities over three months	—	9,884	210,840	724,736	110,616
Restricted cash	48,166	45,542	39,282	317,118	1,816,583
Total assets (4)	8,877,383	8,895,056	9,340,341	10,262,309	10,260,780
Total current liabilities (4)	2,130,007	1,684,014	1,479,140	1,211,017	1,315,004
Long-term debt, net (3)(4)	4,060,917	3,557,562	3,720,275	3,815,232	3,730,998
Total liabilities (4)	6,131,680	5,559,440	5,516,927	5,330,450	5,219,110
Noncontrolling interests (5)	618,367	448,065	479,544	592,226	755,529
Total equity (5)	2,745,703	3,335,616	3,823,414	4,931,859	5,041,670
Ordinary shares	14,830	14,784	14,759	16,309	16,337

- (1) We adopted the New Revenue Standard on January 1, 2018 under the modified retrospective method. Results for the periods beginning on or 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 revenues for the year ended December 31, 2018 would have been US\$5,559.6 million.
- (2) Each ADS represents three ordinary shares.
- (3) Includes current and non-current portion of long-term debt, net of debt issuance costs.
- (4) The amounts have been adjusted for the retrospective application of the authoritative guidance on the presentation of debt issuance costs, which we adopted on January 1, 2016.
- (5) We adopted the New Revenue Standard on January 1, 2018 under the modified retrospective method and recognized an increase to the opening balance of accumulated losses and noncontrolling interests of US\$11.3 million and US\$1.7 million, respectively, due to the cumulative effect of adopting the New Revenue Standard.

The following events/transactions affect the year-to-year comparability of the selected financial data presented above:

- On January 24, 2014, Melco Resorts Leisure issued the Philippine Notes
- On June 24, 2014, MRP completed the 2014 Top-up Placement
- On July 28, 2014, we drew down the entire delayed draw term loan facility under the Studio City Project Facility
- On December 14, 2014, City of Dreams Manila commenced operations with its grand opening on February 2, 2015
- In June 2015, we completed an amendment to the 2011 Credit Facilities, known as the 2015 Credit Facilities, drew down the entire term loan facility under the 2015 Credit Facilities and repaid the entire outstanding balance of the 2011 Credit Facilities
- On October 27, 2015, Studio City commenced operations with its grand opening on the same date
- On November 18, 2015, we completed an amendment to the Studio City Project Facility
- On November 23, 2015, MRP completed the 2015 Private Placement
- In May 2016, we repurchased 155,000,000 ordinary shares (equivalent to 51,666,666 ADSs) from Crown Asia Investments for the aggregate purchase price of US\$800.8 million, and such shares were subsequently cancelled by us



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- On November 30, 2016 (December 1, 2016, Hong Kong time), we repaid the Studio City Project Facility (other than the HK\$1.0 million rolled over into the term loan facility of the 2021 Studio City Senior Secured Credit Facility, which was entered into on November 23, 2016) as funded by the net proceeds from the offering of 2016 Studio City Notes issued by Studio City Company on November 30, 2016 and cash on hand
- In May 2017, we issued and sold 27,769,248 ADSs (equivalent to 83,307,744 ordinary shares) and 81,995,799 ordinary shares and also repurchased 165,303,544 ordinary shares from Crown Asia Investments for the aggregate purchase price of US\$1.2 billion, and such repurchased shares were subsequently cancelled by us
- On June 6, 2017, Melco Resorts Finance issued US\$650.0 million in aggregate principal amount of the 2017 Senior Notes
- On June 14, 2017, together with the net proceeds from the issuance of US\$650.0 million in aggregate principal amount of the 2017 Senior Notes along with the proceeds in the amount of US\$350.0 million from a partial drawdown of the revolving credit facility under the 2015 Credit Facilities and cash on hand, Melco Resorts Finance redeemed all of our outstanding 2013 Senior Notes
- On July 3, 2017, Melco Resorts Finance issued US\$350.0 million in aggregate principal amount of the 2017 Senior Notes, the net proceeds from which were used to repay in full the US\$350.0 million drawdown from the revolving credit facility under the 2015 Credit Facilities
- On October 9, 2017, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP7.5 billion, together with accrued interest
- On June 15, 2018, Morpheus commenced operations with its grand opening on the same date
- On August 31, 2018, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP5.5 billion, together with accrued interest
- In October 2018, SCI completed its initial public offering of 28,750,000 SC ADSs (equivalent to 115,000,000 Class A ordinary shares of SCI)
- In November 2018, SCI completed the exercise by the underwriters of their over-allotment option in full to purchase an additional 4,312,500 SC ADSs from SCI
- On December 13, 2018, MCO Investments completed the MRP Tender Offer and, together with an additional of 107,475,300 MRP Shares acquired by MCO Investments on or after December 6, 2018, increased the Company's equity interest in MRP from approximately 72.8% immediately prior to the announcement of the MRP Tender Offer to approximately 97.9% as of December 31, 2018
- On December 28, 2018, Melco Resorts Leisure redeemed all of the Philippine Notes which remained outstanding
- On December 31, 2018, Studio City Finance partially redeemed the 2012 Studio City Notes in an aggregate principal amount of US\$400.0 million, together with accrued interest

### **Exchange Rate Information**

The majority of our current revenues are denominated in H.K. dollars, whereas our current expenses are denominated predominantly in Patacas, H.K. dollars and the Philippine peso. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars and from U.S. dollars to H.K. dollars in this annual report on Form 20-F were made at a rate of HK\$7.8315 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

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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 December 31, 2018 in New York City for cable transfers in H.K. dollars per U.S. dollar, provided in the H.10 weekly statistical release of the Federal Reserve Board of the United States as certified for customs purposes by the Federal Reserve Bank of New York, was HK\$7.8305 to US\$1.00. On March 22, 2019, the noon buying rate was HK\$7.8466 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, the rates stated below, or at all.

The following table sets forth information concerning the noon buying rate for H.K. dollars for the period indicated.

Period	Noon Buying Rate			
	Period End	Average (1)	High	Low
March 2019 (through March 22, 2019)	7.8466	7.8493	7.8499	7.8466
February 2019	7.8496	7.8477	7.8496	7.8460
January 2019	7.8463	7.8411	7.8463	7.8308
December 2018	7.8305	7.8194	7.8321	7.8043
November 2018	7.8244	7.8286	7.8365	7.8205
October 2018	7.8393	7.8375	7.8433	7.8260
September 2018	7.8259	7.8364	7.8496	7.8080
2018	7.8305	7.8376	7.8499	7.8043
2017	7.8128	7.7926	7.8267	7.7540
2016	7.7534	7.7620	7.8270	7.7505
2015	7.7507	7.7524	7.7686	7.7495
2014	7.7531	7.7545	7.7669	7.7495

- (1) Annual averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

The Pataca is pegged to the H.K. dollar at a rate of HK\$1.00 = MOP1.03. All translations from Patacas to U.S. dollars in this annual report on Form 20-F were made at the exchange rate of MOP8.0665 = US\$1.00. The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Patacas.

This annual report on Form 20-F also contains translations of certain Renminbi, New Taiwan dollars and the Philippine peso amounts into U.S. dollars. Unless otherwise stated, all translations from Renminbi to U.S. dollars in this annual report on Form 20-F were made at the noon buying rate on December 31, 2018 for cable transfers in RMB per U.S. dollar, as certified for customs purposes by the Federal Reserve Bank of New York, which was RMB6.8755 to US\$1.00. Unless otherwise stated, all translations from New Taiwan dollars to U.S. dollars in this annual report on Form 20-F were made at the noon buying rate on December 31, 2018 for cable transfers in New Taiwan dollars per U.S. dollar, as certified for customs purposes by the Federal Reserve Bank of New York, which was TWD30.61 to US\$1.00. Unless otherwise stated, all conversions from the Philippine peso to U.S. dollars in this annual report on Form 20-F were made based on the volume weighted average exchange rate quoted through the Philippine Dealing System, which was PHP52.563 to US\$1.00 on December 28, 2018.

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We make no representation that any RMB, TWD, PHP or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB or TWD or PHP, as the case may be, at any particular rate or at all. On March 22, 2019, the noon buying rate was RMB6.7162 to US\$1.00 and TWD30.87 to US\$1.00. The Philippine Dealing System ceased publication of exchange rate information on April 1, 2018. The exchange rate as of March 22, 2019 as provided by Bangko Sentral ng Pilipinas (BSP) was PHP52.539 to US\$1.00.

**B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

## D. RISK FACTORS

Our business, financial condition and results of operations can be affected materially and adversely by any of the following risk factors.

### Risks Relating to Our Business and Operations

***Our operating history may not serve as an adequate basis to judge our future operating results and prospects. We have significant projects in various phases of development and therefore are subject to significant risks and uncertainties.***

Our business operating history is shorter than some of our competitors and therefore may not serve as an adequate basis for your evaluation of our business and prospects. City of Dreams commenced operations in June 2009. City of Dreams Manila commenced operations in December 2014. Studio City commenced operations in October 2015. In addition, we have significant projects, such as the additional development of the land on which Studio City is located, which are in various phases of design or development.

We face certain risks, expenses and challenges in operating gaming businesses in intensely competitive markets. Some of the risks relate to our ability to:

- fulfill conditions precedent to draw down or roll over funds from current and future credit facilities;
- comply with covenants under our debt issuances and credit facilities;
- raise additional capital, as required;
- respond to changing financing requirements;
- operate, support, expand and develop our operations and our facilities;
- attract and retain customers and qualified employees;
- maintain effective control of our operating costs and expenses;
- maintain internal personnel, systems, controls and procedures to assure compliance with the extensive regulatory requirements applicable to the gaming business as well as regulatory compliance as a public company;
- respond to competitive and/or deteriorating market conditions;
- respond to changes in our regulatory environment and government policies;
- identify suitable locations and enter into new leases or right to use agreements for new Mocha Clubs or existing Mocha Clubs which we may relocate; and
- renew or extend lease agreements or right to use agreements for existing Mocha Clubs.

If we are unable to complete any of these tasks, we may be unable to operate our businesses in the manner we contemplate and generate revenues from such projects in the amounts and by the times we anticipate. We may also be unable to meet the conditions to draw on our existing or future financing facilities in order to fund various activities, which may result in a default under our existing or future financing facilities. If any of these events were to occur, it would cause a material adverse effect on our business and prospects, financial condition, results of operations and cash flows.

***We generate a substantial portion of our cash flow from our properties in Macau and the Philippines and, as a result, are subject to greater risks than a gaming company which operates in more geographical regions.***

We are a parent company with limited business operations of our own. We conduct most of our business operations through our direct and indirect subsidiaries. Our primary sources of cash are dividends and distributions with respect to our ownership interests in our subsidiaries that are derived from the earnings and cash flow generated by our operating properties.

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We primarily depend on our properties in Macau and City of Dreams Manila for our cash flow. Given that our operations are and will be primarily conducted based on our principal properties in Macau and one property in Manila, we are and will be subject to greater risks resulting from limited diversification of our businesses and sources of revenues as compared to gaming companies with more operating properties in various geographic regions. These risks include, but are not limited to:

- dependence on the gaming and leisure market in Macau and the Philippines and limited diversification of businesses and sources of revenues;
- a decline in market, economic, competitive and political conditions in Macau, China, the Philippines or generally in Asia;
- inaccessibility to Macau or the Philippines due to inclement weather, road construction or closure of primary access routes;
- a decline in air, land or ferry passenger traffic to Macau or the Philippines due to fears concerning travel or otherwise;
- travel or visa restrictions to Macau or the Philippines or austerity measures imposed now or in the future by China;
- tightened control of cross-border fund transfers and/or foreign exchange regulations or policies effected by the Chinese, Macau and/or Philippine governments;
- changes in Macau, China and Philippine laws and regulations, or interpretations thereof, including gaming laws and regulations, anti-smoking legislation, as well as China travel and visa policies;
- any enforcement or legal measures taken by the Chinese government to deter gaming activities and/or marketing thereof;
- natural and other disasters, including typhoons, earthquakes, outbreaks of infectious diseases or terrorism, affecting Macau or the Philippines;
- lower than expected rate of increase in the number of visitors to Macau or the Philippines;
- relaxation of regulations on gaming laws in other regional economies that could compete with the Macau and the Philippine markets;
- a decrease in gaming activities and other spending at our properties; and
- government restrictions on growth of gaming markets, including those in the form of policies on gaming table allocation and caps.

Any of these developments or events could have a material adverse effect on our business, cash flows, financial condition, results of operations and prospects.

***All our current and future construction projects are and will be subject to significant development and construction risks, which could have a material adverse impact on related project timetables, costs and our ability to complete the projects.***

All our current and future construction projects are and will be subject to a number of risks, including:

- changes to plans and specifications;
- engineering problems, including defective plans and specifications;
- shortages of, and price increases in, energy, materials and skilled and unskilled labor, and inflation in key supply markets;
- delays in obtaining or inability to obtain necessary permits, licenses and approvals;

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- lack of sufficient, or delays in availability of, financing;
- changes in laws and regulations, or in the interpretation and enforcement of laws and regulations, applicable to gaming, leisure, residential, real estate development or construction projects;
- labor disputes or work stoppages;
- shortage of qualified contractors and suppliers or inability to enter into definitive contracts with contractors with sufficient skills, financial resources and experience on commercially reasonable terms, or at all;
- disputes with, and defaults by, contractors and subcontractors and other counter-parties;
- personal injuries to workers and other persons;
- environmental, health and safety issues, including site accidents and the spread of viruses;
- weather interferences or delays;
- fires, typhoons and other natural disasters;
- geological, construction, excavation, regulatory and equipment problems; and
- other unanticipated circumstances or cost increases.

The occurrence of any of these developments or construction risks could increase the total costs, delay or prevent the construction or opening or otherwise affect the design and features of any existing or future construction projects which we might undertake. We cannot guarantee that our construction costs or total project costs for existing or future projects will not increase beyond amounts initially budgeted.

***We could encounter substantial cost increases or delays in the development of our projects, which could prevent or delay the opening of such projects.***

We have certain projects under development or intended to be developed pursuant to our expansion plan. The completion of these projects is subject to a number of contingencies, including adverse developments in applicable legislation, delays or failures in obtaining necessary government licenses, permits or approvals. The occurrence of any of these developments could increase the total costs or delay or prevent the construction or opening of new projects, which could materially adversely affect our business, financial condition and results of operations. We may also require additional financing to develop our projects. Our ability to obtain such financing depends on a number of factors beyond our control, including market conditions, investors' and lenders' perceptions of, and demand for, debt and equity securities of gaming companies, credit availability and interest rates.

There is no assurance that the actual construction costs related to our projects will not exceed the costs we have projected and budgeted. In addition, construction costs, particularly labor costs, are increasing in Macau and we believe that they are likely to continue to increase due to the significant increase in building activity and the ongoing labor shortage in Macau. In addition, immigration and labor regulations in Macau may limit or restrict our contractors' ability to obtain sufficient laborers from China to make up for any shortages in available labor in Macau and help reduce construction costs. Continuing increases in construction costs in Macau will increase the risk that construction will not be completed on time, within budget or at all, which could materially and adversely affect our business, cash flow, financial condition, results of operations and prospects.

***Construction is subject to hazards that may cause personal injury or loss of life, thereby subjecting us to liabilities and possible losses, which may not be covered by insurance.***

The construction of large scale properties, including the types of projects we are involved in, can be dangerous. Construction workers at such sites are subject to hazards that may cause personal injury or loss of life, thereby subjecting the contractors and us to liabilities, possible losses, delays in completion of the projects

and negative publicity. We believe, and require, our contractors take safety precautions that are consistent with industry practice, but these safety precautions may not be adequate to prevent serious personal injuries or loss of life, damage to property or delays. If accidents occur during the construction of any of our projects, we may be subject to delays, including delays imposed by regulators, liabilities and possible losses, which may not be covered by insurance, and our business, prospects and reputation may be materially and adversely affected.

***We are developing the remaining project for Studio City under the terms of a land concession contract which require us to fully develop the land on which Studio City is located by July 24, 2021. If we do not complete development by that time and the Macau government does not grant us an extension of the development period, we could be forced to forfeit all or part of our investment in Studio City, along with our interest in the land on which Studio City is located and the buildings and structures on such land.***

Land concessions in Macau are issued by the Macau government and generally have terms of 25 years and are renewable for further consecutive periods of ten years. Land concessions further stipulate a period within which the development of the land must be completed. In accordance with the Studio City land concession contract, the land on which Studio City is located must be fully developed by July 24, 2021. While we opened Studio City in October 2015, development for the remaining land of Studio City is still ongoing and in the early stages. There is no guarantee we will complete the development of the remaining project for the land of Studio City by the deadline. In the event that additional time is required to complete the development of the remaining land of Studio City, we will have to apply for an extension of the relevant development period which shall be subject to Macau government review and approval at its discretion. While the Macau government may grant extensions if we meet certain legal requirements and the application for the extension is made in accordance with the relevant rules and regulations, there can be no assurance that the Macau government will grant us any necessary extension of the development period or not exercise its right to terminate the Studio City land concession. In the event that no extension is granted or the Studio City land concession is terminated, we could lose all or substantially all of our investment in Studio City, including our interest in land and buildings and may not be able to continue to operate Studio City as planned, which will materially adversely affect our business and prospects, results of operations and financial condition.

***Inadequate transportation infrastructure in the Philippines or Macau may hinder increases in visitation to the Philippines or Macau.***

City of Dreams Manila is located within Entertainment City, Manila, an area in the city of Manila which is currently under development. Other than Solaire and Okada Manila, there are currently no other integrated tourism resorts which have begun operations in Entertainment City, Manila. It is unlikely that Manila's existing transportation infrastructure is capable of handling the increased number of tourist arrivals that may be necessary to support visitor traffic to large scale integrated resorts within Entertainment City, such as City of Dreams Manila. Although the newly constructed NAIA Expressway helped alleviate the traffic congestion within the area surrounding Entertainment City and the Philippine government continues to examine viable alternatives to ease traffic congestion in Manila, there is no guarantee that these measures will succeed, or that they will sufficiently eliminate the traffic problem or other deficiencies in Manila's transportation infrastructure. Traffic congestion and other problems in Manila's transportation infrastructure could adversely affect the tourism industry in the Philippines and reduce the number of potential visitors to City of Dreams Manila, which could, in turn, adversely affect our business and prospects, financial condition and results of our operations.

Macau consists of a peninsula and two islands and is connected to China by two border crossings. Macau has an international airport and connections to China and Hong Kong by road, ferry and helicopter. To support Macau's planned future development as a gaming and leisure destination, the frequency of bus, car, air and ferry services to Macau will need to increase. While various projects are under development to improve Macau's internal and external transportation links, including the Macau Light Rapid Transit and capacity expansion of border crossings, these projects may not be approved, financed or constructed in time to handle the

projected increase in demand for transportation or at all, which could impede the expected increase in visitation to Macau and adversely affect our projects in Macau. For example, there has been a delay in the development of the Macau Light Rapid Transit, and the benefits expected to be brought by proximity of any of our properties to one of the planned Cotai hotel-casino resort stops may not be fully realized until the commencement of operations of such light rapid stops. Any further delays or termination of Macau's transportation infrastructure projects may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Furthermore, the expected reduction in travel time from Hong Kong as well as throughout China to Macau following the completion of the Hong Kong-Zhuhai-Macau Bridge, which opened to traffic on October 23, 2018, may not materialize, and may not result in increased traffic to Macau and to our Macau properties as a result.

***Our business in Macau and the Philippines is subject to certain regional and global political and economic risks, as well as natural disasters, that may significantly affect visitation to our properties and have a material adverse effect on our results of operations.***

The strength and profitability of our business will depend on consumer demand for integrated resorts and leisure travel in general. Terrorist and violent criminal activities, military conflicts and natural disasters have and may continue to negatively affect travel and leisure expenditures, including lodging, gaming and tourism. We cannot predict the extent to which such acts or events may affect us, directly or indirectly, in the future.

Most of our properties are located in Macau and a significant number of our gaming customers come from, and are expected to continue to come from, mainland China. Accordingly, our business development plans, results of operations and financial condition may be materially and adversely affected by significant political, social and economic developments in Macau and China. In particular, our operating results may be adversely affected by:

- changes in Macau's and China's political, economic and social conditions, including any slowdown in economic growth in China;
- tightening of travel or visa restrictions to Macau or austerity measures which may be imposed by the Chinese government;
- measures that may be introduced to control inflation, such as interest rate increases or bank account withdrawal controls; and
- changes in the tax laws and regulations.

For example, our business and operations are affected by the travel or visa restrictions imposed by China on its citizens from time to time. The Chinese government imposes restrictions on exit visas granted to resident citizens of mainland China for travel to Macau. The government further restricts the number of days that resident citizens of mainland China may spend in Macau for certain types of travel. Such travel and visa restrictions, and any changes imposed by the Chinese government from time to time, could disrupt the number of visitors from mainland China to our properties.

Our operations in Macau are also exposed to the risk of changes in laws and policies that govern operations of Macau-based companies. Tax laws and regulations may also be subject to amendment or different interpretation and implementation, thereby adversely affecting our profitability after tax. Further, certain terms of our gaming subconcession may be subject to renegotiations with the Macau government in the future, including amounts we will be obligated to pay the Macau government in order to continue operations. The results of any renegotiations could have a material adverse effect on our results of operations and financial condition. In addition, the demand for gaming activities and related services and luxury amenities that we provide through our operations is dependent on discretionary consumer spending and, as with other forms of entertainment, is



susceptible to downturns in global and regional economic conditions. An economic downturn may reduce consumers' willingness to travel and reduce their spending overseas, which would adversely impact us as we depend on visitors from mainland China and other countries to generate a substantial portion of our revenues. Changes in discretionary consumer spending or consumer preferences could be driven by factors such as perceived or actual general economic conditions, high energy and food prices, the increased cost of travel, weak segments of the job market, perceived or actual disposable consumer income and wealth, fears of recession and changes in consumer confidence in the economy or fears of armed conflict or future acts of terrorism. An extended period of reduced discretionary spending and/or disruptions or declines in airline travel could materially adversely affect our business, results of operations and financial condition.

In addition, our business and results of operations may be materially and adversely affected by any changes in China's economy, including the decrease in the pace of economic growth. A number of measures taken by the Chinese government in recent years to control the rate of economic growth, including those designed to tighten credit and liquidity, have contributed to a slowdown of China's economy. According to the National Bureau of Statistics of China, China's GDP growth rate was 6.6% in 2018, which is lower than the 6.9% in 2017. Any slowdown in China's future growth may have an adverse impact on financial markets, currency exchange rates and other economies, as well as the spending of visitors in Macau and our properties. There is no guarantee that economic downturns, whether actual or perceived, any further decrease in economic growth rates or an otherwise uncertain economic outlook in China will not occur or persist in the future, that they will not be protracted or that governments will respond adequately to control and reverse such conditions, any of which could materially and adversely affect our business, financial condition and results of operations.

City of Dreams Manila is located in the Philippines and is subject to certain economic, political and social risks within the Philippines. The Philippines has in the past experienced severe political and social instability, including acts of political violence and terrorism. Any future political or social instability in the Philippines could adversely affect the business operations and financial conditions of City of Dreams Manila. In addition, changes in the policies of the government or laws or regulations, or in the interpretation or enforcement of these laws and regulations, such as anti-smoking policies or legislation, may negatively impact consumption patterns of visitors to City of Dreams Manila and could adversely affect our business operations and financial condition.

In addition, demand for, and the prices of, gaming and entertainment products are directly influenced by economic conditions in the Philippines, including growth levels, interest rates, inflation, levels of business activity and consumption, and the amount of remittances received from overseas Filipino workers. Any deterioration in economic and political conditions in the Philippines or elsewhere in Asia could materially and adversely affect our Company's business in the Philippines, as well as the prospects, financial condition and results of our operations in the Philippines.

Our business in the Philippines will also depend substantially on revenues from foreign visitors and be affected by the development of Manila and the Philippines as a tourist and gaming destination. Such revenues from foreign visitors and development of Manila and the Philippines may be disrupted by events that reduce foreigners' willingness to travel to or create substantial disruption in Metro Manila and raise substantial concerns about visitors' personal safety, such as power outages, civil disturbances and terrorist attacks, among others. For example, in June 2017, there were multiple deaths at the Resorts World Manila entertainment complex in Pasay, Metro Manila, Philippines when a gunman caused a stampede and set fire to casino tables and slot machine chairs. The Philippines has also experienced a significant number of major catastrophes over the years, including typhoons, volcanic eruptions and earthquakes. We cannot predict the extent to which our business in the Philippines and tourism in Metro Manila in general will be affected by any of the above occurrences or fears that such occurrences will take place. We cannot guarantee that any disruption to our Philippine operations will not be protracted, that City of Dreams Manila will not suffer any damages and that any such damage will be completely covered by insurance or at all. Should the Philippines fail to continue to develop as a tourist destination or should Entertainment City or Manila fail to become a widely recognized regional gaming

destination, City of Dreams Manila may fail to attract a sufficient number of visitors, which would cause a material adverse effect on our business and prospects, financial condition, results of operations and cash flows. Any of these occurrences may disrupt our operations in the Philippines.

The subtropical climate and location of both Macau and the Philippines render them susceptible to typhoons, heavy rainstorms and other natural disasters. In the event of a major typhoon, such as Typhoon Hato and Typhoon Mangkhut in Macau in August 2017 and September 2018, respectively, or other natural disasters in Macau or the Philippines, our properties may be severely disrupted and adversely affected and our properties may even be required to temporarily cease operations by regulatory authorities. Any flooding, unscheduled interruption in the technology or transportation services or interruption in the supply of public utilities is likely to result in an immediate and possibly substantial loss of revenues due to a shutdown of any of our properties and material adverse effect on our business operations and financial condition.

In addition, the global macroeconomic environment is facing challenges, including the escalation of the European sovereign debt crisis since 2011, the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone in 2014 and the escalation of international trade conflicts, including the trade disputes between the United States and China and the potential further escalation of trade tariffs and related retaliatory measures between these two countries and globally. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in volatility in oil and other markets, and over the conflicts involving Ukraine and Syria and potential conflicts involving the Korean peninsula. Any severe or prolonged slowdown in the global economy or increase in international trade or political conflicts may materially and adversely affect our business, results of operations and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

***Policies, campaigns and measures adopted by the PRC and/or Macau governments from time to time could materially and adversely affect our operations.***

A significant number of the gaming customers of our properties come from, and are expected to continue to come from, China. Any travel restrictions imposed by China could disrupt the number of patrons visiting our properties from China. Since mid-2003, under the Individual Visit Scheme, or IVS, Chinese citizens from certain cities have been able to travel to Macau individually instead of as part of a tour group. The Chinese government has in the past restricted and loosened IVS travel frequently and may continue to do so from time to time and it is unclear whether such measures will become more restrictive in the future. A decrease in the number of visitors from China would adversely affect our results of operations.

In addition, certain policies and campaigns implemented by the Chinese government may lead to a decline in the number of patrons visiting our properties and the amount of spending by such patrons. The strength and profitability of the gaming business depends on consumer demand for integrated resorts in general and for the type of luxury amenities that a gaming operator offers. Recent initiatives and campaigns undertaken by the Chinese government have resulted in an overall dampening effect on the behavior of Chinese consumers and a decrease in their spending, particularly in luxury good sales and other discretionary spending. For example, the Chinese government's ongoing anti-corruption campaign has had an overall chilling effect on the behavior of Chinese consumers and their spending patterns both domestically and abroad. In addition, the number of patrons visiting our properties may be affected by the Chinese government's focus on deterring marketing of gaming to Chinese mainland residents by casinos and its initiatives to tighten monetary transfer regulations, increase monitoring of various transactions, including bank or credit card transactions, and reduce the amount that China-issued ATM cardholders can withdraw in each withdrawal and impose a limit on the annual aggregate amount that may be withdrawn. Recent conviction of staff of a foreign casino in China in relation to gaming related activities in China have created further regulatory uncertainty on marketing activities in China.

***We derive a significant majority of our revenues from our Macau gaming business and any disruptions or downturns in the Macau gaming market may have a material impact on our business.***

Prior to 2014, we derived substantially all of our revenues from our business and operations in Macau. Although we now also generate revenues from our Philippine operations, we continue to derive a significant majority of our revenues from our Macau gaming business and may be materially affected by any disruptions or downturns in the Macau gaming market. While the Macau gaming market has generally improved since the third quarter of 2016, the Macau gaming market, according to the DICJ, experienced a decline in gross gaming revenues from 2014 to 2016. We believe such decline was primarily driven by a deterioration in gaming demand from China, which provides a core customer base for the Macau gaming market, as well as other restrictions including the imposition of travel restrictions and the implementation of smoking restrictions in casinos. Our business, financial condition and results of operations may be materially and adversely affected by such decline or other disruptions in the Macau gaming market.

***The gaming industries in Macau and the Philippines are highly regulated.***

Gaming is a highly regulated industry in Macau. Our Macau gaming business is subject to various laws, such as those relating to licensing, tax rates and other regulatory obligations, such as anti-money laundering measures, which may change or become more stringent. Changes in laws may result in additional regulations being imposed on our gaming operations in Macau and our future projects. Our operations in Macau are also exposed to the risk of changes in the Macau government's policies that govern operations of Macau-based companies and the Macau government's interpretation of, or amendments to, our gaming subconcession. Any such adverse developments in the regulation of the Macau gaming industry could be difficult to comply with and could significantly increase our costs, which could cause our projects to be unsuccessful. See "— Risks Relating to the Gaming Industry and Our Operations in Macau — Adverse changes or developments in gaming laws or other regulations in Macau that affect our operations could be difficult to comply with or may significantly increase our costs, which could cause our projects to be unsuccessful."

The Philippine gaming industry is also highly regulated, including the new amendment to the existing Philippines Anti-Money Laundering Act, as amended ("AMLA"), whereby casinos are now included as covered persons subject to reporting and other requirements under the AMLA. The Anti-Money Laundering Council and PAGCOR have also recently released regulations and guidelines on compliance and we are currently adjusting our anti-money laundering policies for our Philippine operations to these new rules and regulations. City of Dreams Manila may legally operate under the Regular License, which requires a number of periodic approvals from and reports to PAGCOR. PAGCOR may refuse to approve proposals by us and our gaming promoters, or modify previously approved proposals and may require us and/or our gaming promoters to perform acts with which we disagree. The Regular License requires, among others, 95.0% of City of Dreams Manila's total employees to be locally hired. PAGCOR could also exert a substantial influence on our human resource policies, particularly with respect to the qualifications and salary levels for gaming employees, especially in light of the fact that employees assigned to the gaming operations are required by PAGCOR to obtain a Gaming Employment License. As a result, PAGCOR could have influence over City of Dreams Manila's gaming operations. Moreover, because PAGCOR is also an operator of casinos and gaming establishments in the Philippines, it is possible that conflicts in relation to PAGCOR's operating and regulatory functions may exist or may arise in the future. In addition, we and our gaming promoters may not be able to obtain, or maintain, all requisite approvals, permits and licenses that various Philippine and local government agencies may require. Any of the foregoing could adversely affect our business, financial condition and results of operations in the Philippines.

Furthermore, our licenses and permits from various Philippine government agencies, such as those related to labor, public works, safety, fire, buildings, health and environmental, are required to be renewed annually. There is no guarantee that the requirements for such permits and licenses will remain the same, or that the relevant Philippine government agencies will not impose additional and more onerous requirements. This

may affect our ability to renew our licenses and permits, which could adversely affect our business in the Philippines.

In addition, current laws and regulations in Macau and the Philippines concerning gaming and gaming concessions and licenses or, for the most part, fairly recent and there is little precedent on the interpretation of these laws and regulations. These laws and regulations are complex, and a court or administrative or regulatory body may in the future render an interpretation of these laws and regulations, or issue new or modified regulations, that differ from our interpretation. For instance, certain decisions issued recently by the Macau courts have determined that a gaming operator is liable for the refund of patron funds deposited with a gaming promoter for various purposes while other Macau court decisions have determined that a gaming operator has no such liability. These decisions are not final. The uncertainty caused by these contradictory decisions, a final adverse determination on a gaming operator's liability with respect to a gaming promoter's activity or new or modified regulations could have a material adverse effect on our business, financial condition and results of operations.

***Uncertainties in the legal systems in the PRC may expose us to risks.***

Gaming-related activities in the PRC, including marketing activities, are regulated by the PRC government and subject to various PRC laws and regulations. The PRC legal system continues to rapidly evolve and the interpretations of many laws, regulations and rules are not always uniform. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all. As a result, we may not be aware of all policies and rules imposed by the PRC authorities which may affect or relate to our business and operations. There is also no assurance that our interpretation of the laws and regulations that affect our activities and operations in the PRC is or will be consistent with the interpretation and application by the PRC governmental authorities. These uncertainties may impede our ability to assess our legal rights or risks relating to our business and activities. Any changes in the laws and regulations, or in the interpretation or enforcement of these laws and regulations, that affect gaming-related activities in the PRC could have a material and adverse effect on our business and prospects, financial condition and results of operations.

In addition, PRC administrative and court authorities have significant discretion in interpreting and implementing statutory terms. Such discretion of the PRC administrative and court authorities increases the uncertainties in the PRC legal system and makes it difficult to evaluate the likely outcome of any administrative and court proceedings in the PRC. Any litigation or proceeding in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention. Any such litigation or proceeding could have a material adverse effect on our business, reputation, financial condition and results of operations.

***We face intense competition in Macau, the Philippines and elsewhere in Asia and may not be able to compete successfully.***

The hotel, resort and gaming industries are highly competitive. The competitors of our business in Macau, the Philippines and elsewhere in Asia include many of the largest gaming, hospitality, leisure and resort companies in the world. Some of these current and future competitors are larger than we are and may have more diversified resources, better brand recognition and greater access to capital to support their developments and operations in Macau, the Philippines and elsewhere.

In the Philippine gaming market, we compete with hotels and resorts owned by both Philippine nationals and foreigners. PAGCOR, an entity owned and controlled by the government of the Philippines, also operates gaming facilities across the Philippines. Our operations in the Philippines face competition from gaming operators in other more established gaming centers across the region, particularly those of Macau and Singapore, and other major gaming markets located around the world, including Australia and Las Vegas, as we target similar pools of customers and tourists. A number of such other operators have a longer track record of gaming operations and such other markets have more established reputations as gaming markets. Our operations in the

Philippines may not be successful in its efforts to attract foreign customers and independent gaming promoters to City of Dreams Manila, and to promote Manila as a gaming destination.

In Macau, some competitors have opened new properties, expanded operations and/or have announced intentions for further expansion and developments in Cotai, where City of Dreams and Studio City are located. For example, Galaxy Casino, S.A., or Galaxy, opened Galaxy Macau Resort in Cotai in May 2011, Phase 2 of the Galaxy Macau Resort in May 2015 and Phase 3 of the Galaxy Macau Resort is currently being developed and expected to be completed and operational in 2020, while Phase 4 is expected to be completed and operational after 2021. Sands China Ltd., a subsidiary of Las Vegas Sands Corporation, opened the Parisian Macao in Cotai in September 2016. Wynn Macau opened the Wynn Palace in Cotai in August 2016. MGM Grand Paradise opened MGM Cotai in February 2018. Sociedade de Jogos de Macau, S.A., or SJM, is currently developing its project in Cotai which is expected to open in 2019. See “Item 4. Information on the Company — B. Business Overview — Market and Competition.”

We also compete to some extent with casinos located in other countries, such as Singapore, Malaysia, South Korea, Vietnam, Cambodia, Australia, New Zealand and elsewhere in the world, including Las Vegas and Atlantic City in the United States. In addition, in December 2016, a law which conceptually enables the development of integrated resorts in Japan took effect. Certain other countries, such as Taiwan and Thailand, may also in the future legalize casino gaming and may not be subject to as stringent regulation as the Macau and/or Philippine markets. We also compete with cruise ships operating out of Hong Kong and other areas of Asia that offer gaming. In addition, certain of our gaming promoters may become our competitors by operating their own gaming operations, which may result in the diversion of their junket players to their gaming operations. For instance, a major gaming promoter has announced the expansion of its businesses into operating gaming activities in Vietnam and Cambodia. The proliferation of gaming venues in Asia could also significantly and adversely affect our business, financial condition, results of operations, cash flows and prospects.

Currently, Macau is the only region in Greater China offering legal casino gaming. Although the Chinese government has strictly enforced its regulations prohibiting domestic gaming operations, there may be casinos in parts of China that are operated illegally and without licenses. In addition, there is no assurance that China will not in the future permit domestic gaming operations. Competition from casinos in China, legal or illegal, could materially adversely affect our business, results of operations, financial condition, cash flows and prospects.

Our regional competitors also include casino resorts that Melco International may develop elsewhere in Asia Pacific outside Macau. Melco International may develop different interests and strategies for projects in Asia which conflict with the interests of our business in Macau or otherwise compete with us for Asian gaming and leisure customers. See “— Risks Relating to Our Corporate Structure and Ownership.”

***The governments in Macau and the Philippines could grant additional rights to conduct gaming in the future, which could significantly increase competition and cause us to lose or be unable to gain market share.***

In Macau, Melco Resorts Macau is one of the six companies authorized by the Macau government to operate gaming activities. Pursuant to the terms of Macau Law No. 16/2001, or the Macau Gaming Law, the Macau government is precluded from granting more than three gaming concessions. Each concessionaire was permitted to enter into a subconcession agreement with one subconcessionaire. The Macau government is currently considering the process of renewing, extending or granting gaming concessions or subconcessions for concessions and subconcessions expiring in 2022. The policies and laws of the Macau government could result in the grant of additional concessions or subconcessions, which could significantly increase the competition in Macau and cause us to lose or be unable to maintain or gain market share, and as a result, adversely affect our business.

In the Philippines, PAGCOR has issued regular gaming licenses to the Philippine Licensees and one other company and additional provisional gaming licenses to two other companies in the Philippines for the

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development and operation of integrated casino resorts. PAGCOR has recently granted a provisional license to a fifth operator located near the Entertainment City in mid-2018. PAGCOR has also licensed private casino operators in special economic zones, including four in the Clark Ecozone, one in Poro Point, La Union, one in Binangonan, Rizal and one in the Newport City CyberTourism Zone, Pasay City. The Regular License granted by PAGCOR to the Philippine Licensees is non-exclusive, and there is no assurance that PAGCOR will not issue additional gaming licenses, or that it will limit the number of licenses it issues. Any additional gaming licenses issued by PAGCOR could increase competition in the Philippine gaming industry, which could diminish the value of the Philippine Licensees' Regular License. This could materially and adversely affect our business, financial condition and results of operations in the Philippines.

***Any simultaneous planning, design, construction and development of any projects may stretch our management's time and resources, which could lead to delays, increased costs and other inefficiencies in the development of these projects.***

There may be overlap in the planning, design, development and construction periods of our projects. Members of our senior management will be involved in planning and developing our projects at the same time, in addition to overseeing our day-to-day operations. Our management may be unable to devote sufficient time and attention to such projects, as well as our operating properties, which may result in delays in the construction or opening of any of our current or future projects, cause construction cost overruns or cause the performance of our operating properties to be lower than expected, which could have a material adverse effect on our business, financial condition and results of operations.

***Our business depends substantially on the continuing efforts of our senior management, and our business may be severely disrupted if we lose their services.***

We place substantial reliance on the gaming, project development and hospitality industry experience and knowledge of the Macau and Philippine markets possessed by members of our board of directors, our senior management team, as well as other management personnel. We may experience changes in our key management in the future, including for reasons beyond our control. The loss of Mr. Lawrence Ho's services or the services of the other members of our board of directors or key management personnel could hinder our ability to effectively manage our business and implement our growth and development strategies. Finding suitable replacements for members of our board of directors or key management personnel could be difficult, and competition for personnel of similar experience could be intense in Macau and the Philippines. In addition, we do not currently carry key person insurance on any members of our senior management team.

***The success of our business depends on our ability to attract and retain an adequate number of qualified personnel. A limited labor supply, increased competition and any increase in demands from our employees could cause labor costs to increase.***

The pool of experienced gaming and other skilled and unskilled personnel in Macau and the Philippines is limited. Our demand remains high for personnel occupying sensitive positions that require qualifications sufficient to meet gaming regulations and other requirements or skills and knowledge that would need substantial training and experience. Competitive demand for qualified gaming and other personnel is expected to be intensified by the increased number of properties recently opened and expected to open in close proximity to our properties in Macau and the Philippines. The limited supply and increased competition in the labor market could cause our labor costs to increase.

Macau government policy prohibits us from hiring non-Macau resident dealers and supervisors. In addition, the Macau government announced it will continue to monitor the proportion of management positions held by Macau residents and implement measures to ensure such proportion remains no less than 85% of senior and mid-management positions. Due to the increased competition in the labor market and the relevant regulatory restrictions, we cannot assure you that we will be able to attract and retain a sufficient number of qualified

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individuals to operate our properties, or that costs to recruit and retain such personnel will not increase significantly. In addition, we have recently been subject to certain labor demands in Macau. The inability to attract, retain and motivate qualified employees and management personnel could have a material adverse effect on our business.

Further, the Macau government is currently enforcing a labor policy pursuant to which the ratio of local to foreign workers that may be recruited is determined on a case-by-case basis and, in relation to construction works, must be at least 1:1 unless otherwise authorized by the Macau government. Such a policy could have a material adverse effect on our ability to complete works on our properties, such as the additional development of the land on which Studio City is located. Moreover, if the Macau government enforces similar restrictive ratios in other areas, such as the gaming, hotel and entertainment sectors, or imposes additional restrictions on the hiring of foreign workers generally, this could have a material adverse effect on the operation of our properties.

In the Philippines, the Regular License requires that at least 95.0% of City of Dreams Manila's total employees be locally hired. Our inability to recruit a sufficient number of employees in the Philippines to meet this provision or to do so in a cost-effective manner may cause us to lower our hiring standards, which may have an adverse impact on City of Dreams Manila's service levels, reputation and business. In January 2019, the employees of the Table Games Division of City of Dreams Manila voted to organize and become part of a labor union that will act as their collective bargaining agent with Melco Resorts Leisure, the operating company of City of Dreams Manila. On February 13, 2019, Kilusan ng Manggagawang Makabayan (KMM-Katipunan) Melco Resorts Leisure (PHP) Corporation — Table Games Division — Chapter, or KMM-MELCO [TDG], was certified by the Philippines Department of Labor to represent the rank-and-file employees of the Table Games Division of City of Dreams Manila as the former's sole and exclusive bargaining agent. Any demand or activities of such collective bargaining agent, or any additional collective bargaining agents that may be certified by the Philippines Department of Labor in the future, could have a material adverse effect on the business and operations of City of Dreams Manila or our financial condition and results of operations.

Moreover, casino resort employers may also contest the hiring of their former employees by us. There can be no assurance that any such claim will not be successful or other similar claims will not be brought against us or any of our affiliates in the future. In the event any such claim is found to be valid, we could suffer losses and face difficulties in recruiting from competing operators. If found to have basis by courts, these allegations could also result in possible civil liabilities on us or our relevant officers if such officers are shown to have deliberately and willfully condoned a patently unlawful act.

***Our insurance coverage may not be adequate to cover all losses that we may suffer from our operations. In addition, our insurance costs may increase and we may not be able to obtain the same insurance coverage in the future.***

We currently have various insurance policies providing certain coverage typically required by gaming and hospitality operations in Macau. In addition, we maintain various types of insurance policies for our Philippine business and operations, including mainly property damage, business interruption and general liability insurance policies, and a surety bond required by PAGCOR, which secures the prompt payment by Melco Resorts Leisure of the monthly licensee fees due to PAGCOR. These insurance policies provide coverage that is subject to policy terms, conditions and limits. There is no assurance that we will be able to renew such insurance coverage on equivalent premium costs, terms, conditions and limits upon their expiration. The cost of coverage may in the future become so high that we may be unable to obtain the insurance policies we deem necessary for the operation of our projects on commercially practicable terms, or at all, or we may need to reduce our policy limits or agree to certain exclusions from our coverage.

We cannot assure you that any such insurance policies we obtained or may obtain will be adequate to protect us from material losses. Certain acts and events could expose us to significant uninsured losses. In addition to the damages caused directly by a casualty loss such as fire or natural disasters, we may suffer a

disruption of our business as a result of these events or be subject to claims by third parties who may be injured or harmed. While we intend to continue carrying business interruption insurance and general liability insurance, such insurance may not be available on commercially reasonable terms, or at all, and, in any event, may not be adequate to cover all losses that may result from such events.

There is limited available insurance in Macau and the Philippines and our insurers in Macau and the Philippines may need to secure reinsurance in order to provide adequate cover for our property and development projects. Our credit agreements, Melco Resorts Macau's subconcession contract with Wynn Macau relating to the gaming concession in Macau (the "Subconcession Contract"), the Regular License granted by PAGCOR and certain other material agreements require a certain level of insurance to be maintained, which must be obtained in Macau and the Philippines, respectively, unless otherwise authorized by the respective counter-parties. Failure to maintain adequate coverage could be an event of default under our credit agreements, the Subconcession Contract or the Regular License and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

***The winnings of our patrons could exceed our casino winnings at particular times during our operations.***

Our revenues are mainly derived from the difference between our casino winnings and the winnings of our casino patrons. Since there is an inherent element of chance in the gaming industry, we do not have full control over our winnings or the winnings of our casino patrons. If the winnings of our patrons exceed our casino winnings, we may record a loss from our gaming operations, and our business, financial condition and results of operations could be materially and adversely affected.

***Win rates for our casino operations depend on a variety of factors, some beyond our control, which, at particular times, adversely impact our results of operations.***

In addition to the element of chance, theoretical win rates are also affected by other factors, including player skills and experience, the mix of games played, the financial resources of players, the spread of table limits, the volume and mix of bets placed by our players and the amount of time players spend on gambling — thus our actual win rates may differ greatly over short time periods, such as from quarter to quarter, and could cause our quarterly results to be volatile. Each of these factors, alone or in combination, have the potential to negatively impact our win rates, and our business, financial condition and results of operations could be materially and adversely affected.

***Our gaming business is subject to the risk of cheating and counterfeiting.***

All gaming activities at our table games are conducted exclusively with gaming chips which, like real currency, are subject to the risk of alteration and counterfeiting. We incorporate a variety of security and anti-counterfeit features to detect altered or counterfeit gaming chips. Despite such security features, unauthorized parties may try to copy our gaming chips and introduce, use and cash in altered or counterfeit gaming chips in our gaming areas. Any negative publicity arising from such incidents could also tarnish our reputation and may result in a decline in our business, financial condition and results of operation.

Gaming customers may attempt or commit fraud or cheat in order to increase their winnings, possibly in collusion with the casino's staff. Internal acts of cheating could also be conducted by staff through collusion with dealers, surveillance staff, floor managers or other gaming area staff. Our existing surveillance and security systems, designed to detect cheating at our casino operations, may not be able to detect all such cheating in time or at all, particularly if patrons collude with our employees. In addition, our gaming promoters or other persons could, without our knowledge, enter into betting arrangements directly with our casino patrons on the outcomes of our games of chance, thus depriving us of revenues.

Our operations are reviewed to detect and prevent cheating. Each game has a theoretical win rate and statistics are examined with these in mind. Cheating may give rise to negative publicity and such action may materially affect our business, financial condition, operations and cash flows.



***An outbreak of widespread health epidemics, contagious disease or other outbreaks may have an adverse effect on the economies of certain Asian countries and may have a material adverse effect on our business, financial condition and results of operations.***

Our business could be materially and adversely affected by the outbreak of widespread health epidemics, such as swine flu, avian influenza, severe acute respiratory syndrome (SARS), Middle East respiratory syndrome (MERS), Zika or Ebola. Any occurrence of such a health epidemic, prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. Such events could also significantly impact our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Guangdong Province in China, which is located across the Zhuhai Border from Macau, has confirmed several cases of avian flu. Fully effective avian flu vaccines have not been developed and there is evidence that the H5N1 virus is constantly evolving so there can be no assurance that an effective vaccine can be discovered or commercially manufactured in time to protect against any potential avian flu pandemic. In the first half of 2003, certain countries in Asia experienced an outbreak of SARS, a highly contagious form of atypical pneumonia, which seriously interrupted economic activities and caused the demand for goods and services to plummet in the affected regions.

There can be no assurance that an outbreak of swine flu, avian influenza, SARS, MERS, Zika, Ebola or other contagious disease or any measures taken by the governments of affected countries against such potential outbreaks will not seriously interrupt our gaming operations. The perception that an outbreak of any health epidemic or contagious disease may occur may also have an adverse effect on the economic conditions of countries in Asia. In addition, our operations could be disrupted if any of our employees or others involved in our operations were suspected of having swine flu, avian influenza, SARS, MERS, Zika or Ebola as this could require us to quarantine some or all of such employees or persons or disinfect the facilities used for our operations. Furthermore, any future outbreak may restrict economic activities in affected regions, which could result in reduced business volume and the temporary closure of our offices or otherwise disrupt our business operations and adversely affect our results of operations. Our revenues and profitability could be materially reduced to the extent that a health epidemic or other outbreak harms the global or PRC economy in general.

***Health and safety or food safety incidents at our properties may lead to reputational damage and financial exposures.***

We provide goods and services to a significant number of customers on a daily basis at our properties in Macau and Manila. In particular, with attractions, entertainment and food and beverage offerings at our properties, there are risks of health and safety incidents or adverse food safety events. While we have a number of measures and controls in place aimed at managing such risks, we cannot guarantee that our insurance is adequate to cover all losses, which may subject us to incur additional costs and damages, and negatively impact our financial performance. Such incidents may also lead to reduced customer flow and reputational damage to our properties. See “— We are subject to risks relating to litigation, disputes and regulatory investigations which may adversely affect our profitability and financial condition.”

***Unfavorable fluctuations in the currency exchange rates of the H.K. dollar, U.S. dollar, Pataca or the Philippine peso and other risks related to foreign exchange and currencies, including restrictions on conversions and/or repatriation of foreign currencies, could adversely affect our indebtedness, expenses, profitability and financial condition.***

Our exposure to foreign exchange rate risk is associated with the currency of our operations and our indebtedness and as a result of the presentation of our financial statements in U.S. dollar. The majority of our current revenues are denominated in H.K. dollar, given the H.K. dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau. Our current expenses

are denominated predominantly in Pataca, H.K. dollar and the Philippine peso. In addition, we have revenues, assets, debt and expenses denominated in the Philippine peso relating to our business in the Philippines. We also have subsidiaries, branch offices and assets in various countries, including Taiwan, which are subject to foreign exchange fluctuations and local regulations that may impose, among others, limitations, restrictions or approval requirements on conversions and/or repatriation of foreign currencies. In addition, a significant portion of our indebtedness, including the 2017 Senior Notes and Studio City Notes, and certain expenses, are denominated in U.S. dollar, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollar.

The value of the H.K. dollar, Pataca and the Philippine peso against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. While the H.K. dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the H.K. dollar, and the exchange rates between these currencies has remained relatively stable over the past several years, we cannot assure you that the current peg or linkages between the U.S. dollar, H.K. dollar and Pataca will not be de-pegged, de-linked or otherwise modified and subject to fluctuations. Any significant fluctuations in exchange rates between the H.K. dollar, Pataca or the Philippine peso to the U.S. dollar may have a material adverse effect on our revenues and financial condition. For example, to the extent that we are required to convert U.S. dollar financings into H.K. dollar or Pataca for our operations, fluctuations in exchange rates between the H.K. dollar or Pataca against the U.S. dollar could have an adverse effect on the amounts we receive from the conversion.

While we maintain a certain amount of our operating funds in the same currencies in which we have obligations in order to reduce our exposure to currency fluctuations, we have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations during the years ended December 31, 2018 and 2017. In addition, we may face regulatory, legal and other risks in connection with our assets and operations in certain jurisdictions that may impose limitations, restrictions or approval requirements on conversions and/or repatriation of foreign currencies. We will consider our overall procedure for managing our foreign exchange risk from time to time, but we cannot assure you that any such procedures will enable us to obtain and achieve effective hedging of our foreign exchange risk, which could materially and adversely affect our financial condition and operating results.

***We may undertake mergers, acquisitions, strategic transactions or investments that could result in operating difficulties and distractions from our current businesses and subject us to regulatory and legal inquiries and proceedings.***

We have made, and may in the future make, acquisitions and investments in companies or projects to expand or complement our existing operations. From time to time, we engage in discussions and negotiations with companies regarding acquisitions or investments, which may be material or significant, in such companies or projects. We may, from time to time, receive inquiries from regulatory and legal authorities and become subject to regulatory and legal proceedings in connection with such acquisitions and investments in companies or projects. In addition, if we acquire or invest in another company or project, the integration process following the completion of such acquisition may prove more difficult than anticipated. We may be subject to liabilities or claims that we are not aware of at the time of the investment or acquisition, and we may not realize the benefits anticipated at the time of the investment or acquisition. These difficulties could disrupt our ongoing business, distract our management and employees, increase our expenses and liabilities and adversely affect our businesses, financial condition and operating results. Even if we do identify suitable opportunities, we may not be able to make such acquisitions or investments on commercially acceptable terms or adequate financing may not be available on commercially acceptable terms, if at all, and we may not be able to consummate a proposed acquisition or investment.

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In addition, we may expand our operations and enter new regions and markets through mergers, acquisitions, strategic transactions or investments. Such expansion may subject us to:

- additional costs for complying with local laws, rules, regulations and policies as well as other local practices and customs in new markets, including establishing business and regulatory compliance programs;
- currency exchange rate fluctuations or currency restructurings;
- limitations or penalties on the repatriation of earnings;
- unforeseen changes in regulatory requirements;
- uncertainties as to local laws and enforcement of contract and intellectual property rights; and
- changes in government, economic and political policies and conditions, political or civil unrest, acts of terrorism or the threat of international boycotts.

These factors and the impact of these factors on our business and operations are difficult to predict and may have material adverse effect on our business and prospects, financial condition and results of operations.

### ***We are subject to risks relating to litigation, disputes and regulatory investigations which may adversely affect our profitability and financial condition.***

We are, and may in the future be, subject to legal actions, disputes and regulatory investigations in the ordinary course of our business. We are also subject to risks relating to legal and regulatory proceedings and investigations which we or our affiliates may be a party to from time to time, or which could develop in the future, as well as fines or other penalties which may be imposed on us in connection with any requisite permit, license or other approval for our business and operations. Litigation and regulatory proceedings can be costly and time-consuming and may divert management attention and resources from our operations. We could incur significant defense costs and, in the event of an adverse outcome, be required to pay damages and interest to the prevailing party and, depending on the jurisdiction of the litigation, be held responsible for the costs of the prevailing party. Our reputation may also be adversely affected by our involvement or the involvement of our affiliates in litigation and regulatory proceedings. In addition, we and our affiliates operate in a number of jurisdictions in which regulatory and government authorities have wide discretion to take procedural actions in support of their investigations and regulatory proceedings, including seizures and freezing of assets and other properties that are perceived to be connected or related to such investigations or regulatory proceedings. Given such wide discretion, regulatory or government authorities may take procedural actions that may affect our assets and properties in connection with any investigation or legal or regulatory proceeding involving us or any of our affiliates, which may materially affect our business, financial condition or results of operations.

In addition, if we are unsuccessful in defending against any claims alleging that we received misappropriated or misapplied funds, this may require further improvements to our existing anti-money laundering procedures, systems and controls and our business operations may be subject to greater scrutiny from relevant regulatory authorities, all of which may increase our compliance costs. No assurance can be provided that any provisions we have made for such matters will be sufficient. Litigation and regulatory proceedings and investigation are inherently unpredictable and our results of operations or cash flows may be adversely affected by an unfavorable resolution of any pending or future litigation, disputes and regulatory investigation.

### ***We extend credit to a portion of our customers, and we may not be able to collect gaming receivables from our credit customers.***

We conduct, and expect to continue to conduct, our gaming activities at our casinos on a credit basis as well as a cash basis. Consistent with customary practice in both the Macau and the Philippines gaming markets, we grant credit to our gaming promoters and certain of our premium direct players. Gaming promoters bear the

responsibility for issuing credit and subsequently collecting the credit they granted. We extend credit, often on an unsecured basis, to certain gaming promoters and VIP patrons whose level of play and financial resources warrant such an extension in our opinion. High-end patrons typically are extended more credit than patrons who wager lower amounts. Any slowdown in the economy could adversely impact our VIP patrons, which could in turn increase the risk that these clients may default on credit extended to them.

We may not be able to collect all of our gaming receivables from our credit customers. We expect that we will be able to enforce our gaming receivables only in a limited number of jurisdictions, including Macau, the Philippines and under certain circumstances, Hong Kong. As most of our gaming customers in Macau are visitors from other jurisdictions, we may not have access to a forum in which we will be able to collect all of our gaming receivables because, among other reasons, courts in many jurisdictions do not enforce gaming debts. Further, we may be unable to locate assets in other jurisdictions against which recovery of gaming debts can be sought. The collectability of receivables from our credit customers, and, in particular, our international credit customers, could be negatively affected by future business or economic trends or by significant events in the jurisdictions in which these customers reside, or in which their assets are located. We may also, in certain cases, have to determine whether aggressive enforcement actions against a customer will unduly alienate the customer and cause the customer to cease playing at our casinos. We could suffer a material adverse impact on our operating results if receivables from our credit customers are deemed uncollectible. In addition, in the event a credit customer suffers losses in connection with any gaming activities at our properties and receivables from such customer are uncollectible, Macau gaming taxes or Philippines license fees (as the case may be) will still be payable on the resulting gaming revenues, notwithstanding any receivables owed by such customer to us may be uncollectible. An estimated allowance for doubtful debts is maintained to reduce our receivables to their carrying amounts, which approximate fair values.

***Our business and financial plans may be negatively impacted by any contraction in the availability of credit.***

Our business and financing plans may be dependent upon the completion of future financings. Any severe contraction of liquidity in the global credit markets may make it difficult and costly to obtain new lines of credit or to refinance existing debt, and may place broad limitations on the availability of credit from credit sources as well as lengthen the recovery cycle of extended credit. Any deterioration in the credit environment may cause us to have difficulty in obtaining additional financing on acceptable terms, or at all, which could adversely affect our ability to complete current and future projects. Tightening of liquidity conditions in credit markets may also constrain revenue generation and growth and could have a material adverse effect on our business, financial condition and results of operations.

***Rolling chip patrons and VIP gaming customers may cause significant volatility in our revenues and cash flows.***

A significant proportion of our casino revenues in Macau is generated from the rolling chip segment of the gaming market. Similarly, City of Dreams Manila also attracts foreign gaming visitors, particularly VIP players who typically place large individual wagers. The loss or a reduction in the play of the most significant of these rolling chip patrons or VIP gaming customers could have an adverse effect on our business. In addition, revenues and cash flows derived from high-end gaming of this type are typically more volatile than those from other forms of gaming primarily due to high bets and the resulting high winnings and losses. As a result, our business and results of operations and cash flows from operations may be more volatile from quarter to quarter than that of our competitors and may require higher levels of cage cash in reserve to manage this volatility.

***We depend upon gaming promoters for a portion of our gaming revenues and if we are unable to establish, maintain and increase the number of successful relationships with gaming promoters or if the financial resources of our gaming promoters are insufficient to allow them to continue doing business in Macau and/or Manila, our results of operations could be adversely impacted.***

Customers introduced to us by gaming promoters are responsible for a significant portion of our gaming revenues in Macau and Manila. For the year ended December 31, 2018, approximately 27.0% of our casino revenues were derived from customers sourced through our rolling chip gaming promoters. With the rise in casino operations in Macau and Manila, the competition for relationships with gaming promoters has increased and is expected to continue to increase. If we are unable to utilize, maintain and/or develop relationships with gaming promoters, our ability to grow our gaming revenues will be hampered and we will have to seek alternative ways to develop and maintain relationships with rolling chip patrons, which may not be as profitable as relationships developed through gaming promoters. As competition intensifies, we may therefore need to offer better terms to gaming promoters, including extensions of credit, which may increase our overall credit exposure. In addition, gaming promoters may encounter difficulties in attracting patrons to come to Macau or Manila. Gaming promoters may also experience decreased liquidity, limiting their ability to grant credit to their patrons, resulting in decreased gaming volume in Macau or Manila. Credit already extended by our gaming promoters may become increasingly difficult to collect. Also, in the event the Macau government reduces the cap on the commission rates payable to gaming promoters, gaming promoters' incentives to bring travelers to casinos in Macau would be further diminished, and certain of the gaming promoters may be forced to cease operations or divert the travelers to other regions. This inability to attract sufficient patrons, settle accounts with patrons, grant credit and collect amounts due in a timely manner may negatively affect our gaming promoters' operations, causing them to wind up or liquidate their operations, and as a result, our ability to maintain or grow casino revenues and our ability to recover credit extended may be adversely affected. The inability of gaming promoters to settle accounts with their patrons may expose such gaming promoters to litigation proceedings initiated by affected patrons, which may also expose us to additional litigation risk.

***We are impacted by the reputation and integrity of the parties with whom we engage in business activities, including gaming promoters and we cannot assure you that these parties will always maintain high standards or suitability throughout the term of our association with them. Failure to maintain such high standards or suitability may cause us and our shareholders to suffer harm to our own and our shareholders' reputation, as well as impair relationships with, and possibly result in sanctions from, gaming regulators.***

The reputation and integrity of the parties with whom we engage in business activities are important to our own reputation and our ability to continue to operate in compliance with the permits and licenses required for our businesses. These parties include, but are not limited to, those who are engaged in gaming-related activities, such as gaming promoters, developers and hotel, restaurant and night club operators with whom we have or may enter into services or other types of agreements. Under the Macau Gaming Law, Melco Resorts Macau has an obligation to supervise its gaming promoters to ensure compliance with applicable laws and regulations and serious breaches or repeated misconduct by its gaming promoters could result in the termination of its subconcession. For parties we deal with in gaming-related activities, where relevant, the gaming regulators also undertake their own probity checks and will reach their own suitability findings in respect of the activities and parties with which we intend to associate. In addition, we also conduct our internal due diligence and evaluation process prior to engaging such parties. Notwithstanding such regulatory probity checks and our own due diligence, we cannot assure you that the parties with whom we are associated will always maintain the high standards that gaming regulators and we require or that such parties will maintain their suitability throughout the term of our association with them. In addition, if any of our gaming promoters violate gaming laws while on our premises, the government may, in its discretion, take enforcement action against the gaming promoters and may find us jointly liable for such gaming promoter's violations. Also, if a party associated with us falls below the gaming regulator's suitability standard or if their probity is in doubt, this may be negatively perceived when assessed by the gaming regulators. As a result, we and our shareholders may suffer reputational harm, as well as impaired relationships with, and possibly sanctions or other measures or actions from, the relevant gaming regulators with authority over our operations.

***Any violation of anti-corruption laws, including the FCPA, could have a negative impact on us.***

We and our businesses in different jurisdictions are subject to a number of anti-corruption laws, including the U.S. Foreign Corrupt Practices Act, or FCPA. Breach of these anti-corruption laws carries severe criminal and civil sanctions as well as other penalties and reputational harm. There have been increased enforcement activities in the U.S. and elsewhere in recent years and the number of FCPA cases and sanctions imposed by U.S. authorities has risen considerably. We have adopted strict rules of conduct and compliance programs for our employees, agents and contractors, requiring them to conduct all their business dealings and practices in compliance with our policies and relevant anti-corruption laws. Notwithstanding our emphasis on an ethical business culture, there is no assurance that our employees, contractors and agents will adhere fully, or at all, or continue to adhere to our rules and programs. Should they fail to adhere to our rules of conduct and compliance programs, we may be investigated or prosecuted, or be made subject to other actions or proceedings. Penalties, sanctions and administrative remedies that may result from such actions or proceedings may have a material adverse effect on our reputation and customer relationships or may lead to other adverse consequences on our business, prospects, financial condition and results of operations.

***A failure to establish and protect our intellectual property rights could have an adverse effect on our business, financial condition and results of operations.***

We have applied for and/or registered certain trademarks, including “Altira,” “Mocha Club,” “City of Dreams,” “Nüwa,” “The Countdown,” “City of Dreams Manila,” “Studio City,” “Melco Resorts Philippines” and “Melco Resorts & Entertainment” in Macau, the Philippines and/or other jurisdictions. We have also registered in Macau, the Philippines and other jurisdictions certain other trademarks and service marks used in connection with the operations of our hotel casino projects in Macau and City of Dreams Manila. We endeavor to establish and protect our intellectual property rights through trademarks, service marks, domain names, licenses and other contractual provisions. The brands we use in connection with our properties have gained recognition. Failure to possess, obtain or maintain adequate protection of our intellectual property rights could negatively impact our brands and have a material adverse effect on our business, financial condition and results of operations. For example, third parties may misappropriate or infringe our intellectual property, which may include but not be limited to the use of our intellectual property by offshore gaming websites, including those that may attempt to defraud members of the public. While we may take legal or other appropriate actions against these unauthorized offshore websites, such as by reporting the sites to the appropriate governmental or regulatory authorities, such actions may not be effective or significant expenses could be incurred and such unauthorized activities may draw businesses away from our operations and/or tarnish our reputation, all of which may adversely affect our business, financial condition and results of operations.

***The infringement or alleged infringement of intellectual property rights belonging to third parties could adversely affect our business.***

We face the potential risk of claims that we have infringed upon the intellectual property rights of third parties, which could be expensive and time-consuming to defend. In addition, we may be required to cease using certain intellectual property rights or selling or providing certain products or services, pay significant damages or enter into costly royalty or licensing agreements in order to obtain the right to use a third party’s intellectual property rights (if available at all), any of which could have a negative impact on our business, financial condition and future prospects. Furthermore, if litigation were to result from such claims, our business could be interrupted.

***We cannot assure you that anti-money laundering policies that we have implemented, and compliance with applicable anti-money laundering laws, will be effective to prevent our casino operations from being exploited for money laundering purposes.***

Macau’s free port, offshore financial services and free movement of capital has created an environment whereby Macau’s casinos could be exploited for money laundering purposes. We also deal with significant

amounts of cash during our regular casino operations in the Philippines. As our Macau and Philippine operations are subject to various reporting and anti-money laundering regulations, we have implemented anti-money laundering policies to address those requirements. Philippine laws on anti-money laundering have recently been amended to include casinos as covered institutions and the Anti-Money Laundering Council and PAGCOR have also recently released corresponding regulations and guidelines on compliance. While we are currently adjusting our anti-money laundering policies for our Philippine operations to these new rules and regulations, as these laws, regulations and guidelines have only recently been enacted, their implementation or application, as well as any further changes to anti-money laundering laws and regulations in Macau and/or the Philippines may require us to adopt changes to our own anti-money laundering policies.

We cannot assure you that our contractors, agents or employees will continually adhere to any such current or future policies or these policies will be effective in preventing our casino operations from being exploited for money laundering purposes, including from jurisdictions outside of Macau or the Philippines.

There can be no assurance that, despite the anti-money laundering measures we have adopted and undertaken, we would not be subject to any accusation or investigation related to any possible money laundering activities. In addition, we expect to be required by regulatory authorities from Macau, the Philippines and other jurisdictions to attend meetings and interviews from time to time to discuss our operations as they relate to anti-money laundering laws and regulations during which regulatory authorities may make inquiries and take other actions at their discretion. Any incident of money laundering, accusation of money laundering or regulatory investigations into possible money laundering activities involving us, our employees, our gaming promoters, our customers or others with whom we are associated could have a material adverse impact on our reputation, business, cash flow, financial condition, prospects and results of operations. Any serious incident of, or repeated violation of, laws related to money laundering or any regulatory investigation into money laundering activities may cause a revocation or suspension of the subconcession or of the Regular License. For more information regarding anti-money laundering regulations in Macau and the Philippines, see “Item 4. Information on the Company — B. Business Overview — Regulations — Macau Regulations — Anti-Money Laundering Regulations in Macau” and “Item 4. Information on the Company — B. Business Overview — Regulations — Philippines Regulations — Anti-Money Laundering Regulations in the Philippines.”

***Our information technology and other systems are subject to cyber security risks, including misappropriation of customer information or other breaches of information security, as well as regulatory and other risks.***

We rely on information technology and other systems (including those maintained by third-parties with whom we contract to provide data services) to maintain and transmit large volumes of customer information, credit card settlements, credit card funds transmissions, mailing lists and reservations information and other personally identifiable information. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. The systems and processes we have implemented to protect customers, employees and company information are subject to the rapidly changing risks of compromised security and may therefore become outdated. Despite our preventive efforts, we are subject to the risks of compromised security, including cyber and physical security breaches, system failure, computer viruses, technical malfunction, inadequate system capacity, power outages, natural disasters and inadvertent, negligent or intentional misuse, disclosure or dissemination of information or data by customers, company employees or employees of third-party vendors as well as ransomware attacks that encrypt, exfiltrate or otherwise render data unusable or unavailable. These risks can also be manifested in a variety of other ways, including through methods which may not yet be known to the cyber security community, and have become increasingly difficult to anticipate and prevent.

The steps we take to deter and mitigate these risks may not be successful and our insurance coverage for protecting against cyber security risks may not be sufficient. Our third-party information system service providers face risks relating to cyber security similar to ours, and we do not directly control any of such service providers’ information security operations. A significant theft, loss or fraudulent use of customer or company

data maintained by us or by a third-party service provider could have an adverse effect on our reputation, cause a material disruption to our operations and management team, and result in remediation expenses, regulatory penalties and litigation by customers and other parties whose information was subject to such attacks, all of which could have a material adverse effect on our business, prospects, results of operations and cash flows. If our information technology systems become damaged or otherwise cease to function properly, our sales and results of operations may be adversely affected and we may have to make significant investments to repair or replace them. Furthermore, any extended downtime from power supply disruptions or information technology system outages which may be caused by cyber security attacks or other reasons at our properties may lead to an adverse impact on our operating results if we are unable to deliver services to customers for an extended period of time.

Despite the security measures we currently have in place, our facilities and systems and those of our third-party service providers may be vulnerable to security breaches, acts of vandalism, phishing attacks, computer viruses, misplaced or lost data, programming or human errors and other events. Cyber-attacks are becoming increasingly more difficult to anticipate and prevent due to their rapidly evolving nature and, as a result, the technology we use to protect our systems could become outdated. The occurrence of any of the cyber incidents described above could have a material adverse effect on our business, results of operations and cash flows.

Any perceived or actual electronic or physical security breach involving the misappropriation, loss, or other unauthorized disclosure of confidential or personally identifiable information, whether by us or by a third party, could disrupt our business, damage our reputation and relationships with our customers and employees, expose us to risks of litigation, significant fines and penalties and liability, result in the deterioration of our customers' and employees' confidence in us, and adversely affect our business, results of operations and financial condition. Any perceived or actual unauthorized disclosure of personally identifiable information of our employees, customers or website visitors could harm our reputation and credibility and reduce our ability to attract and retain employees and customers. As these threats develop and grow, we may find it necessary to make significant further investments to protect our data and infrastructure, including the implementation of new computer systems or upgrades to existing systems, deployment of additional personnel and protection-related technologies, engagement of third-party consultants, and training of employees.

***Failure to protect the integrity and security of company employee and customer information and comply with applicable privacy regulations may result in damage to reputation and/or subject us to fines, penalties, lawsuits, restrictions on our use or transfer of data and other risks.***

Our businesses collect, use and transmit large volumes of data, including credit card numbers and personal data in various information systems relating to our customers and employees, and such personal data may be collected and/or used in, and transmitted to or from, multiple jurisdictions. Our customers and employees have a high expectation that we will adequately protect their personal information. Such collection, use and/or transmission of personal data are governed by privacy laws and regulations and such laws and regulations change often, vary significantly by jurisdiction and often are newly enacted. For example, the European Union (EU)'s General Data Protection Regulation ("GDPR"), which became effective in May 2018, requires companies to meet new and more stringent requirements regarding the handling of personal data. The GDPR also captures data processing by non-EU firms with no EU establishment as long as such non-EU firms' processing relates to "offering goods or services" or the "monitoring" of individuals in the EU. As GDPR is a newly enacted law, there is limited precedence on the interpretation and application of GDPR. In addition, we must also comply with other industry standards such as those for the credit card industry and other applicable data security standards.

Compliance with applicable privacy regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our customers and guests. For example, these laws and regulations may restrict information sharing in ways that make it more difficult to obtain or share information concerning at risk individuals. In addition, non-compliance with applicable privacy regulations by us (or in some circumstances non-compliance by third parties engaged by us) may result in damage of reputation



and/or subject us to fines, penalties, payment of damages, lawsuits, criminal liability or restrictions on our use or transfer of data. Failure to meet the GDPR requirements, for example, may result in penalties of up to four percent of worldwide revenue.

***Negative press or publicity about us or our directors, officers or affiliates may lead to government investigations, result in harm to our business, brand or reputation and have a material and adverse effect on our business.***

Unfavorable publicity regarding us, or our directors, officers or affiliates, whether substantiated or not, may have a material and adverse effect on our business, brand and reputation. Such negative publicity may require us to engage in a defensive media campaign, which may divert our management's attention, result in an increase in our expenses and adversely impact our results of operations or financial condition. The continued expansion in the use of social media over recent years has compounded the potential scope of the negative publicity that could be generated. Any negative press or publicity could also lead to government or other regulatory investigations, including causing regulators with jurisdiction over our gaming operations in Macau and the Philippines to take action against us or our related licensees, including actions that could affect the ability or terms upon which our subsidiaries hold their gaming licenses and/or subconcession, our suitability to continue as a shareholder of those subsidiaries and/or the suitability of key personnel to remain with our Company. If any of these events were to occur, it would cause a material adverse effect on our business and prospects, financial condition and results of operations.

***Our new branded products may not be successful.***

In 2018, we launched our new property at City of Dreams under the Morpheus brand. We have also recently launched the Nüwa brand in both Macau and the Philippines and intend to rebrand The Countdown. We may continue introducing new brand names and brand identities in the future, which may be time-consuming and expensive, or may not have the intended effect, any of which could have a material adverse effect on our business, results of operations and financial condition.

***The audit reports included in this annual report have been prepared by auditors whose work may not be inspected fully by the Public Company Accounting Oversight Board and, as such, you may be deprived of the benefits of such inspection.***

Our independent registered public accounting firms that issue the audit reports included in our annual reports filed with the SEC as auditors of companies that are traded publicly in the United States and firms registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their respective compliance with the laws of the United States and professional standards.

Many other clients of our auditors have substantial operations within mainland China, and the PCAOB has been unable to complete inspections of the work of our auditors, and/or their affiliated independent registered public accounting firms in mainland China, without the approval of the Chinese authorities. Thus, our auditors, and/or their affiliated independent registered public accounting firms in mainland China, and their audit work are not currently inspected fully by the PCAOB. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulation in their oversight of financial statement audits of U.S.-listed companies with significant operation in China. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem.

Inspections of other firms that the PCAOB has conducted outside mainland China have identified deficiencies in those firms' audit procedures and quality control procedures, which can be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections in mainland China prevents the PCAOB from regularly evaluating our auditors' audit procedures and quality control procedures as they relate to their work, and/or their affiliated independent registered public accounting firms' work, in mainland China. As a result, investors may be deprived of the benefits of such regular inspections.

The inability of the PCAOB to conduct full inspections of auditors in mainland China makes it more difficult to evaluate the effectiveness of our auditors' audit procedures and quality control procedures as compared to auditors who primarily work in jurisdictions where the PCAOB has full inspection access. Investors may lose confidence in our reported financial information and the quality of our financial statements.

#### **Risks Relating to the Gaming Industry and Our Operations in Macau**

***Melco Resorts Macau's Subconcession Contract expires in 2022 and if we were unable to secure an extension of its subconcession, or a new concession or subconcession, in 2022, or if the Macau government were to exercise its redemption right, we would be unable to operate casino gaming in Macau.***

The Subconcession Contract expires on June 26, 2022. Unless it is extended beyond this expiration date, a new concession or subconcession is granted and/or legislation on reversion of casino premises is amended, all of our casino premises and gaming-related equipment under Melco Resorts Macau's subconcession will automatically revert to the Macau government without compensation and we will cease to generate revenues from such operations. We cannot assure you that Melco Resorts Macau would be able to renew or extend the Subconcession Contract, or secure any new concession or subconcession, on terms favorable to us, or at all.

In addition, under the Subconcession Contract, the Macau government has the right, beginning from 2017, to redeem the Subconcession Contract by providing us with at least one year's prior notice. In the event the Macau government exercises this redemption right, we would be entitled to compensation. Calculation of the amount of any such compensation would be determined based on the gross revenues generated by City of Dreams during the tax year immediately prior to the exercise of the redemption, multiplied by number of years of the remaining term of the subconcession. We would not receive any further compensation (including for consideration paid to Wynn Macau for the subconcession). We cannot assure you that if Melco Resorts Macau's subconcession were redeemed, the compensation paid would be adequate to compensate us for the loss of future revenues.

***Our business and operations in Macau are dependent upon our subconcession and, if we fail to comply with the complex legal and regulatory regime in Macau, our subconcession may be subject to revocation.***

Under the terms of the Subconcession Contract, we are obligated to comply with all laws, regulations, rulings and orders promulgated by the Macau government from time to time. In addition, we must comply with all the terms of the Subconcession Contract which contains various general covenants and provisions, such as general and special duties of cooperation, special duties of information and obligations in relation to the execution of our investment plan, as to which the determination of compliance is subjective and depend, in part, on our ability to maintain continuing communications and good faith negotiations with the Macau government to ensure that we are performing our obligations under the subconcession in a manner that would avoid any violations. We cannot assure you that we will perform such covenants in a way that satisfies the requirements of the Macau government.

Under Melco Resorts Macau's subconcession, the Macau government is allowed to request various changes in the plans and specifications of our Macau properties and impose business and corporate requirements that may be binding on us. For example, the Macau Chief Executive has the right to require that we increase Melco Resorts Macau's share capital or that we provide certain deposits or other guarantees of performance with respect to the obligations of our Macau subsidiaries. Melco Resorts Macau must also first obtain the Macau government's approval before raising certain financing. As a result, we cannot assure you that we will be able to comply with these requirements or any other requirements of the Macau government or with the other requirements and obligations imposed by the subconcession.

The harshest penalty that may be imposed on us for failure to comply with the complex legal and regulatory regime in Macau and the terms of the Subconcession Contract is revocation of the subconcession.

Under the subconcession, the Macau government has the right to unilaterally terminate the subconcession in the event of non-compliance by Melco Resorts Macau with its basic obligations under the subconcession and applicable Macau laws. If such a termination were to occur, all of our casino premises and gaming equipment would revert to the Macau government automatically without compensation to us and Melco Resorts Macau would be unable to operate casino gaming in Macau, which would have a material adverse effect on our financial condition, results of operations and cash flows and could result in defaults under our indebtedness agreements and a partial or complete loss of our investments in our projects. We would also be unable to recover the US\$900 million consideration paid to Wynn Macau for the issue of the subconcession. For a list of termination events, see “Item 4. Information on the Company — B. Business Overview — Regulations — Gaming Licenses — The Subconcession Contract in Macau.” These events could lead to the termination of Melco Resorts Macau’s subconcession without compensation to Melco Resorts Macau. In many of these instances, the Subconcession Contract does not provide for a specific cure period within which any such events may be cured and the granting of any cure period, if at all, would be at the discretion of the Macau government.

Currently, there is no precedent on how the Macau government will treat the termination of a concession or subconcession and many of the laws and regulations relating to termination of a concession or subconcession have not yet been applied by the Macau government. Accordingly, the scope and enforcement of the provisions of Macau’s gaming regulatory system cannot be fully assessed.

***Studio City faces significant risks and uncertainties which may materially and adversely affect our business, financial condition and results of operations.***

Studio City commenced operations in October 2015. While we have made significant capital investments for the development of Studio City, the Studio City land grant conditions, including, among others, completing the development of the land on which Studio City is located, require additional capital investments for Studio City.

Furthermore, Studio City operates in a challenging competitive environment. For example, some of our competitors in Macau have expanded operations or have announced intentions for further expansion and developments in Cotai, where Studio City is located. See “— We face intense competition in Macau, the Philippines and elsewhere in Asia and may not be able to compete successfully.” Moreover, we face risks and uncertainties related to changes to the Chinese and Macau governments’ policies and regulations relating to gaming markets, including those affecting gaming table allocation and caps, smoking restrictions, exchange control and repatriation of capital, measures to control inflation and monetary transfers and travel restrictions.

In addition, VIP rolling chip operations at Studio City Casino, which were introduced in early November 2016, are expected to cease on January 15, 2020. There is no assurance or expectation that any additional gaming tables will be allocated to Studio City Casino, including any VIP gaming tables.

In addition, Studio City may find it challenging to comply with the terms imposed under its financing arrangements, especially during periods of challenging market conditions (including changes in China’s economy). The 2021 Studio City Senior Secured Credit Facility and the indentures governing the Studio City Notes impose certain operating and financial restrictions, including limitations on the ability to pay dividends, incur additional debt, make investments, create liens on assets or issue preferred stock. If we are unable to comply with such restrictions, it could cause repayment of our debt to be accelerated. In addition, such terms may also impair our ability to obtain additional financing for developing and completing the remaining project for the land of Studio City by July 24, 2021, in which case in the event no extension is granted to complete such development or the Studio City land concession is terminated, we could lose all or substantially all of our investment in Studio City, including our interest in land and building and we may not be able to continue to operate Studio City. See “— The agreements governing our credit facilities and debt instruments contain certain covenants that restrict our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions or otherwise take actions that may be in our best interests” and “We

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are developing the remaining project for Studio City under the terms of a land concession contract which require us to fully develop the land on which Studio City is located by July 24, 2021. If we do not complete development by that time and the Macau government does not grant us an extension of the development period, we could be forced to forfeit all or part of our investment in Studio City, along with our interest in the land on which Studio City is located and the buildings and structures on such land.”

All of the foregoing trends, risks and uncertainties may have a material adverse impact on our business, financial condition and results of operations.

### ***Our gaming operations in Macau could be adversely affected by restrictions on the export of the Renminbi and any unfavorable fluctuations in the currency exchange rates of the Renminbi.***

Gaming operators in Macau are currently prohibited from accepting wagers in Renminbi, the currency of China. There are currently restrictions on the export of the Renminbi outside of mainland China, including to Macau. For example, Chinese citizens traveling abroad are only allowed to take a total of RMB20,000 plus the equivalent of up to US\$5,000 out of China. The annual limit of RMB100,000 (US\$14,544) is the aggregate amount that can be withdrawn overseas from Chinese bank accounts and it was set by the Chinese government, with effect on January 1, 2018. In addition, the Chinese government’s ongoing anti-corruption campaign has led to tighter monetary transfer regulations, including real-time monitoring of certain financial channels, reducing the amount that China-issued ATM cardholders can withdraw in each withdrawal, imposing a limit on the annual aggregate amount that may be withdrawn and the launch of facial recognition and identity card checks with respect to certain ATM users, which could disrupt the amount of money visitors can bring from mainland China to Macau. Furthermore, a law with respect to the control of cross-border transportation of cash and other negotiable instruments to the bearer was enacted and came into effect on November 1, 2017. In accordance with such law, all individuals entering Macau with an amount in cash or negotiable instrument to the bearer equal to or higher than the amount of MOP120,000 (US\$14,876) as determined by the Chief Executive of Macau are required to declare such amount to the customs authorities. Restrictions on the export of the Renminbi may impede the flow of gaming customers from China to Macau, inhibit the growth of gaming in Macau and negatively impact our operations.

In addition, the value of RMB against the U.S. dollar and other currencies may fluctuate and may be affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. In 2018, the value of RMB depreciated approximately 5.4% against the U.S. dollar. It remains difficult to predict how market forces or PRC or U.S. government policy, including the ongoing trade disputes between the PRC and the US governments may further exacerbate the devaluation of RMB against the U.S. dollar and other currencies in the future. Given that most of our properties are located in Macau and a significant number of our gaming customers come from, and are expected to continue to come from, mainland China, any further devaluation of the RMB against the U.S. dollar and other currencies may affect the visitation and level of spending of these gaming customers and could in turn have a material adverse effect on our revenues and financial condition.

### ***Adverse changes or developments in gaming laws or other regulations in Macau that affect our operations could be difficult to comply with or may significantly increase our costs, which could cause our projects to be unsuccessful.***

Current laws in Macau, such as licensing requirements, tax rates and other regulatory obligations, including those for anti-money laundering, could change or become more stringent resulting in additional regulations being imposed upon gaming operations in Macau. See “— The gaming industries in Macau and the Philippines are highly regulated.”

In September 2009, the Macau government set a cap on commission payments to gaming promoters of 1.25% of net rolling. This policy may limit our ability to develop successful relationships with gaming promoters

and attract VIP rolling chip players, which in turn may adversely affect the financial performance of our VIP rolling chip operations. Any failure to comply with these regulations may result in the imposition of liabilities, fines and other penalties and may materially and adversely affect our subconcession. The Macau government is currently considering amending the Macau Administrative Regulation no. 6/2002, as amended by the Administrative Regulation 27/2009. The Macau government is, among other things, proposing more stringent and restrictive licensing requirements for gaming promoters, the imposition of new penalties and the increase of the amounts of current fines. See “Item 4. Information on the Company — B. Business Overview — Regulations — Macau Regulations — Gaming Promoters Regulations.” Increased regulatory scrutiny of gaming promoters in Macau has resulted, and may continue to result, in the cessation of business of certain gaming promoters, thereby resulting in remaining gaming promoters having significant leverage and bargaining strength in negotiating agreements, including negotiating changes to existing agreements, or the loss of business to competitors or the loss of relationships with certain gaming promoters.

In addition, the Macau government imposed regulations and restrictions that affect the minimum age required for entrance into casinos in Macau, location requirements for sites with gaming machine lounges, data privacy and other matters. Any such legislation, regulation or restriction imposed by the Macau government may have a material adverse impact on our operations, business and financial performance. Furthermore, our inability to address any of these requirements or restrictions imposed by the Macau government could adversely affect our reputation and result in criminal or administrative penalties, in addition to any civil liability and other expenses. See “Item 4. Information on the Company — B. Business Overview — Regulations — Macau Regulations — Gaming Regulations.”

Also, starting from January 1, 2019, smoking on the premises of casinos is only permitted in authorized segregated smoking lounges with no gaming activities, and such segregated smoking lounges are required to meet certain standards determined by the Macau government. Our properties currently have a number of segregated smoking lounges. We cannot assure you that the Macau government will not enact more stringent smoking control legislations. Such limitations imposed on smoking have and may deter potential gaming patrons who are smokers from frequenting casinos in Macau, which could adversely affect our business, results of operations and financial condition. See “Item 4. Information on the Company — B. Business Overview — Regulations — Macau Regulations — Smoking Regulations.”

Furthermore, in March 2010, the Macau government announced that the number of gaming tables operating in Macau should not exceed 5,500 until the end of the first quarter of 2013. On September 19, 2011, the Secretary for Economy and Finance of the Macau government announced that for a period of ten years thereafter, the total number of gaming tables to be authorized in Macau will increase by an amount equal to an average 3% per annum for ten years. The Macau government subsequently clarified that the allocation of tables over this ten-year period does not need to be uniform and tables may be pre-allocated to new properties in Macau. There is no assurance that we will be allocated any new gaming tables authorized by the Macau government, including in connection with the expansion of any existing properties or for any new properties we may develop in Macau.

The Macau government has also determined that tables authorized by the Macau government for mass market gaming operations may not be utilized for VIP gaming operations. These restrictions are not legislated or enacted into statutes or ordinances and, as such, different policies, including in relation to the annual increase rate in the number of gaming tables, may be adopted, and existing policies amended, at any time by the relevant Macau government authorities.

Current Macau laws and regulations concerning gaming and gaming concessions and matters such as prevention of money laundering are fairly recent or there is little precedent on the interpretation of these laws and regulations. These laws and regulations are complex and a court or an administrative or regulatory body may in the future render an interpretation of these laws and regulations or issue new or modified regulations that differ from our interpretation, which could have a material adverse effect on the operation of our properties and on our financial condition, results of operations, cash flows and prospects.

Our activities in Macau are subject to administrative review and approval by various departments of the Macau government. For example, our business activities are subject to the administrative review and approval by the DICJ, Macau health department, Macau labor bureau, Macau public works bureau, Macau fire department, Macau finance department and Macau government tourism office. We cannot assure you that we will be able to obtain or maintain all necessary approvals, which may materially affect our business, financial condition, results of operations, cash flows and prospects. Macau law permits redress to the courts with respect to administrative actions. However, such redress is largely untested in relation to gaming regulatory issues.

***The Macau government has established a maximum number of gaming tables that may be operated in Macau and may limit the number of new gaming tables at new gaming areas in Macau.***

The Macau government has imposed a cap on gaming tables and restricts the number of gaming tables that may be operated in Macau. A cap of 5,500 tables up to the end of the first quarter of 2013 was implemented. In addition, for a period of ten years commencing from the second quarter of 2013, the number of gaming tables to be authorized by the Macau government will be limited to an average annual increase of 3%. According to the DICJ, the number of gaming tables in Macau as of December 31, 2018, was 6,588. The Macau government has reiterated further that it does not intend to authorize the operation of any new casino or gaming area that was not previously authorized by the government, or permit tables authorized for mass market gaming operations to be utilized for VIP gaming operations or authorize the expansion of existing casinos or gaming areas. Given such announcements by the Macau government, we may not be able to obtain Macau government's approval to expand our existing casinos or gaming areas or operate a sufficient number of gaming tables at our properties in Macau. These restrictions may have a material impact on our gaming revenues, overall business and operations and may adversely affect our development projects and the future expansion of our business.

***Melco Resorts Macau's tax exemption from complementary tax on income from gaming operations under the subconcession tax will expire in 2021, and we may not be able to extend it.***

Companies in Macau are subject to complementary tax of up to 12% of taxable income, as defined in relevant tax laws. We are also subject to a 35% special gaming tax on our gaming revenues as well as other levies of 4% imposed under the Subconcession Contract. Such other levies may be subject to change in the event the Subconcession Contract is renegotiated and as a result of any change in relevant laws. The Macau government granted to Melco Resorts Macau the benefit of a corporate tax holiday on gaming profits in Macau until 2021. In addition, the Macau government has granted to one of our subsidiaries in Macau the complementary tax exemption until 2021 on profits generated from income received from Melco Resorts Macau, to the extent that such income is derived from Studio City gaming operations and has been subject to gaming tax. The dividend distributions of such subsidiary to its shareholders continue to be subject to complementary tax. We cannot assure you that the corporate tax holiday benefits will be extended beyond their expiration dates.

During the five-year period from 2012 through 2016, an annual payment of MOP22.4 million (equivalent to approximately US\$2.8 million) was payable by Melco Resorts Macau, effective retroactively from 2012 through 2016, with respect to tax due for dividend distributions to the shareholders of Melco Resorts Macau from gaming profits, whether such dividends are actually distributed by Melco Resorts Macau or not, or whether Melco Resorts Macau has distributable profits in the relevant year. For the five-year period from 2017 through 2021, the annual payment payable by Melco Resorts Macau is of MOP18.9 million (equivalent to approximately US\$2.3 million). Upon the payment of such payment amount, the shareholders of Melco Resorts Macau will not be liable to pay any other tax in Macau for dividend distributions received from gaming profits. We cannot assure you that the same arrangement will be applied beyond 2021 or that, in the event a similar arrangement is adopted, whether we will be required to pay a higher annual sum.

## **Risks Relating to the Gaming Industry and Our Business in the Philippines**

***The land and buildings comprising the site occupied by City of Dreams Manila is leased by Melco Resorts Leisure and thus subject to risks associated with tenancy relationships.***

Melco Resorts Leisure entered into a lease agreement on October 25, 2012, which became effective on March 13, 2013 (“Lease Agreement”), pursuant to which it leases from Belle Corporation the land and buildings occupied by City of Dreams Manila, which, in turn, leases part of the land from the Philippine government’s social security system (the “Social Security System”). Numerous potential issues or causes for disputes may arise from a tenancy relationship, such as with respect to the provision of utilities on the premises, rental lease payments, or any adjustments thereto, and the maintenance and normal repair of the buildings, any of which could result in an arbitrable dispute between Belle Corporation and Melco Resorts Leisure. There can be no assurance that any such dispute would be resolved or settled amicably or expediently or that Melco Resorts Leisure will not encounter any material issues with respect to its tenancy relationship with Belle Corporation. Furthermore, during the pendency of any dispute, Belle Corporation, as lessor, could discontinue essential services necessary for the operation of City of Dreams Manila, or seek relief to oust Melco Resorts Leisure from possession of the leased premises. Any prolonged or substantial dispute between Belle Corporation and Melco Resorts Leisure, or any dispute arising under the lease agreement between Belle Corporation and the Social Security System, could have a material adverse effect on the operations of City of Dreams Manila, which would in turn adversely affect our business, financial condition and results of operations. In addition, any negative publicity arising from disputes with, or non-compliance by, Belle Corporation with the Lease Agreement would have a material adverse effect on our business and prospects, financial condition and results of operations.

Furthermore, the Lease Agreement may be terminated under certain circumstances, including Melco Resorts Leisure’s non-payment of rent, or if either party fails to substantially perform any material covenants under the Lease Agreement and fails to remedy such non-performance in a timely manner, which would cause a material adverse effect on our business and prospects, financial condition, results of operations and cash flows.

***If the termination of certain agreements which Belle Corporation previously entered into with another casino operator and other third parties is not effective, such operator and third parties may seek to enforce these agreements against Belle Corporation or MRP as a co-licensee of Belle Corporation, which could adversely impact City of Dreams Manila and MRP.***

Prior to Melco Resorts Leisure being designated as the sole operator under the Provisional License, Belle Corporation, for itself and on behalf of the other Philippine Parties, had previously entered into contracts with another operator and certain third-party contractors for the fit-out and other design work related to City of Dreams Manila in its previous form. Belle Corporation and the other Philippine Parties subsequently elected to terminate such contracts and the operator with whom Belle Corporation previously contracted, on behalf of itself and such third-party contractors, signed a waiver releasing the Philippine Parties from all obligations thereunder. Although Belle Corporation agreed to indemnify the Melco Philippine Parties from any loss suffered in connection with the termination of such contracts, there can be no assurance that Belle Corporation will honor such agreement. Any issues which may arise from such contracts and their counterparties, or any attempt by another operator or any other third party contractor to enforce provisions under such contracts, could interfere with MRP’s operations or cause reputational damage, which would in turn materially adversely affect our business, financial condition and results of operations.

***Compliance with the terms of the Regular License, MRP’s ability to operate City of Dreams Manila and the success of City of Dreams Manila as a whole are dependent on the actions of the other Philippine Licensees over which MRP has no control.***

Although Melco Resorts Leisure is the sole operator of City of Dreams Manila, the ability of the Melco Philippine Parties to operate City of Dreams Manila, as well as the fulfillment of the terms of the Regular License granted by PAGCOR in relation to City of Dreams Manila, depends to a certain degree on the actions of

the Philippine Parties. For example, the Philippine Parties, as well as the Melco Philippine Parties, are responsible for meeting a certain debt to equity ratio as specified in the Regular License. The failure of any of the Philippine Parties to comply with these conditions would constitute a breach of the Regular License. As the Philippine Parties are separate corporate entities over which MRP has no control, there can be no assurance that the Philippine Parties will remain in compliance with the terms of the Regular License of their obligations and responsibilities under the Philippine Cooperation Agreement. In the event of any non-compliance, there can be no assurance that the Regular License will not be suspended or revoked. In addition, if any of the Philippine Parties fails to comply with any of the conditions to the Regular License, MRP may be forced to take action against the Philippine Parties under the Philippine Cooperation Agreement or to enter into negotiations with PAGCOR for amendments to the Regular License. There can be no assurance that any attempt to amend the Regular License would be successful. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Furthermore, under the Philippine Cooperation Agreement, the Philippine Parties are required to contribute the land and building structures for City of Dreams Manila. There can be no assurance that the title to the land and building structures for City of Dreams Manila will not be challenged by third parties or the Philippine government in the future. Any such event, each of which is beyond MRP's control, may curtail the ability of MRP to operate City of Dreams Manila in an efficient manner or at all and have a material adverse effect on our business, financial condition and results of operations.

***Melco Resorts Leisure's right to operate City of Dreams Manila is subject to certain limitations.***

Melco Resorts Leisure's right to operate City of Dreams Manila is subject to certain limitations under the operating agreement for the management and operation of City of Dreams Manila, entered into among Melco Resorts Leisure and the Philippine Parties. For example, Melco Resorts Leisure is prohibited from entering into any contract for City of Dreams Manila outside the ordinary course of the operation and management of City of Dreams Manila with an aggregate contract value exceeding US\$3.0 million (such contract value to be increased by 5.0% each year on each anniversary date of the operating agreement) without the consent of the other Philippine Licensees. In addition, Melco Resorts Leisure is required to remit specified percentages of the mass market and VIP gaming earnings before interest, tax, depreciation and amortization or net revenues derived from City of Dreams Manila to PremiumLeisure and Amusement Inc. ("PLAI").

If Melco Resorts Leisure is unable to comply with any of the provisions of the operating agreement, the other parties to the operating agreement may bring lawsuits and seek to suspend or replace Melco Resorts Leisure as the sole operator of City of Dreams Manila, or terminate the operating agreement. Moreover, the Philippine Parties may terminate the operating agreement if Melco Resorts Leisure materially breaches the operating agreement. Termination of the operating agreement, whether resulting from Melco Resorts Leisure's or the Philippine Parties' non-compliance with the operating agreement, would cause a material adverse effect on our business and prospects, financial condition, results of operations and cash flows.

***Melco Resorts Leisure may be forced to suspend VIP gaming operations at City of Dreams Manila under certain circumstances.***

Under the operating agreement for City of Dreams Manila, Melco Resorts Leisure must periodically calculate, on a 24-month basis, the respective amounts of VIP gaming earnings before interest, tax, depreciation and amortization derived from City of Dreams Manila (the "PLAI VIP EBITDA") and VIP gaming net win derived from City of Dreams Manila pursuant to the operating agreement (the "PLAI VIP Net Win") and report such amounts to the Philippine Parties. If the PLAI VIP EBITDA is less than the PLAI VIP Net Win, the Philippine Licensees must meet within ten business days to discuss and review City of Dreams Manila's financial performance and agree on any changes to be made to the business operations of City of Dreams Manila and/or to the payment terms under the operating agreement. If such an agreement cannot be reached within 90 business days, Melco Resorts Leisure must suspend VIP gaming operations at City of Dreams Manila.



Any suspension of VIP gaming operations at City of Dreams Manila would materially adversely impact gaming revenues from City of Dreams Manila. Moreover, suspension of VIP gaming operations could effectively lead Melco Resorts Leisure to limit or suspend certain non-gaming operations focusing on VIP players, such as the VIP hotel and VIP lounge, which would further reduce revenues from City of Dreams Manila. Any suspension of VIP gaming operations, even for a brief period of time, could also damage the reputation and reduce the attractiveness of City of Dreams Manila as a premium gaming destination, particularly among premium direct players and other VIP players, as well as gaming promoters, which could have a material adverse effect on our business, financial condition and results of operations.

***MRP's strategy to attract Premium Market customers to City of Dreams Manila may not be effective.***

A part of MRP's strategy for City of Dreams Manila is to capture a share of the premium gaming market in the region. Compared to general market patrons, whose typical wagers are relatively low, premium market patrons usually have higher minimum bets. Despite its targeted marketing efforts, there can be no assurance that the premium market customers will be incentivized to play in City of Dreams Manila rather than in comparable properties in Macau or elsewhere in the region, as these players may be unfamiliar with the Philippines or refuse to change their normal gaming destination. If MRP is unable to expand in the premium market as it intends, this would adversely affect its and/or our business and results of operations.

***Changes in public acceptance of gaming in the Philippines may adversely affect City of Dreams Manila.***

Public acceptance of gaming changes periodically in various gaming locations in the world and represents an inherent risk to the gaming industry. In addition, the Philippine Catholic Church, community groups, non-governmental organizations and individual government officials have, on occasion, taken strong and explicit stands against gaming. PAGCOR has in the past been subject to lawsuits by individuals trying to halt the construction of casinos in their communities. Church leaders have on occasion called for the abolition of PAGCOR. There can be no guarantee that negative sentiments will not be expressed in the future against City of Dreams Manila or integrated casino resorts in general, which may reduce the number of visitors to City of Dreams Manila and materially and adversely affect our business, financial condition and results of operations.

***MRP may be unable to successfully register City of Dreams Manila as a tourism enterprise zone with the Philippine Tourism Infrastructure and Enterprise Zone Authority, an agency of the Philippine Department of Tourism ("TIEZA").***

While Melco Resorts Leisure intends to apply for a designation as a tourism enterprise with TIEZA, there can be no assurance that TIEZA will approve the designation of Melco Resorts Leisure as a tourism enterprise. If Melco Resorts Leisure is unable to register as a tourism enterprise with TIEZA, it will not be entitled to certain fiscal incentives provided to some of Melco Resorts Leisure's competitors that are registered as tourism enterprises under TIEZA. For example, MRP's liability for value added tax ("VAT") on its sales largely depends on whether it may avail itself of tax incentives under TIEZA. If tax incentives under TIEZA are not available to MRP, it will be liable for VAT, which may result in a material adverse effect on our business and prospects, financial condition, results of operations and cash flows.

In addition, if Melco Resorts Leisure is able to register as a tourism enterprise with TIEZA, it will then be required to withdraw its current registration as a tourism economic zone enterprise with the Philippine Economic Zone Authority. The process of shifting from a tourism economic zone enterprise under the Philippine Economic Zone Authority to a tourism enterprise under TIEZA is uncertain. There is also uncertainty with respect to the fiscal incentives that may be provided to a registered tourism enterprise under TIEZA. Any of the foregoing results could have a material adverse effect on our business, financial condition and results of operations.

However, several bills were previously passed and are currently pending in the Philippine legislature with a view towards rationalizing fiscal incentives currently granted to certain enterprises and activities,

including tourism enterprises. It is uncertain whether these bills will be passed into law, or what the effect, if any, will be on the incentives currently granted to qualified tourism enterprises under the Republic Act No. 9593, of the Philippines, or the Tourism Act of 2009.

***MRP's gaming operations are dependent on the Regular License issued by PAGCOR.***

PAGCOR regulates all gaming activities in the Philippines except for lottery, sweepstakes, jueteng, horse racing and gaming inside the Cagayan Export Zone. City of Dreams Manila's gaming areas may only legally operate under the Regular License granted by PAGCOR, which imposes certain requirements on the Melco Philippine Parties and their service providers. The Regular License is also subject to suspension or termination upon the occurrence of certain events. The requirements imposed by the Regular License include, among others:

- payment of monthly license fees to PAGCOR;
- maintenance of a debt-to-equity ratio (based on calculation as agreed with PAGCOR) for each of the Philippine Licensees of no greater than 70:30;
- at least 95.0% of the total employees of City of Dreams Manila must be Philippine citizens;
- 2.0% of certain casino revenues must be remitted to a foundation devoted to the restoration of cultural heritage and 5.0% of certain non-gaming revenues to PAGCOR; and
- operation of only the authorized casino games approved by PAGCOR.

Moreover, certain provisions and requirements of the Regular License are open to different interpretations and have not been interpreted by Philippine courts or made subject to more detailed interpretative rules. There is no guarantee that the Melco Philippine Parties' proposed mode of compliance with these or other requirements of the Regular License will be free from administrative or judicial scrutiny in the future. Any difference in interpretation between PAGCOR and MRP with respect to the Regular License could result in sanctions against the Melco Philippine Parties, including fines or other penalties, such as suspension or termination of the Regular License.

There can be no assurance that the Philippine Licensees will be able to continuously comply with all of the Regular License's requirements, or that the Regular License will not be modified to contain more onerous terms or amended in such a manner that would cause the Philippine Licensees to lose interest in the operation of City of Dreams Manila. If the Regular License is materially altered or revoked for any reason, including the failure by any of the Philippine Licensees to comply with its terms, MRP may be required to cease City of Dreams Manila's gaming operations, which would have a material adverse effect on our business, financial condition and results of operations. In addition, a failure in the internal control systems of MRP may cause PAGCOR to adversely modify or revoke the Regular License. Finally, the Regular License will terminate in 2033, coinciding with the PAGCOR Charter's termination, and there is no guarantee that the PAGCOR Charter or the Regular License will be renewed.

In addition, City of Dreams Manila's gaming operations is highly regulated in the Philippines. As PAGCOR is also a gaming operator, there can be no assurance that PAGCOR will not withhold certain approvals from the Melco Philippine Parties in order to favor its own gaming operations. PAGCOR may also modify or impose additional conditions on its licensees or impose restrictions or limitations on Melco Resorts Leisure's casino operations that would interfere with Melco Resorts Leisure's ability to provide VIP services, which could adversely affect MRP's business, financial condition and results of operations.

***City of Dreams Manila may be required to obtain an additional legislative franchise, in addition to its Regular License.***

On August 2, 2017, House Bill No. 6111 was passed which proposed the creation of the Philippine Amusements and Gaming Authority, or PAGA, which will replace PAGCOR as the regulatory agency of gaming

activities in the Philippines. Also under House Bill No. 6111, the holders of gaming licenses in the Philippines, including the Philippine Licensees, will be required to obtain from the Philippine Congress a legislative franchise to operate gambling casinos, gaming clubs and other similar gambling enterprises within one year from the date of the proposed law's effectiveness. Non-compliance will result in the operations of holders of gaming licenses in the Philippines, including the Philippine Licensees, to be considered as illegal. On October 2, 2017, House Bill No. 6514 was passed whose provisions are essentially similar to House Bill No. 6111, particularly on the need for holders of gaming licenses in the Philippines, including the Philippine Licensees, to obtain from the Philippine Congress a legislative franchise within one year from the date of the proposed law's effectiveness.

It is not yet known if House Bills 6111 and 6514, in their current form, will be approved by the Senate or signed into law by the President. In the event that House Bills 6111 and 6514 are signed into law, City of Dreams Manila may be required to obtain an additional legislative franchise in addition to its Regular License and there can be no assurance that such a franchise, which generally requires legislative approval after public hearings, will be granted. In addition, the Regular License may be subject to amendment or repeal by the Philippine Congress. In the event City of Dreams Manila is not granted any required franchise, or the Regular License is materially amended or repealed, the operation of City of Dreams Manila may cease, which would have a material adverse effect on our business, financial condition and results of operations.

***There exists uncertainty over whether holders of gaming licenses in the Philippines, including the gaming operations of our Philippine subsidiaries, will be subject to corporate income, value added or other tax assessments, in addition to the license fees paid to PAGCOR.***

There exists uncertainty over whether holders of gaming licenses in the Philippines, including the gaming operations of our Philippine subsidiaries, will be subject to corporate income tax at the rate of 30%, value-added tax and other tax assessments in addition to the license fees paid to PAGCOR pursuant to the Regular License. On March 2011, the Supreme Court of the Philippines issued an order implicitly revoking PAGCOR's exemption from corporate income tax under the PAGCOR Charter and removing PAGCOR from the list of government-owned and controlled corporations that are exempt from paying corporate income tax. Subsequently, in April 2013, the Bureau of Internal Revenue of the Philippines ("BIR") issued a circular indicating that PAGCOR and its licensees and contractees are subject to corporate income tax on their gambling, casino, gaming club and other similar recreation or amusement and gaming pool operations.

In connection with the 2011 Supreme Court decision described above, PAGCOR, in May 2014, issued a regulation allowing holders of gaming licenses in the Philippines and the other casino operators to reallocate ten percent (10%) of the monthly license fees to be remitted to PAGCOR. This 10% would be used to pay any corporate income tax that may be levied against such license holders and the other casino operators at the end of the fiscal year, and any remaining amount after paying such tax would be remitted to PAGCOR. On August 15, 2016, PAGCOR advised the holders of gaming licenses in the Philippines that the reallocation of the 10% of the license fees will be discontinued. In February 2015, the Supreme Court of the Philippines issued another decision stating that PAGCOR's income from its gaming operations can only be subject to a five percent (5%) franchise tax, and not corporate income tax. In addition, the Supreme Court of the Philippines in its February 2015 decision ruled that despite amendments to the National Internal Revenue Code, the PAGCOR Charter remains in effect, and thus, income from gaming operations shall not be subject to corporate income tax. In August 2016, the Supreme Court of the Philippines accepted the petition filed by Bloomberry Resorts and Hotels, Inc., one of the four PAGCOR licensees and operator of Solaire, against the BIR to cease and desist from imposing corporate income tax on income derived from gaming operations. The BIR filed a motion for reconsideration of the August 2016 decision, which the Supreme Court of the Philippines denied in November 2016, and which denial has become final and executory.

Notwithstanding the 2015 and 2016 Supreme Court decisions and the subsequent developments described above, BIR has taken various measures to impose corporate income, value added and other taxes on income derived from gaming operations in the Philippines. In light of the actions and positions taken by BIR, it is

uncertain whether the 2015 and 2016 Supreme Court decision described above would be enforced and there is no assurance that the 2016 Supreme Court decision would be applicable to holders of gaming licenses in the Philippines, including our Philippine subsidiaries. Furthermore, there is no assurance that the gaming operations of our Philippine subsidiaries would not become subject to value added and other tax assessments imposed by BIR and other Philippine authorities. Any assessment of corporate income, value added or other taxes on the gaming operations of our Philippine subsidiaries may be significant in amount and any requirement to pay such taxes would have a material adverse effect on our business, financial condition and results of operations.

On December 19, 2017, Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion Act (“TRAIN”), was signed into law and took effect on January 1, 2018. The TRAIN changed existing tax laws and included several provisions that will generally affect businesses on a prospective basis. Any future amendment on the TRAIN, such as changes on the application of value added and corporate income taxes, as they apply to PAGCOR or the casinos, may have significant impact on our business.

The Philippine Licensees may further be subject to other forms of taxes that may be implemented by the Philippine government in the future.

***MRP is exposed to risks in relation to MRP’s previous business activities and industry.***

Prior to our acquisition of MRP, MRP’s primary business was the manufacture and processing of pharmaceutical products. The pharmaceuticals industry is highly regulated in the Philippines and abroad. There can be no assurance that MRP will not be involved in or subject to claims, allegations or suits with respect to its previous activities in the pharmaceutical industry for which MRP may not be insured fully or at all. Although MRP has indemnities as to certain liabilities or claims or other protections put in place, any adverse claim or liability imputed to MRP with respect to its previous business activities could have a material adverse effect on its business and prospects, financial condition, results of operations and cash flow.

***Our Philippine operations may be adversely affected by policy changes in the Philippines.***

Our Philippine operations may be adversely affected by changes in policies due to changes in government personnel in the Philippines, including but not limited to any changes following elections in the Philippines. There can be no assurance that newly elected or appointed officials will not modify previous policies in relation to the development and operation of integrated tourism resorts in the Philippines, tax incentives extended to their developers or operators or policies on gaming and tourism in the Philippines in general. Newly elected or appointed officials may also impose more stringent or additional conditions on gaming licenses or seek to discourage Philippine citizens from gambling by imposing restrictions. We are unable to predict whether new officials will seek to further alter or impose stricter conditions relating to gaming in the Philippines. Adverse changes in policies and regulations by the current administration or any officials elected or appointed in the future in the Philippines could disrupt the operations of our Philippine subsidiaries and materially and adversely affect our financial condition and results of operations.

**Risks Relating to Our Corporate Structure and Ownership**

***Our controlling shareholder has a substantial influence over us, and its interests in our business may be different than yours. We have had, and may continue to have, transactions with our controlling shareholder and its affiliates and such transactions may create conflicts of interest between us and our controlling shareholder.***

As of March 27, 2019, Melco International’s beneficial ownership in our Company was approximately 54.05%. There are risks associated with the possibility that Melco International may: (i) have economic or business interests or goals that are inconsistent with ours; (ii) have operations and projects elsewhere in Asia or other countries that compete with our businesses in Macau and the Philippines and for available resources and

management attention; (iii) take actions contrary to our policies or objectives; or (iv) have financial difficulties. In addition, there is no assurance that the laws and regulations relating to foreign investment in Melco International's governing jurisdictions will not be altered in such a manner as to result in a material adverse effect on our business and operating results.

In addition, Melco International has the power, among other things, to elect or appoint all of the directors to our board, including our independent directors, appoint and change our management, affect our legal and capital structure and our day-to-day operations, approve material mergers, acquisitions, dispositions and other business combinations and approve any other material transactions and financings. These actions may be taken in many cases without the approval of other shareholders and the interests of Melco International may conflict with your interests as minority shareholders. We have entered into various related party transactions with Melco International and its affiliates and subsidiaries, including without limitation the arrangements to provide planning, designing, construction and other services to Melco International and its subsidiaries in connection with the City of Dreams Mediterranean project. We may enter into additional agreements and arrangements with Melco International or its affiliates or subsidiaries in connection with the City of Dreams Mediterranean project or other projects. We may also purchase, acquire or invest in assets, companies or projects held or sponsored by Melco International or its affiliates or subsidiaries. The consideration or amount of such purchase, acquisition or investment may be material or significant. While we believe the terms of agreements and arrangements we have with Melco International or its affiliates or subsidiaries are commercially reasonable, the determination of such commercial terms are subject to judgment and estimates and we may have obtained different terms had we entered into such agreements or arrangements with independent third parties.

***Melco International may pursue additional casino projects in Asia or elsewhere, which, along with its current operations, may compete with our projects in Macau and the Philippines, which could have material adverse consequences to us and the interests of our minority shareholders.***

Melco International may take action to construct and operate new gaming projects located in other countries in the Asian region or elsewhere, which, along with its current operations, may compete with our projects in Macau and the Philippines and could have adverse consequences to us and the interests of our minority shareholders. We could face competition from these other gaming projects as well as competition from regional competitors. We expect to continue to receive significant support from Melco International in terms of its local experience, operating skills, international experience and high standards. Should Melco International decide to focus more attention on casino gaming projects located in other areas of Asia or elsewhere that may be expanding or commencing their gaming industries, or should economic conditions or other factors result in a significant decrease in gaming revenues and number of patrons in Macau and/or the Philippines, Melco International may make strategic decisions to focus on their other projects rather than us, which could adversely affect our growth.

Casinos and integrated gaming resorts are becoming increasingly popular in Asia, giving rise to more opportunities for industry participants and increasing regional competition. We cannot guarantee you that Melco International will make strategic and other decisions which do not adversely affect our business.

***Changes in our share ownership, including a change of control of our subsidiaries' shares, could result in our subsidiaries' inability to draw loans or cause events of default under our subsidiaries' indebtedness, or could require our subsidiaries to prepay or make offers to repurchase certain indebtedness.***

Credit facility agreements relating to certain of our indebtedness contain change of control provisions, including in respect of our obligations relating to our control and/or ownership of certain of our subsidiaries and their assets. Under the terms of such credit facility agreements, the occurrence of certain change of control events, including a decline below certain thresholds in the aggregate direct or indirect shareholdings of certain of our subsidiaries held by us and/or Melco International or certain of our subsidiaries (as the case may be) may result in an event of default and/or a requirement to prepay the credit facilities in relation to such indebtedness in

full. Other applicable change of control events under the credit facility agreements include the Company ceasing to be publicly listed on certain designated stock exchanges or steps being taken in connection with the liquidation or dissolution of certain of our subsidiaries.

The terms of the Studio City Notes and 2017 Senior Notes also contain change of control provisions whereby the occurrence of a relevant change of control event will require us to offer to repurchase the Studio City Notes or 2017 Senior Notes (as the case may be) (and, in the case of a change of control event under the 2017 Senior Notes, which is accompanied by a ratings decline) at a price equal to 101% of their principal amount, plus accrued and unpaid interest and, if any, additional amounts and other amount specified under such indebtedness to the date of repurchase.

Any occurrence of these events could be outside our control and could result in events of default and cross-defaults which may cause the termination and acceleration of our credit facilities, the Studio City Notes and 2017 Senior Notes and potential enforcement of remedies by our lenders or note holders (as the case may be), which would have a material adverse effect on our financial condition and results of operations.

#### **Risks Relating to Our Financing and Indebtedness**

***Our current, projected and potential future indebtedness could impair our financial condition, which could further exacerbate the risks associated with our significant leverage.***

We have incurred and expect to incur, based on current budgets and estimates, secured and unsecured long-term indebtedness.

Our major outstanding indebtedness as of December 31, 2018 includes:

- approximately HK\$11.6 billion (equivalent to approximately US\$1.5 billion) under the 2015 Credit Facilities;
- US\$1.0 billion from Melco Resorts Finance's issuance of the 2017 Senior Notes;
- US\$1.2 billion from Studio City Company's issuance of the 2016 Studio City Notes;
- US\$425.0 million from Studio City Finance's issuance of the 2012 Studio City Notes; and
- HK\$1.0 million (equivalent to approximately US\$0.1 million) under the 2021 Studio City Senior Secured Credit Facility.

In addition, on February 11, 2019, Studio City Finance issued senior notes in an aggregate principal amount of US\$600.0 million, the net proceeds of which were partly used to pay the tendering noteholders from the 2012 Studio City Notes Tender Offer in February 2019, which amounted to US\$216.5 million in aggregate principal amount of the 2012 Studio City Notes, and to redeem the remaining outstanding principal amount of the 2012 Studio City Notes in March 2019, which amounted to US\$208.5 million in aggregate principal amount.

Our expected long-term indebtedness includes:

- financing for a significant portion of any future projects or phases of projects. Additionally, we may incur indebtedness for the remaining project for the land on which Studio City is located, depending upon our cash flow position during the construction period.

Our significant indebtedness could have material consequences. For example, it could:

- make it difficult for us to satisfy our debt obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- impair our ability to obtain additional financing in the future for working capital needs, capital expenditures, acquisitions or general corporate purposes;

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- require us to dedicate a significant portion of our cash flow from operations to the payment of principal and interest on our debt, which would reduce the funds available to us for our operations or expansion of our existing operations;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage as compared to our competitors, to the extent that they are not as leveraged;
- subject us to higher interest expenses in the event of increases in interest rates to the extent a portion of our indebtedness bears interest at variable rates;
- cause us to incur additional expenses by hedging interest rate exposures of our indebtedness and exposure to hedging counterparties' failure to pay under such hedging arrangements, which would reduce the funds available to us to fund our operations; and
- in the event we or one of our subsidiaries were to default, result in the loss of all or a substantial portion of our and/or our subsidiaries' assets over which our creditors have taken or will take security.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our other obligations.

### ***We may require additional financing to complete our investment projects, which may not be available on satisfactory terms or at all.***

We have funded our capital investment projects through, among others, cash generated from our operations, credit facilities and the issuance of debt securities. We may require additional financing in the future for our capital investment projects, which we may raise through debt or equity financing. We may be required to obtain approval from, or consent of, or notify relevant government authorities or third parties in order to enter into such financings. There is no assurance that we would be able to obtain any required approval or consent from the relevant government authorities or third parties with respect to such financing in a timely manner or at all.

Any financing related to our capital investment projects may also be subject to, among others, the terms of credit facilities, the 2017 Senior Notes and the Studio City Notes and any future financings. In addition, our ability to obtain debt or equity financing on acceptable terms depends on a variety of factors that are beyond our control, including market conditions, investors' and lenders' perceptions of, and demand for, debt and equity securities of gaming companies, credit availability and interest rates. For example, changes in ratings outlooks may subject us to rating agency downgrades, which could make it more difficult for us to obtain financing on acceptable terms. As a result, we cannot assure you that we will be able to obtain sufficient financing on terms satisfactory to us, or at all, to finance our capital investment projects. If we are unable to obtain such funding, our business, cash flow, financial condition, results of operations and prospects could be materially and adversely affected. We continue to explore opportunities and may, from time to time, seek to obtain new financings or refinance our outstanding debt through the international markets. Any such financing, and our evaluation thereof, will depend on the prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### ***We may not be able to generate sufficient cash flow to meet our debt service obligations.***

Our ability to make scheduled payments due on our existing and anticipated indebtedness obligations, including our credit facilities, the 2017 Senior Notes and Studio City Notes, to refinance and to fund working capital needs, planned capital expenditures and development efforts will depend on our ability to generate cash. We will require generation of sufficient operating cash flow from our projects to service our current and future

projected indebtedness. Our ability to obtain cash to service our existing and projected debt is subject to a range of economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond our control, including:

- our future operating performance;
- the demand for services that we provide;
- general economic conditions and economic conditions affecting Macau, the Philippines or the gaming industry in particular;
- our ability to hire and retain employees and management at a reasonable cost;
- competition; and
- legislative and regulatory factors affecting our operations and business.

We may not be able to generate sufficient cash flow from operations to satisfy our existing and projected indebtedness obligations or our other liquidity needs, in which case we may have to seek additional borrowings or undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seek to raise additional capital on terms that may be onerous or highly dilutive, any of which could have a material adverse effect on our operations. Our ability to incur additional borrowings or refinance our indebtedness, including our credit facilities, the 2017 Senior Notes and Studio City Notes, will depend on the condition of the financing and capital markets, our financial condition at such time and potentially governmental approval. We cannot assure you that any additional borrowing, refinancing or restructuring would be possible or that any assets could be sold or, if sold, the timing of any sale or the amount of proceeds that would be realized from any such sale. We cannot assure you that additional financing could be obtained on acceptable terms, if at all, or would be permitted under the terms of our various debt instruments then in effect, including the indentures governing the 2017 Senior Notes and Studio City Notes. In addition, any failure to make scheduled payments of interest or principal on our outstanding indebtedness would likely result in a reduction of our credit rating, which would harm our ability to incur additional indebtedness on commercially reasonable terms or at all. Our failure to generate sufficient cash flow to satisfy our existing and projected indebtedness obligations or other liquidity needs, or to refinance our obligations on commercially reasonable terms or at all, could have a material adverse effect on our business, financial condition and results of operations.

***The agreements governing our credit facilities and debt instruments contain certain covenants that restrict our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions or otherwise take actions that may be in our best interests.***

The agreements governing our credit facilities and debt instruments contain restrictions on our ability to engage in certain transactions and may limit our ability to respond to changing business and economic conditions or otherwise take actions that may be in our best interests. These restrictions include, among other things, limitations on our ability and the ability of our restricted subsidiaries or other members of our obligor group to:

- pay dividends or distributions or repurchase equity;
- make loans, payments on certain indebtedness, distributions and other restricted payments or apply revenues earned in one part of our operations to fund development costs or cover operating losses in another part of our operations;
- incur additional debt, including guarantees;
- make certain investments;
- create liens on assets to secure debt;



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- enter into transactions with affiliates;
- issue shares of subsidiaries;
- enter into sale-leaseback transactions;
- engage in other businesses;
- merge or consolidate with another company;
- undergo a change of control;
- transfer, sell or otherwise dispose of assets;
- issue disqualified stock;
- create dividend and other payment restrictions affecting subsidiaries;
- designate restricted and unrestricted subsidiaries; and
- vary Melco Resorts Macau's Subconcession Contract or Melco Resorts Macau's and certain of its subsidiaries' land concessions and certain other contracts.

Certain of our credit facilities and debt instruments also require us to satisfy various financial covenants, which include requirements for minimum interest coverage ratio and leverage ratios. For more information on financial covenants we are subject to under our credit facilities and debt instruments, see note 11 to the consolidated financial statements included elsewhere in this annual report. Future indebtedness or other agreements may contain covenants more restrictive than those contained in our existing credit facilities and debt instruments.

In addition, certain of our credit facilities and debt instruments are secured by mortgages, assignment of land use rights, leases or equivalents, security over shares, charges over bank accounts, security over assets and other customary security over the assets of our Macau subsidiaries. In the event of a default under such credit facilities and debt instruments, the holders of such secured indebtedness would first be entitled to payment from their collateral security, and only then would holders of our Macau subsidiaries' unsecured debt be entitled to payment from their remaining assets.

Our ability to comply with the terms of our outstanding credit facilities and debt instruments may be affected by general economic conditions, industry conditions and other events outside of our control. As a result, we may not be able to maintain compliance with these covenants. In addition, if our properties' operations fail to generate adequate cash flow, we may violate these covenants, causing a default under our agreements, upon which creditors could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, our credit facilities and debt instruments contain cross-acceleration or cross-default provisions, as a result of which our default under one facility or instrument may cause the acceleration of repayment of debt or result in a default under our other facilities or instruments. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we do obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

***Drawdown or rollover of advances under our credit facilities involve satisfaction of extensive conditions precedent and our failure to satisfy such conditions precedent will result in our inability to utilize or roll over loan advances under such facilities. There is no assurance that we will be able to satisfy all conditions precedent under our current or future credit facilities.***

Our current and future credit facilities, including the 2015 Credit Facilities and the 2021 Studio City Senior Secured Credit Facility, require and will require satisfaction of extensive conditions precedent prior to the

advance or rollover of loans under such facilities. The satisfaction of such conditions precedent may involve actions of third parties and matters outside of our control, such as government consents and approvals. If there is a breach of any terms or conditions of our credit facilities or other obligations and the breach is not cured or capable of being cured, such conditions precedent will not be satisfied. The inability to draw down or roll over loan advances under any credit facility may result in a funding shortfall in our operations and we may not be able to fulfill our obligations as planned. Such events may also result in an event of default under the respective credit facility and may also trigger cross-defaults under our other indebtedness obligations. There can be no assurance that all conditions precedent to draw down or roll over loan advances under our credit facilities will be satisfied in a timely manner or at all. If we are unable to draw down or roll over loan advances under any current or future facility, we may have to find a new group of lenders and negotiate new financing terms or consider other financing alternatives. If required, it is possible that new financing would not be available or would have to be procured on substantially less attractive terms, which could harm the economic viability of the relevant development project. The need to arrange such alternative financing would likely also delay the construction and/or operations of our future projects or existing properties, which would affect our cash flows, results of operations and financial condition.

***Any inability to maintain current financing or obtain future financing could result in delays in our project development schedule and could impact our ability to generate revenues from operations at our present and future projects.***

If we are unable to maintain our current financing arrangements or obtain suitable financing for our operations and our current or future projects (including any acquisitions we may make), such failure could adversely impact our existing operations, or cause delays in, or prevent completion of, the development of the remaining land for Studio City and any other future projects. In addition, such failure may also limit our ability to operate and expand our business and may adversely impact our ability to generate revenue. Furthermore, the costs incurred by any new financing may be greater than anticipated due to unfavorable market conditions. Any such increase in funding costs may have a negative impact on our revenue and financial condition.

### **Risks Relating to Our Shares and ADSs**

***The trading price of our ADSs has been volatile since our ADSs began trading on Nasdaq and may be subject to fluctuations in the future, which could result in substantial losses to investors.***

The trading price of our ADSs has been and may continue to be subject to wide fluctuations. Our ADSs were first quoted on the Nasdaq Global Market, or Nasdaq, beginning on December 19, 2006, and were upgraded to trade on the Nasdaq Global Select Market since January 2, 2009. During the period from December 19, 2006 to March 27, 2019, the trading prices of our ADSs ranged from US\$2.27 to US\$45.70 per ADS and the closing sale price on March 27, 2019 was US\$21.76 per ADS. The market price for our shares and ADSs may continue to be volatile and subject to wide fluctuations in response to factors, including the following:

- uncertainties or delays relating to the financing, completion and successful operation of our projects;
- developments in the Macau market, the Philippine market or other Asian gaming markets, including the announcement or completion of major new projects by our competitors;
- general economic, political or other factors that affect the region where our properties are located;
- regulatory developments affecting us or our competitors;
- actual or anticipated fluctuations in our quarterly operating results;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- changes in financial estimates by securities research analysts;

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- changes in the economic performance or market valuations of other gaming and leisure industry companies;
- changes in our market share of the Macau gaming market and/or the Philippine gaming market;
- detrimental adverse publicity about us, our properties or our industries;
- addition or departure of our executive officers and key personnel;
- fluctuations in the exchange rates between the U.S. dollar, H.K. dollar, Pataca, Renminbi and the Philippine peso;
- release or expiration of lock-up or other transfer restrictions on our outstanding shares or ADSs;
- sales or perceived sales of additional shares or ADSs or securities convertible or exchangeable or exercisable for shares or ADSs;
- potential litigation or regulatory investigations; and
- rumors related to any of the above, irrespective of their veracity.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

### ***We cannot assure you that we will make dividend payments in the future.***

On January 12, 2017, we announced a special dividend of approximately US\$650 million. On February 8, 2018, we announced a quarterly dividend policy targeting to distribute quarterly cash dividends of US\$0.045 per ordinary share of the Company (equivalent to US\$0.135 per ADS). On July 24, 2018 and February 19, 2019, we further announced an amendment to our quarterly dividend policy targeting to distribute quarterly cash dividends of US\$0.04835 per ordinary share of the Company (equivalent to US\$0.14505 per ADS) and US\$0.0517 per ordinary share of the Company (equivalent to US\$0.1551 per ADS), respectively, subject to our ability to pay dividends from our accumulated and future earnings, cash availability and future commitments. We cannot assure you that we will make any dividend payments on our shares in the future. Dividend payments will depend upon a number of factors, including our results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors considered relevant by our board. Except as permitted under the Companies Law, as amended, of the Cayman Islands, or the Companies Law, and the common law of the Cayman Islands, we are not permitted to distribute dividends unless we have a profit, realized or unrealized, or a reserve set aside from profits which our directors determine is no longer needed. Our ability, or the ability of our subsidiaries, to pay dividends is further subject to restrictive covenants contained in the 2015 Credit Facilities, Studio City Notes, 2021 Studio City Senior Secured Credit Facility and other agreements governing indebtedness we and our subsidiaries may incur. Such restrictive covenants contained in the 2015 Credit Facilities include satisfaction of certain financial tests and conditions such as continued compliance with specified interest cover, cash cover and leverage ratios. The Studio City Notes and 2021 Studio City Senior Secured Credit Facility also contain certain covenants restricting payment of dividends by Studio City Finance (under the 2019 Studio City Notes) and Studio City Investments (under the 2016 Studio City Notes).

and 2021 Studio City Senior Secured Credit Facility) and their respective subsidiaries, respectively. For more details, see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Indebtedness.”

***Substantial sales or perceived sales of our shares or ADSs in the public market could cause the price of our ADSs and shares to decline.***

Sales of our ADSs or shares in the public market, or the perception that these sales could occur, could cause the market price of our shares and ADSs to decline. There is no assurance that Melco International will not sell all or a part of its ownership interest in us. Any sale of their interest may be subject to volume and other restrictions, as applicable, under Rule 144 under the Securities Act of 1933, or the Securities Act. To the extent these or other shares are sold into the market, the market price of our shares and ADSs could decline. The ADSs represent interests in our shares. We would, subject to market forces, expect there to be a close correlation in the price of our ADSs and the price of the shares and any factors contributing to a decline in one market is likely to result to a similar decline in another.

In addition, Melco International has the right to cause us to register the sale of their shares under the Securities Act, subject to the terms of the registration rights agreement. Registration of these shares under the Securities Act would result in these shares becoming eligible for deposit in exchange for freely tradable ADSs without restriction under the Securities Act immediately upon the effectiveness of the registration statement. Sales of these registered shares in the public market could cause the price of our share and ADSs to decline.

Any decision by us to issue or raise further equity, which would result in dilution to existing shareholders, could cause the price of our ADSs and shares to decline.

***If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.***

The trading market for our ADSs depends in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our ADSs or publishes inaccurate or unfavorable research about our business, the market price for our ADSs would likely decline. If one or more of these analysts cease coverage of our Company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

***Techniques employed by short sellers may drive down the market price of our ADSs.***

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller’s interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies that have substantially all of their operations in Greater China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable law or issues of commercial confidentiality. Such a situation could be costly and time-consuming, and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations, and any investment in our ADSs could be greatly reduced or even rendered worthless.

***Holders of ADSs have fewer rights than shareholders and must act through the depositary to exercise those rights.***

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares of the depositary and in accordance with the provisions of the deposit agreement. Advance notice of at least seven days is required for the convening of our annual general meeting and other shareholders meetings. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw ordinary shares represented by your ADSs to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. The depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to convene a shareholder meeting.

***You may be subject to limitations on transfers of your ADSs.***

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we deem or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings, and you may not receive cash dividends if it is unlawful or impractical to make them available to you.***

We may, from time to time, distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act of 1933, or the Securities Act, or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary bank will not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act, or exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

In addition, the depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its

fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depository may, at its discretion, decide that it is unlawful, inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depository may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depository may decide not to distribute such property and you will not receive such distribution.

***We are a Cayman Islands exempted company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than that under U.S. law, you may have less protection for your shareholder rights than you would under U.S. law.***

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than the memorandum and articles of association) or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a U.S. public company. For a discussion of significant differences between the provisions of the Companies Law of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Item 10. Additional Information — B. Memorandum and Articles of Association — Differences in Corporate Law.”

***You may have difficulty enforcing judgments obtained against us.***

We are a Cayman Islands exempted company and substantially all of our assets are located outside of the United States. All of our current operations, and administrative and corporate functions are conducted in Macau, Hong Kong and the Philippines. In addition, substantially all of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in Cayman Islands, Macau, Hong Kong and Philippine courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside of the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands, Macau, Hong Kong or the Philippines would

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recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, it is uncertain whether such Cayman Islands, Macau, Hong Kong or the Philippine courts would be competent to hear original actions brought in the Cayman Islands, Macau, Hong Kong or the Philippines against us or such persons predicated upon the securities laws of the United States or any state.

***We may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ADSs or ordinary shares.***

Based on the current market price of our ADSs and ordinary shares, and the composition of our income, assets and operations, we do not believe we were a passive foreign investment company, or PFIC, for our taxable year ended December 31, 2018. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you that we will not be a PFIC for any taxable year. A non-U.S. corporation will be a PFIC for any taxable year if either (i) at least 75% of its gross income for such year is passive income or (ii) at least 50% of the value of its assets (based on a quarterly average) during such year is attributable to assets that produce passive income or are held for the production of passive income. A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs and ordinary shares, a significant decrease in the market price of the ADSs and ordinary shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in “Item 10. Additional Information — E. Taxation — United States Federal Income Taxation”) holds an ADS or ordinary share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. For example, such U.S. Holder may incur a significantly increased U.S. federal income tax liability on the receipt of certain distributions on our ADSs or ordinary shares or on any gain recognized from a sale or other disposition of our ADSs or ordinary shares, and will become subject to burdensome reporting requirements. See “Item 10. Additional Information — E. Taxation — United States Federal Income Taxation — Passive Foreign Investment Company.”

**ITEM 4. INFORMATION ON THE COMPANY**

**A. HISTORY AND DEVELOPMENT OF THE COMPANY**

Our Company was incorporated in December 2004 as an exempted company with limited liability under the laws of the Cayman Islands. Our subsidiary Melco Resorts Macau is one of six companies licensed, through concession or subconcession, to operate casinos in Macau. For more information on our corporate structure, see “— C. Organizational Structure.”

In December 2006, we completed the initial public offering of our ADSs, each of which represents three ordinary shares, and listed our ADSs on the Nasdaq under the symbol “MPEL.”

In May 2008, we changed our name from Melco PBL Entertainment (Macau) Limited to Melco Crown Entertainment Limited.

In January 2009, we were upgraded to trade on the Nasdaq Global Select Market.

On July 27, 2011, we acquired a 60% equity interest in SCI, the developer of Studio City. Studio City is a large-scale cinematically-themed integrated entertainment, retail and gaming resort developed in Macau.

On December 19, 2012, we completed the acquisition of a majority interest in the issued share capital of MRP, a company listed on the Philippine Stock Exchange. Following the completion of our acquisition of MRP, we transferred our 100% equity interest in Melco Resorts Leisure to MRP in March 2013. Melco Resorts Leisure has been granted the exclusive right to manage, operate and control our Philippines integrated casino resort project, City of Dreams Manila.

In May 2016, we repurchased 155 million ordinary shares from Crown Asia Investments. Following completion of the repurchase with cancellation of such shares and certain changes in the composition of our board of directors, Melco International became our single largest shareholder and we were thereafter treated as a subsidiary of Melco International.

In February 2017, the Melco Acquisition closed, upon which Melco International became our sole majority shareholder.

In March 2017, our name change from Melco Crown Entertainment Limited to Melco Resorts & Entertainment Limited became effective.

In April 2017, our Nasdaq ticker symbol changed from “MPEL” to “MLCO.”

In May 2017, we issued and sold 27,769,248 ADSs (equivalent to 83,307,744 ordinary shares) and 81,995,799 ordinary shares and also repurchased 165,303,544 ordinary shares from Crown Asia Investments for the aggregate purchase price of US\$1.2 billion, and such repurchased shares were subsequently canceled by us.

In October 2018, SCI completed its initial public offering of 28,750,000 SC ADSs (equivalent to 115,000,000 Class A ordinary shares of SCI), of which 15,330,000 SC ADSs were purchased by our subsidiary, MCO Cotai Investments Limited. In November 2018, the underwriters exercised their over-allotment option in full to purchase an additional 4,312,500 SC ADSs from SCI. After giving effect to the exercise of the over-allotment option, the total number of SC ADSs sold in the Studio City IPO was 33,062,500 SC ADSs, which raised net proceeds of approximately US\$406.7 million from the SC ADSs sold in the Studio City IPO and aggregate gross proceeds of approximately US\$2.5 million from the concurrent private placement to Melco International in connection with Melco International’s “assured entitlement” distribution to its shareholders, after deducting underwriting discounts and commissions and a structuring fee, but before deducting offering expenses payable by SCI.



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In December 2018, we completed the voluntary tender offer to acquire a total of 1,338,477,668 MRP Shares from other minority shareholders of MRP and, together with an additional 107,475,300 MRP Shares acquired on or after December 6, 2018, increased our equity interest in MRP from approximately 72.8% immediately prior to the announcement of the MRP Tender Offer to approximately 97.9% as of December 31, 2018.

For a description of our principal capital expenditures for the years ended December 31, 2018, 2017 and 2016, see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources.”

Our principal executive offices are located at 36th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. Our telephone number at this address is 852-2598-3600 and our fax number is 852-2537-3618. Our website is [www.melco-resorts.com](http://www.melco-resorts.com). The information contained on our website is not part of this annual report on Form 20-F.

The SEC maintains an internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

## **B. BUSINESS OVERVIEW**

### **Overview**

We are a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia. We currently have three major casino-based operations in Macau, namely, City of Dreams, Altira Macau and Studio City, and non-casino based operations in Macau at our Mocha Clubs. We also have a casino-based operation in the Philippines, City of Dreams Manila.

In June 2018, we opened Morpheus, the third phase of City of Dreams in Cotai, Macau. With 1.0 million square feet of hotel space and 0.3 million square feet of podium space, Morpheus houses approximately 770 rooms, suites and villas. We are also developing the remaining project for the land of Studio City. For prevailing Macau market conditions, see “— Market and Competition.”

Our current and future operations are designed to cater to a broad spectrum of gaming patrons, from high-stakes rolling chip gaming patrons to gaming patrons seeking a broader entertainment experience. We currently own and operate four Forbes Travel Guide Five-Star hotels in Asia — Altira Macau, Studio City’s Star Tower and Nüwa in both Macau and Manila — and have received 13 Forbes Travel Guide Five-Star and five Forbes Travel Guide Four-Star recognitions across our properties in 2019. We seek to attract patrons throughout Asia and, in particular, from Greater China.

In the Philippines, Melco Resorts Leisure, a subsidiary of MRP, currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila.

In 2018, we received the “Gaming Operator of the Year, Australia & Asia” award at the International Gaming Awards. We also garnered the “Best Environmental Responsibility” award for six consecutive years at the Asian Excellence Awards by Corporate Governance Asia magazine.

We generated a significant majority of the total revenues for each of the years ended December 31, 2016, 2017 and 2018 from our operations in Macau, the principal market in which we compete. For further information on the Macau gaming market, see “— Market and Competition — Macau Gaming Market.”

## **Our Major Existing Operations**

### ***City of Dreams***

City of Dreams is an integrated casino resort in Cotai, Macau, which opened in June 2009. City of Dreams is a premium-focused property, targeting high-end customers and rolling chip players from regional markets across Asia. In 2018, City of Dreams had an average of approximately 476 gaming tables and approximately 724 gaming machines. In January 2019, the Macau government authorized Melco to operate 40 additional gaming tables at City of Dreams.

The resort brings together a collection of brands to create an experience that appeals to a broad spectrum of visitors from around Asia. Morpheus offers approximately 770 rooms, suites and villas. Nüwa and The Countdown each offers approximately 300 guest rooms and the Grand Hyatt Macau hotel offers approximately 800 guest rooms. In addition, City of Dreams includes approximately 25 restaurants and bars, approximately 165 retail outlets, recreation and leisure facilities, including health and fitness clubs, three swimming pools, spas and salons and banquet and meeting facilities. The Club Cubic nightclub offers approximately 2,395 square meters (equivalent to approximately 25,780 square feet) of live entertainment space. SOHO, a lifestyle entertainment and dining precinct located on the second floor of City of Dreams, offers customers a wide selection of food and beverage and other non-gaming offerings. The opening of Morpheus in June 2018 provides an additional pool, spa and salon, fitness club, executive lounge and four restaurants.

Due to its outstanding customer service and diverse range of unique world-class entertainment experiences, City of Dreams has garnered numerous awards in the prestigious International Gaming Awards over the years. City of Dreams was honored as “Casino VIP Room of the Year” in 2014, “Integrated Resort of the Year” in 2013, “Customer Experience of the Year” in 2012 and received “Casino VIP Room” and “Casino Interior Design” awards in 2011. It also received the “Best Leisure Development in Asia Pacific” award in the International Property Awards in 2010, which recognizes distinctive innovation and outstanding success in leisure development. City of Dreams’ Nüwa (then branded as Crown Towers) was the first hotel brand in Macau to receive the Forbes Travel Guide Five-Star recognition for its hotel, spa and every restaurant in January 2014. It was recognized as a Forbes Travel Guide Five-Star hotel for the seventh consecutive year in 2019, and its spa, its contemporary French restaurant, The Tasting Room, the Cantonese culinary masterpiece, Jade Dragon, and the premium Japanese fine-dining establishment, Shinji by Kanesaka, were all awarded Forbes Travel Guide Five-Star recognition. Nüwa and Nüwa Spa were also named one of the “2018 World’s Most Luxurious Hotels” and “2018 World’s Most Luxurious Spas” by Forbes Travel Guide. In addition, the ultimate French culinary experience provided by Alain Ducasse at Morpheus attained two Michelin stars in the Michelin Guide Hong Kong Macau 2019 in less than six months since its opening, while Jade Dragon has further set the benchmark for fine dining in Macau with three Michelin stars. The Tasting Room once again garnered Michelin two-star ratings in the Michelin Guide Hong Kong Macau 2019, while Shinji by Kanesaka maintained its one-star Michelin rating. Jade Dragon was also included in the 2019 list of Asia’s 50 Best Restaurants, a gastronomic guide judged by Asia’s 50 Best Restaurants Academy, for the third consecutive year. Moreover, Yi at Morpheus has been included in the list of The Top 20 Best Restaurants in Hong Kong and Macau 2019 by Hong Kong Tatler, and was recommended by Michelin Guide Hong Kong Macau 2019 together with the contemporary French cuisine Voyages at Morpheus. Just a few months after its grand opening, Morpheus has been hailed as one of the “World’s Greatest Places” in 2018 by TIME magazine, as the only Macau entry on the list. It has also won the Most Valuable Brand Gold Award in the 2018 Business Awards of Macau and ArchDaily’s 2019 Building of the Year Award in the Hospitality Architecture Category.

The Dancing Water Theater, a wet stage performance theater with approximately 2,000 seats, features the internationally acclaimed and award winning water-based extravaganza, The House of Dancing Water. The House of Dancing Water is the live entertainment centerpiece of the overall leisure and entertainment offering at City of Dreams and highlights City of Dreams as an innovative entertainment-focused destination, strengthening the overall diversity of Macau as a multi-day stay market and one of Asia’s premier leisure and entertainment destinations. The House of Dancing Water incorporates costumes, sets and audio-visual special effects and

showcases an international cast of performance artists. The HK\$2.0 billion world-class production was awarded the Excellence Award as the “Most Valuable Brand Award” by Business Awards of Macau in 2015. The show also garnered the “Culture, Entertainment & Sporting Events Award” in the Effie China Awards in 2012 and the prestigious “International THEA Award for Outstanding Achievement” from the Themed Entertainment Association and was named the “Best Entertainment of Macau” in the 2011 Hurun Report.

### ***Altira Macau***

Altira Macau is designed to provide a casino and hotel experience that caters to Asian rolling chip customers and players sourced primarily through gaming promoters.

In 2018, Altira Macau had an average of approximately 104 gaming tables and 129 gaming machines operated as a Mocha Club at Altira Macau. Altira Macau’s multi-floor layout comprises primarily designated gaming areas and private gaming rooms for rolling chip players, together with a general gaming area for the mass market that offers various table limits to cater to a wide range of mass market patrons. Our multi-floor layout allows us the flexibility to reconfigure Altira Macau’s gaming areas to meet the changing demands of our patrons and target specific customer segments.

We consider Altira hotel, located within the 38-story Altira Macau, to be one of the leading hotels in Macau as evidenced by its long-standing Forbes Travel Guide Five-Star recognition. The top floor of the Altira hotel serves as the hotel lobby and reception area, providing guests with views of the surrounding area. The Altira hotel comprises approximately 230 guest rooms, including suites and villas, as of December 31, 2018. A number of restaurants and dining facilities are available at Altira Macau, including a leading Mediterranean cuisine, Aurora, several Chinese and international restaurants and several bars. Altira hotel also offers several non-gaming amenities, including a spa, gymnasium, outdoor garden podium and sky terrace lounge.

Altira Macau offers a luxurious hotel experience with its internationally acclaimed accommodation and guest services. It has been awarded Forbes Travel Guide Five-Star recognition in lodging and spa categories by Forbes Travel Guide for ten consecutive years in 2019. It was also named one of the “World’s Most Luxurious Hotels” by Forbes Travel Guide. Altira Spa was selected as the Regional Winner in the “Luxury Fitness Spa” category and Country Winner in the “Luxury Wellness Spa” category at the 2018 World Luxury Spa Awards, and was honored as the Global Winner in the “Best Luxury Fitness Spa” category in 2014. Altira Macau’s swimming pool was named by US Forbes Traveler as one of the ten best hotel pools in the world and one of eight outstanding indoor hotel pools by CNN.com.

Altira Macau houses several award-winning restaurants. Its Mediterranean cuisine Aurora and its Japanese tempura specialist Tenmasa have both earned Forbes Travel Guide Five-Star recognition in the Forbes Travel Guide for the sixth and fifth consecutive year, respectively, in 2019, and were recommended by Michelin Guide Hong Kong Macau 2019. Its Cantonese restaurant, Ying, was awarded Forbes Travel Guide Four-Star recognition for the fifth consecutive year in 2019 and a Michelin star in the Michelin Guide Hong Kong Macau 2019 for the third consecutive year. In addition, Aurora, Tenmasa and Ying were winners of the “Best of Award Excellence of Wine Spectator” in 2015.

In recognition of their outstanding service and service management, Ying and Tenmasa also respectively received the Service Star Award in the “Deluxe Restaurant” and “First Class Restaurant” categories in the “Quality Tourism Services Accreditation Scheme 2017” organized by the Macau Government Tourism Office.

### ***Studio City***

Studio City is a large-scale cinematically-themed integrated entertainment, retail and gaming resort which opened in October 2015. In 2018, Studio City had an average of approximately 292 gaming tables and 957

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gaming machines. 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 December 31, 2018. Such VIP rolling chip operations are operated by us, through Melco Resorts Macau. In January 2019, Melco Resorts Macau informed Studio City Entertainment Limited that it will cease VIP gaming operations at the Studio City Casino in January 2020. 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 4-D Batman flight simulator, an exclusive night club and a 5,000-seat multi-purpose live performance arena, as well as approximately 1,600 luxury hotel rooms, various food and beverage outlets and approximately 35,000 square meters (approximately 377,000 square feet) of themed and innovative retail space.

In recognition of Studio City's facilities, games, customer service, atmosphere, style and design, Studio City was awarded the International Five Star Standard, Best Large Hotel Macau, Best City Hotel Macau, Best Resort Hotel Macau and Best Convention Hotel Macau in the International Hotel Awards 2017-18. In addition, Studio City was the Global Winner in the "Luxury Casino Hotel" category and the Regional Winner (East Asia) in the "Luxury Family Hotel" category of the 2017 World Luxury Hotel Awards. The Studio City property was also awarded the "Casino/Integrated Resort of the Year" in the International Gaming Awards in 2016 and honored as "Asia's Leading New Resort" in World Travel Awards in 2016. Moreover, according to Forbes Travel Guide's official 2019 Star Rating List, Studio City is currently one of only 11 Triple Five-Star Winners in the world, garnering the Forbes Travel Guide Five-Star recognition for its hotel, spa and restaurant. Studio City's Star Tower once again received the Forbes Travel Guide Five-Star recognition in 2019, while Zensa Spa was awarded the Forbes Travel Guide Five-Star recognition for the first time in 2019 and was named "World's Most Luxurious Spa" by the Guide in 2018. Studio City's signature Cantonese restaurant, *Pearl Dragon*, celebrated its first Forbes Travel Guide Five-Star recognition in 2019 and one-Michelin-starred establishment rank for the third consecutive year in the Michelin Guide Hong Kong Macau 2019, while Bi Ying has been once again recommended in the guidebook.

Studio City is located in Cotai, Macau. In addition to its diverse range of gaming and non-gaming offerings, Studio City's location in the fast growing Cotai region of Macau, directly adjacent to the Lotus Bridge immigration checkpoint and a proposed light rail station, is a major competitive advantage, particularly as it relates to the mass market segment.

We are currently developing the remaining land for Studio City. Under our current plan, the remaining project is expected to consist of two hotel towers with approximately 900 rooms and suites and a gaming area. In addition, we currently envision the remaining project to also contain a waterpark with indoor and outdoor areas. Other non-gaming attractions expected to be part of the remaining project include MICE space, retail and food and beverage outlets and a cineplex. As of December 31, 2018, we have incurred approximately US\$39.5 million of aggregate costs relating to the development of our remaining project, primarily related to the initial design and planning costs. Based on our current plan for the remaining project, we currently expect a project budget of approximately US\$1.35 billion to US\$1.40 billion for the development of the remaining project (exclusive of any pre-opening costs and financing costs) and an estimated construction period of approximately 32 months.

Our plan for the remaining project may be subject to further revision and change and detailed design elements remain subject to further refinement and development. See "Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Operations — We are developing the remaining project for Studio City under the terms of a land concession contract which require us to fully develop the land on which Studio City is located by July 24, 2021. If we do not complete development by that time and the Macau government

does not grant us an extension of the development period, we could be forced to forfeit all or part of our investment in Studio City, along with our interest in the land on which Studio City is located and the buildings and structures on such land,” “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Operations — All our current and future construction projects are and will be subject to significant development and construction risks, which could have a material adverse impact on related project timetables, costs and our ability to complete the projects,” and “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Operations — We could encounter substantial cost increases or delays in the development of our projects, which could prevent or delay the opening of such projects.”

Our subsidiary Melco Resorts Macau operates the gaming areas of Studio City pursuant to a services agreement it entered into in May 2007, as amended in June 2012, with Studio City Entertainment Limited, together with other agreements or arrangements entered into between the parties from time to time, which may amend, supplement or relate to the aforementioned agreement. Melco Resorts Macau is reimbursed for the costs incurred in connection with its operation of Studio City’s gaming areas.

### ***Mocha Clubs***

Mocha Clubs comprise the largest non-casino based operations of electronic gaming machines in Macau. In 2018, Mocha Clubs had eight clubs with an average of approximately 1,336 gaming machines in operation (including approximately 129 gaming machines at Altira Macau). According to the DICJ, there was a total of 16,059 slot machines in the Macau market as of December 31, 2018. Mocha Clubs focus on general mass market players, including day trip customers, outside the conventional casino setting. We operate Mocha Clubs at leased or sub-leased premises or under right-to-use agreements.

The Mocha Club gaming facilities include what we believe is the latest technology for gaming machines and offer both electronic gaming machines, including stand-alone machines, stand-alone progressive jackpot machines and linked progressive jackpot machines with a variety of games, and electronic table games which feature fully-automated multi-player machines with roulette, baccarat and sic-bo, a traditional Chinese dice game.

### ***City of Dreams Manila***

City of Dreams Manila is one of the leading integrated tourism resorts in the Philippines. The property is located on an approximately 6.2-hectare site at the gateway of Entertainment City, Manila, close to Metro Manila’s international airport and central business district. City of Dreams Manila opened in December 2014 and represents our first entry into an entertainment and gaming market outside of Macau and an incremental source of earnings and cash flow outside of Macau.

The property’s total gross floor area is approximately 300,100 square meters (equivalent to approximately 3.2 million square feet). We are authorized by PAGCOR to operate up to approximately 2,300 slot machines, 1,200 electronic gaming tables and 380 gaming tables. In 2018, City of Dreams Manila had an average of approximately 1,708 slot machines, 221 electronic gaming tables and 300 gaming tables.

City of Dreams Manila has three hotels comprising Nüwa Manila, Nobu Manila and the recently-rebranded Hyatt Regency, with approximately 950 rooms in aggregate. City of Dreams Manila also has exciting entertainment venues: DreamPlay, a DreamWorks animation inspired interactive play space, which officially opened in June 2015; CenterPlay, a live performance central lounge within the casino; The VR Zone at The Garage, featuring top-of-class Virtual Reality technology situated inside a food park with a carefully curated selection of food and beverage trucks and trailers set in a comfortable, air-conditioned space; and K-Golf, an indoor golf simulator with state of the art technology that brings some of the most popular golf courses around the world in 3D graphics. City of Dreams Manila also has a retail boulevard, The Shops at the Boulevard, which

is a retail strip interspersed within the food and beverage areas to provide customers with a broad range of shopping opportunities.

City of Dreams Manila is committed to providing the best in class luxury experiences in hospitality, dining and entertainment. With its exceptional facilities and services, the integrated resort's luxury hotel brands Nüwa Manila was awarded Forbes Travel Guide Five-Star recognition in 2019, which also named it one of the World's Most Luxurious Hotels; and Nobu Manila was recognized by the global authority in luxury travel with Forbes Travel Guide Four-Star recognition. Nüwa Spa was also awarded Forbes Travel Guide Four-Star recognition.

The integrated resort is conferred with various distinctions for exemplary performance by the Parañaque City government and in civic and business circles for its contributions to business, creation of jobs and promotion of Philippine's tourism. Internationally, it was recognized in 2017 as one of the "23 Fanciest Casinos in the World" in [townandcountry.com](#) and in 2015 as "Casino/Integrated Resort of the Year" at the 8th International Gaming Awards.

In addition to the Forbes Travel Guide Star Awards of the hotels, TripAdvisor gave the "2017 Certificate of Excellence" and in the previous year, "Top 25 Luxury Hotels in the Philippines Travelers Choice Awards," for the three luxury hotel brands. Nüwa Manila was awarded the 2016 International Hotel and Property Award for "Best Lobby/Public Area/Lounge" in the Global category and "Best Hotel over 200 Rooms in Asia Pacific" by Design Et Al, an international design magazine in Italy.

With more than 20 dining outlets located on property, signature restaurants and other dining options maintained the prestige of being recognized in prominent luxury magazines' best restaurants list. The Tasting Room was awarded as one of the top 20 restaurants among the 173 entries in the Philippine Tatler's Best Restaurants Guide ("BRG") 2019 of the finest restaurants in the country and also during its first introduction in 2016. For the BRG top 20 list, Crystal Dragon was recognized from 2016 to 2018 and Nobu Manila in 2016. Red Ginger, Apu by Caviar, Hide Yamamoto and Ruby Jack's Steakhouse and Bar were included in the latest list of best restaurants. Town and Country Philippines, in its annual Fabulous Dine Around Best Restaurants in 2017 and 2018, recognized Nobu Manila and Crystal Dragon in 2017 to be in its roster of 42 selected restaurants that it considered the best to offer an exclusive dining experience to food connoisseurs and influencers; and again in 2018, together with The Tasting Room which had reopened, among 61 restaurants. Nobu Manila was also commended in 2017 as "One of the 7 Premier Restaurants Putting Manila in the World's Gastronomic Map" in the online edition of Conde Nast Traveler.

Melco Resorts Leisure operates the casino business of City of Dreams Manila in accordance with the terms of the Regular License and the operating agreement between Melco Resorts Leisure and the Philippine Parties dated March 13, 2013. Under the operating agreement, PremiumLeisure and Amusement, Inc. (a member of the Philippine Parties) has the right to receive monthly payments from Melco Resorts Leisure, based on the performance of gaming operations of City of Dreams Manila, and Melco Resorts Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

Having met the minimum investment levels and other requirements under our Provisional License, the Regular License dated April 29, 2015 was issued by PAGCOR to the Philippine Licensees. The Regular License has the same terms and conditions as the Provisional License and is valid until July 11, 2033.

For a breakdown of total revenues by category of activity and geographic market for each of the last three financial years, see "Item 5. Operating and Financial Review and Prospects — A. Operating Results."

### **Our Development Projects**

We are developing the remaining project of Studio City, which is currently expected to consist of two hotel towers with approximately 900 rooms and suites and a gaming area. In addition, we currently envision the

remaining project to also contain a waterpark with indoor and outdoor areas. Other non-gaming attractions expected to be part of the remaining project include MICE space, retail and food and beverage outlets and a cineplex. As of December 31, 2018, we have incurred approximately US\$39.5 million aggregate costs relating to the development of our remaining project, primarily related to the initial design and planning costs. Based on our current plan for the remaining project, we currently expect a project budget of approximately US\$1.35 billion to US\$1.40 billion for the development of the remaining project (exclusive of any pre-opening costs and financing costs) and a construction period of approximately 32 months. Such development for the remaining project of Studio City may be funded through various sources, including cash on hand, operating free cash flow as well as debt and/or equity financing.

Further, we continually seek new opportunities for additional gaming or related businesses in Macau and in other countries and will continue to target the development of a project pipeline in order to expand our footprint in countries which offer legalized casino gaming, including Japan where we have a strong interest in developing integrated resorts. In defining and setting the timing, form and structure for any future development, we focus on evaluating alternative available financing, market conditions and market demand. In order to pursue these opportunities and such development, we have incurred and will continue to incur capital expenditures at our properties and for our projects.

### **Our Land and Premises**

We operate our gaming business at our operating properties in Macau in accordance with the terms and conditions of our gaming subconcession. In addition, our existing operating properties and development projects in Macau are subject to the terms and conditions of land concession contracts. See “— Regulations — Macau Regulations — Land Regulations.” Through MRP, we also operate our gaming business in the Philippines through the Regular License issued by PAGCOR on a property which Melco Resorts Leisure leases from Belle Corporation under the Lease Agreement.

### ***City of Dreams***

City of Dreams is located in Cotai, Macau, with a land area of 113,325 square meters (equivalent to approximately 1.2 million square feet). In August 2008, the Macau government granted the land on which City of Dreams is located to COD Resorts and Melco Resorts Macau for a period of 25 years, renewable for further consecutive periods of ten years, subject to applicable legislation in Macau. The land grant has been amended in September 2010 and January 2014, respectively. Under the terms of the revised land concession, the development period was extended to January 28, 2018, the hotel to be developed was changed to a five-star hotel and the total developable gross floor area on the land was increased to 692,619 square meters (equivalent to approximately 7.5 million square feet). Total land premium required for the land is in the amount of approximately MOP1,286.6 million (equivalent to approximately US\$160 million), which was paid in full in January 2016. In January 2018, the Macau government approved the extension of the development period to June 11, 2018.

Under the current terms of the land concession, the annual government land use fees payable during the development are approximately MOP9.5 million (equivalent to approximately US\$1.2 million) and the annual government land use fees payable after completion of development are approximately MOP9.9 million (equivalent to approximately US\$1.2 million). The government land use fee amounts may be adjusted every five years as agreed between the Macau government and the land concessionaire using the applicable rates in effect at the time of the rent adjustment.

See note 21 to the consolidated financial statements included elsewhere in this annual report for information about our future commitments as to government land use fees for City of Dreams.

The equipment utilized by City of Dreams in the casino and hotel is owned by us and held for use at City of Dreams, including the main gaming equipment and software to support its table games and gaming

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machine operations, cage equipment, security and surveillance equipment, casino and hotel furniture, fittings and equipment.

### **Altira Macau**

Altira Macau is located in Taipa, Macau with a land area of approximately 5,230 square meters (equivalent to approximately 56,295 square feet) under a 25-year land lease agreement with the Macau government that is renewable for further consecutive periods of ten years, subject to applicable legislation in Macau. In March 2006, the Macau government granted the land on which Altira Macau is located to Altira Resorts. The land grant was amended in December 2013. The total gross floor area of Altira Macau is approximately 104,000 square meters (equivalent to approximately 1,119,000 square feet). Total land premium required is in the amount of MOP169.3 million (equivalent to approximately US\$21 million) which was paid in full in 2013. According to the current terms of the land concession, the annual government land use fees payable are approximately MOP1.5 million (equivalent to approximately US\$190,000). This amount may be adjusted every five years as agreed between the Macau government and the land concessionaire using the applicable rates in effect at the time of the rent adjustment.

See note 21 to the consolidated financial statements included elsewhere in this annual report for information about our future commitments as to government land use fees for Altira Macau.

The equipment utilized by Altira Macau in the casino and hotel is owned by us and held for use at Altira Macau, including the main gaming equipment and software, to support its table games and gaming machine operations, cage equipment, security and surveillance equipment and casino, hotel furniture, fittings and equipment.

### **Mocha Clubs**

Mocha Clubs operate at premises with a total floor area of approximately 133,700 square feet at the following locations in Macau:

<b>Mocha Club</b>	<b>Opening Month</b>	<b>Location</b>	<b>Total Floor Area (In square feet)</b>
Royal	September 2003	G/F and 1/F of Hotel Royal	19,000
Taipa Square	January 2005	G/F, 1/F and 2/F of Grand Dragon Hotel	26,500
Sintra	November 2005	G/F and 1/F of Hotel Sintra	11,000
Macau Tower	September 2011	LG/F and G/F of Macau Tower	19,600
Golden Dragon	January 2012	G/F, 1/F and 2/F of Hotel Golden Dragon	20,500
Inner Harbor	December 2013	No 286-312 Seaside New Street	12,800
Kuong Fat	June 2014	Macau, Rua de Pequim No. 174., Centro Comercial Kuong Fat Cave A	13,800
Mocha Altira	November 2017	Avenida De Kwong Tung, No. 786, 798, 816 e 840, Taipa, Macau	10,500
<b>Total</b>			<b>133,700</b>

Premises are being operated under leases, subleases or right to use agreements that expire at various dates through June 2022, which are renewable upon reaching agreements with the owners.

In addition to leasehold improvements to Mocha Club premises, the onsite equipment utilized at the Mocha Clubs is owned and held for use to support the gaming machine operations.



### **Studio City**

Studio City is located in Cotai, Macau and has a land area of 130,789 square meters (equivalent to approximately 1.4 million square feet) held under a 25-year land lease agreement with the Macau government that is renewable for further consecutive periods of ten years, subject to applicable legislation in Macau. In October 2001, the Macau government granted the land on which Studio City is located to Studio City Developments. The Studio City land concession contract was amended in July 2012 and September 2015 to permit Studio City Developments to build a complex comprising a four-star hotel, a facility for cinematographic industry, including supporting facilities for entertainment and tourism, parking and free area.

The gross construction area of the Studio City site is approximately 707,078 square meters (equivalent to approximately 7.6 million square feet). The gross construction area completed in the first phase was approximately 477,110 square meters (equivalent to approximately 5.1 million square feet). The land premium of approximately MOP1,402.0 million (equivalent to approximately US\$175 million) was paid in full in January 2015. In February 2018, the development period under the Studio City land concession contract was extended to July 24, 2021. Government land use fees of approximately MOP3.9 million (equivalent to approximately US\$490,000) per annum are payable during the development stage. The annual government land use fees payable after completion of development will be MOP9.1 million (equivalent to approximately US\$1.1 million). The amounts may be adjusted every five years as agreed between the Macau government and the land concessionaire using the applicable rates in effect at the time of the rent adjustment.

As part of the security provided in relation to the 2016 Studio City Notes and the 2021 Studio City Senior Secured Credit Facility, we assigned certain leases and right to use agreements and granted a mortgage over our rights under the Studio City land concession.

See note 21 to the consolidated financial statements included elsewhere in this annual report for information about our future commitments as to government land use fees for Studio City.

### **City of Dreams Manila**

The City of Dreams Manila site is located on reclaimed land ("Project Reclaimed Land"). The Project Reclaimed Land was originally acquired by an entity known as R 1 Consortium from the Philippine Public Estates Authority ("PEA"). This acquisition occurred in 1995 as part of the R 1 Consortium's compensation for the construction of PEA's Manila-Cavite Coastal Road project. R 1 Consortium conveyed all its interest to the Project Reclaimed Land in favor of two entities in 1995. These two entities later merged with Belle Bay City Corporation ("Belle Bay"), which is 34.9% owned by Belle Corporation, being one of the Philippine Parties, with Belle Bay becoming the surviving entity and owner of the Project Reclaimed Land. Belle Bay was dissolved in 2005 and is still undergoing liquidation. The Project Reclaimed Land was allocated to Belle Corporation as part of Belle Bay's plan of dissolution. Belle Corporation has exercised possession and other rights over the Project Reclaimed Land since this allocation. In 2005, Belle Corporation transferred a portion of the Project Reclaimed Land to the Philippine Social Security System. In 2010, Belle Corporation and the Philippine Social Security System entered into a lease agreement for that land portion.

Melco Resorts Leisure does not own the land or the buildings comprising the site for City of Dreams Manila. Rather, Melco Resorts Leisure leases the Project Reclaimed Land and buildings from Belle Corporation under the Lease Agreement. Part of the land covered under the Lease Agreement is leased by Belle Corporation from the Philippine Social Security System under a lease agreement entered into between Belle Corporation and the Social Security System in 2010.

### **Other Premises**

Grand Dragon Casino (formerly known as Taipa Square Casino) premises, including the fit-out and gaming-related equipment, are located on the ground floor and level one within Grand Dragon Hotel (formerly,

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the Hotel Taipa Square) in Macau and occupy a floor area of approximately 2,450 square meters (equivalent to approximately 26,400 square feet). We operate Grand Dragon Casino under a right-to-use agreement.

Apart from the aforesaid property sites, we maintain various offices and storage locations in Macau, Hong Kong and Japan. We lease all of our office and storage premises.

### **Advertising and Marketing**

We seek to attract customers to our properties and to grow our customer base over time by undertaking several types of advertising, sales and marketing activities and plans. We utilize local and regional media to publicize our projects and operations. We have built a public relations and advertising team that cultivates media relationships, promotes our brands and explores media opportunities in various markets. Advertising uses a variety of media platforms that include digital, print, television, online, outdoor, on property (as permitted by Macau, PRC and other regional laws), collateral and direct mail pieces. A sales team has been established that directly liaises with current and potential customers within target Asian countries in order to grow and retain high-end customers. In order to be competitive in the Macau gaming environment, we hold various promotions and special events, operate loyalty programs with our patrons and have developed a series of commission and other incentive-based programs. In Macau and the Philippines, we employ a tiered loyalty program at our properties to ensure that each customer segment is specifically recognized and incentivized in accordance with their expected revenue contributions. Dedicated customer hosting programs provide personalized service to our most valuable customers. In addition, we utilize sophisticated analytical programs and capabilities to track the behavior and spending patterns of our patrons. We believe these tools help deepen our understanding of our customers to optimize yields and make continued improvements to our properties. As our advertising, sales and marketing activities occur in various jurisdictions, we aim to ensure we are in compliance with all applicable laws in relation to our advertising and marketing activities.

### **Customers**

We seek to cater to a broad range of customers through our diverse gaming and non-gaming facilities and amenities across our major existing operating properties.

#### ***Non-Gaming Patrons***

In addition to its mass market and rolling chip gaming offerings, City of Dreams offers visitors to Macau an array of multi-dimensional entertainment amenities, four hotels, as well as a selection of restaurants, bars and retail outlets. Altira Macau is designed to provide a high-end casino and hotel experience, tailored to meet the cultural preferences and expectations of Asian rolling chip patrons. Mocha Clubs are targeted to deliver a relaxed, café-style non-casino based electronic gaming experience. Studio City is designated to primarily target mass market guests through its vast array of non-gaming amenities and entertainment attractions.

City of Dreams Manila features different entertainment venues: DreamPlay, a family entertainment center which features a children's concierge and supervision service and activities catering to children aged four and above; Centerplay, a live performance central lounge within the casino; and the two facilities introduced in November 2018: the VR Zone and K-Golf. With these diverse entertainment venues and attractions, we believe City of Dreams Manila will be able to leverage on the experiences of City of Dreams in Macau, which has developed world-class attractions such as The House of Dancing Water and the Club Cubic nightclub.

#### ***Gaming Patrons***

Our gaming patrons include rolling chip players and mass market players.

Mass market players are non-rolling chip players and they come to our properties for a variety of reasons, including our direct marketing efforts, brand recognition, the quality and comfort of our mass market

gaming floors and our non-gaming offerings. Mass market players are further classified as general mass market and premium mass market players.

Rolling chip players at our casinos are patrons who participate in our in-house rolling chip programs or in the rolling chip programs of our gaming promoters, also known as junket operators. Our rolling chip players play mostly in our dedicated VIP rooms or designated gaming areas.

Our in-house rolling chip programs consist of rolling chip players sourced through our direct marketing efforts and relationships, whom we refer to as premium direct players. Premium direct players can earn a variety of gaming-related rebates, such as cash, rooms, food and beverage and other complimentary products or services.

### ***Gaming Promoters***

A portion of our rolling chip play is brought to us by gaming promoters, also known as junket operators. While rolling chip players sourced by gaming promoters do not earn direct gaming-related rebates from us, we pay commissions and provide other complimentary services to gaming promoters.

In both Macau and Manila, we engage gaming promoters to promote our VIP gaming rooms primarily due to the gaming promoters' knowledge of and experience within the regional gaming market, in particular with sourcing and attracting rolling chip patrons and arranging for their transportation and accommodation, and gaming promoters' extensive rolling chip patron network. Under standard arrangements utilized in Macau and Manila, we provide gaming promoters with exclusive or casual access to one or more of our VIP gaming rooms and support from our staff while gaming promoters source rolling chip patrons for our casinos or gaming areas to generate an expected minimum amount of rolling chip volume per month. Gaming promoters in Macau are independent third parties that include both individuals and corporate entities and are officially licensed by the DICJ. We have procedures to screen prospective gaming promoters prior to their engagement and conduct periodic checks that are designed to ensure that the gaming promoters with whom we associate meet suitability standards. We believe we have strong relationships with some of the top gaming promoters in Macau and have a solid network of gaming promoters who help us market our properties and source and assist in managing rolling chip patrons at our properties. For City of Dreams Manila, we leverage our extensive sales reach within Asia to the extent permissible by applicable laws, particularly to the sizable international customer base largely developed through our Macau operations and our strong relationships with gaming promoters in Macau and the rest of Asia. Melco Resorts Leisure works with Melco Resorts Macau to develop cross promotional marketing campaigns that position the Philippines as an additional gaming and tourist destination to guests at our properties and our gaming promoter networks. We expect to continue to evaluate and selectively add or remove gaming promoters going forward.

In Macau, we typically enter into gaming promoter agreements for a one-year term that are automatically renewed in subsequent years unless otherwise terminated. The gaming promoter agreements may be terminated (i) by either party without cause upon 15 days advance written notice, (ii) upon advice from the DICJ or any other gaming regulator to cease having dealings with the gaming promoter or if the DICJ cancels or fails to renew the gaming promoter's license, (iii) if the gaming promoter fails to meet the minimum rolling chip volume it agreed to with us, (iv) if the gaming promoter enters or is placed in receivership or provisional liquidation or liquidation, an application is made for the winding up of the gaming promoter, the gaming promoter becomes insolvent or makes an assignment for the benefit of its creditors or an encumbrancer takes possession of any of the gaming promoter's assets or (v) if any party to the agreement is in material breach of any of the terms of the agreement and fails to remedy such breach within the timeframe outlined in the agreement. Our gaming promoters are compensated through commission arrangements that are calculated on a monthly or a per trip basis. We generally offer commission payment structures that are calculated by reference to revenue share or monthly rolling chip volume. Under the revenue share-based arrangements, the gaming promoter participates in our gaming wins or losses from the rolling chip patrons brought in by the gaming promoter. To encourage gaming promoters to use our VIP gaming rooms for rolling chip patrons, our gaming

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promoters may receive complimentary allowances for food and beverage, hotel accommodation and transportation. Under the Administrative Regulation 27/2009 governing gaming promotion activity as promulgated by the Macau government, these allowances must be included in the 1.25% regulatory cap on gaming promoter commissions on rolling chip volume-based arrangements.

We conduct, and expect to continue to conduct, our table gaming activities at our casinos on a credit basis as well as a cash basis. As a customary practice in both Macau and Manila gaming markets, we grant credit to our gaming promoters and certain of our premium direct players. The gaming promoters bear the responsibility for issuing to and, subsequently collecting credit, from their players.

We extend interest-free credit to a significant portion of our gaming promoters for short-term, renewable periods under credit agreements that are separate from the gaming promoter agreements. Credit is also granted to certain gaming promoters on a revolving basis. All gaming promoter credit lines are generally subject to monthly review and various settlement procedures, including our credit committee review and other checks performed by our cage, count and credit department, to evaluate the liquidity and financial health of gaming promoters to whom we grant such credit. These procedures allow us to calculate the commissions payable to a gaming promoter and to determine the amount which can be offset, together with any other values held by us from the gaming promoter, against the outstanding credit balances owed by a gaming promoter. Credit is granted to a gaming promoter based on the performance and financial background of the gaming promoter and, if applicable, the gaming promoter's guarantor. If we determine that a gaming promoter has good credit history and a track record of large business volumes, we may extend credit exceeding one month of commissions payable. This credit is typically unsecured. Although the amount of such credit may exceed the amount of accrued commissions payable to, and any other amounts of value held by us from, the gaming promoters, we generally obtain personal checks and/or promissory notes from guarantors or other forms of collateral. We have in place internal controls and credit policies and procedures to manage such credit risks.

We aim to pursue overdue debts from gaming promoters and premium direct players. This collection activity includes, as applicable, frequent personal contact with the debtor, notices of delinquency and litigation. However, we may not be able to collect all of our gaming receivables from our credit customers and gaming promoters. See "Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Operations — We extend credit to a portion of our customers, and we may not be able to collect gaming receivables from our credit customers."

Our allowance for doubtful accounts may fluctuate significantly from period to period as a result of having significant individual customer account balances where changes in their status of collectability cause significant changes in our allowance. For information regarding allowances for doubtful accounts, see "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Critical Accounting Policies and Estimates — Accounts Receivable and Credit Risk."

### **Market and Competition**

We believe that the gaming markets in Macau and the Philippines are and will continue to be intensely competitive. Our competitors in Macau and elsewhere in Asia include all the current concession and subconcession holders, other PAGCOR license holders and many of the largest gaming, hospitality, leisure and property development companies in the world. Some of these current and future competitors are larger than us and have significantly longer track records in the operation of major hotel casino resort properties.

### ***Macau Gaming Market***

In 2018, 2017 and 2016, Macau generated approximately US\$37.5 billion, US\$32.9 billion and US\$27.7 billion of gaming revenue, respectively, according to the DICJ. Macau is currently the only market in Greater China, and one of only several in Asia, to offer legalized casino gaming.

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Gross gaming revenues in Macau expanded 13.5% in 2012 and 18.6% in 2013, according to the DICJ. The DICJ figures show that the Macau gaming market has been through a challenging period since 2014, with a decline in gross gaming revenues of 2.6% in 2014 and 34.3% in 2015 and 3.3% in 2016, primarily driven by a deteriorating demand environment from our key feeder market, China, as well as other restrictive policies including changes to travel and visa policies and the implementation of further smoking restrictions on the main gaming floor. According to the DICJ, the rolling chip segment underperformed the broader market, declining 10.9% year-over-year in 2014 and 39.9% year-over-year in 2015 and 6.9% in 2016, while the higher margin mass market table games segment increased 15.5% in 2014 and declined 26.7% in 2015 and increased 9.4% in 2016. The operating environment improved in 2017, with gross gaming revenues in Macau increasing 19.1% on a year-on-year basis and continued to improve in 2018 with gross gaming revenues in Macau increasing 14.0% on a year-on-year basis according to the DICJ.

The mass market table games segment accounted for 40.2% of market-wide gross gaming revenues in 2018, compared to 38.3% in 2017 and 41.6% in 2016, according to the DICJ. With our large exposure to the mass market table games segment in the fast growing Cotai region, we believe we are well positioned to cater to this increasingly important, and more profitable, segment of the market.

While industry trends in Macau have improved since the third quarter of 2016, Macau continues to be impacted by a range of external factors, including the slowdown in the Chinese economy and government policies that may adversely affect the Macau gaming market. For example, the Chinese government has taken measures to deter marketing of gaming activities to mainland Chinese residents by foreign casinos and to reduce capital outflow. Such measures include reducing the amount that China-issued ATM cardholders can withdraw in each withdrawal, setting a limit for annual withdrawals and the launch of facial recognition and identity card checks with respect to certain ATM users.

We believe the long-term growth in gaming and non-gaming revenues in Macau are supported by, among other things, the continuing emergence of a wealthier demographic in China, a robust regulatory framework and significant new infrastructure developments in Macau and China, as well as by the anticipated new supply of gaming and non-gaming facilities in Macau, which is predominantly focused on the Cotai region. Visitation to Macau totaled more than 35.8 million in 2018, increasing by 9.8% compared to 2017. While visitors from China represented 70.6%, increasing by 13.8% compared to 2017, visitors from Hong Kong and Taiwan represented 17.7% and 3.0%, of all visitors to Macau in 2018, respectively.

Gaming in Macau is administered through government-sanctioned concessions awarded to three different concessionaires: SJM, in which Mr. Lawrence Ho, our chairman and chief executive officer, and his family members have shareholding interests; Wynn Macau, a subsidiary of Wynn Resorts Ltd.; and Galaxy. SJM granted a subconcession to MGM Grand Paradise, which was originally formed as a joint venture by MGM-Mirage and Ms. Pansy Ho, sister of Mr. Lawrence Ho. Galaxy granted a subconcession to VML, a subsidiary of Sands China Ltd and Las Vegas Sands Corporation. Melco Resorts Macau obtained its subconcession under the concession of Wynn Macau.

SJM currently operates multiple casinos throughout Macau. SJM (through its predecessor, Tourism and Entertainment Company of Macau Limited) commenced its gaming operations in Macau in 1962 and is currently developing its project in Cotai which is expected to open in 2019.

Wynn Macau opened the Wynn Macau in September 2006 on the Macau Peninsula and an extension called Encore in 2010. In August 2016, Wynn Macau opened Wynn Palace, in Cotai.

Galaxy currently operates multiple casinos in Macau, including StarWorld, a hotel and casino resort in Macau's central business and tourism district. The Galaxy Macau Resort opened in Cotai in May 2011 and the opening of Phase 2 of the Galaxy Macau Resort took place in May 2015. Galaxy is currently developing Phase 3 of the Galaxy Macau Resort, which is currently expected to be completed and operational in 2020.

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VML operates Sands Macao on the Macau Peninsula, The Venetian Macao, the Plaza Casino at The Four Seasons Hotel Macao, the Sands Cotai Central and the Parisian Macao and has announced the re-branding and redevelopment of Sands Cotai Central into The Londoner Macao.

MGM Grand Paradise opened its MGM Macau in December 2007, which is located next to Wynn Macau on the Macau Peninsula, and its MGM Cotai in February 2018.

The existing concessions and subconcessions do not place any limit on the number of gaming facilities that may be operated. In addition to facing competition from existing operations of these concessionaires and subconcessionaires, we will face increased competition when any of them constructs new, or renovates pre-existing, casinos in Macau or enters into leasing, services or other arrangements with hotel owners, developers or other parties for the operation of casinos and gaming activities in new or renovated properties. Each of these concessionaires was permitted to grant one subconcession. The Macau government is currently considering the process of renewal, extension or grant of gaming concessions or subconcessions expiring in 2022. The Macau government further announced that the number of gaming tables in Macau should not exceed 5,500 until the end of the first quarter of 2013 and that, thereafter, for a period of ten years, the total number of gaming tables to be authorized will be limited to an average annual increase of 3%. These restrictions are not legislated or enacted into laws or regulations and, as such, different policies, including on the annual rate of increase in the number of gaming tables, may be adopted at any time by the relevant Macau government authorities. According to the DICJ, the number of gaming tables operating in Macau as of December 31, 2018 was 6,588. The Macau government has reiterated further that it does not intend to authorize the operation of any new casino or gaming area that was not previously authorized by the government, or permit tables authorized for mass market gaming operations to be utilized for VIP gaming operations or authorize the expansion of existing casinos or gaming areas. However, the policies and laws of the Macau government could change and permit the Macau government to grant additional gaming concessions or subconcessions. Such change in policies may also result in a change in the number of gaming tables and casinos that the Macau government is prepared to authorize for operation.

### ***Philippine Gaming Market***

We expect City of Dreams Manila to benefit from growth in the local and regional gaming demand, supported by improved infrastructure and strong growth in tourism to the Philippines. The Philippine economy is one of the fastest growing economies in the region, with favorable demographics and an expected increase in consumer spending, which we believe will benefit the Philippine gaming market. City of Dreams Manila, however, presently faces stronger competition in the Philippine market from hotels and resorts owned by both Philippine nationals and foreigners, including many of the largest gaming, hospitality, leisure and resort companies in the world, such as Travellers International Hotel Group, Inc., Bloomberry Resorts Corporation and Tiger Resorts Leisure and Entertainment Inc. as well as the Philippine Amusement and Gaming Corporation, an entity owned and controlled by the government of the Philippines, which operates certain gaming facilities across the Philippines.

### ***Other Regional Markets***

We may also face competition from casinos and gaming resorts located in other Asian destinations together with cruise ships. Casinos and integrated gaming resorts are becoming increasingly popular in Asia, giving rise to more opportunities for industry participants and increasing regional competition. There are major gaming facilities in Australia located in Melbourne, Perth, Sydney and the Gold Coast. Genting Highlands is a popular international gaming resort in Malaysia, approximately a one-hour drive from Kuala Lumpur. South Korea has allowed gaming for some time but these offerings are available primarily to foreign visitors. There are also casinos in Vietnam and Cambodia, although they are relatively small compared to those in Macau.

Singapore legalized casino gaming in 2006. Genting Singapore PLC opened its resort in Sentosa, Singapore, in February 2010 and Las Vegas Sands Corporation opened its casino in Marina Bay, Singapore, in

April 2010. In December 2016, a law which conceptually enables the development of integrated resorts in Japan took effect. In addition, several other Asian countries are considering or are in the process of legalizing gambling and establishing casino-based entertainment complexes.

### **Seasonality**

Macau, our principal market of operation, experiences many peaks and seasonal effects. The “Golden Week” and “Chinese New Year” holidays are in general the key periods where business and visitation increase considerably in Macau. In the Philippines, business considerably slows down during the “Holy Week,” as well as during the “Chinese New Year” and the “Chinese Ghost Month.” While we may experience fluctuations in revenues and cash flows from month to month, we do not believe that our business is materially impacted by seasonality.

### **Intellectual Property**

We have applied for and/or registered certain trademarks, including “Morpheus”, “Altira”, “Mocha Club”, “City of Dreams”, “Nüwa”, “The Countdown”, “City of Dreams Manila”, “Studio City”, “Melco Resorts Philippines” and “Melco Resorts & Entertainment” in Macau, the Philippines and/or other jurisdictions. We have also applied for or registered in Macau, the Philippines and other jurisdictions certain other trademarks and service marks used or to be used in connection with the operations of our hotel casino projects in Macau and City of Dreams Manila.

For our license or hotel management agreements that are required for our operations, see “Item 5. Operating and Financial Review and Prospects — C. Research and Development, Patents and Licenses, etc.”

### **Regulations**

#### ***Macau Regulations***

##### ***Gaming Regulations***

The ownership and operation of casino gaming facilities in Macau are subject to the general civil and commercial laws and to specific gaming laws, in particular, Law no. 16/2001, or the Macau Gaming Law. Macau’s gaming operations are also subject to the grant of a concession or subconcession by, and regulatory control of, the Macau government. See “— Gaming Licenses” below for more details.

The DICJ is the supervisory authority and regulator of the gaming industry in Macau. The core functions of the DICJ are:

- to collaborate in the definition of gaming policies;
- to supervise and monitor the activities of the concessionaires and subconcessionaires;
- to investigate and monitor the continuing suitability and financial capacity requirements of concessionaires, subconcessionaires and gaming promoters;
- to issue licenses to gaming promoters;
- to license and certify gaming equipment; and
- to issue directives and recommend practices with respect to the ordinary operation of casinos.

Below are the main features of the Macau Gaming Law, as supplemented by Administrative Regulation no. 26/2001, that are applicable to our business.

- If we violate the Macau Gaming Law, Melco Resorts Macau’s subconcession could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory

procedures. In addition, we, and the persons involved, could be subject to substantial fines for each separate violation of Macau Gaming Law or of the Subconcession Contract at the discretion of the Macau government. Further, if we terminate or suspend the operation of all or a part of our gaming operations without permission for reasons not due to *force majeure*, or in the event of insufficiency of our facilities and equipment which may affect the normal operation of our gaming business, the Macau government would be entitled to replace Melco Resorts Macau during such disruption and to ensure the continued operation of the gaming business. Under such circumstances, we would bear the expenses required for maintaining the normal operation of the gaming business.

- The Macau government also has the power to supervise concessionaires and subconcessionaires in order to assure financial stability and capability. See “— Gaming Licenses — The Subconcession Contract in Macau.”
- Any person who fails or refuses to apply for a finding of suitability after being ordered to do so by the Macau government may be found unsuitable. Any shareholder of a concessionaire or subconcessionaire holding shares equal to or in excess of 5% of such concessionaire’s or subconcessionaire’s share capital who is found unsuitable will be required to dispose of such shares by a certain time (the transfer itself being subject to the Macau government’s authorization). If a disposal has not taken place by the time so designated, such shares must be acquired by the concessionaire or subconcessionaire. Melco Resorts Macau will be subject to disciplinary action if, after it receives notice that a person is unsuitable to be a shareholder or to have any other relationship with it, Melco Resorts Macau:
  - pays that person any dividend or interest upon its shares;
  - allows that person to exercise, directly or indirectly, any voting right conferred through shares held by that person;
  - pays remuneration in any form to that person for services rendered or otherwise; or
  - fails to pursue all lawful efforts to require that unsuitable person to relinquish his or her shares.
- The Macau government also requires prior approval for the creation of a lien over shares or property (comprising a casino and gaming equipment and utensils) of a concession or subconcession holder. In addition, the creation of restrictions on its shares in respect of any public offering also requires the approval of the Macau government to be effective.
- The Macau government must give its prior approval to changes in control through a merger, consolidation, shares acquisition, or any act or conduct by any person whereby such person obtains control. Entities seeking to acquire control of a concessionaire or subconcessionaire must satisfy the Macau government with regards to a variety of stringent standards prior to assuming control. The Macau government may also require controlling shareholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated for suitability as part of the approval process of the transaction.

Non-compliance with these obligations could lead to the revocation of Melco Resorts Macau’s subconcession and could materially adversely affect our gaming operations.

The Macau government has also enacted other gaming legislation, rules and policies. Further, it imposed policies, regulations and restrictions that affect the minimum age required for entrance into casinos in Macau, the number of gaming tables that may be operated in Macau, location requirements for sites with gaming machine lounges, supply and requirements of gaming machines, equipment and systems, instruction on responsible gaming, restrictions on the utilization of mass market gaming tables for VIP gaming operations and other matters. In addition, the Macau government may consider enacting new regulations that may adversely affect our gaming operations. Our inability to address the requirements or restrictions imposed by the Macau government under such legislation or rules could adversely affect our gaming operations.



### ***Gaming Promoters Regulations***

Macau Administrative Regulation no. 6/2002, as amended pursuant to Administrative Regulation no. 27/2009, or the Gaming Promoters Regulation, regulates licensing of gaming promoters and the operations of gaming promotion business by gaming promoters. Applications to the DICJ by those seeking to become licensed gaming promoters must be sponsored by a concessionaire or subconcessionaire. Such concessionaire or subconcessionaire must confirm that it may contract the applicant's services subject to the latter being licensed. Licenses are subject to annual renewal and a list of licensed gaming promoters is published every year in the Macau Official Gazette. The DICJ monitors each gaming promoter and its staff and collaborators. In October 2015, the DICJ issued specific accounting related instructions applicable to gaming promoters and their operations. Any failure by the gaming promoters to comply with such instructions may impact their license and ability to operate in Macau.

In addition, concessionaires and subconcessionaires are jointly liable for the activities of their gaming promoters and collaborators within their casinos. In addition to the licensing and suitability assessment procedures performed by the DICJ, all of our gaming promoters undergo a thorough internal vetting process. We conduct background checks and also conduct periodic reviews of the activities of each gaming promoter, its employees and its collaborators for possible non-compliance with Macau legal and regulatory requirements. Such reviews generally include investigations into compliance with applicable anti-money laundering laws and regulations as well as tax withholding requirements.

Concessionaires and subconcessionaires are required to report periodically on commissions and other remunerations paid to their gaming promoters. A 5% tax must be withheld on commissions and other remunerations paid by a concessionaire or subconcessionaire to its gaming promoters. Under the Gaming Promoters Regulation and in accordance with the Secretary for Economy and Finance Dispatch no. 83/2009, effective as of September 11, 2009, a commission cap of 1.25% of net rolling has been in effect. Any bonuses, gifts, services or other advantages which are subject to monetary valuation and which are granted, directly or indirectly, inside or outside of Macau by any concessionaire or subconcessionaires or any company of their respective group to any gaming promoter shall be considered a commission. The commission cap regulations impose fines, ranging from MOP100,000 (equivalent to approximately US\$12,397) up to MOP500,000 (equivalent to approximately US\$61,985) on gaming operators that do not comply with the cap and other fines, ranging from MOP50,000 (equivalent to approximately US\$6,198) up to MOP250,000 (equivalent to approximately US\$30,992) on gaming operators that do not comply with their reporting obligations regarding commission payments. If breached, the legislation on commission caps has a sanction enabling the relevant government authority to make public a government decision imposing a fine on a concessionaire and subconcessionaire, by publishing such decision on the DICJ website and in two Macau newspapers (in Chinese and Portuguese respectively). We believe we have implemented the necessary internal control systems to ensure compliance with the commission cap and reporting obligations in accordance with applicable rules and regulations.

The Macau government is currently considering amending the Macau Administrative Regulation no. 6/2002. The Macau government is, among other things, proposing that the licensing requirements for gaming promoters be more stringent and restrictive, the imposition of new penalties and the increase of the amounts of current fines.

### ***Gaming Credit Regulations***

Macau Law no. 5/2004 has legalized the extension of gaming credit to patrons or gaming promoters by concessionaires and subconcessionaires. Gaming promoters may also extend credit to patrons upon obtaining an authorization by a concessionaire or subconcessionaire to carry out such activity. Assigning or transferring one's authorization to extend gaming credit is not permitted. This statute sets forth filing obligations for those extending credit and the supervising role of the DICJ in this activity. Gaming debts contracted pursuant to this statute are a source of civil obligations and may be enforced in court.

### ***Access to Casinos and Gaming Areas Regulations***

Under Law no. 10/2012, as amended pursuant to Law no. 17/2018, the minimum age required for entrance into casinos in Macau is 21 years of age. The director of the DICJ may authorize employees under 21 years of age to temporarily enter casinos or gaming areas, after considering their special technical qualifications. In addition, off-duty gaming related employees of gaming operators and gaming promoters may not, starting from December 2019, access any casinos or gaming areas, except during the Chinese New Year festive season or under specific circumstances.

### ***Smoking Regulations***

Under the Smoking Prevention and Tobacco Control Law, as amended pursuant to Law no. 9/2017, from January 1, 2019, smoking on casino premises is only permitted in authorized segregated smoking lounges with no gaming activities and such smoking lounges are required to meet certain standards determined by the Macau government.

### ***Anti-Money Laundering Regulations in Macau***

In conjunction with current gaming laws and regulations, we are required to comply with the laws and regulations relating to anti-money laundering activities in Macau. Law 2/2006 (as amended pursuant to Law 3/2017), the Administrative Regulation 7/2006 (as amended pursuant to Administrative Regulation no. 17/2017) and the DICJ Instruction 1/2016 in effect from May 13, 2016, govern our compliance requirements with respect to identifying, reporting and preventing anti-money laundering and terrorism financing crimes at our casinos in Macau. Under these laws and regulations, we are required to:

- implement internal procedures and rules governing the prevention of anti-money laundering and terrorism financing crimes which are subject to prior approval from DICJ;
- identify and evaluate the money laundering and terrorism financing risk inherent to gaming activities;
- identify any customer who is in a stable business relationship with Melco Resorts Macau, who is a politically exposed person or any customer or transaction where there is a sign of money laundering or financing of terrorism or which involves significant sums of money in the context of the transaction, even if any sign of money laundering is absent;
- refuse to deal with any of our customers who fail to provide any information requested by us;
- keep records on the identification of a customer for a period of five years;
- establish a regime for electronic transfers;
- keep individual records of all transactions related to gaming which involve credit securities;
- keep records of all electronic transactions for amounts equal to or exceeding MOP8,000 (equivalent to approximately US\$992) in cases of occasional transactions and MOP120,000 (equivalent to approximately US\$14,876) in cases of transactions that arose in the context of a continuous business relationship;
- notify the Finance Information Bureau if there is any sign of money laundering or financing of terrorism;
- adopt as compliance function and appoint compliance officers; and
- cooperate with the Macau government by providing all required information and documentation requested in relation to anti-money laundering activities.

Under Article 2 of Administrative Regulation 7/2006 (as amended pursuant to Administrative Regulation no. 17/2017) and the DICJ Instruction 1/2016, we are required to track and report transactions and

granting of credit that are of MOP500,000 (equivalent to approximately US\$61,985) or above. Pursuant to the legal requirements above, if the customer provides all required information, after submitting the reports, we may continue to deal with those customers that were reported to the DICJ and, in case of suspicious transactions, to the Finance Information Bureau.

We employ internal controls and procedures designed to help ensure that our gaming and other operations are conducted in a professional manner and in compliance with internal control requirements issued by the DICJ set forth in its instruction on anti-money laundering, the applicable laws and regulations in Macau, as well as the requirements set forth in the Subconcession Contract.

We have developed a comprehensive anti-money laundering policy and related procedures covering our anti-money laundering responsibilities, which have been approved by the DICJ, and have training programs in place to ensure that all relevant employees understand such anti-money laundering policy and procedures. We also use an integrated IT system to track and automatically generate significant cash transaction reports and, if permitted by the DICJ and the Finance Information Bureau, to submit those reports electronically.

### ***Responsible Gaming Regulations***

On October 18, 2012, the DICJ issued Instruction no. 2/2012, which came into effect on November 1, 2012, setting out measures for the implementation of responsible gaming principles. Under this instruction, concessionaires and subconcessionaires are required to implement certain measures to promote responsible gambling, including: making information available on the risks of gambling, responsible gambling and odds, both inside and outside the casinos and gaming areas and through electronic means; creation of information and counseling kiosks and a hotline; adequate regulation of lighting inside casinos and gaming areas; public exhibition of time; and creation and training of teams and a coordinator responsible for promoting responsible gambling.

### ***Control of Cross-border Transportation of Cash Regulations***

On June 12, 2017, Law no. 6/2017 with respect to the control of cross-border transportation of cash and other negotiable instruments to the bearer, was enacted. Such law came into effect on November 1, 2017. In accordance with such law, all individuals entering Macau with an amount in cash or negotiable instrument to the bearer equal to or higher than the amount determined by the order of the Chief Executive of Macau at MOP120,000 (equivalent to approximately US\$14,876) will be required to declare such amount to the customs authorities. The customs authorities may also request an individual exiting Macau to declare if such individual is carrying an amount in cash or negotiable instruments to the bearer equal to or higher to such amount. Individuals that fail to duly complete the required declaration may be subject to a fine (ranging from 1% to 5% of the amount that exceeds the amount determined by the order of the Chief Executive of Macau for declaration purposes, such fine being at least MOP1,000 (equivalent to approximately US\$124) and not exceeding MOP500,000 (equivalent to approximately US\$61,985)). In the event the relevant customs authorities find that the cash or negotiable instrument to the bearer carried by an individual while entering or exiting Macau may be associated with or result from any criminal activity, such incident shall be notified to the relevant criminal authorities and the relevant amounts shall be seized pending investigation. See “Item 3. Key Information — D. Risk Factors — Risks Relating to the Gaming Industry and Our Operations in Macau — Our gaming operations in Macau could be adversely affected by restrictions on the export of the Renminbi and any unfavorable fluctuations in the currency exchange rates of the Renminbi.”

### ***Prevention and Suppression of Corruption in External Trade Regulations***

In addition to the general criminal laws regarding corrupt practices in the public and private sector that are in force in Macau, on January 1, 2015, Law no. 10/2014, criminalizing corruption acts in external trade and providing for a system for prevention and suppression of such criminal acts came into effect in Macau. Our internal policies, address this issue.

### ***Asset Freezing Enforcement Regulations***

On August 29, 2016, Law no. 6/2016 with respect to the framework for the enforcement of asset freezing orders, which comprised of United Nations Security Council sanctions resolutions for the fight against terrorism and proliferation of weapons of mass destruction, was enacted. Under this law, the Chief Executive of Macau is the competent authority to enforce freezing orders and the Asset Freeze Coordination Commission must assist the Chief Executive in all technical aspects of such enforcement. Among other entities, gaming operators are subject to certain obligations and duties regarding the freezing of assets ordered by the United Nations Security Council sanctions resolutions, including reporting and cooperation obligations.

### ***Foreign Exchange Regulations***

Gaming operators in Macau may be authorized to open foreign exchange counters at their casinos and gaming areas subject to compliance with the Foreign Exchange Agencies Constitution and Operation Law (Decree-Law no. 38/97/M), the Exchange Rate Regime (Decree-Law no. 39/97/M) and the specific requirements determined by the Monetary Authority of Macau. The transaction permitted to be performed in such counters is limited to buying and selling bank bills and coins in foreign currency, and to buying travelers checks.

### ***Intellectual Property Rights Regulations***

Our subsidiaries incorporated in Macau are subject to local intellectual property regulations. Intellectual property protection in Macau is supervised by the Intellectual Property Department of the Economic Services Bureau of the Macau government.

The applicable regime in Macau with regard to intellectual property rights is defined by two main laws. The Industrial Property Code (Decree-Law no. 97/99/M, as amended pursuant to Law no. 11/2001), covers (i) inventions meeting the patentability requirements; (ii) semiconductor topography products; (iii) trademarks; (iv) designations of origin and geographical indications; and (v) awards. The Regime of Copyright and Related Rights (Decree-Law no. 43/99/M, as amended by Law no. 5/2012), protects intellectual works and creations in the literary, scientific and artistic fields, by copyright and related rights. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Operations — A failure to establish and protect our intellectual property rights could have an adverse effect on our business, financial condition and results of operations.”

### ***Personal Data Regulations***

Processing of personal data by our subsidiaries in Macau is subject to compliance with the Personal Data Protection Act (Law no. 8/2005). The Office for Personal Data Protection, or GPDP, is the regulatory authority in Macau in charge of supervising and enforcing the Personal Data Protection Act. Breaches are subject to civil liability, administrative and criminal sanctions.

The legal framework requires that certain procedures must be adopted before collecting, processing and/or transferring personal data, including obtaining consent from the data subject and/or notifying or requesting authorization from the GPDP prior to processing personal data.

### ***Labor Quotas Regulations***

All businesses in Macau must apply to the Labor Affairs Bureau for labor quotas to import non-resident unskilled workers from China and other regions or countries. Non-resident skilled workers are also subject to the issuance of a work permit by the Macau government, which is given individually on a case-by-case basis. Businesses are free to employ Macau residents in any position, as by definition all Macau residents have the right to work in Macau. We have, through our subsidiaries, two main groups of labor quotas in Macau, one to import non-skilled workers from China and the other to import non-skilled workers from all other countries. Melco Resorts Macau is not currently allowed to hire non-Macau resident dealers and supervisors under Macau government’s policy.

Pursuant to Macau social security laws, Macau employers must register their employees under a mandatory social security fund and make social security contributions for each of its resident employees and pay a special duty for each of its non-resident employees on a quarterly basis. Employers must also buy insurance to cover employment accidents and occupational illness for all employees.

### ***Land Regulations***

Land in Macau is legally divided into plots. In most cases, private interests in real property located in Macau are obtained through long-term leases from the Macau government.

Our subsidiaries have entered into land concession contracts for the land on which our Altira Macau, City of Dreams and Studio City properties are located. Each contract has a term of 25 years and is renewable for further consecutive periods of ten years and imposes, among other conditions, a development period, a land premium payment, a nominal annual government land use fee, which may be adjusted every five years, and a guarantee deposit upon acceptance of the land lease terms, which are subject to adjustments from time to time in line with the amounts paid as annual land use fees.

The land is initially granted on a provisional basis and registered as such with the Macau Real Property Registry and only upon completion of the development is the land concession converted into definitive status and so registered with the Macau Real Property Registry.

### ***Restrictions on Distribution of Profits***

All subsidiaries incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after tax to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the boards of directors of the relevant subsidiaries. As of December 31, 2018, the aggregate balance of the reserves of all our Macau subsidiaries amounted to US\$31.5 million.

### ***Philippines Regulations***

#### ***Gaming Regulations***

Melco Philippine Parties and Philippine Parties are co-licensees of the Regular License dated April 29, 2015 issued by PAGCOR (previously the Provisional License) for the development of an integrated casino, hotel, retail and entertainment complex within the Entertainment City, Manila. As one of the Philippine Licensees, Melco Resorts Leisure has been named as the special purpose entity to operate the casino business and act as the sole and exclusive representative of the Philippine Licensees for the purposes of the Regular License. The Regular License is one of the four licenses granted to various parties to develop integrated tourism resorts and establish and operate casinos in Entertainment City.

The Casino Regulatory Manual (CRM) was originally issued in January 2013 by PAGCOR for the guidance of the Entertainment City licensees. It was developed to meet the following objectives of PAGCOR: (a) to ensure a level playing field among industry proponents; (b) maintain the orderly and predictable environment; (c) enforce license terms and conditions; (d) promote fairness and integrity in the conduct of games; (e) provide an underlying platform for responsible gaming; (f) disallow access to gaming venues by minors and financially vulnerable persons; and (g) prevent licensed gaming venues from being used for illegal activities.

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The CRM contains regulations and standards that the Entertainment City licensees, including City of Dreams Manila, should adhere to and observe. It should be read in conjunction with the Regular License. It contains regulations on areas such as, but not limited to: casino layout, table games and electronic gaming machines, casino management system, surveillance, gaming chips and plaques, procurement of gaming equipment and gaming paraphernalia as well as the accreditation of suppliers thereof; casino operational rules and guidelines; conduct of gaming; casino player incentives; marketing and promotions; chipwashing and junket operations; banned personalities; determination of gross gaming revenues for table games, electronic gaming machines and other fees; and determination, collection and remittance of PAGCOR license fees. The CRM is annually revised to incorporate changes and revisions to the CRM proposed by any of the Entertainment City licensees and approved by PAGCOR. To date, the CRM is now on its fourth (4<sup>th</sup>) version.

The ownership and operation of casino gaming facilities in the Philippines are subject to the regulatory supervision of PAGCOR. See “— Gaming Licenses — PAGCOR Licenses in the Philippines” below for more details.

### ***Anti-Money Laundering Regulations in the Philippines***

The Philippine AMLA criminalized money laundering and imposed certain requirements on customer identification, record keeping, and reporting of covered and suspicious transactions by covered persons as defined under the law.

Previously, City of Dreams Manila was covered by the AMLA only to a limited extent and was only required to report its foreign exchange transactions/money changer activities. However, with the new amendment to the existing Philippine AMLA, casinos are now included as covered persons subject to reporting and other requirements. Therefore, City of Dreams Manila, both in relation to its foreign exchange transactions/money changer activities, as well as its casino operations, is now required to report (i) transactions in cash or other equivalent monetary instrument involving a total amount in excess of PHP500,000 within one (1) banking day, with respect to its foreign exchange transactions/money changer activities, and (ii) single casino cash transaction involving an amount in excess of PHP5,000,000 or its equivalent in any other currency, with respect to its casino operations. Suspicious transactions, regardless of amount, are also required to be reported in connection with both its foreign exchange transactions/money changer activities and casino operations.

The Anti-Money Laundering Council and PAGCOR have also recently released regulations and guidelines on compliance and we are currently adjusting our anti-money laundering policies for our Philippine operations to these new rules and regulations.

### ***Environmental Laws***

Development projects that are classified by law as Environmentally Critical Projects (“ECP”) within statutorily defined Environmentally Critical Areas (“ECAs”) are required to obtain an Environmental Compliance Certificate (“ECC”) prior to commencement.

The Environmental Management Bureau of the Department of Environment and Natural Resources (“DENR-EMB”) issued an ECC to Belle Corporation for City of Dreams Manila. Under the terms of its Philippine Economic Zone Authority (“PEZA”) registration, Melco Resorts Leisure is required, prior to the start of commercial operations of City of Dreams Manila, to either: (a) apply for an ECC with the DENR-EMB and submit an approved copy of the ECC to PEZA within 15 days from its issuance, or (b) submit the ECC issued to Belle Corporation, as the same may be amended to reflect any changes made to City of Dreams Manila, for the review and approval by PEZA. Accordingly, Belle Corporation applied for an Amended ECC to reflect the changes made to City of Dreams Manila. The DENR-EMB issued the Amended ECC to Belle Corporation on July 31, 2014.

## ***Other Applicable Laws***

### ***Foreign Corrupt Practices Act***

The FCPA prohibits our Company and our employees and agents from offering or giving money or any other item of value to win or retain business or to influence any act or decision of any foreign official. The Code of Business Conduct and Ethics includes specific FCPA related provisions in Section IV and VIII B. To further supplement the Code of Business Conduct and Ethics, our Company implemented a FCPA Compliance Program in 2007, which was revised and expanded in scope in December 2013 as the Ethical Business Practices Program. This covers the activities of the shareholders, directors, officers, employees and counterparties of our Company.

### ***Gaming Licenses***

#### ***The Concession Regime in Macau***

The Macau government conducted an international tender process for gaming concessions in Macau in 2001, and granted three gaming concessions to SJM, Galaxy and Wynn Macau, respectively. Upon authorization by the Macau government, each of SJM, Galaxy and Wynn Macau subsequently entered into subconcession with their respective subconcessionaires to operate casino games and other games of chance in Macau. No further granting of subconcessions is permitted unless specifically authorized by the Macau government.

Though there are no restrictions on the number of casinos or gaming areas that may be operated under each concession or subconcession, Macau government approval is required for the commencement of operations of any casino or gaming area.

The subconcessionaires that entered into subconcession contracts with Wynn Macau, SJM and Galaxy are Melco Resorts Macau, MGM Grand Paradise and VML, respectively. Our subsidiary, Melco Resorts Macau, executed the Subconcession Contract with Wynn Macau on September 8, 2006. Wynn Macau will continue to develop and run hotel operations and casino projects independent of ours.

All concessionaires and subconcessionaires must pay a special gaming tax of 35% of gross gaming revenues, defined as all gaming revenues derived from casino or gaming areas, plus an annual gaming premium of:

- MOP30 million (equivalent to approximately US\$3.7 million) per annum fixed premium;
- MOP300,000 (equivalent to approximately US\$37,191) per annum per VIP gaming table;
- MOP150,000 (equivalent to approximately US\$18,595) per annum per mass market gaming table; and
- MOP1,000 (equivalent to approximately US\$124) per annum per electric or mechanical gaming.

The Macau government has been considering the extension, renewal or grant of new concessions and subconcessions. As part of such efforts, in May 2016, the Macau government conducted a mid-term review to analyze the impact of the gaming industry on the local economy, business environment of small and medium enterprises, local population and gaming and non-gaming business sectors and the current status of the gaming promoters.

#### ***The Subconcession Contract in Macau***

The Subconcession Contract in Macau provides for the terms and conditions of the subconcession granted to Melco Resorts Macau by Wynn Macau. Melco Resorts Macau does not have the right to further grant a subconcession or transfer the operation to third parties.

Melco Resorts Macau paid a consideration of US\$900 million to Wynn Macau. On September 8, 2006, Melco Resorts Macau was granted the right to operate games of fortune and chance or other games in casinos in Macau until the expiration of the subconcession on June 26, 2022. No further payments need to be made to Wynn Macau in future operations during the concession period.

The Macau government has confirmed that the subconcession is independent of Wynn Macau's concession and that Melco Resorts Macau does not have any obligations to Wynn Macau pursuant to the Subconcession Contract. It is thus not affected by any modification, suspension, redemption, termination or rescission of Wynn Macau's concession. In addition, an early termination of Wynn Macau's concession before June 26, 2022, would not result in the termination of the subconcession. The subconcession was authorized and approved by the Macau government. Absent any change to Melco Resorts Macau's legal status, rights, duties and obligations towards the Macau government or any change in applicable law, Melco Resorts Macau will continue to be validly entitled to operate independently under and pursuant to the subconcession, notwithstanding the termination or rescission of Wynn Macau's concession, the insolvency of Wynn Macau and/or the replacement of Wynn Macau as concessionaire in the Subconcession Contract. The Macau government has a contractual obligation to the effect that, should Wynn Macau cease to hold the concession prior to June 26, 2022, the Macau government would replace Wynn Macau with another entity so as to ensure that Melco Resorts Macau may continue to operate games of chance and other games in casinos in Macau and the subconcession would at all times be under a concession. Both the Macau government and Wynn Macau have undertaken to cooperate with Melco Resorts Macau to ensure all the legal and contractual obligations are met.

A summary of the key terms of the Subconcession Contract is as follows.

*Development of Gaming Projects/Financial Obligations.* The Subconcession Contract requires us to make a minimum investment in Macau of MOP4.0 billion (equivalent to approximately US\$495.9 million), including investment in fully developing Altira Macau and the City of Dreams, by December 2010. In June 2010, we obtained confirmation from the Macau government that as of the date of the confirmation, we had invested over MOP4.0 billion (equivalent to approximately US\$495.9 million) in our projects in Macau.

*Payments.* Subconcession premiums and taxes, computed in various ways depending upon the type of gaming or activity involved, are payable to the Macau government. The method for computing these fees and taxes may be changed from time to time by the Macau government. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly or annually and are based upon either a percentage of the gross revenues or the number and type of gaming devices operated. In addition to special gaming taxes of 35% of gross gaming revenues, we are also required to contribute to the Macau government an amount equivalent to 1.6% of the gross revenues of our gaming business. Such contribution must be delivered to a public foundation designated by the Macau government whose goal is to promote, develop or study culture, society, economy, education and science and engage in academic and charitable activities. Furthermore, we are also obligated to contribute to Macau an amount equivalent to 2.4% of the gross revenues of the gaming business for urban development, tourism promotion and the social security of Macau. We are required to collect and pay, through withholding, statutory taxes on commissions or other remunerations paid to gaming promoters.

*Termination Rights.* The Macau government has the right, after notifying Wynn Macau, to unilaterally terminate Melco Resorts Macau's subconcession in the event of non-compliance by us with our basic obligations under the subconcession and applicable Macau laws. Upon termination, all of our casino premises and gaming equipment would revert to the Macau government automatically without compensation to us and we would cease to generate any revenues from these operations. In many of these instances, the Subconcession Contract does not provide a specific cure period within which any such events may be cured and, instead, we may be dependent on consultations and negotiations with the Macau government to give us an opportunity to remedy any such default. Neither Melco Resorts Macau nor Wynn Macau is granted explicit rights of veto, or of prior consultation. The Macau government may be able to unilaterally rescind the Subconcession Contract upon the following termination events:

- the operation of gaming without permission or operation of business which does not fall within the business scope of the subconcession;
- abandonment of approved business or suspension of operations of our gaming business in Macau without reasonable grounds for more than seven consecutive days or more than 14 non-consecutive days within one calendar year;



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- transfer of all or part of Melco Resorts Macau's operation in Macau in violation of the relevant laws and administrative regulations governing the operation of games of fortune or chance and other casino games in Macau and without Macau government approval;
- failure to pay taxes, premiums, levies or other amounts payable to the Macau government;
- refusal or failure to resume operations following the temporary assumption of operations by the Macau government;
- repeated opposition to the supervision and inspection by the Macau government and failure to comply with decisions and recommendations of the Macau government, especially those of the DICJ, applicable to us;
- failure to provide or supplement the guarantee deposit or the guarantees specified in the subconcession within the prescribed period;
- bankruptcy or insolvency of Melco Resorts Macau;
- fraudulent activity harming public interest;
- serious and repeated violation of the applicable rules for carrying out casino games of chance or games of other forms or damage to the fairness of casino games of chance or games of other forms;
- systematic non-compliance with the Macau Gaming Law's basic obligations;
- the grant to any other person of any managing power over the gaming business of Melco Resorts Macau or the grant of a subconcession or entering into any agreement to the same effect; or
- failure by a controlling shareholder in Melco Resorts Macau to dispose of its interest in Melco Resorts Macau, within 90 days from the date of the authorization given by the Macau government for such disposal, pursuant to written instructions received from the regulatory authority of a jurisdiction where the said shareholder is licensed to operate, which have had the effect that such controlling shareholder now wishes to dispose of the shares it owns in Melco Resorts Macau.

*Ownership and Capitalization.* Set out below are the key terms in relation to ownership and capitalization under the Subconcession

Contract:

- any person who directly acquires voting rights in Melco Resorts Macau will be subject to authorization from the Macau government;
- Melco Resorts Macau will be required to take the necessary measures to ensure that any person who directly or indirectly acquires more than 5% of the shares in Melco Resorts Macau would be subject to authorization from the Macau government, except when such acquisition is wholly made through the shares of publicly-listed companies tradable at a stock exchange;
- any person who directly or indirectly acquires more than 5% of the shares in Melco Resorts Macau will be required to report the acquisition to the Macau government (except when such acquisition is wholly made through shares tradable on a stock exchange as a publicly-listed company);
- the Macau government's prior approval would be required for any recapitalization plan of Melco Resorts Macau; and
- the Chief Executive of Macau could require the increase of Melco Resorts Macau's share capital, if deemed necessary.

*Redemption.* Under the Subconcession Contract, from 2017, the Macau government has the right to redeem the Subconcession Contract by providing us with at least one year's prior notice. In the event the Macau government exercises this redemption right, we would be entitled to compensation. The standards for the calculation of the amount of such compensation would be determined based on the gross revenues generated by

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City of Dreams during the tax year immediately prior to the redemption, multiplied by the remaining years of the term of the subconcession. We would not receive any further compensation (including for consideration paid to Wynn Macau for the subconcession).

*Others.* In addition, the Subconcession Contract contains various general covenants and obligations and other provisions, including special duties of cooperation, special duties of information, and execution of our investment obligations.

See “Item 3. Key Information — D. Risk Factors — Risks Relating to the Gaming Industry and Our Operations in Macau — Melco Resorts Macau’s Subconcession Contract expires in 2022 and if we were unable to secure an extension of its subconcession, or a new concession or subconcession, in 2022, or if the Macau government were to exercise its redemption right, we would be unable to operate casino gaming in Macau.”

### ***PAGCOR Licenses in the Philippines***

The Regular License issued by PAGCOR authorizes the Philippine Licensees, through Melco Resorts Leisure, to establish and operate a casino in the Philippines for both local and foreign patrons who are at least twenty-one years of age.

In general, the Regular License imposes certain obligations such as, but not limited to, the following:

- payment of monthly license fees to PAGCOR;
- maintenance of a debt-to-equity ratio (based on calculation as agreed with PAGCOR) for each of the Philippine Licensees of no greater than 70:30;
- at least 95.0% of the total employees of City of Dreams Manila must be Philippine citizens;
- 2.0% of certain casino revenues must be remitted to a foundation devoted to the restoration of cultural heritage and 5.0% of certain non-gaming revenues to PAGCOR; and
- operation of only the authorized casino games approved by PAGCOR.

See “Item 3. Key Information — D. Risk Factors — Risks Relating to the Gaming Industry and Our Business in the Philippines — MRP’s gaming operations are dependent on the Regular License issued by PAGCOR.”

### **Tax**

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we and our subsidiaries incorporated in the Cayman Islands are not subject to Cayman Islands income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands. However, we are subject to Hong Kong profits tax on profits arising from our activities conducted in Hong Kong.

Our subsidiaries incorporated in the British Virgin Islands are not subject to tax in the British Virgin Islands, but certain subsidiaries incorporated in the British Virgin Islands are subject to Macau complementary tax of 12% on profits earned in or derived from its activities conducted in Macau.

Our subsidiaries incorporated in Macau are subject to Macau complementary tax of up to 12% on profits earned in or derived from their activities conducted in Macau. Having obtained a subconcession, Melco Resorts Macau applied for and was granted the benefit of a corporate tax holiday on Macau complementary tax (but not gaming tax) in 2007, which exempted us from Macau complementary tax for five years from 2007 to 2011 on gaming profits. The Macau government has extended the tax holiday for additional five-year periods from 2012 through 2016 and from 2017 through 2021. In addition, the Macau government granted one of our

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subsidiaries in Macau the complementary tax exemption until 2021 on profits generated from income received from Melco Resorts Macau, to the extent that such income is derived from Studio City gaming operations and has been subject to gaming tax. The dividend distributions of such subsidiary to its shareholders continue to be subject to complementary tax. We remain subject to Macau complementary tax on our non-gaming profits.

During the five-year period from 2012 through 2016, an annual payment of MOP22.4 million (equivalent to approximately US\$2.8 million) was payable by Melco Resorts Macau, effective retroactively from 2012 through 2016, with respect to tax due for dividend distributions to the shareholders of Melco Resorts Macau from gaming profits, whether such dividends are actually distributed by Melco Resorts Macau or not, or whether Melco Resorts Macau has distributable profits in the relevant year. For the five-year period from 2017 through 2021, the annual payment payable by Melco Resort Macau is of MOP18.9 million (equivalent to approximately US\$2.3 million). Upon the payment of such payment amount, the shareholders of Melco Resorts Macau will not be liable to pay any other tax in Macau for dividend distributions received from gaming profits. However, we cannot assure you that the same arrangement will be applied beyond 2021 or that, in the event a similar arrangement is adopted, whether we will be required to pay a higher annual sum.

Melco Resorts Macau is subject to Macau gaming tax based on gross gaming revenue in Macau. These gaming taxes are an assessment on Melco Resorts Macau's gaming revenue and are recorded as casino expense.

The Macau government granted to Altira Resorts (formerly, Altira Hotel), in 2007, and COD Resorts (formerly, COD Hotels), in 2011 and 2013, the declaration of utility purposes benefit in respect of Altira Macau, The Countdown, Nüwa and Grand Hyatt Macau hotel, pursuant to which they are entitled to a property tax holiday, for a period of 12 years, on any immovable property that they own or is operated by them. Under such declaration of utility purposes benefit, they will also be allowed to double the maximum rates applicable regarding depreciation and reintegration for the purposes of assessing the Macau complementary tax. The transfer of the declaration of utility purpose to COD Resorts and Altira Resorts was requested on November 8, 2017 and was duly approved by the Macau government.

In September 2017, the Macau government granted Studio City Hotels the declaration of touristic utility purpose pursuant to which Studio City Hotels is entitled to a property tax holiday for a period of twelve years on the immovable property to which the touristic utility was granted, owned or operated by Studio City Hotels. Under such tax holiday, Studio City Hotels is allowed to double the maximum rates applicable to depreciation and reintegration for the purposes of assessment of the Macau complementary tax. Although the Studio City property is owned by Studio City Developments, we believe Studio City Hotels is entitled to such property tax holiday; however, there is no assurance that the Macau government will extend such benefit to Studio City Hotels.

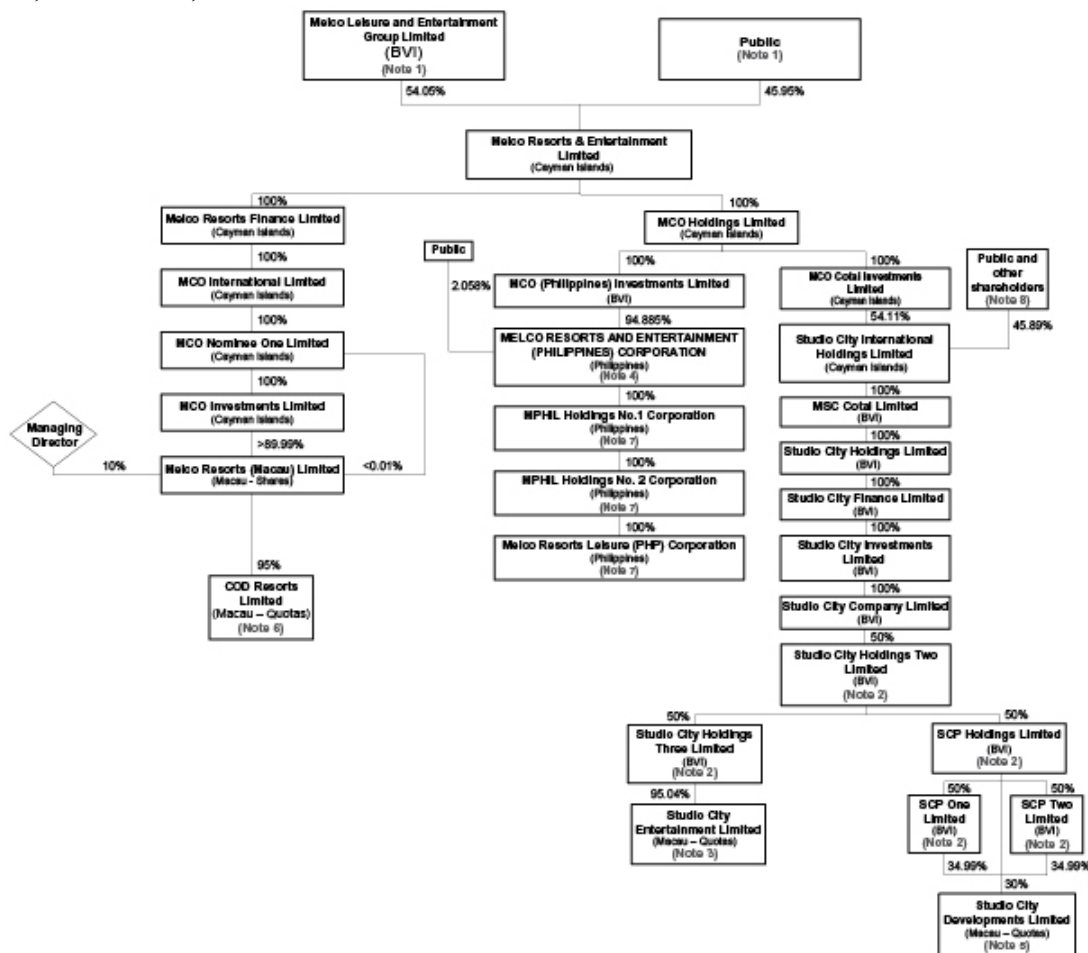
Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax of 16.5% on any profits arising in or derived from Hong Kong. One of our subsidiaries incorporated in Hong Kong is also subject to Macau complementary tax on profits earned in or derived from its activities conducted in Macau and another one is subject to corporate tax on profits in a number of other Asian jurisdictions through its activities conducted in these jurisdictions.

Our subsidiaries incorporated in the Philippines are subject to Philippine corporate income tax of 30% on profits and other local taxes. Some of the subsidiaries are likewise liable for VAT on certain transactions. On gaming related transactions, Melco Resorts Leisure enjoys exemption from national, local, direct and indirect (i.e. VAT) taxes pursuant to the PAGCOR charter and is subject to license fees which are inclusive of the 5% franchise tax payable to PAGCOR based on gross gaming revenue in the Philippines, in lieu of all other taxes. The franchise tax and license fees are an assessment on Melco Resorts Leisure's gaming revenue and are recorded as casino expense in the consolidated statements of operations. Further, Melco Resorts Leisure, by virtue of its being registered with the Philippine Economic Zone Authority as a Tourism Economic Zone Enterprise, enjoys a tax and duty exemption on importation and VAT zero-rating on its local purchases of certain capital equipment used in registered activities.

### C. ORGANIZATIONAL STRUCTURE

We are a holding company for the following principal businesses and developments: (1) 100% economic interest in our Macau gaming subconcession holder, Melco Resorts Macau, which, directly or indirectly through its subsidiary, is the operator of our gaming and non-gaming businesses in various properties in Macau; (2) a majority equity and economic interest in SCI, the holding company of Studio City; and (3) a majority equity and economic interest in MRP, a company listed on the Philippine Stock Exchange, the holding company of City of Dreams Manila.

The following diagram illustrates our organizational structure, including the place of formation, ownership interest and affiliation of our significant subsidiaries, as of March 27, 2019:



Notes:

- (1) Based on 1,401,047,204 shares outstanding as of March 27, 2019. The 1,401,047,204 shares outstanding include shares held by our depository bank to facilitate the administration and operation of our share incentive plans. Such shares represent 1.43% of the Company’s outstanding shares as of March 27, 2019. For a description of our share incentive plans, see “Item 6. Directors, Senior Management and Employees — E. Share Ownership — Share Incentive Plans.”

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- (2) The remaining 50% of the equity interests of these companies are owned by Studio City Holdings Five Limited, a wholly-owned subsidiary of SCI. The 50% interest held by Studio City Holdings Five Limited in various Studio City companies incorporated in the British Virgin Islands is non-voting.
- (3) 3.96% and 1% of the equity interests are owned by Studio City Holdings Four Limited and Studio City Holdings Five Limited, respectively. Studio City Holdings Four Limited is a wholly-owned subsidiary of SCI.
- (4) 3.057% of the equity interests are owned by MPHIL Corporation, a wholly-owned subsidiary of MCO Investments.
- (5) 0.02% of the equity interests are owned by Studio City Holdings Five Limited.
- (6) The remaining 5% of the equity interests are owned by MCO Nominee Two Limited.
- (7) Five shares (representing less than 0.01% of the issued share capital) are owned by five nominee directors of each relevant company.
- (8) New Cotai, LLC owns 72,511,760 Class B ordinary shares of SCI. In addition, based on information contained in the Schedule 13G filed by Silver Point Capital L.P., Edward A. Mulé and Robert J. O’Shea with the SEC on February 14, 2019, as of December 31, 2018, certain affiliates of New Cotai, LLC beneficially own SC ADSs representing 41,622,800 Class A ordinary shares of SCI.

See “Item 7. Major Shareholders and Related Party Transactions — A. Major Shareholders” for more information regarding the beneficial ownership of Melco International in our Company and “Exhibit 8.1 — List of Significant Subsidiaries.”

### **D. PROPERTY, PLANT AND EQUIPMENT**

See “Item 4. Information on the Company — B. Business Overview” and “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Investing Activities” and “— Other Financing and Liquidity Matters” for information regarding our material tangible property, plant and equipment.

#### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not applicable.

#### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following discussion should be read in conjunction with, and is qualified in its entirety by, the audited consolidated financial statements and the notes thereto in this Annual Report on Form 20-F. Certain statements in this “Operating and Financial Review and Prospects” are forward-looking statements. See “Special Note Regarding Forward-Looking Statements” regarding these statements.

##### **Overview**

We are a holding company and, through our subsidiaries, develop, own and operate casino gaming and entertainment casino resort facilities in Asia. Our future operating results are subject to significant business, economic, regulatory and competitive uncertainties and risks, many of which are beyond our control. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Operations.” For detailed information regarding our operations and development projects, see “Item 4. Information on the Company — B. Business Overview.”

## A. OPERATING RESULTS

### Operations

Our primary business segments consist of:

#### *Macau*

##### *City of Dreams*

In 2018, City of Dreams had an average of approximately 476 gaming tables and approximately 724 gaming machines. In January 2019, the Macau government authorized Melco to operate 40 additional gaming tables at City of Dreams. As of December 31, 2018, City of Dreams offered approximately 2,170 hotel rooms, suites and villas (inclusive of the approximately 770 rooms, suites and villas offered by Morpheus following its opening in June 2018), approximately 25 restaurants and bars, approximately 165 retail outlets, a wet stage performance theater, recreation and leisure facilities, including health and fitness clubs, three swimming pools, spas and salons and banquet and meeting facilities. The opening of Morpheus in June 2018 also provides an additional pool, spa and salon, fitness club, executive lounge and four restaurants. The wet stage performance theater with approximately 2,000 seats features The House of Dancing Water produced by Franco Dragone. The Club Cubic nightclub features approximately 2,395 square meters (equivalent to approximately 25,780 square feet) of live entertainment space. City of Dreams targets premium market and rolling chip players from regional markets across Asia.

We opened Morpheus, the third phase of City of Dreams, in June 2018.

For the years ended December 31, 2018, 2017 and 2016, net revenues generated from City of Dreams amounted to US\$2,543.7 million, US\$2,666.3 million and US\$2,590.8 million, representing 49.3%, 50.5% and 57.3% of our total net revenues, respectively.

##### *Altira Macau*

In 2018, Altira Macau had an average of approximately 104 gaming tables and 129 gaming machines operated as a Mocha Club at Altira Macau. In addition, Altira Macau had approximately 230 hotel rooms as of December 31, 2018 and features several fine dining and casual restaurants and recreation and leisure facilities. Altira Macau is designed to provide a casino and hotel experience that caters to Asian rolling chip players sourced primarily through gaming promoters. For the years ended December 31, 2018, 2017 and 2016, net revenues generated from Altira Macau amounted to US\$471.3 million, US\$446.1 million and US\$439.1 million, representing 9.1%, 8.4% and 9.7% of our total net revenues, respectively.

##### *Studio City*

Studio City is a large-scale cinematically-themed integrated entertainment, retail and gaming resort located in Cotai, with gaming facilities, luxury hotel offerings and various entertainment, retail and food and beverage outlets to attract a diverse range of customers, with a current focus on the mass market segment and complemented with junket and premium direct VIP rolling chip operations in Asia and, in particular, from Greater China. In January 2019, Melco Resorts Macau informed Studio City Entertainment Limited that it will cease VIP gaming operations at the Studio City Casino in January 2020. 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 opened its doors to customers in October 2015. In October 2018, Studio City listed its SC ADS on the New York Stock Exchange, following which we continued to retain a majority equity interest in SCI. In 2018, Studio City had an average of approximately 292 gaming tables and 957 gaming machines. For the years ended December 31, 2018, 2017 and 2016, net revenues generated from Studio City amounted to US\$1,368.4 million, US\$1,363.4 million and US\$838.2 million, representing 26.5%, 25.8% and 18.5% of our total net revenues, respectively.

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### *Mocha Clubs*

In 2018, Mocha Clubs had eight clubs with an average of approximately 1,336 gaming machines in operation (including approximately 129 gaming machines at Altira Macau). Mocha Clubs focus primarily on general mass market players, including day-trip customers, outside the conventional casino setting. For the years ended December 31, 2018, 2017 and 2016, net revenues generated from Mocha Clubs amounted to US\$113.4 million, US\$121.3 million and US\$120.5 million, representing 2.2%, 2.3% and 2.7% of our total net revenues, respectively. The source of revenues was substantially all from gaming machines. For the years ended December 31, 2018, 2017 and 2016, gaming machine revenues represented 97.7%, 97.3% and 97.4% of net revenues generated from Mocha Clubs, respectively.

### *Corporate and Other*

Corporate and Other primarily includes Grand Dragon Casino (formerly known as Taipa Square Casino), a casino on Taipa Island, Macau, operating within Grand Dragon Hotel (formerly known as Hotel Taipa Square), which we operate under a right-to-use agreement, and other corporate costs. For the years ended December 31, 2018, 2017 and 2016, net revenues generated from Corporate and Other amounted to US\$48.8 million, US\$38.5 million and US\$39.5 million, representing 0.9%, 0.7% and 0.9% of our total net revenues, respectively.

### *Philippines*

#### *City of Dreams Manila*

City of Dreams Manila opened its doors to customers in December 2014, with a grand opening in the first quarter of 2015. In 2018, City of Dreams Manila had an average of approximately 1,708 slot machines, 221 electronic gaming tables and 300 gaming tables. City of Dreams Manila also includes three branded hotel towers, several entertainment venues and features a wide selection of regional and international food and beverage offerings as well as extended retail shops. For the years ended December 31, 2018, 2017 and 2016, net revenues generated from City of Dreams Manila amounted to US\$612.9 million, US\$649.3 million and US\$491.2 million, representing 11.9%, 12.3% and 10.9% of our total net revenues, respectively.

## **Summary of Financial Results**

For the year ended December 31, 2018, our total net revenues were US\$5.16 billion, a decrease of 2.4% from US\$5.28 billion of net revenues for the year ended December 31, 2017. The decrease in net revenues was primarily attributable to higher commissions reported as a reduction in revenue upon the Company's adoption of the New Revenue Standard, partially offset by higher gross gaming revenues in all gaming segments. Net income attributable to Melco Resorts & Entertainment Limited for the year ended December 31, 2018 was US\$351.5 million, as compared to net income of US\$347.0 million for the year ended December 31, 2017.

	Year Ended December 31,		
	2018	2017	2016
	(in thousands of US\$)		
Net revenues	\$ 5,158,509	\$ 5,284,823	\$ 4,519,396
Total operating costs and expenses	(4,531,673)	(4,677,211)	(4,156,280)
Operating income	626,836	607,612	363,116
Net income attributable to Melco Resorts & Entertainment Limited	\$ 351,515	\$ 347,002	\$ 175,906

Our results of operations and financial position for the years presented are not fully comparable for the following reasons:

- In May 2016, we repurchased 155,000,000 ordinary shares (equivalent to 51,666,666 ADSs) from Crown Asia Investments for the aggregate purchase price of US\$800.8 million, and such shares were subsequently cancelled by us

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- On November 30, 2016 (December 1, 2016, Hong Kong time), we repaid the Studio City Project Facility (other than the HK\$1.0 million rolled over into the term loan facility of the 2021 Studio City Senior Secured Credit Facility, which was entered into on November 23, 2016) as funded by the net proceeds from the offering of 2016 Studio City Notes issued by Studio City Company on November 30, 2016 and cash on hand
- In May 2017, we issued and sold 27,769,248 ADSs (equivalent to 83,307,744 ordinary shares) and 81,995,799 ordinary shares and also repurchased 165,303,544 ordinary shares from Crown Asia Investments for the aggregate purchase price of US\$1.2 billion, and such repurchased shares were subsequently cancelled by us
- On June 6, 2017, Melco Resorts Finance issued US\$650.0 million in aggregate principal amount of the 2017 Senior Notes
- On June 14, 2017, together with the net proceeds from the issuance of US\$650.0 million in aggregate principal amount of the 2017 Senior Notes along with the proceeds in the amount of US\$350.0 million from a partial drawdown of the revolving credit facility under the 2015 Credit Facilities and cash on hand, Melco Resorts Finance redeemed all of our outstanding 2013 Senior Notes
- On July 3, 2017, Melco Resorts Finance issued US\$350.0 million in aggregate principal amount of the 2017 Senior Notes, the net proceeds from which were used to repay in full the US\$350.0 million drawdown from the revolving credit facility under the 2015 Credit Facilities
- On October 9, 2017, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP7.5 billion, together with accrued interest
- On June 15, 2018, Morpheus commenced operations with its grand opening on the same date
- On August 31, 2018, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP5.5 billion, together with accrued interest
- In October 2018, SCI completed its initial public offering of 28,750,000 SC ADSs (equivalent to 115,000,000 Class A ordinary shares of SCI)
- In November 2018, SCI completed the exercise by the underwriters of their over-allotment option in full to purchase an additional 4,312,500 SC ADSs from SCI
- On December 13, 2018, MCO Investments completed the MRP Tender Offer and, together with an additional of 107,475,300 MRP Shares acquired by MCO Investments on or after December 6, 2018, increased the Company's equity interest in MRP from approximately 72.8% immediately prior to the announcement of the MRP Tender Offer to approximately 97.9% as of December 31, 2018
- On December 28, 2018, Melco Resorts Leisure redeemed all of the Philippine Notes which remained outstanding
- On December 31, 2018, Studio City Finance partially redeemed the 2012 Studio City Notes in an aggregate principal amount of US\$400.0 million, together with accrued interest

### **Key Performance Indicators (KPIs)**

We use the following KPIs to evaluate our casino operations, including table games and gaming machines:

- *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, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of rolling chip volume.



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- *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 (calculated before discounts, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of mass market table games drop.
- *Table games win*: the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.
- *Gaming machine handle*: the total amount wagered in gaming machines.
- *Gaming machine win rate*: gaming machine win (calculated before non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) expressed as a percentage of gaming machine handle.

In the rolling chip market segment, customers purchase identifiable chips known as non-negotiable chips, or rolling chips, from the casino cage, and there is no deposit into a gaming table's drop box for rolling chips purchased from the cage. Rolling chip volume and mass market table games drop are not equivalent. Rolling chip volume is a measure of amounts wagered and lost. Mass market table games drop measures buy in. Rolling chip volume is generally substantially higher than mass market table games drop. As these volumes are the denominator used in calculating win rate or hold percentage, with the same use of gaming win as the numerator, the win rate is generally lower in the rolling chip market segment than the hold percentage in the mass market table games segment.

Our combined expected rolling chip win rate across our properties is in the range of 2.7% to 3.0%.

We use the following KPIs to evaluate our hotel operations:

- *Average daily rate*: calculated by dividing total room revenues including complimentary rooms (less service charges, if any) by total rooms occupied, including complimentary rooms, i.e., average price of occupied rooms per day.
- *Occupancy rate*: the average percentage of available hotel rooms occupied, including complimentary rooms, during a period.
- *Revenue per available room, or REVPAR*: calculated by dividing total room revenues including complimentary rooms (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

Complimentary rooms are included in the calculation of the above room-related KPIs. The average daily rate of complimentary rooms is typically lower than the average daily rate for cash rooms. The occupancy rate and REVPAR would be lower if complimentary rooms were excluded from the calculation. As not all available rooms are occupied, average daily room rates are normally higher than revenue per available room.

### **Year Ended December 31, 2018 Compared to Year Ended December 31, 2017**

#### ***Revenues***

Our total net revenues for the year ended December 31, 2018 were US\$5.16 billion, a decrease of US\$0.13 billion, or 2.4%, from US\$5.28 billion for the year ended December 31, 2017. The decrease in total net revenues was primarily attributable to higher commissions reported as a reduction in revenue upon the Company's adoption of the New Revenue Standard, partially offset by higher gross gaming revenues in all gaming segments. The Company adopted the New Revenue Standard on January 1, 2018 under the modified

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retrospective method. Results for the periods beginning on or 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, total net revenues for the year ended December 31, 2018 would have been US\$5.56 billion, which would have represented an increase of US\$0.27 billion, or 5.2%, from US\$5.28 billion for the year ended December 31, 2017.

Our total net revenues for the year ended December 31, 2018 consisted of US\$4.46 billion of casino revenues, representing 86.5% of our total net revenues, and US\$694.8 million of non-casino revenues. Our total net revenues for the year ended December 31, 2017 consisted of US\$4.94 billion of casino revenues, representing 93.4% of our total net revenues, and US\$347.2 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances).

*Casino.* Casino revenues for the year ended December 31, 2018 were US\$4.46 billion, representing a US\$0.47 billion, or 9.6%, decrease from casino revenues of US\$4.94 billion for the year ended December 31, 2017, primarily due to higher commissions reported as a reduction in casino revenues and promotional allowances netted against casino revenues upon the Company's adoption of the New Revenue Standard, partially offset by higher gross gaming revenues in all gaming segments.

*Altira Macau.* Altira Macau's rolling chip volume for the year ended December 31, 2018 was US\$22.4 billion, representing an increase of US\$5.2 billion, or 29.9%, from US\$17.2 billion for the year ended December 31, 2017. The rolling chip win rate was 3.03% for the year ended December 31, 2018, and decreased from 3.06% for the year ended December 31, 2017. Our expected range was 2.7% to 3.0%. In the mass market table games segment, drop was US\$529.1 million for the year ended December 31, 2018, representing an increase of 23.3% from US\$429.2 million for the year ended December 31, 2017. The mass market table games hold percentage was 19.3% for the year ended December 31, 2018, increasing from 17.5% for the year ended December 31, 2017. Average net win per gaming machine per day was US\$137 for the year ended December 31, 2018, an increase of US\$31, or 29.0%, from US\$106 for the year ended December 31, 2017.

*City of Dreams.* City of Dreams' rolling chip volume for the year ended December 31, 2018 of US\$45.4 billion represented a decrease of US\$2.1 billion, or 4.4%, from US\$47.4 billion for the year ended December 31, 2017. The rolling chip win rate was 2.88% for the year ended December 31, 2018 and was in line with our expected range of 2.7% to 3.0%, but decreased from 2.97% for the year ended December 31, 2017. In the mass market table games segment, drop was US\$5.01 billion for the year ended December 31, 2018 which represented an increase of US\$0.51 billion, or 11.2%, from US\$4.50 billion for the year ended December 31, 2017. The mass market table games hold percentage was 30.3% for the year ended December 31, 2018, decreasing from 32.4% for the year ended December 31, 2017. Average net win per gaming machine per day was US\$737 for the year ended December 31, 2018, an increase of US\$180, or 32.3%, from US\$557 for the year ended December 31, 2017.

*Mocha Clubs.* Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2018 was US\$258, a decrease of US\$14, or 5.2%, from US\$272 for the year ended December 31, 2017.

*Studio City.* Studio City Casino's rolling chip volume was US\$21.2 billion for the year ended December 31, 2018, and increased from US\$19.0 billion for the year ended December 31, 2017. The rolling chip win rate was 2.97% for the year ended December 31, 2018, and decreased from 3.16% for the year ended December 31, 2017. Our expected range was 2.7% to 3.0%. In the mass market table games segment, drop was US\$3.27 billion for the year ended December 31, 2018, and increased from US\$2.91 billion for the year ended December 31, 2017. The mass market table games hold percentage was 26.5% for the year ended December 31, 2018, demonstrating an increase from 26.1% for the year ended December 31, 2017. Average net win per gaming machine per day was US\$240 for the year ended December 31, 2018, an increase of US\$15, or 6.7%, from US\$225 for the year ended December 31, 2017.

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*City of Dreams Manila.* City of Dreams Manila's rolling chip volume for the year ended December 31, 2018 was US\$11.1 billion, representing a decrease of US\$0.4 billion, or 3.6%, from US\$11.5 billion for the year ended December 31, 2017. The rolling chip win rate was 3.21% for the year ended December 31, 2018, and increased from 3.10% for the year ended December 31, 2017. Our expected range was 2.7% to 3.0%. In the mass market table games segment, drop was US\$787.3 million for the year ended December 31, 2018, representing an increase of US\$100.3 million, or 14.6%, from US\$686.9 million for the year ended December 31, 2017. The mass market table games hold percentage was 31.7% for the year ended December 31, 2018, demonstrating an increase from 29.6% for the year ended December 31, 2017. Average net win per gaming machine per day was US\$278 for the year ended December 31, 2018, an increase of US\$7, or 2.6%, from US\$271 for the year ended December 31, 2017.

*Rooms.* Room revenues (including complimentary rooms) for the year ended December 31, 2018 were US\$311.0 million, representing an increase of US\$39.5 million, or 14.6%, from room revenues (including complimentary rooms) of US\$271.5 million for the year ended December 31, 2017. The increase was primarily due to increase in room revenues at City of Dreams as a result of the opening of Morpheus in June 2018.

The average daily rate, occupancy rate and REVPAR of each property are as follows:

	Year Ended December 31,					
	2018	2017	2018	2017	2018	2017
	Average daily rate (US\$)		Occupancy rate		REVPAR (US\$)	
Altira Macau	189	204	99%	96%	188	196
City of Dreams	212	202	97%	97%	206	196
Studio City	138	140	100%	99%	138	138
City of Dreams Manila	159	158	98%	96%	156	152

*Food, beverage and others.* Food, beverage and other revenues (including complimentary food and beverage and entertainment services) for the year ended December 31, 2018 included food and beverage revenues of US\$204.2 million and entertainment, retail and other revenues of US\$179.6 million. Food, beverage and other revenues (including complimentary food and beverage and entertainment services) for the year ended December 31, 2017 included food and beverage revenues of US\$185.0 million and entertainment, retail and other revenues of US\$203.8 million. The slight decrease of US\$5.0 million in food, beverage and other revenues from the year ended December 31, 2017 to the year ended December 31, 2018 was primarily due to lower entertainment, retail and other revenues in Studio City as a result of closure of a non-gaming attraction for remodeling in late 2017 and closure of certain retail shops for expansion of the northeast entrance of Studio City in mid-2017, partially offset by higher food and beverage revenues at City of Dreams as a result of the opening of new restaurants in Morpheus.

### **Operating costs and expenses**

Total operating costs and expenses were US\$4.53 billion for the year ended December 31, 2018, representing a decrease of US\$0.15 billion, or 3.1%, from US\$4.68 billion for the year ended December 31, 2017.

*Casino.* Casino expenses decreased by US\$0.39 billion, or 11.5%, to US\$2.98 billion for the year ended December 31, 2018 from US\$3.37 billion for the year ended December 31, 2017 primarily due to the decrease in commissions as all commissions were reported as a reduction in revenue upon the Company's adoption of the New Revenue Standard and a decrease in casino expenses resulted from the adoption of the New Revenue Standard since the costs of providing complimentary services were no longer included in casino expenses, partially offset by an increase in gaming tax as a result of increased gaming volumes and associated higher revenues.

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*Rooms.* Room expenses, which represent the costs of operating the hotel facilities were US\$78.4 million and US\$32.6 million for the years ended December 31, 2018 and 2017, respectively. The increase was primarily due to the opening of Morpheus in June 2018 and the costs of providing complimentary rooms were included in room expenses instead of casino expenses upon the Company's adoption of the New Revenue Standard on January 1, 2018 under the modified retrospective method.

*Food, beverage and others.* Food, beverage and other expenses were US\$253.6 million and US\$146.2 million for the years ended December 31, 2018 and 2017, respectively. The increase was primarily due to the costs of providing complimentary food and beverage and entertainment services which were included in food, beverage and other expenses instead of casino expenses upon the Company's adoption of the New Revenue Standard on January 1, 2018 under the modified retrospective method.

*General and administrative.* General and administrative expenses increased by US\$33.5 million, or 7.2%, to US\$500.6 million for the year ended December 31, 2018 from US\$467.1 million for the year ended December 31, 2017, primarily due to a one-time special gift granted to non-management employees, an increase in aircraft expenses, maintenance costs and other general and administrative expenses to support continuing and expanding operations in 2018.

*Payments to the Philippine Parties.* Payments to the Philippine Parties increased to US\$60.8 million for the year ended December 31, 2018 from US\$51.7 million for the year ended December 31, 2017, due to the improvement in gaming operations and resulting increase in revenues from gaming operations in City of Dreams Manila.

*Pre-opening costs.* Pre-opening costs were US\$37.4 million and US\$2.3 million for the years ended December 31, 2018 and 2017, respectively. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. The pre-opening costs in the year ended December 31, 2018 was mainly related to the marketing and opening event of Morpheus, and the marketing of the new stunt show — Elēkron at Studio City.

*Development costs.* Development costs were US\$23.0 million and US\$31.1 million for the years ended December 31, 2018 and 2017, respectively, which predominantly related to marketing and promotion costs as well as professional and consultancy fees for corporate business development.

*Amortization of gaming subconcession.* Amortization expenses for our gaming subconcession continued to be recognized on a straight-line basis and were US\$56.8 million and US\$57.2 million for the years ended December 31, 2018 and 2017, respectively.

*Amortization of land use rights.* Amortization expenses for the land use rights continued to be recognized on a straight-line basis and were US\$22.6 million and US\$22.8 million for the years ended December 31, 2018 and 2017, respectively.

*Depreciation and amortization.* Depreciation and amortization expenses increased by US\$24.1 million, or 5.2%, to US\$484.6 million for the year ended December 31, 2018 from US\$460.5 million for the year ended December 31, 2017. The increase was primarily due to the opening of Morpheus in June 2018, partially offset by the decrease due to certain assets becoming fully depreciated during the year ended December 31, 2018.

*Property charges and other.* Property charges and other for the year ended December 31, 2018 were US\$29.1 million, which primarily included repairs and maintenance costs incurred for our Macau properties as a result Typhoon Hato and Typhoon Mangkhut net with the insurance recovery received in 2018 of US\$10.6 million, labor remuneration adjustments in City of Dreams Manila resulting from increased business volumes and general wage inflation of US\$7.2 million and termination costs for a lease agreement of US\$4.2 million. Property charges and other for the year ended December 31, 2017 were US\$31.6 million, which

primarily included the asset write-offs and impairments of US\$30.9 million as a result of the remodel of gaming and non-gaming attractions as well as retail and food and beverage outlets at our properties, US\$3.8 million Typhoon Hato donation, US\$3.7 million license termination fee and consulting fee as a result of the rebranding of our hotel properties at City of Dreams, US\$3.1 million termination costs as a result of departmental restructuring, partially offset by the net gain of US\$10.3 million from the insurance recovery on property damage and other costs incurred for our Macau properties as a result of Typhoon Hato.

***Non-operating expenses, net***

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, loan commitment and other finance fees, foreign exchange (losses) gains, net, loss on extinguishment of debt and other non-operating income, net.

Interest income was US\$5.5 million for the year ended December 31, 2018, as compared to US\$3.6 million for the year ended December 31, 2017.

Interest expenses were US\$264.9 million (net of capitalized interest of US\$21.1 million) for the year ended December 31, 2018, compared to US\$255.8 million (net of capitalized interest of US\$37.5 million) for the year ended December 31, 2017. The increase in interest expenses (net of interest capitalization) of US\$9.1 million was primarily due to lower interest capitalization of US\$16.4 million associated with the cessation of interest capitalization for Morpheus since its opening in June 2018 and the interest expenses arisen from the drawdown of the revolving credit facility under the 2015 Credit Facilities during the year ended December 31, 2018, partially offset by lower interest expenses on Philippine Notes since it was partially redeemed in October 2017 and fully redeemed during the year ended December 31, 2018, as well as lower amortization of deferred financing costs.

Loan commitment and other finance fees for the year ended December 31, 2018 amounted to US\$4.6 million, compared to US\$6.1 million for the year ended December 31, 2017. The decrease was primarily due to the decrease in loan commitment fees as a result of the drawdown of the revolving credit facility under the 2015 Credit Facilities during the year ended December 31, 2018.

Loss on extinguishment of debt for the year ended December 31, 2018 was US\$3.5 million, represented the write-off of unamortized deferred financing costs as a result of partial redemption of 2012 Studio City Notes and full redemption of the remaining Philippine Notes. Loss on extinguishment of debt for the year ended December 31, 2017 was US\$49.3 million, represented a portion of the unamortized deferred financing costs and redemption costs of the 2013 Senior Notes that were not eligible for capitalization as a result of refinancing and the write-off of unamortized deferred financing costs as a result of partial redemption of the Philippine Notes.

Costs associated with debt modification for the year ended December 31, 2017 were US\$2.8 million, which represented a portion of underwriting fee, legal and professional fees incurred for refinancing of the 2013 Senior Notes that were not eligible for capitalization. We incurred nil costs associated with debt modification for the year ended December 31, 2018.

***Income tax credit***

Income tax credit for the year ended December 31, 2018 was primarily attributable to a net deferred tax credit of US\$2.4 million and over provision of income tax in prior years of US\$1.5 million, partially offset by a lump sum tax payable of US\$2.3 million in lieu of Macau Complementary Tax otherwise due by Melco Resorts Macau's shareholders on dividends distributable to them by Melco Resorts Macau and Macau Complimentary Tax of US\$0.7 million. The effective tax rate for the year ended December 31, 2018 was (0.1)%, as compared to 0% for the year ended December 31, 2017. Such rates differ from the statutory Macau Complementary Tax rate

of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax and Philippine Corporate Income Tax, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefits are receivable, the effect of income for which no income tax expense is payable and the effect of different tax rates of subsidiaries operating in other jurisdictions for the years ended December 31, 2018 and 2017. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippine operations. However, to the extent that the financial results of our Macau and Philippine operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance related to the net operating losses and other deferred tax assets.

***Net (income) loss attributable to noncontrolling interests***

Our net income attributable to noncontrolling interests of US\$2.3 million for the year ended December 31, 2018, compared to a net loss attributable to noncontrolling interests of US\$31.7 million for the year ended December 31, 2017, represented the share of City of Dreams Manila's income of US\$13.3 million and Studio City's expenses of US\$11.0 million, respectively, by the respective minority shareholders for the year ended December 31, 2018. The change was primarily attributable to the share of net revenues generated by City of Dreams Manila and Studio City, partially offset by the respective increase in the share of operating costs during the year ended December 31, 2018.

***Net income attributable to Melco Resorts & Entertainment Limited***

As a result of the foregoing, we had net income attributable to Melco Resorts & Entertainment Limited of US\$351.5 million for the year ended December 31, 2018, compared to US\$347.0 million for the year ended December 31, 2017.

**Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

***Revenues***

Our total net revenues for the year ended December 31, 2017 were US\$5.28 billion, an increase of US\$0.77 billion, or 16.9%, from US\$4.52 billion for the year ended December 31, 2016. The increase in total net revenues was primarily attributable to better group-wide performance in all gaming segments, especially the performance in the rolling chip segment including the fully-operating rolling chip operations in Studio City for the year ended December 31, 2017.

Our total net revenues for the year ended December 31, 2017 consisted of US\$4.94 billion of casino revenues, representing 93.4% of our total net revenues, and US\$347.2 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2016 consisted of US\$4.18 billion of casino revenues, representing 92.4% of our total net revenues, and US\$342.7 million of net non-casino revenues.

*Casino.* Casino revenues for the year ended December 31, 2017 were US\$4.94 billion, representing a US\$0.76 billion, or 18.2%, increase from casino revenues of US\$4.18 billion for the year ended December 31, 2016, due to an increase in casino revenues at all of our properties, especially Studio City and City of Dreams Manila. The casino revenue at Studio City increased by US\$547.7 million primarily due to enhanced performance in mass market table games segment as a result of the continuous ramp-up of Studio City since its commencement of operations in October 2015 and the launch of rolling chip operations in November 2016. The casino revenue at City of Dreams Manila increased by US\$157.1 million due to its better performance in all gaming segments for the year ended December 31, 2017 as compared to the previous year.

*Altira Macau.* Altira Macau's rolling chip volume for the year ended December 31, 2017 was US\$17.2 billion, representing a decrease of US\$0.4 billion, or 2.5%, from US\$17.7 billion for the year ended

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December 31, 2016. The rolling chip win rate was 3.06% for the year ended December 31, 2017, and increased from 2.85% for the year ended December 31, 2016. Our expected range was 2.7% to 3.0%. In the mass market table games segment, drop was US\$429.2 million for the year ended December 31, 2017, representing a decrease of 13.3% from US\$494.7 million for the year ended December 31, 2016. The mass market table games hold percentage was 17.5% for the year ended December 31, 2017, decreasing from 18.6% for the year ended December 31, 2016. Average net win per gaming machine per day was US\$106 for the year ended December 31, 2017, an increase of US\$13, or 14.1%, from US\$93 for the year ended December 31, 2016.

*City of Dreams.* City of Dreams' rolling chip volume for the year ended December 31, 2017 of US\$47.4 billion represented an increase of US\$6.0 billion, or 14.4%, from US\$41.5 billion for the year ended December 31, 2016. The rolling chip win rate was 2.97% for the year ended December 31, 2017 and was in line with our expected range of 2.7% to 3.0%, and increased from 2.83% for the year ended December 31, 2016. In the mass market table games segment, drop was US\$4.50 billion for the year ended December 31, 2017 which represented an increase of US\$0.20 billion, or 4.6%, from US\$4.31 billion for the year ended December 31, 2016. The mass market table games hold percentage was 32.4% for the year ended December 31, 2017, decreasing from 35.8% for the year ended December 31, 2016. Average net win per gaming machine per day was US\$557 for the year ended December 31, 2017, an increase of US\$176, or 46.2%, from US\$381 for the year ended December 31, 2016.

*Mocha Clubs.* Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2017 was US\$272, an increase of US\$15, or 5.6%, from US\$257 for the year ended December 31, 2016.

*Studio City.* Studio City began rolling chip operations in November 2016. Rolling chip volume was US\$19.0 billion for the year ended December 31, 2017, and increased from US\$1.3 billion for the year ended December 31, 2016. The rolling chip win rate was 3.16% for the year ended December 31, 2017, and increased from 1.39% for the year ended December 31, 2016. Our expected range was 2.7% to 3.0%. In the mass market table games segment, drop was US\$2.91 billion for the year ended December 31, 2017, and increased from US\$2.48 billion for the year ended December 31, 2016. The mass market table games hold percentage was 26.1% for the year ended December 31, 2017, demonstrating an increase from 24.7% for the year ended December 31, 2016. Average net win per gaming machine per day was US\$225 for the year ended December 31, 2017, an increase of US\$36, or 18.9%, from US\$189 for the year ended December 31, 2016.

*City of Dreams Manila.* City of Dreams Manila's rolling chip volume for the year ended December 31, 2017 was US\$11.5 billion, representing an increase of US\$4.7 billion, or 68.4%, from US\$6.8 billion for the year ended December 31, 2016. The rolling chip win rate was 3.10% for the year ended December 31, 2017, and decreased from 3.43% for the year ended December 31, 2016. Our expected range was 2.7% to 3.0%. In the mass market table games segment, drop was US\$686.9 million for the year ended December 31, 2017, representing an increase of US\$136.4 million, or 24.8%, from US\$550.5 million for the year ended December 31, 2016. The mass market table games hold percentage was 29.6% for the year ended December 31, 2017, demonstrating an increase from 28.0% for the year ended December 31, 2016. Average net win per gaming machine per day was US\$271 for the year ended December 31, 2017, an increase of US\$54, or 24.8%, from US\$217 for the year ended December 31, 2016.

*Rooms.* Room revenues (including the retail value of promotional allowances) for the year ended December 31, 2017 were US\$271.5 million, representing a US\$6.2 million, or 2.3%, increase from room revenues (including the retail value of promotional allowances) of US\$265.3 million for the year ended December 31, 2016. The increase was primarily due to the increase in occupancy rate and average daily rate at City of Dreams and Studio City as well as the improved occupancy at City of Dreams Manila.

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The average daily rate, occupancy rate and REVPAR of each property are as follows:

	Year Ended December 31,					
	2017	2016	2017		2016	
	Average daily rate (US\$)		Occupancy rate		REVPAR (US\$)	
Altira Macau	204	205	96%	94%	196	193
City of Dreams	202	200	97%	96%	196	192
Studio City	140	136	99%	98%	138	133
City of Dreams Manila	158	159	96%	91%	152	145

*Food, beverage and others.* Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2017 included food and beverage revenues of US\$185.0 million and entertainment, retail and other revenues of US\$203.8 million. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2016 included food and beverage revenues of US\$177.5 million and entertainment, retail and other revenues of US\$197.0 million. The increase of US\$14.2 million in food, beverage and other revenues from the year ended December 31, 2016 to the year ended December 31, 2017 was primarily due to higher rental income at City of Dreams as a result of the opening of the new retail precinct in phases between June and December 2016, higher food and beverage revenue at City of Dreams and City of Dreams Manila driven by higher business volumes associated with an increase in visitation during the year, partially offset by decreased entertainment, retail and other revenues at Studio City since we generated more revenues from ticket sales in 2016 for more events held including the live concerts from headline acts.

### **Operating costs and expenses**

Total operating costs and expenses were US\$4.68 billion for the year ended December 31, 2017, representing an increase of US\$0.5 billion, or 12.5%, from US\$4.16 billion for the year ended December 31, 2016. The increase in operating costs was primarily due to the increase in operating costs at Studio City and City of Dreams Manila, which was in-line with the increase in gaming volumes and associated higher revenues, as well as higher development costs and property charges and other in 2017.

*Casino.* Casino expenses increased by US\$0.47 billion, or 16.1%, to US\$3.37 billion for the year ended December 31, 2017 from US\$2.90 billion for the year ended December 31, 2016 primarily due to increase in gaming tax, other levies and commissions expenses at Studio City and City of Dreams Manila, which increased as a result of increased gaming volumes and associated higher revenues, partially offset by the recovery of previously provided doubtful debt in City of Dreams and Altira Macau.

*Rooms.* Room expenses, which represent the costs of operating the hotel facilities, remained stable at US\$32.6 million and US\$33.2 million for the years ended December 31, 2017 and 2016.

*Food, beverage and others.* Food, beverage and other expenses were US\$146.2 million and US\$175.6 million for the years ended December 31, 2017 and 2016, respectively. The decrease was primarily due to decrease in performers' fees as we held fewer events at Studio City in 2017 and lower payroll expenses.

*General and administrative.* General and administrative expenses increased by US\$20.5 million, or 4.6%, to US\$467.1 million for the year ended December 31, 2017 from US\$446.6 million for the year ended December 31, 2016, primarily due to the US\$8.1 million one-off net gain on disposal of property and equipment to Belle Corporation in 2016, and an increase in payroll expenses, professional fees and other general and administrative expenses to support continuing and expanding operations in 2017.

*Payments to the Philippine Parties.* Payments to the Philippine Parties increased to US\$51.7 million for the year ended December 31, 2017 from US\$34.4 million for the year ended December 31, 2016, due to the improvement in gaming operations and resulting increase in revenues from gaming operations in City of Dreams Manila.



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*Pre-opening costs.* Pre-opening costs were US\$2.3 million and US\$3.9 million for the years ended December 31, 2017 and 2016, respectively. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations.

*Development costs.* Development costs were US\$31.1 million and US\$0.1 million for the years ended December 31, 2017 and 2016, respectively, which predominantly related to marketing and promotion costs as well as professional and consultancy fees for corporate business development.

*Amortization of gaming subconcession.* Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US\$57.2 million for each of the years ended December 31, 2017 and 2016.

*Amortization of land use rights.* Amortization of land use rights expenses continued to be recognized on a straight-line basis at an annual rate of US\$22.8 million for each of the years ended December 31, 2017 and 2016.

*Depreciation and amortization.* Depreciation and amortization expenses decreased by US\$11.7 million, or 2.5%, to US\$460.5 million for the year ended December 31, 2017 from US\$472.2 million for the year ended December 31, 2016.

*Property charges and other.* Property charges and other for the year ended December 31, 2017 were US\$31.6 million, which primarily included the asset write-offs and impairments of US\$30.9 million as a result of the remodel of gaming and non-gaming attractions as well as retail and food and beverage outlets at our properties, US\$3.8 million Typhoon Hato donation, US\$3.7 million license termination fee and consulting fee as a result of the rebranding of our hotel properties at City of Dreams, US\$3.1 million termination costs as a result of departmental restructuring, partially offset by the net gain of US\$10.3 million from the insurance recovery on property damage and other costs incurred for our Macau properties as a result of Typhoon Hato. Property charges and other for the year ended December 31, 2016 were US\$5.3 million, which primarily included the asset write-offs and impairments of US\$3.2 million as a result of the remodel of non-gaming attractions at City of Dreams, US\$2.1 million termination costs as a result of departmental restructuring and US\$1.7 million legal and professional fees for assisting in evaluating the capital structure of Studio City, partially offset by US\$2.0 million insurance recovery on furniture, fixtures and equipment damaged by the typhoon in the Philippines.

### ***Non-operating expenses, net***

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, amortization of deferred financing costs, loan commitment and other finance fees, foreign exchange gains (losses), net, loss on extinguishment of debt and costs associated with debt modification, as well as other non-operating income, net.

Interest income was US\$3.6 million for the year ended December 31, 2017, as compared to US\$6.0 million for the year ended December 31, 2016. The decrease was primarily due to lower level of deposits placed at banks during the year ended December 31, 2017.

Interest expenses, including amortization of deferred financing costs, were US\$255.8 million (net of capitalized interest of US\$37.5 million) for the year ended December 31, 2017, compared to US\$271.9 million (net of capitalized interest of US\$29.0 million) for the year ended December 31, 2016. The decrease in interest expenses (net of interest capitalization) of US\$16.1 million was primarily due to US\$8.5 million higher interest capitalization primarily for the development of Morpheus and \$22.2 million decrease in amortization of deferred financing costs compared to the year ended December 31, 2016 which was primarily due to no amortization of deferred financing costs for the Studio City Project Facility after its refinancing by the 2016 Studio City Notes and 2021 Studio City Senior Secured Credit Facility in November 2016. The deferred financing costs related to

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the 2016 Studio City Notes and 2021 Studio City Senior Secured Credit Facility were lower compared to the deferred financing costs for the Studio City Project Facility. These were offset in part by higher interest expenses arisen from the higher borrowing rate as a result of the refinancing of the Studio City Project Facility.

Loan commitment and other finance fees for the year ended December 31, 2017 amounted to US\$6.1 million, compared to US\$7.5 million for the year ended December 31, 2016.

Loss on extinguishment of debt for the year ended December 31, 2017 was US\$49.3 million, represented a portion of the unamortized deferred financing costs and redemption costs of the 2013 Senior Notes that were not eligible for capitalization as a result of refinancing and the write-off of unamortized deferred financing costs as a result of partial redemption of the Philippine Notes. Loss on extinguishment of debt for the year ended December 31, 2016 was US\$17.4 million, represented break costs and a portion of the unamortized deferred financing costs of the Studio City Project Facility that were not eligible for capitalization.

Costs associated with debt modification for the year ended December 31, 2017 were US\$2.8 million, which represented a portion of underwriting fee, legal and professional fees incurred for refinancing of the 2013 Senior Notes that were not eligible for capitalization. Costs associated with debt modification for the year ended December 31, 2016 were US\$8.1 million, which represented a portion of underwriting fee, legal and professional fees incurred for refinancing of the Studio City Project Facility that were not eligible for capitalization.

### ***Income tax credit (expense)***

Income tax credit for the year ended December 31, 2017 was primarily attributable to over provision of Macau Complementary Tax in prior years of US\$2.6 million and a net deferred tax credit of US\$2.3 million, partially offset by Hong Kong Profits Tax of US\$2.5 million and a lump sum tax payable of US\$2.4 million in lieu of Macau Complementary Tax otherwise due by Melco Resorts Macau's shareholders on dividends distributable to them by Melco Resorts Macau. The effective tax rate for the year ended December 31, 2017 was 0%, as compared to 10.9% for the year ended December 31, 2016. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax and Philippine Corporate Income Tax, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefits are receivable, the effect of income for which no income tax expense is payable and the effect of different tax rates of subsidiaries operating in other jurisdictions for the years ended December 31, 2017 and 2016. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippine operations. However, to the extent that the financial results of our Macau and Philippine operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance related to the net operating losses and other deferred tax assets.

### ***Net loss attributable to noncontrolling interests***

Our net loss attributable to noncontrolling interests of US\$31.7 million for the year ended December 31, 2017, compared to that of US\$109.0 million for the year ended December 31, 2016, represented the share of the Studio City's expenses of US\$33.4 million and City of Dreams Manila's income of US\$1.7 million, respectively, by the respective minority shareholders for the year ended December 31, 2017. The year-on-year decrease was primarily attributable to the share of net revenues generated by Studio City and City of Dreams Manila, partially offset by the respective increase in the share of operating costs during the year ended December 31, 2017.

### ***Net income attributable to Melco Resorts & Entertainment Limited***

As a result of the foregoing, we had net income of US\$347.0 million for the year ended December 31, 2017, compared to US\$175.9 million for the year ended December 31, 2016.

### **Adjusted Property EBITDA and Adjusted EBITDA**

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, net gain on disposal of property and equipment to Belle Corporation, Corporate and Other expenses and other non-operating income and expenses, or Adjusted property EBITDA, were US\$1,477.9 million, US\$1,422.8 million and US\$1,087.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. Adjusted property EBITDA of Altira Macau, City of Dreams, Studio City, Mocha Clubs and City of Dreams Manila were US\$55.5 million, US\$756.4 million, US\$375.3 million, US\$21.5 million and US\$269.2 million, respectively, for the year ended December 31, 2018, US\$20.7 million, US\$804.9 million, US\$335.6 million, US\$26.6 million and US\$235.0 million, respectively, for the year ended December 31, 2017 and US\$5.1 million, US\$742.3 million, US\$156.0 million, US\$23.8 million and US\$160.3 million, respectively, for the year ended December 31, 2016.

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, net gain on disposal of property and equipment to Belle Corporation and other non-operating income and expenses, or Adjusted EBITDA, were US\$1,369.4 million, US\$1,285.3 million and US\$972.7 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Our management uses Adjusted property EBITDA to measure the operating performance of our Altira Macau, City of Dreams, Studio City, City of Dreams Manila and Mocha Clubs businesses, and to compare the operating performance of our properties with those of our competitors. Adjusted EBITDA and Adjusted property EBITDA are also presented as supplemental disclosures because management believes they are widely used to measure performance and as a basis for valuation of gaming companies. Our management also uses Adjusted property EBITDA and Adjusted EBITDA because they are used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported similar measures as a supplement to financial measures in accordance with generally accepted accounting principles, in particular, U.S. GAAP or International Financial Reporting Standards.

However, Adjusted property EBITDA or Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our U.S. GAAP operating performance, other operating operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted property EBITDA and Adjusted EBITDA presented in this annual report may not be comparable to other similarly titled measures of other companies' operating in the gaming or other business sectors. While our management believes these figures may provide useful additional information to investors when considered in conjunction with our U.S. GAAP financial statements and other information in this annual report, less reliance should be placed on Adjusted property EBITDA or Adjusted EBITDA as a measure in assessing our overall financial performance.

**Reconciliation of Net Income Attributable to Melco Resorts & Entertainment Limited to Adjusted EBITDA and Adjusted Property EBITDA**

	Year Ended December 31,		
	2018	2017	2016
	<i>(in thousands of US\$)</i>		
Net income attributable to Melco Resorts & Entertainment Limited	\$ 351,515	\$ 347,002	\$ 175,906
Net income (loss) attributable to noncontrolling interests	2,336	(31,709)	(108,988)
Net income	353,851	315,293	66,918
Income tax (credit) expense	(445)	(10)	8,178
Interest and other non-operating expenses, net	273,430	292,329	288,020
Property charges and other	29,147	31,616	5,298
Share-based compensation	25,143	17,305	18,487
Depreciation and amortization	564,076	540,575	552,272
Development costs	23,029	31,115	95
Pre-opening costs	37,369	2,274	3,883
Net gain on disposal of property and equipment to Belle Corporation	—	—	(8,134)
Land rent to Belle Corporation	3,001	3,143	3,327
Payments to the Philippine Parties	60,778	51,661	34,403
Adjusted EBITDA	1,369,379	1,285,301	972,747
Corporate and Other expenses	108,527	137,468	114,770
Adjusted property EBITDA	<u>\$1,477,906</u>	<u>\$1,422,769</u>	<u>\$1,087,517</u>

**Critical Accounting Policies and Estimates**

Management's discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements. Our consolidated financial statements were prepared in conformity with U.S. GAAP. Certain of our accounting policies require that management apply significant judgment in defining the appropriate assumptions integral to financial estimates. On an ongoing basis, management evaluates those estimates and judgments are made based on information obtained from our historical experience, terms of existing contracts, industry trends and outside sources that are currently available to us, and on various other assumptions that management believes to be reasonable and appropriate in the circumstances. However, by their nature, judgments are subject to an inherent degree of uncertainty, and therefore actual results could differ from our estimates. We believe that the critical accounting policies discussed below affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

**Property and Equipment and Other Long-lived Assets**

During the development and construction stage of our casino gaming and entertainment casino resort facilities, direct and incremental costs related to the design and construction, including costs under the construction contracts, duties and tariffs, equipment installation, shipping costs, payroll and payroll benefit related costs, applicable portions of interest and amortization of deferred financing costs, are capitalized in property and equipment. The capitalization of such costs begins when the construction and development of a project starts and ceases once the construction is substantially completed or development activity is suspended for more than a brief period. Pre-opening costs, consisting of marketing and other expenses related to our new or start-up operations are expensed as incurred.

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Depreciation and amortization expense related to capitalized construction costs and other property and equipment is recognized from the time each asset is placed in service. This may occur at different stages as casino gaming and entertainment casino resort facilities are completed and opened.

Property and equipment and other long-lived assets with a finite useful life are depreciated and amortized on a straight-line basis over the asset's estimated useful life. The estimated useful lives are based on factors including the nature of the assets, its relationship to other assets, our operating plans and anticipated use and other economic and legal factors that impose limits. The remaining estimated useful lives of the property and equipment are periodically reviewed.

Our land use rights in Macau under the land concession contracts for Altira Macau, City of Dreams and Studio City are being amortized over the estimated term of the land use rights on a straight-line basis. The estimated term of the land use rights under the applicable land concession contracts are based on factors including the business and operating environment of the gaming industry in Macau, laws and regulations in Macau, and our development plans. The estimated term of the land use rights are periodically reviewed.

Costs of repairs and maintenance are charged to expense when incurred. The cost and accumulated depreciation of property and equipment retired or otherwise disposed of are eliminated from the respective accounts and any resulting gain or loss is included in operating income or loss.

Costs incurred to develop software for internal use are capitalized and amortized on a straight-line basis over the estimated useful life. The capitalization of such costs begins during the application development stage of the software project and ceases once the software project is substantially complete and ready for its intended use. Costs of specified upgrades and enhancements to the internal-use software are capitalized, while costs associated with preliminary project stage activities, training, maintenance and all other post-implementation stage activities are expensed as incurred. The remaining estimated useful lives of the internal-use software are periodically reviewed.

Our total capital expenditures for the years ended December 31, 2018, 2017 and 2016 were US\$494.7 million, US\$559.0 million and US\$437.9 million, respectively, of which US\$151.7 million, US\$392.0 million and US\$351.9 million, respectively, were attributable to our development and construction projects, with the remainder primarily related to the enhancements to our integrated resort offerings of our properties. The development and construction capital expenditures primarily related to the development and construction of various projects at City of Dreams, including Morpheus, and Studio City during the years ended December 31, 2018, 2017 and 2016. Refer to note 23 to the consolidated financial statements included elsewhere in this annual report for further details of these capital expenditures.

We also review our property and equipment and other long-lived assets with finite lives to be held and used for impairment whenever indicators of impairment exist. If an indicator of impairment exists, we then compare the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. The undiscounted cash flows of such assets are measured by first grouping our long-lived assets into asset groups and, secondly, estimating the undiscounted future cash flows that are directly associated with and expected to arise from the use of and eventual disposition of such asset group. We define an asset group as the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and estimate the undiscounted cash flows over the remaining useful life of the primary asset within the asset group. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment charge is recorded based on the fair value of the asset group, typically measured using a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs. All recognized impairment losses are recorded as operating expenses.

During the years ended December 31, 2018, 2017 and 2016, impairment losses of US\$nil, US\$23.2 million and US\$3.2 million were recognized mainly due to reconfiguration and renovation at our operating properties.

#### ***Goodwill and Purchased Intangible Assets***

We review the carrying value of goodwill and purchased intangible assets with indefinite useful lives, representing the trademarks of Mocha Clubs, that arose from the acquisition of Mocha Slot Group Limited and its subsidiaries by our Company in 2006, for impairment at least on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

When performing the impairment analysis for goodwill and intangible assets with indefinite lives, we may first perform a qualitative assessment to determine whether it is more likely than not that the asset is impaired. If we determine a qualitative assessment is to be performed, we assess certain qualitative factors including, but not limited to, the results of the most recent quantitative impairment test, operating results and projected operating results, and macro-economic and industry conditions. If we determined that it is more likely than not that the asset is impaired after assessing the qualitative factors, we then perform a quantitative impairment test.

To perform a quantitative impairment test of goodwill, we perform an assessment that consists of a comparison of the carrying value of our reporting unit with its fair value. If the carrying value of a reporting unit exceeds its fair value, we would perform the second step in our assessment process and record an impairment loss to earnings to the extent the carrying amount of the reporting unit's goodwill exceeds its implied fair value. We estimate the fair value of our reporting unit through internal analysis and external valuations, which utilize income and market valuation approaches through the application of capitalized earnings and discounted cash flow methods. These valuation techniques are based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, discount rates, long-term growth rates and market comparables.

To perform a quantitative impairment test of the trademarks of Mocha Clubs, we perform an assessment that consists of a comparison of their carrying values with their fair values using the relief-from-royalty method. Under this method, we estimate the fair values of the trademarks through internal and external valuations, mainly based on the incremental after-tax cash flow representing the royalties that we are relieved from paying given we are the owner of the trademarks. These valuation techniques are based on a number of estimates and assumptions, including the projected future revenues of the trademarks, calculated using an appropriate royalty rate, discount rate and long-term growth rates.

We have performed annual tests for impairment of goodwill and trademarks in accordance with the accounting standards regarding goodwill and other intangible assets. For the years ended December 31, 2018 and 2017, we performed qualitative assessments for goodwill and trademarks and determined that it was not more likely than not that goodwill and trademarks were impaired. For the year ended December 31, 2016, the detailed quantitative impairment tests were performed and computed the fair value of our reporting unit was in excess of the carrying amount and fair values of the trademarks were in excess of their carrying amounts.

As a result of these assessments, we determined that there were no impairment of goodwill and trademarks for the years ended December 31, 2018, 2017 and 2016.

Determining the fair value of goodwill and trademarks of Mocha Clubs is judgmental in nature and requires the use of significant estimates and assumptions, including projected future operating results of the reporting unit, discount rates, long-term growth rates and future market conditions. Future changes to our estimates and assumptions based upon changes in operating results, macro-economic factors or management's intentions may result in future changes to the fair value of the goodwill and trademarks of Mocha Clubs.

### **Revenue Recognition**

On January 1, 2018, we adopted the New Revenue Standard, using the modified retrospective method applying to those contracts not yet completed as of January 1, 2018. The accounting policies for revenue recognition as a result of the New Revenue Standard are as follows:

Our revenues from contracts with customers consist of casino wagers, sales of rooms, food and beverage, entertainment, retail and other goods and services.

Gross casino revenues are measured by the aggregate net difference between gaming wins and losses. We account for its casino wagering transactions on a portfolio basis versus an individual basis as all wagers have similar characteristics. Commissions rebated to customers either directly or indirectly through gaming promoters and cash discounts and other cash incentives earned by customers are recorded as a reduction of casino revenues. In addition to the wagers, casino transactions typically include performance obligations related to complimentary goods or services provided to incentivize future gaming or in exchange for incentives or points earned under our non-discretionary incentives programs (including loyalty programs).

For casino transactions that include complimentary goods or services provided by us to incentivize future gaming, we allocate the standalone selling price of each good or service to the appropriate revenue type based on the good or service provided. Complimentary goods or services that are provided under our control and discretion and supplied by third parties are recorded as operating expenses.

We operate different non-discretionary incentives programs in certain of our properties which include loyalty programs (the “Loyalty Programs”) to encourage repeat business mainly from loyal slot machine customers and table games patrons. Customers earn points primarily based gaming activity and such points can be redeemed for free play and other free goods and services. For casino transactions that include points earned under the Loyalty Programs, we defer a portion of the revenue by recording the estimated standalone selling prices of the earned points that are expected to be redeemed as a liability. Upon redemption of the points for our self-owned goods or services, the standalone selling price of each good or service is allocated to the appropriate revenue type based on the good or service provided. Upon the redemption of the points with third parties, the redemption amount is deducted from the liability and paid directly to the third party.

After allocating amounts to the complimentary goods or services provided and to the points earned under the Loyalty Programs, the residual amount is recorded as casino revenue when the wagers are settled.

We follow the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for operations of certain hotels and Grand Dragon Casino and concluded that it is controlling entity and is the principal to these arrangements. For the operations of certain hotels, we are the owner of the hotel properties, and the hotel managers operate the hotels under certain management agreements providing management services to us, and we receive all rewards and take substantial risks associated with the hotels’ business; we are the principal and the transactions are, therefore, recognized on a gross basis. For the operations of Grand Dragon Casino, given we operate the casino under a right to use agreement with the owner of the casino premises and have full responsibility for the casino operations in accordance with our gaming subconcession, we are the principal and casino revenue is, therefore, recognized on a gross basis.

The transaction prices for rooms, food and beverage, entertainment, retail and other goods and services are the net amounts collected from the customers for such goods and services that are recorded as revenues when the goods are provided, services are performed or events are held. Service taxes and other applicable taxes collected by us are excluded from revenues. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customers. Revenues from contracts with multiple goods or services provided by us are allocated to each good or service based on its relative standalone selling price.

Minimum operating and right to use fees representing lease revenues, adjusted for contractual base fees and operating fees escalations, are included in other revenues and are recognized over the terms of the related agreements on a straight-line basis.

Upon the adoption of the New Revenue Standard, we recognized the cumulative effect of adopting the New Revenue Standard as an adjustment to the opening balance of accumulated losses. Amounts for the periods beginning on or 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 major changes as a result of the adoption of the New Revenue Standard are as follows:

- (1) The New Revenue Standard changed the presentation of, and accounting for, goods and services furnished to guests without charge that were previously included in gross revenues and deducted as promotional allowances in the accompanying consolidated statements of operations. Under the New Revenue Standard, the promotional allowances line item was eliminated with the amounts being netted against casino revenues in primarily all cases and are measured based on standalone selling prices. Additionally, the estimated cost of providing the promotional allowances is no longer included in casino expenses but, instead is included in the respective operating departments expense categories.
- (2) A portion of commissions paid or payable to gaming promoters, representing the estimated incentives that were returned to customers, was previously reported as reductions in casino revenue, with the balance of commissions expense reflected as a casino expense. Under the New Revenue Standard, all commissions paid or payable to gaming promoters are reflected as reductions in casino revenue.
- (3) The estimated liability for unredeemed non-discretionary incentives under the Loyalty Programs were previously accrued based on the estimated costs of providing such benefits and expected redemption rates. Under the New Revenue Standard, non-discretionary incentives represent a separate performance obligation and the resulting liability are recorded using the standalone selling prices of such benefits less estimated breakage and are offset against casino revenue. When the benefits are redeemed, revenues are measured on the same basis and recognized in the resulting category of the goods or services provided. At the adoption date January 1, 2018, we recognized an increase to the opening balance of accumulated losses and noncontrolling interests of US\$11.3 million and US\$1.7 million, respectively, with a corresponding increase in accrued expenses and other current liabilities.

#### ***Accounts Receivable and Credit Risk***

Financial instruments that potentially subject our Company to concentrations of credit risk consist principally of casino receivables. We issue credit in the form of markers to approved casino customers following investigations of creditworthiness. Credit is also given to our gaming promoters in Macau and the Philippines, which receivables can be offset against commissions payable and any other value items held by us to the respective customers and for which we intend to set off when required. For the years ended December 31, 2018, 2017 and 2016, approximately 27.0%, 31.4% and 23.5% of our casino revenues were derived from customers sourced through our rolling chip gaming promoters, respectively.

As of December 31, 2018 and 2017, a substantial portion of our markers were due from customers and gaming promoters residing in foreign countries. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries.

Accounts receivable, including casino, hotel and other receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems it is probable the receivables



are uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful debts is maintained to reduce our receivables to their carrying amounts, which approximate fair values. The allowance is estimated based on our specific reviews of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions. For balances over a specified dollar amount, our review is based upon the age of the specific account balance, the customer's financial condition, collection history and any other known information. At December 31, 2018, a 100 basis-point change in the estimated allowance for doubtful debts as a percentage of casino receivables would change the provision for doubtful debts by approximately US\$4.3 million.

### **Income Tax**

Deferred income taxes are recognized for all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. As of December 31, 2018 and 2017, we recorded valuation allowances of US\$230.4 million and US\$226.6 million, respectively, as management believes it is more likely than not that these deferred tax assets will not be realized. Our assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, and the duration of statutory carryforward periods. To the extent that the financial results of our operations improve and it becomes more likely than not that the deferred tax assets are realizable, the valuation allowances will be reduced.

### **Recent Changes in Accounting Standards**

See note 2 to the consolidated financial statements included elsewhere in this annual report for discussion of recent changes in accounting standards.

## **B. LIQUIDITY AND CAPITAL RESOURCES**

We have relied and intend to rely on our cash generated from our operations and our debt and equity financings to meet our financing needs and repay our indebtedness, as the case may be.

As of December 31, 2018, we held cash and cash equivalents, investments in mutual funds that mainly invest in bonds and fixed-interest securities and restricted cash of approximately US\$1,436.6 million, US\$91.6 million and US\$48.2 million, respectively, and the HK\$1.21 billion (equivalent to approximately US\$155.0 million) revolving credit facility under the 2015 Credit Facilities remains 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. Major currencies in which our cash and bank balances (including restricted cash) held as of December 31, 2018 were U.S. dollar, H.K. dollar, the Philippine peso and Pataca.

The HK\$233.0 million (equivalent to approximately US\$29.8 million) revolving credit facility under the 2021 Studio City Senior Secured Credit Facility is available for future drawdown as of December 31, 2018, subject to satisfaction of certain conditions precedent.

MRP entered into a PHP2.35 billion (equivalent to approximately US\$44.6 million) bank credit facility with the availability up to May 31, 2019, which remains available for future drawdown as of December 31, 2018, subject to satisfaction of certain conditions precedent.

As of December 31, 2018, restricted cash primarily represented the unspent cash from the capital injection for the remaining project for Studio City from our Company and the SCI minority shareholder, which

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was restricted only for the initial development costs and other project costs of the remaining project of Studio City; and certain bank account balances required to be maintained in accordance with the 2012 Studio City Notes and the 2016 Studio City Notes to serve the interest repayment obligations.

We have been able to meet our working capital needs, and we believe that our operating cash flow, existing cash balances, funds available under various credit facilities and any additional equity or debt financings will be adequate to satisfy our current and anticipated operating, debt and capital commitments, including our development project plans, as described in “— Other Financing and Liquidity Matters” below. For any additional financing requirements, we cannot provide assurance that future borrowings will be available. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Financing and Indebtedness” for more information. We have significant indebtedness and will continue to evaluate our capital structure and opportunities to enhance it in the normal course of our activities. We may from time to time seek to retire or purchase our outstanding debt through cash purchases, in open market purchases, privately-negotiated transactions or otherwise. Such purchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### Cash Flows

The following table sets forth a summary of our cash flows for the years presented. The consolidated cash flows data for the year ended December 31, 2017 and 2016 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 cash flows from investing activities in the consolidated statements of cash flows have been eliminated.

	Year Ended December 31,		
	2018	2017	2016
	(in thousands of US\$)		
Net cash provided by operating activities	\$ 1,056,698	\$ 1,162,500	\$ 1,158,139
Net cash (used in) provided by investing activities	(609,696)	(404,017)	2,975
Net cash used in financing activities	(404,871)	(1,046,041)	(1,339,717)
Effect of foreign exchange on cash, cash equivalents and restricted cash	(11,160)	(281)	(7,949)
Net increase (decrease) in cash, cash equivalents and restricted cash	30,971	(287,839)	(186,552)
Cash, cash equivalents and restricted cash at beginning of year	1,453,753	1,741,592	1,928,144
Cash, cash equivalents and restricted cash at end of year	<u>\$ 1,484,724</u>	<u>\$ 1,453,753</u>	<u>\$ 1,741,592</u>

### Operating Activities

Operating cash flows are generally affected by changes in operating income and accounts receivable with 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\$1,056.7 million for the year ended December 31, 2018, compared to US\$1,162.5 million for the year ended December 31, 2017. The decrease in net cash provided by operating activities was primarily due to increased working capital for operations.

Net cash provided by operating activities was US\$1,162.5 million for the year ended December 31, 2017, compared to US\$1,158.1 million for the year ended December 31, 2016. The increase in net cash provided by operating activities was primarily contributed from an improvement in underlying operating performance as described in the foregoing section net with increased working capital for operations.

### ***Investing Activities***

Net cash used in investing activities was US\$609.7 million for the year ended December 31, 2018, compared to net cash used in investing activities of US\$404.0 million for the year ended December 31, 2017. The change was primarily due to a decrease in net withdrawals of bank deposits with original maturities over three months for the year ended December 31, 2018. Net cash used in investing activities for the year ended December 31, 2018 mainly included capital expenditure payments of US\$509.5 million, deposits for acquisition of property and equipment of US\$77.5 million, payments for investment securities of US\$45.0 million and payment for internal-use software costs of US\$26.6 million, which were offset in part by proceeds from sale of investment securities of US\$40.0 million and the net withdrawal of bank deposits with original maturities over three months of US\$9.9 million.

Net cash used in investing activities was US\$404.0 million for the year ended December 31, 2017, compared to net cash provided by investing activities of US\$3.0 million for the year ended December 31, 2016. The change was primarily due to a decrease in net withdrawals of bank deposits with original maturities over three months and payments for investment securities for the year ended December 31, 2017. Net cash used in investing activities for the year ended December 31, 2017 mainly included capital expenditure payments of US\$486.4 million, payments for investment securities of US\$91.0 million, deposits for acquisition of property and equipment of US\$16.4 million and advance payments for construction costs of US\$12.2 million, which were offset in part by the net withdrawal of bank deposits with original maturities over three months of US\$201.0 million.

Our total capital expenditure payments were US\$509.5 million and US\$486.4 million for the years ended December 31, 2018 and 2017, respectively. Such expenditures were mainly associated with our development projects, including Morpheus, which is the third phase of City of Dreams, as well as enhancement to our integrated resort offerings.

We expect to incur significant capital expenditures for the redevelopment and rebranding of The Countdown and the development of the remaining land of Studio City. We intend to finance these projects through our operating cash flow and existing cash balances as well as equity or debt financings. See “— Other Financing and Liquidity Matters” below for more information.

The following table sets forth our capital expenditures incurred by segment on an accrual basis for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
	(in thousands of US\$)		
<b>Macau:</b>			
Mocha Clubs	\$ 8,973	\$ 4,690	\$ 7,763
Altira Macau	24,450	5,776	3,031
City of Dreams	311,441	467,780	359,258
Studio City	73,189	37,174	62,754
Sub-total	418,053	515,420	432,806
<b>The Philippines:</b>			
City of Dreams Manila	22,572	13,571	3,621
Corporate and Other	54,109	30,051	1,485
Total capital expenditures	<u>\$494,734</u>	<u>\$559,042</u>	<u>\$437,912</u>

Our capital expenditures for the year ended December 31, 2018 decreased from that for the year ended December 31, 2017 primarily due to the completion of Morpheus, net with the increase for the development of various projects at City of Dreams and Studio City, including the remaining land at Studio City. Our capital expenditures for the year ended December 31, 2017 increased from that for the year ended December 31, 2016 primarily due to the development of various projects at City of Dreams, including Morpheus.

Advance payments for construction costs were US\$12.2 million and US\$31.6 million for the years ended December 31, 2017 and 2016, respectively. Such payments were incurred primarily for the development of various projects at City of Dreams, including Morpheus. There was no such payment made for the year ended December 31, 2018.

### **Financing Activities**

Net cash used in financing activities amounted to US\$404.9 million for the year ended December 31, 2018, primarily due to (i) the repurchase of shares of US\$655.7 million, (ii) early partial redemption of the 2012 Studio City Notes in the amount of US\$400.0 million, (iii) dividend payments of US\$271.5 million, (iv) purchase of shares of a subsidiary of US\$199.3 million, (v) early redemption of the remaining Philippine Notes in the amount of US\$140.9 million, (vi) scheduled repayments of the term loan under the 2015 Credit Facilities and Aircraft Term Loan of US\$51.7 million, which were offset in part by (vii) proceeds of US\$1,095.7 million from the drawdown of the revolving credit facility under the 2015 Credit Facilities and (viii) net proceeds from the initial public offering of a subsidiary of US\$213.5 million.

Net cash used in financing activities amounted to US\$1,046.0 million for the year ended December 31, 2017, primarily due to (i) dividend payments of US\$821.3 million, (ii) early partial redemption of the Philippine Notes in the amount of US\$144.8 million, (iii) scheduled repayments of the term loan under the 2015 Credit Facilities and Aircraft Term Loan of US\$51.5 million, (iv) payments of refinancing costs and debt issuance costs of US\$34.6 million primarily associated with the refinancing of the 2013 Senior Notes with the 2017 Senior Notes, which were offset in part by (v) net proceeds of US\$2.6 million from the refinancing of the 2013 Senior Notes. The US\$1.0 billion principal amount outstanding under the 2013 Senior Notes was refinanced by the proceeds from the US\$650.0 million principal amount of the 2017 Senior Notes issued on June 6, 2017 and US\$350.0 million from the partial drawdown of the revolving credit facility under the 2015 Credit Facilities. The US\$350.0 million partial drawdown from the revolving credit facility under the 2015 Credit Facilities was subsequently repaid by the US\$352.6 million proceeds from the issuance of the US\$350.0 million principal amount of the 2017 Senior Notes issued on July 3, 2017, which priced at 100.75%.

Net cash used in financing activities amounted to US\$1,339.7 million for the year ended December 31, 2016, primarily due to (i) the repurchase of shares for retirement of US\$803.2 million; (ii) dividend payments of

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US\$385.6 million; (iii) scheduled repayments and early repayment in full of the Studio City Project Facility (other than HK\$1.0 million rolled over into a term loan facility under the 2021 Studio City Senior Secured Credit Facility) of US\$1,295.6 million with proceeds of US\$1,200.0 million from the issuance of the 2016 Studio City Notes; (iv) scheduled repayments of the term loan under the 2015 Credit Facilities of US\$22.6 million and (v) payment of debt issuance costs primarily associated with the 2016 Studio City Notes and the 2021 Studio City Senior Secured Credit Facility as well as payment of legal and professional fees for amending the loan documentation for the Studio City Project Facility of US\$27.3 million.

### Indebtedness

We enter into loan facilities and issue notes through our subsidiaries. The following table presents a summary of our gross indebtedness as of December 31, 2018:

	<u>As of December 31, 2018</u> <i>(in thousands of US\$)</i>
2016 Studio City Notes	\$ 1,200,000
2017 Senior Notes	1,000,000
2012 Studio City Notes	425,000
2015 Credit Facilities	1,475,894
Aircraft Term Loan	3,503
2021 Studio City Senior Secured Credit Facility	128
	<u>\$ 4,104,525</u>

Major changes in our indebtedness during the year ended and subsequent to December 31, 2018 are summarized below.

During the year ended December 31, 2018, Melco Resorts Macau partially drew down HK\$8.5 billion (approximately US\$1,090.0 million) from the revolving credit facility under the 2015 Credit Facilities. As of December 31, 2018, HK\$1.21 billion (approximately US\$155 million) remains available for future drawdown in the revolving credit facility under the 2015 Credit Facilities, subject to satisfaction of certain conditions precedent. During the year ended December 31, 2018, Melco Resorts Leisure redeemed all of the Philippine Notes which remained outstanding. On December 31, 2018, Studio City Finance partially redeemed 2012 Studio City Notes in an aggregate principal amount of US\$400.0 million, together with accrued interest.

On January 22, 2019, Studio City Finance commenced the 2012 Studio City Notes Tender Offer. The 2012 Studio City Notes Tender Offer expired on February 4, 2019. The aggregate principal amount of valid tenders received and not validly withdrawn under the 2012 Studio City Notes Tender Offer amounted to US\$216.5 million.

On February 11, 2019, Studio City Finance issued US\$600.0 million in aggregate principal amount of 2019 Studio City Notes, the net proceeds of which were used to pay the tendering noteholders from the 2012 Studio City Notes Tender Offer and, on March 13, 2019, to redeem, together with accrued interest, all remaining outstanding amounts of the 2012 Studio City Notes.

For further details of the above indebtedness, see note 11 to the consolidated financial statements included elsewhere in this annual report, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the charge on our assets and the nature and extent of any restrictions on our ability, and the ability of our subsidiaries, to transfer funds as cash dividends, loans or advances. See also “Item 5. Operating and Financial Review and Prospects — F. Tabular Disclosure of Contractual Obligations” for details of the maturity profile of debt and “Item 11. Quantitative and Qualitative Disclosures about Market Risk” for further understanding of our hedging of interest rate risk and foreign exchange risk exposure.

## **Other Financing and Liquidity Matters**

We may obtain financing in the form of, among other things, equity or debt, including additional bank loans or high yield, mezzanine or other debt, or rely on our operating cash flow to fund the development of our projects. We are a growing company with significant financial needs. We expect to have significant capital expenditures in the future as we continue to develop our properties, in particular, The Countdown at City of Dreams in Cotai, Macau, and the remaining land of Studio City.

We have relied, and intend in the future to rely, on our operating cash flow and different forms of financing to meet our funding needs and repay our indebtedness, as the case may be.

The timing of any future debt and equity financing activities will be dependent on our funding needs, our development and construction schedule, the availability of funds on terms acceptable to us and prevailing market conditions. We may carry out activities from time to time to strengthen our financial position and ability to better fund our business expansion plans. Such activities may include refinancing existing debt, monetizing assets, sale-and-leaseback transactions or other similar activities.

In October 2018, SCI completed its initial public offering of 28,750,000 SC ADSs (equivalent to 115,000,000 Class A ordinary shares of SCI), of which 15,330,000 SC ADSs were purchased by our subsidiary, MCO Cotai Investments Limited. In November 2018, the underwriters exercised their over-allotment option in full to purchase an additional 4,312,500 SC ADSs from SCI. After giving effect to the exercise of the over-allotment option, the total number of SC ADSs sold in the Studio City IPO was 33,062,500 SC ADSs, which raised net proceeds of approximately US\$406.7 million from the SC ADSs sold in the Studio City IPO and aggregate gross proceeds of approximately US\$2.5 million from the concurrent private placement to Melco International in connection with Melco International's "assured entitlement" distribution to its shareholders, after deducting underwriting discounts and commissions and a structuring fee, but before deducting offering expenses payable by SCI. 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 December 31, 2018, we had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams and City of Dreams Manila totaling US\$83.8 million. In addition, we have contingent liabilities arising in the ordinary course of business. For further details for our commitments and contingencies, see note 21 to the consolidated financial statements included elsewhere in this annual report.

Each of Melco Resorts Macau and Studio City Company has a corporate rating of "BB" and "BB-" by Standard & Poor's, respectively, and each of Melco Resorts Finance and Studio City Finance has a corporate rating of "Ba2" and "B1" by Moody's Investors Service, respectively. For future borrowings, any decrease in our corporate rating could result in an increase in borrowing costs.

## **Restrictions on Distributions**

For discussion on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and the impact such restrictions have on our ability to meet our cash obligations, see "Item 4. Information on the Company — B. Business Overview — Restrictions on Distribution of Profits." See also "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy" and note 18 to the consolidated financial statements included elsewhere in this annual report.

## **C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.**

We have entered into license or hotel management agreements with the following entities or groups:

- Crown Melbourne Limited in relation to the use of certain trademarks in Macau and the Philippines;

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- Hyatt group in relation to the use of various trademarks owned by Hyatt group for the branding of the Grand Hyatt hotel at City of Dreams;
- Nobu Hospitality LLC in relation to the use of certain trademarks and intellectual property rights owned by Nobu in connection with its development, operation and management of the Nobu hotel and restaurant at City of Dreams Manila;
- Hyatt International Corporation and Melco Resorts Leisure, under which various trademarks owned by Hyatt are licensed to Melco Resorts Leisure for its operation of a hotel at City of Dreams Manila;
- DreamWorks Animation and Melco Resorts Leisure, under which various trademarks and other intellectual property rights owned by DreamWorks Animation are licensed to Melco Resorts Leisure for its operation of DreamPlay by DreamWorks, a family entertainment center at City of Dreams Manila; and
- Bandai Namco Amusement Inc. and Melco Resorts Leisure, under which a franchise to operate an entertainment facility in the Philippines, various trademarks owned by Bandai Namco as well as the lease of several virtual reality game machines are granted and licensed to Melco Resorts Leisure for its operation of the VR Zone at The Garage, which is located inside City of Dreams Manila.

In addition, we also purchase gaming tables and gaming machines and enter into licensing agreements for the use of certain trade names and, in the case of the gaming machines, the right to use software in connection therewith. These include a license to use a jackpot system for the gaming machines. For other intellectual property that we owned, see “Item 4. Information on the Company — B. Business Overview — Intellectual Property.”

### **D. TREND INFORMATION**

The following trends and uncertainties may affect our operations and financial conditions:

- Policies and campaigns implemented by the Chinese government, including restrictions on travel, anti-corruption campaigns, heightened monitoring of cross-border currency movement and adoption of new measures to eliminate perceived channels of illicit cross-border currency movements, restrictions on currency withdrawal, increased scrutiny of marketing activities in China or new measures taken by the Chinese government to deter marketing of gaming activities to mainland Chinese residents by foreign casinos, as well as any slowdown of economic growth in China, may lead to a decline and limit the recovery and growth in the number of patrons visiting our properties and the spending amount of such patrons;
- The gaming and leisure market in Macau and the Philippines are developing and the competitive landscapes are expected to evolve as more gaming and non-gaming facilities are developed in the regions where our properties are located. More supply of integrated resorts in the Cotai region of Macau and in Entertainment City of the Philippines will intensify the competition in the business that we operate;
- The impact of new policies and legislation implemented by the Macau government, including travel and visa policies, anti-smoking legislation as well as policies relating to gaming table allocations and gaming machine requirements;
- The impact of new policies and legislation implemented by the Philippine government, including potential additional licensing requirements and potential tax legislation subjecting our Philippine subsidiaries to Philippines corporate income tax, value-added tax and other tax assessments in addition to the license fees paid to PAGCOR pursuant to the Regular License;

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- Greater regulatory scrutiny and more stringent enforcement of existing laws and regulations in relation to anti-money laundering, including laws and regulations relating to capital movement;
- Gaming promoters in Macau are experiencing increased regulatory scrutiny that has resulted in the cessation of business of certain gaming promoters, a trend which may affect our operations in a number of ways:
  - a concentration of gaming promoters may result in such gaming promoters having significant leverage and bargaining strength in negotiating agreements with gaming operators, which could result in gaming promoters negotiating changes to our agreements with them or the loss of business to a competitor or the loss of certain relationships with gaming promoters, any of which may adversely affect our results of operations;
  - if any of our gaming promoters ceases business or fails to maintain the required standards of regulatory compliance, probity and integrity, their exposure to patron and other litigation and regulatory enforcement actions may increase, which in turn may expose us to an increased risk for litigation, regulatory enforcement actions and damage to our reputations; and
  - since we depend on gaming promoters for our VIP gaming revenue, difficulties in their operations may expose us to higher operational risk.

See also “Item 3. Key Information — D. Risk Factors,” “Item 4. Information on the Company — B. Business Overview — Market and Competition,” and other information elsewhere in this annual report for recent trends affecting our revenues and costs since the previous financial year and a discussion of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause the reported financial information not necessarily to be indicative of future operating results or financial condition.

### **E. OFF-BALANCE SHEET ARRANGEMENTS**

We have not entered into any material financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity or that are not reflected in our consolidated financial statements.

Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.



## F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Our total long-term indebtedness and other contractual obligations as of December 31, 2018 are summarized below.

	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
	(in millions of US\$)				
<b>Long-term debt obligations<sup>(1)</sup>:</b>					
2016 Studio City Notes	\$ 350.0	\$ 850.0	\$ —	\$ —	\$1,200.0
2017 Senior Notes	—	—	—	1,000.0	1,000.0
2012 Studio City Notes <sup>(2)</sup>	—	425.0	—	—	425.0
2015 Credit Facilities	44.8	1,431.1	—	—	1,475.9
Aircraft Term Loan	3.5	—	—	—	3.5
2021 Studio City Senior Secured Credit Facility	—	0.1	—	—	0.1
Fixed interest payments	165.4	248.7	97.5	69.7	581.3
Variable interest payments <sup>(3)</sup>	55.0	38.1	—	—	93.1
<b>Capital lease obligations<sup>(4)</sup></b>	<b>37.2</b>	<b>86.2</b>	<b>93.7</b>	<b>466.6</b>	<b>683.7</b>
<b>Operating lease obligations:</b>					
Operating leases, including City of Dreams Manila and Mocha Clubs locations	24.6	48.8	36.2	44.8	154.4
<b>Construction costs and property and equipment retention payables</b>	<b>17.9</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>17.9</b>
<b>Other contractual commitments:</b>					
Government annual land use fees <sup>(5)</sup>	2.3	4.7	5.1	16.2	28.3
Construction costs and property and equipment acquisition commitments <sup>(6)</sup>	70.7	13.1	—	—	83.8
Gaming subconcession premium <sup>(7)</sup>	27.8	55.7	13.5	—	97.0
Total contractual obligations	<u>\$ 799.2</u>	<u>\$3,201.5</u>	<u>\$ 246.0</u>	<u>\$1,597.3</u>	<u>\$5,844.0</u>

- (1) See note 11 to the consolidated financial statements included elsewhere in this annual report for further details on these debt facilities.
- (2) On February 11, 2019, Studio City Finance issued US\$600.0 million in aggregate principal amount of the 2019 Studio City Notes, the net proceeds of which were partly used to pay the tendering noteholders from the 2012 Studio City Notes Tender Offer in February 2019, which amounted to US\$216.5 million in aggregate principal amount of the 2012 Studio City Notes, and to redeem the remaining outstanding principal amount of the 2012 Studio City Notes in March 2019, which amounted to US\$208.5 million in aggregate principal amount. See note 25 to the consolidated financial statements included elsewhere in this annual report for further details on these subsequent events.
- (3) Amounts for all periods represent our estimated future interest payments on our debt facilities based upon amounts outstanding and HIBOR or LIBOR as at December 31, 2018 plus the applicable interest rate spread in accordance with the respective debt agreements. Actual rates will vary.
- (4) See note 12 to the consolidated financial statements included elsewhere in this annual report for further details on capital lease obligations.
- (5) The City of Dreams, Altira Macau and Studio City sites are located on land parcels in which we have received a land concession from the Macau government for a 25-year term, renewable for further consecutive periods of ten years, subject to applicable legislation in Macau. See “Item 4. Information on the Company — B. Business Overview — Our Land and Premises” for further details of the land concession obligations.

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- (6) See note 21(a) to the consolidated financial statements included elsewhere in this annual report for further details on construction costs and property and equipment acquisition commitments.
- (7) In accordance with our gaming subconcession, we are required to pay a fixed annual premium of MOP30.0 million (approximately US\$3.7 million) and variable premium per year based on number of gaming tables and gaming machines we operate in addition to the 39% gross gaming win tax (which is not included in this table as the amount is variable in nature). Amounts for all periods are calculated based on our gaming tables and gaming machines in operation as at December 31, 2018 through to the termination of the gaming subconcession in June 2022.

**G. SAFE HARBOR**

See “Special Note Regarding Forward-Looking Statements.”

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. DIRECTORS AND SENIOR MANAGEMENT****Directors and Executive Officers**

The following table sets forth information regarding our directors and executive officers as of the date of this annual report on Form 20-F.

<b>Name</b>	<b>Age</b>	<b>Position/Title</b>
Lawrence Yau Lung Ho	42	Chairman, chief executive officer and executive director
Clarence Yuk Man Chung	56	Non-executive director
Evan Andrew Winkler	44	Non-executive director
Alec Yiu Wa Tsui	69	Independent non-executive director
Thomas Jefferson Wu	46	Independent non-executive director
John William Crawford	76	Independent non-executive director
Francesca Galante	43	Independent non-executive director
Geoffrey Stuart Davis	50	Executive vice president and chief financial officer
Stephanie Cheung	56	Executive vice president and chief legal officer
Akiko Takahashi	65	Executive vice president and chief human resources/corporate social responsibility officer

**Directors**

**Mr. Lawrence Yau Lung Ho** was appointed as our executive director on December 20, 2004, and served as our co-chairman and chief executive officer between December 2004 and April 2016 before he was re-designated as chairman and chief executive officer in May 2016. Since November 2001, Mr. Ho has served as the managing director of Melco International and its chairman and chief executive officer since March 2006. In addition, Mr. Ho has been a director of SCI since July 2011. Mr. Ho has also been appointed as the chairman and director of Maple Peak Investment Inc., a company listed on the TSX Venture Exchange in Canada, since July 2016, and also serves on numerous boards and committees of privately-held companies in Hong Kong, Macau and mainland China.

As a member of the National Committee of the Chinese People's Political Consultative Conference, Mr. Ho serves on the board or participates as a committee member in various organizations in Hong Kong, Macau and mainland China. He is a vice chairman of the All-China Federation of Industry and Commerce; a member of the Board of Directors and a Vice Patron of The Community Chest of Hong Kong; a member of the All China Youth Federation; a member of the Macau Basic Law Promotion Association; chairman of the Macau International Volunteers Association; a member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong; honorary lifetime director of The Chinese General Chamber of Commerce of Hong Kong; honorary patron of The Canadian Chamber of Commerce in Macao; honorary president of the Association of Property Agents and Real Estate Developers of Macau; and director Executive of the Macao Chamber of Commerce.

In recognition of Mr. Ho's excellent directorship and entrepreneurial spirit, Institutional Investor honored him as the "Best CEO" in 2005. He was also granted the "5th China Enterprise Award for Creative Businessmen" by the China Marketing Association and China Enterprise News, "Leader of Tomorrow" by Hong Kong Tatler and the "Directors of the Year Award" by the Hong Kong Institute of Directors in 2005. In 2017, Mr. Ho was awarded the Medal of Merit-Tourism by the Macau SAR government for his significant contributions to tourism in the territory.

As a socially-responsible young entrepreneur in Hong Kong, Mr. Ho was selected as one of the "Ten Outstanding Young Persons Selection 2006," organized by Junior Chamber International Hong Kong. In 2007,

he was elected as a finalist in the “Best Chairman” category in the “Stevie International Business Awards” and one of the “100 Most Influential People across Asia Pacific” by Asiamoney magazine. In 2008, he was granted the “China Charity Award” by the Ministry of Civil Affairs of the People’s Republic of China. In 2009, Mr. Ho was selected as one of the “China Top Ten Financial and Intelligent Persons” judged by a panel led by the Beijing Cultural Development Study Institute and Fortune Times and was named “Young Entrepreneur of the Year” at Hong Kong’s first Asia Pacific Entrepreneurship Awards.

Mr. Ho was selected by FinanceAsia magazine as one of the “Best CEOs in Hong Kong” for the fifth time in 2014 and was granted the “Leadership Gold Award” in the Business Awards of Macau in 2015. Mr. Ho has been honored as one of the recipients of the “Asian Corporate Director Recognition Awards” by Corporate Governance Asia magazine for six consecutive years since 2012, and was awarded “Asia’s Best CEO” at the Asian Excellence Awards for the sixth time in 2017.

Mr. Ho graduated with a Bachelor of Arts degree in commerce from the University of Toronto, Canada, in June 1999 and was awarded the Honorary Doctor of Business Administration degree by Edinburgh Napier University, Scotland, in July 2009 for his contribution to business, education and the community in Hong Kong, Macau and China.

**Mr. Clarence Yuk Man Chung** was appointed as our non-executive director on November 21, 2006. Mr. Chung has also been an executive director of Melco International since May 2006, which he joined in December 2003. In addition, Mr. Chung has been the chairman and president of MRP since December 2012, a director of SCI since October 2018 and has also been appointed as a director of certain of our subsidiaries incorporated in various jurisdictions. Before joining Melco International, Mr. Chung had been in the financial industry in various capacities as a chief financial officer, an investment banker and a merger and acquisition specialist. He was named one of the “Asian Gaming 50” for multiple years (including 2018) by Inside Asian Gaming magazine. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and obtained a master’s degree in business administration from the Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology.

**Mr. Evan Andrew Winkler** was appointed as our non-executive director on August 3, 2016. Mr. Winkler served as managing director of Melco International and a director of SCI since August 2016 and was appointed as director of various subsidiaries of Melco International. In May 2018, Mr. Winkler assumed the role of president and managing director of Melco International.

Before joining Melco International, Mr. Winkler served as a managing director at Moelis & Company, a global investment bank. Prior to that, he was a managing director and co-head of technology, media and telecommunications M&A at UBS Investment Bank. Mr. Winkler has extensive experience in providing senior level advisory services on mergers and acquisitions and other corporate finance initiatives, having spent nearly two decades working on Wall Street. He holds a bachelor degree in Economics from the University of Chicago.

**Mr. Alec Yiu Wa Tsui** was appointed as an independent non-executive director on December 18, 2006. Mr. Tsui is the chairman of our nominating and corporate governance committee and a member of our audit and risk committee and compensation committee. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission of Hong Kong from 1989 to 1993, joined the HKSE in 1994 as an executive director of the finance and operations services division and was its chief executive from February 1997 to July 2000. He was also the chief operating officer of Hong Kong Exchanges and Clearing Limited from March to August 2000. During his tenure at the HKSE, Mr. Tsui was in charge of the finance and accounting functions. Mr. Tsui was the chairman of the Hong Kong Securities Institute from 2001 to 2004 and a consultant of the Shenzhen Stock Exchange from July 2001 to June 2002. Mr. Tsui was an independent non-executive director of China Blue Chemical Limited from April 2006 to

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June 2012, China Chengtong Development Group Limited from March 2003 to November 2013, China Power International Development Limited from March 2004 to December 2016 and China Oilfield Services Limited from June 2009 to June 2015, all of which are listed on the HKSE. Mr. Tsui has been a director of Industrial and Commercial Bank of China (Asia) Limited since August 2000. Mr. Tsui is also an independent non-executive director of a number of companies listed on the HKSE, Nasdaq and the Philippine Stock Exchange, including COSCO Shipping International (Hong Kong) Co., Ltd. since 2004, Pacific Online Limited since 2007, ATA Inc. since 2008, Summit Ascent Holdings Limited from March 2011 to September 2018, MRP since December 2012, Kangda International Environmental Company Limited since July 2014, DTXS Silk Road Investment Holdings Company Limited since December 2015 and Hua Medicine since September 2018. In addition, due to his long experience as an executive supervising finance and accounting functions, and extensive knowledge and expertise in internal controls and procedures for financial reporting and other matters performed by audit committees in general, Mr. Tsui also serves as a member of the audit committee on several of the companies on which he serves as a director.

Mr. Tsui graduated from the University of Tennessee with a bachelor's degree in industrial engineering in 1975 and a master of engineering degree in 1976. He completed a program for senior managers in government at the John F. Kennedy School of Government at Harvard University in 1993.

**Mr. Thomas Jefferson Wu JP** was appointed as an independent non-executive director on December 18, 2006. Mr. Wu is also the chairman of our compensation committee and a member of our audit and risk committee and nominating and corporate governance committee. Mr. Wu is the deputy chairman and managing director of Hopewell Holdings Limited, a business conglomerate listed on the HKSE. Mr. Wu has served in various roles with the Hopewell Holdings group since 1999, including group controller from March 2000 to June 2001, executive director since June 2001, chief operating officer from January 2002 to August 2002, deputy managing director from August 2003 to June 2007, co-managing director from July 2007 to September 2009, managing director since October 2009 and further appointed as deputy chairman of Hopewell Holdings Limited in February 2018. Mr. Wu has also been an executive director, managing director and non-executive director of Hopewell Highway Infrastructure Limited, a company listed on the HKSE, from January 2003 to April 2018, from July 2003 to April 2018 and from April 2018 to May 2018, respectively.

Mr. Wu graduated with high honors from Princeton University in 1994 with a Bachelor of Science degree in Mechanical and Aerospace Engineering. Mr. Wu then worked in Japan as an engineer for Mitsubishi Electric Corporation for three years before returning to full-time studies at Stanford University, where he obtained a Master of Business Administration degree in 1999. In 2015, he was conferred an honorary fellowship by Lingnan University.

Mr. Wu is active in public service in both Hong Kong and China. Mr. Wu serves in a number of advisory roles at different levels of government. In China, Mr. Wu is a member of the 13th National Committee of the Chinese People's Political Consultative Conference (the "CPPCC") and the 11th & 12th Heilongjiang Provincial Committee of the CPPCC and was a Standing Committee member and a member of the Guangzhou Municipality Huadu District Committee of the CPPCC, among other public service capacities.

In Hong Kong, Mr. Wu's major public service appointments include being a member of the Hong Kong Tourism Board of the Government of the Hong Kong Special Administrative Region (the "HKSARG"), a member of the Energy Advisory Committee of the Environment Bureau of the HKSARG, a member of the Committee on Real Estate Investment Trusts of Securities and Futures Commission, a Vice Patron of the Community Chest of Hong Kong, a deputy director of Economic Affairs Committee and a member of Friends of Hong Kong Association Limited as well as Honorary Advisor of the Hong Kong Army Cadets Association. Mr. Wu is also a member of the Business School Advisory Council of The Hong Kong University of Science and Technology. Previously, Mr. Wu was a council member of The Hong Kong Polytechnic University and the Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology, a board member of the Asian Youth Orchestra and a member of the standing committee on Disciplined Services Salaries and Conditions of Service of the HKSARG.

In addition to his professional and public service engagements, Mr. Wu is mostly known for his passion for ice hockey, as well as the sport's development in Hong Kong and the region. Mr. Wu is the vice president (Asia/Oceania) of the International Ice Hockey Federation, co-founder and chairman of the Hong Kong Amateur Club and Hong Kong Academy of Ice Hockey, as well as chairman of the Hong Kong Ice Hockey Officials Association. Mr. Wu is also the honorary president of the Hong Kong Ice Hockey Association (the national sports association of ice hockey in Hong Kong), vice-chairman of Chinese Ice Hockey Association, honorary president of Macau Ice Sports Federation and honorary chairman of Ice Hockey Association of Taipei Municipal Athletics Federation.

In 2006, the World Economic Forum selected Mr. Wu as a "Young Global Leader." Mr. Wu was also awarded the "Directors of the Year Award" by the Hong Kong Institute of Directors in 2010, the "Asian Corporate Director Recognition Award" by Corporate Governance Asia in 2011, 2012 and 2013, and named the "Asia's Best CEO (Investor Relations)" in 2012, 2013 and 2014.

**Mr. John William Crawford JP** was appointed as an independent non-executive director on January 12, 2017. Mr. Crawford was a member of our audit and risk committee up until March 21, 2018 when he became its chairman. He is also a member of our compensation committee and nominating and corporate governance committee. Mr. Crawford has been the managing director of Crawford Consultants Limited and International Quality Education Limited since 1997 and 2002, respectively. Previously, Mr. Crawford was a founding partner of Ernst & Young, Hong Kong, where he acted as engagement or review partner for many public companies and banks during his 25 years in public accounting and was the chairman of the audit division and the vice chairman of the Hong Kong office of the firm prior to retiring in 1997. Mr. Crawford has extensive knowledge of accounting issues from his experience as a managing audit partner of a major international accounting firm and also has extensive operational knowledge as a result of his consulting experience. Mr. Crawford has served as an independent non-executive director and chairman of the audit committee of Regal Portfolio Management Limited of Regal REIT since November 2006 and as an independent non-executive director of Entertainment Gaming Asia Inc. since November 2007 and up until his resignation on July 3, 2017. In November 2011, Mr. Crawford was appointed as a member of the conflicts committee of our subsidiary SCI and resigned from this position on January 10, 2017. Mr. Crawford previously served as an independent non-executive director and chairman of the audit committee of other companies publicly listed in Hong Kong, the most recent of which was E-Kong Group Limited until June 8, 2015.

Mr. Crawford has been deeply involved in the education sector in Asia, including setting up international schools and providing consulting services. He was a member and a governor for many years of the Canadian International School of Hong Kong and remains active in overseeing and consulting for other similar pre-university schools. Additionally, Mr. Crawford is involved in various charitable and/or community activities and was a founding member of UNICEF Hong Kong Committee and the Hong Kong Institute of Directors. In 1997, Mr. Crawford was appointed a Justice of the Peace in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, a member and honorary president of the Macau Society of Certified Practising Accountants and a member of the Canadian Institute of Chartered Accountants.

**Ms. Francesca Galante** was appointed as an independent non-executive director on September 5, 2018. Ms. Galante is a member of each of our compensation committee and nominating and corporate governance committee. Ms. Galante has been the co-founder and partner of First Growth Real Estate, a specialist advisory firm focused on real estate structured debt arranging, restructuring and special servicing throughout Continental Europe since 2010. Previously, Ms. Galante was an executive director in the real estate principal finance division at UBS Investment Bank in London. Prior to that she worked at Soros Real Estate Partners and Merrill Lynch. With 20 years of real estate investment and advisory experience in both Europe and North America, Ms. Galante has extensive experience on real estate transactions in office, hotel, residential and industrial asset classes. Ms. Galante received her Master of Science in Management from the Université Paris-Dauphine and Master of Finance from Ecole Supérieure De Commerce De Paris (now ESCP Europe).

## Executive Officers

**Mr. Geoffrey Stuart Davis** is our executive vice president and chief financial officer and he was appointed to his current role in April 2011. Prior to that, he served as our deputy chief financial officer from August 2010 to March 2011 and our senior vice president, corporate finance since 2007, when he joined our Company. In addition, Mr. Davis has been the chief financial officer of Melco International since December 2017, a director of MRP, a company listed on the Philippine Stock Exchange, since January 2018 and a director of SCI since October 2018. Prior to joining us, Mr. Davis was a research analyst for Citigroup Investment Research, where he covered the U.S. gaming industry from 2001 to 2007. From 1996 to 2000, he held a number of positions at Hilton Hotels Corporation and Park Place Entertainment. Park Place was spun off from Hilton Hotels Corporation and subsequently renamed Caesars Entertainment. Mr. Davis has been a CFA charter holder since 2000 and obtained a bachelor of arts degree from Brown University.

**Ms. Stephanie Cheung** is our executive vice president and chief legal officer and she was appointed to her current role in December 2008. Prior to that, she held the title of general counsel from November 2006, when she joined our Company. She has acted as the secretary to our board since she joined our Company. In addition, Ms. Cheung has been a director of SCI since October 2018. Prior to joining us, Ms. Cheung practiced law with various international law firms in Hong Kong, Singapore and Toronto. Ms. Cheung graduated with a bachelor of laws degree from Osgoode Hall Law School in 1986 and a master's degree in business administration from York University in 1994. Ms. Cheung is admitted as a solicitor in Ontario, Canada, England and Wales, and Hong Kong and is a member of the Hong Kong Institute of Directors and a fellow of Salzburg Global.

**Ms. Akiko Takahashi** is our executive vice president and chief officer, human resources/corporate social responsibility, and was appointed to this role in December 2008. In addition, Ms. Takahashi has been a director of SCI since October 2018. Prior to her present role, she held the title group human resources director from December 2006, when she joined our Company. Prior to joining us, Ms. Takahashi worked as a consultant in her own consultancy company from 2003 to 2006 where she conducted "C-level" executive searches for clients and assisted with brand/service culture alignment for a luxury hotel in New York City and where her last engagement prior to joining our Company was to lead the human resources integration for the largest international hospitality joint venture in Japan between InterContinental Hotels Group and ANA Hotels. She was the global group director of human resources for Shangri-la Hotels and Resorts, an international luxury hotel group headquartered in Hong Kong, from 1995 to 2003. Between 1993 and 1995, she was the senior vice president of human resources and service quality for Bank of America, Hawaii, FSB. She served as regional human resources manager for Sheraton Hotels Hawaii / Japan from 1985 to 1993. She started her hospitality career as a training manager for Halekulani Hotel. She began her career in the fashion luxury retail industry in merchandising, operations, training and human resources. Ms. Takahashi attended the University of Hawaii.

## Management Structure

Mr. Ho, our chairman and chief executive officer, is responsible for the day-to-day operational leadership of our Company. Our management structure includes an executive committee which is composed of our executive officers and each of our property presidents and is responsible for formulating business strategies and considering day-to-day operational matters. Our executive officers and property presidents report directly to Mr. Ho.

## B. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Our directors and executive officers receive compensation in the form of salaries, discretionary bonuses, equity awards, contributions to pension schemes and other benefits. The aggregate amount of compensation paid, and benefits in kind granted, including contingent or deferred compensation accrued for the year, to all the directors and executive officers of our Company as a group, amounted to approximately US\$26.5 million for the year ended December 31, 2018.

### **Bonus Plan**

We offer our management employees, including senior executive officers, the ability to participate in our Company's discretionary annual bonus plan. As part of this plan, employees may receive compensation in addition to their base salary upon satisfactory achievement of certain financial, strategic and individual objectives. Directors, other than Mr. Lawrence Ho, who participates in his capacity as our chief executive officer, are excluded from this plan. The discretionary annual bonus plan is administered at the sole discretion of our Company and our compensation committee.

### **Equity Awards**

On March 16, 2018, we granted share options to acquire 36,225 of our ordinary shares pursuant to the 2011 Share Incentive Plan to a director and senior executive officers of our Company with exercise prices of US\$9.15 per share and 27,663 restricted shares with grant date fair value (closing price of the grant date) at US\$9.15 per share. The options expire ten years from the date of grant. We will issue ordinary shares to such grantees upon vesting of restricted shares at par value.

On March 29, 2018, we granted share options to acquire 1,827,099 of our ordinary shares pursuant to the 2011 Share Incentive Plan to directors and senior executive officers of our Company with exercise prices of US\$9.66 per share and 728,292 restricted shares with grant date fair value (closing price of the grant date) at US\$9.66 per share. The options expire ten years from the date of grant. We will issue ordinary shares to such grantees upon vesting of restricted shares at par value.

On April 2, 2018, we granted share options to acquire 1,470,000 of our ordinary shares pursuant to the 2011 Share Incentive Plan to a director of our Company with exercise prices of US\$9.40 per share. The options expire ten years from the date of grant.

On November 23, 2018, we granted share options to acquire 453,894 of our ordinary shares pursuant to the 2011 Share Incentive Plan to a senior executive officer of our Company with exercise prices of US\$5.66 per share. On the same day, we granted 72,894 restricted shares to another senior executive officer with grant date fair value (closing price of the grant date) at US\$5.66 per share. The options expire ten years from the date of grant. We will issue ordinary shares to such grantees upon vesting of restricted shares at par value.

### **Pension, Retirement or Similar Benefits**

For the year ended December 31, 2018, we set aside or accrued approximately US\$0.2 million to provide pension, retirement or similar benefits to our senior executive officers. Our directors, other than Mr. Lawrence Ho who participates in his capacity as our chief executive officer, do not participate in such schemes. For a description of the pension scheme in which our senior executive officers in Hong Kong participate, see "— D. Employees."

## **C. BOARD PRACTICES**

### **Composition of Board of Directors**

Our board consists of seven directors, including three directors nominated by Melco International and four independent directors. Nasdaq Stock Market Rule 5605(b)(1) generally requires that a majority of an issuer's board of directors must consist of independent directors, but provides for certain phase-in periods under Nasdaq Stock Market Rule 5615(c)(3). However, Nasdaq Stock Market Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. Walkers (Hong Kong), our Cayman Islands counsel, has provided a letter to Nasdaq certifying that under the Companies Law (as amended) of the Cayman Islands, we are not required to have a majority of independent directors serving on our



board. Since September 5, 2018, we have had a majority of independent directors serving on our board. Prior to that, we relied on this “home country practice” exception.

### **Duties of Directors**

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. An individual shareholder or we, as the Company, have (as applicable) the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board include, among others:

- convening shareholders’ annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our Company and mortgaging the property of our Company; and
- approving the transfer of shares of our Company, including the registering of such shares in our share register.

### **Terms of Directors and Executive Officers**

Our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; or (ii) dies or is found by our Company to be or becomes of unsound mind. In addition, none of the service agreements between us and our directors provide benefits upon termination of their service.

### **Committees of the Board of Directors**

Our board established an audit committee, a compensation committee and a nominating and corporate governance committee in December 2006. Our audit committee was renamed our audit and risk committee on August 3, 2016. Each committee has its defined scope of duties and terms of reference within its own charter, which empowers the committee members to make decisions on certain matters. The charters of these board committees were adopted by our board on November 28, 2006 and have been amended and restated on several occasions, with the latest version of the compensation committee charter adopted on March 29, 2017 and the latest versions of the audit and risk committee charter and the nominating and corporate governance committee charter each adopted on March 20, 2019. These charters are found on our website. Each of these committees consists entirely of directors whom our board has determined to be independent under the “independence” requirements of the Nasdaq corporate governance rules. The current membership of these three committees and summary of its respective charter are provided below.

#### ***Audit and Risk Committee***

Our audit and risk committee consists of Messrs. Thomas Jefferson Wu, Alec Yiu Wa Tsui and John William Crawford, and is chaired by Mr. Crawford. Each of the committee members satisfies the “independence”

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requirements of Rule 10A-3 under the Securities Exchange Act of 1934, or the Exchange Act. We believe that Mr. Crawford qualifies as an “audit committee financial expert” as defined in Item 16A of Form 20-F. The purpose of the committee is to assist our board in overseeing and monitoring:

- the audits of the financial statements of our Company;
- the qualifications and independence of our independent auditors;
- the performance of our independent auditors;
- the account and financial reporting processes of our Company and the integrity of our systems of internal accounting and financial controls;
- legal and regulatory issues relating to the financial statements of our Company, including the oversight of the independent auditor, the review of the financial statements and related material, the internal audit process and the procedure for receiving complaints regarding accounting, internal accounting controls, auditing or other related matters;
- the disclosure, in accordance with our relevant policies, of any material information regarding the quality or integrity of our financial statements, which is brought to its attention by our disclosure committee;
- the integrity and effectiveness of our internal audit function; and
- the risk management policies, procedures and practices.

The duties of the committee include:

- reviewing and recommending to our board for approval, the appointment, re-appointment or removal of the independent auditor, after considering its annual performance evaluation of the independent auditor and after considering a tendering process for the appointment of the independent auditor every five years;
- approving the remuneration and terms of engagement of the independent auditor, and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors;
- at least annually, obtaining a written report from our independent auditor describing matters relating to its independence and quality control procedures;
- discussing with our independent auditor and our management, among other things, the audits of the financial statements, including whether any material information brought to their attention should be disclosed, issues regarding accounting and auditing principles and practices and the management’s internal control report;
- reviewing and recommending the financial statements for inclusion within our quarterly earnings releases and to our board for inclusion in our annual reports;
- approving all material related party transactions brought to its attention, without further approval of our board;
- establishing and overseeing procedures for the handling of complaints and whistleblowing;
- approving the internal audit charter and annual audit plans, and undertaking an annual performance evaluation of the internal audit function;
- assessing Chief Risk Officer and senior management’s policies and procedures to identify, accept, mitigate, allocate or otherwise manage various types of risks presented by management, and making recommendations with respect to our risk management process for the board’s approval;
- reviewing our financial controls, internal control and risk management systems, and discussing with our management the system of internal control and ensuring that our management has discharged its

duty to have an effective internal control system including the adequacy of resources, the qualifications and experience of our accounting and financial staff, and their training programs and budget;

- together with our board, evaluating the performance of the audit and risk committee on an annual basis;
- assessing the adequacy of its charter; and
- co-operating with the other board committees in any areas of overlapping responsibilities.

#### ***Compensation Committee***

Our compensation committee consists of Messrs. Thomas Jefferson Wu, Alec Yiu Wa Tsui and John William Crawford, and is chaired by Mr. Wu. The purpose of the committee is to discharge the responsibilities of the board relating to compensation of our executives, including by designing (in consultation with management and our board), recommending to our board for approval, and evaluating the executive and director compensation plans, policies and programs of our Company.

Members of this committee are not prohibited from direct involvement in determining their own compensation. Our chief executive officer may not be present at any compensation committee meeting during which his compensation is deliberated.

The duties of the committee include:

- overseeing the development and implementation of compensation programs in consultation with our management;
- at least annually, making recommendations to our board with respect to the compensation arrangements for our non-executive directors, and approving compensation arrangements for our executive director and executive officers, including the chief executive officer;
- at least annually, reviewing and approving our general compensation scheme, incentive compensation plans and equity-based plans, and overseeing the administration of these plans and discharging any responsibilities imposed on the compensation committee by any of these plans;
- reviewing and approving the compensation payable to our executive director and executive officers in connection with any loss or termination of their office or appointment;
- reviewing and recommending any benefits in kind received by any director or approving executive officer where such benefits are not provided for under the relevant employment terms;
- reviewing executive officer and director indemnification and insurance matters;
- overseeing our regulatory compliance with respect to compensation matters, including our policies on restrictions on compensation plans and loans to officers;
- together with the board, evaluating the performance of the compensation committee on an annual basis;
- assessing the adequacy of its charter; and
- co-operating with the other board committees in any areas of overlapping responsibilities.

#### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee consists of Messrs. Thomas Jefferson Wu, Alec Yiu Wa Tsui and John William Crawford and Ms. Francesca Galante, and is chaired by Mr. Tsui. The purpose of the committee is to assist our board in discharging its responsibilities regarding:

- the identification of qualified candidates to become members and chairs of the board committees and to fill any such vacancies, and reviewing the appropriateness of the continued service of directors;

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- ensuring that our board meets the criteria for independence under the Nasdaq corporate governance rules and nominating directors who meet such independence criteria;
- oversight of our compliance with legal and regulatory requirements, in particular the legal and regulatory requirements of Macau (including the relevant laws related to the gaming industry), the Cayman Islands, the SEC and Nasdaq;
- the development and recommendation to our board of a set of corporate governance principles applicable to our Company;
- the disclosure, in accordance with our relevant policies, of any material information (other than that regarding the quality or integrity of our financial statements), which is brought to its attention by the disclosure committee; and
- oversight of our environmental, social and governance-related (“ESG”) risks and opportunities.

The duties of the committee include:

- making recommendations to our board for its approval, the appointment or re-appointment of any members of our board and the chairs and members of its committees, including evaluating any succession planning;
- reviewing on an annual basis the appropriate skills, knowledge and characteristics required of board members and of the committees of our board, and making any recommendations to improve the performance of our board and its committees;
- developing and recommending to our board such policies and procedures with respect to nomination or appointment of members of our board and chairs and members of its committees or other corporate governance matters as may be required pursuant to any SEC or Nasdaq rules, or otherwise considered desirable and appropriate;
- developing a set of corporate governance principles and reviewing such principles at least annually;
- deciding whether any material information (other than that regarding the quality or integrity of our financial statements), which is brought to its attention by the disclosure committee, should be disclosed;
- reviewing and monitoring the training and continuous professional development of our directors and senior management;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors;
- together with the board, evaluating the performance of the committee on an annual basis;
- reviewing the ESG policies and the related regular public disclosures;
- assessing the adequacy of its charter; and
- co-operating with the other board committees in any areas of overlapping responsibilities.

## **Employment Agreements**

We have entered into an employment agreement with each of our executive officers. The terms of the employment agreements are substantially similar for each executive officer, except as noted below. We may terminate an executive officer’s employment for cause, at any time, without advance notice, for certain acts of the officer, including, but not limited to, a serious criminal act, willful misconduct to our detriment or a failure to perform agreed duties. Furthermore, either we or an executive officer may terminate employment at any time without cause upon advance written notice to the other party. Except in the case of Mr. Lawrence Yau Lung Ho,

upon notice to terminate employment from either the executive officer or our Company, our Company may limit the executive officer's services for a period until the termination of employment. Each executive officer (or his estate, as applicable) is entitled to accrued amounts in relation to such executive officer's employment with us upon termination due to disability or death. We will indemnify an executive officer for his or her losses based on or related to his or her acts and decisions made in the course of his or her performance of duties within the scope of his or her employment.

Each executive officer has agreed to hold, both during and after the termination of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or as compelled by law, any of our or our customers' confidential information or trade secrets. Each executive officer also agrees to comply with all material applicable laws and regulations related to his or her responsibilities at our Company as well as all material written corporate and business policies and procedures of our Company.

Each executive officer is prohibited from gambling at any of our Company's facilities during the term of his or her employment and six months following the termination of such employment agreement.

Each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and for certain periods following the termination of such employment agreement. Specifically, each executive officer has agreed not to (i) assume employment with or provide services as a director for any of our competitors who operate in a restricted area for six months following termination of employment; (ii) solicit or seek any business orders from our customers for one year following termination of employment; or (iii) seek directly or indirectly, to solicit the services of any of our employees for one year following termination of employment. The restricted area is defined as Hong Kong, Macau, the Philippines and any other country or region in which our Company operates or intends to operate.

## D. EMPLOYEES

### Employees

We had 21,413, 19,609 and 20,248 employees as of December 31, 2018, 2017 and 2016, respectively. The following table sets forth the number of employees categorized by the areas of operations and as a percentage of our workforce as of December 31, 2018, 2017 and 2016. Staff remuneration packages are determined taking into account market conditions and the performance of the individuals concerned, and are subject to review from time to time.

	As of December 31,					
	2018		2017		2016	
	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
Mocha Clubs	745	3.5%	747	3.8%	704	3.5%
Altira Macau	1,668	7.8%	1,610	8.2%	1,722	8.5%
City of Dreams	8,312	38.8%	7,202	36.7%	7,933	39.2%
Corporate and centralized services	676	3.1%	636	3.2%	712	3.5%
Studio City	4,374	20.4%	4,520	23.1%	4,812	23.7%
City of Dreams Manila	5,638	26.3%	4,894	25.0%	4,365	21.6%
Total	<u>21,413</u>	<u>100.0%</u>	<u>19,609</u>	<u>100.0%</u>	<u>20,248</u>	<u>100.0%</u>

Other than the rank-and-file employees of the Table Games Division of City of Dreams Manila, none of our employees are members of any labor union and we are not party to any collective bargaining or similar

agreement with our employees. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Operations — The success of our business depends on our ability to attract and retain an adequate number of qualified personnel. A limited labor supply, increased competition and any increase in demands from our employees could cause labor costs to increase.”

We have implemented a number of employee attraction and retention initiatives over recent years for the benefit of our employees and their families. These initiatives include, among others, a unique in-house learning academy (which provides curriculum across multi-functional tracks such as technical training — gaming and non-gaming, sales and marketing, legal, finance, human resources, computer application, language, service, leadership and lifestyle), a foundation acceleration program designed to enhance our employees’ understanding of business perspectives beyond their own jobs, an on-site high school diploma program and Diploma in Casino Management program (a collaboration with The University of Macau), the Diploma in Hospitality Management (a collaboration with the Institute for Tourism Studies), scholarship awards to encourage the concept of life-long learning, as well as ample internal promotion and transfer opportunities. In September 2015, we launched the Melco You-niversity program with the Edinburgh Napier University, an overseas institution based in the United Kingdom which was rated ‘Excellent’ in Eduniversal 2014 ranking, to bring a bachelor degree program in-house.

## E. SHARE OWNERSHIP

### Share Ownership of Directors and Members of Senior Management

The following table sets forth the beneficial interest of each director and executive officer in our ordinary shares as of March 27, 2019.

<u>Name</u>	<u>Number of ordinary shares</u>	<u>Approximate percentage of shareholding(1)</u>
Lawrence Yau Lung Ho	757,229,043 (2)	54.05%
	13,248,192 (3)	0.95%
Clarence Yuk Man Chung	*	*
Evan Andrew Winkler	*	*
Alec Yiu Wa Tsui	*	*
Thomas Jefferson Wu	*	*
John William Crawford	*	*
Francesca Galante	—	—
Geoffrey Stuart Davis	*	*
Stephanie Cheung	*	*
Akiko Takahashi	*	*
Directors and executive officers as a group	775,866,694	55.38%

\* The options, restricted shares and our shares in aggregate held by each of these directors and executive officers represent less than 1% of our total outstanding shares.

- (1) Percentage of beneficial ownership of each director and executive officer is based on: (i) 1,401,047,204 ordinary shares of our Company outstanding as of March 27, 2019, (ii) the number of ordinary shares of underlying options that have vested or will vest within 60 days after March 27, 2019 and (iii) the number of restricted shares that will vest within 60 days after March 27, 2019, each as held by such person as of that date.
- (2) Represents 757,229,043 ordinary shares beneficially owned by Melco Leisure, a company wholly owned by Melco International, a Hong Kong company listed on the HKSE. Mr. Lawrence Ho is taken to have interest in these shares as a result of his interest in approximately 55.05% of the total issued shares of Melco International by virtue of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong). Please see “Item 7. Major Shareholders and Related Party Transactions” for more details.

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- (3) Comprises 5,062,539 restricted shares vested and 3,588,672 shares acquired from exercise of options and 4,596,981 share options granted under the 2006 and 2011 Share Incentive Plans and vested in Mr. Lawrence Ho as of March 27, 2019. The following table summarizes, as of March 27, 2019, the outstanding options and restricted shares (including 4,596,981 vested but unexercised share options and excluding 5,062,539 vested restricted shares) held by Mr. Lawrence Ho:

<u>Name</u>	<u>Type of awards</u>	<u>Grant date</u>	<u>Last exercisable date and expiration date of share options</u>	<u>Exercise price of share options per share /Fair value of restricted shares at grant date per share (US\$)</u>	<u>Number of underlying shares outstanding</u>
Lawrence Yau Lung Ho	Share options	March 23, 2011	March 22, 2021	1.7537 <sup>+</sup>	1,446,498
	Share options	March 29, 2012	March 28, 2022	3.9270 <sup>+</sup>	474,399
	Share options	May 10, 2013	May 9, 2023	5.3163 <sup>+</sup>	362,610
	Share options	March 28, 2014	March 27, 2024	5.3163 <sup>+</sup>	320,343
	Share options	March 30, 2015	March 29, 2025	5.3163 <sup>+</sup>	690,291
	Share options	March 18, 2016	March 17, 2026	5.3163 <sup>+</sup>	1,302,840
	Share options	March 31, 2017	March 30, 2027	6.18	1,470,000
	Share options	April 2, 2018	April 1, 2028	9.40	1,470,000
	Restricted shares	March 31, 2017	N/A	6.18	631,470
	Restricted shares	September 8, 2017	N/A	7.61	137,979
	Restricted shares	March 29, 2018	N/A	9.66	531,381
				<b>Total</b>	<b>8,837,811</b>

<sup>+</sup> With effect from March 18, 2016, the exercise price of all outstanding share options awarded in 2013, 2014 and 2015 under the 2011 Share Incentive Plan were reduced and the vesting schedule of such outstanding share options was extended. In addition, on February 10, 2017, we reduced the exercise price of all outstanding and unexercised options granted prior to January 19, 2017 by approximately US\$0.4404 per share (equivalent to approximately US\$1.3212 per ADS) as a result of our declaration of special dividends in January 2017. Further on March 31, 2017, we reduced the exercise price of certain share options outstanding as of such date by approximately US\$0.3293 per share (equivalent to approximately US\$0.988 per ADS) reflecting prior special dividends. The adjustments to the option exercise prices in 2017 were made as required by our 2006 Share Incentive Plan and 2011 Share Incentive Plan.

None of our directors or executive officers who are shareholders have different voting rights from other shareholders of our Company.

### Share Incentive Plans

We adopted the 2006 Share Incentive Plan, 2011 Share Incentive Plan and MRP Share Incentive Plan. The 2006 Share Incentive Plan has been succeeded by our 2011 Share Incentive Plan. No further awards may be granted under the 2006 Share Incentive Plan. All subsequent awards will be issued under the 2011 Share Incentive Plan. Awards previously granted under the 2006 Share Incentive Plan shall remain subject to the terms and conditions of the 2006 Share Incentive Plan. As of December 31, 2018, all share options and restricted shares granted under the 2006 Share Incentive Plan had vested.

### 2011 Share Incentive Plan

We adopted the 2011 Share Incentive Plan to provide our employees, directors and consultants with incentives to increase shareholder value, and to attract and retain the services of those upon whom we depend for



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the success of our business. The 2011 Share Incentive Plan was conditionally approved by our shareholders at the extraordinary general meeting held on October 6, 2011 and became effective upon commencement of dealings in our shares on the HKSE on December 7, 2011. Amendments to the 2011 Share Incentive Plan were approved by our shareholders on May 20, 2015 and on December 7, 2016. The amendments to our 2011 Share Incentive Plan approved by our shareholders on December 7, 2016 were to, among other things, include provisions relating to share option schemes required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") following the consolidation of the financial results of our Company in the financial statements of Melco International as a result of our repurchase of 155,000,000 ordinary shares of our Company (equivalent to 51,666,666 ADSs) from Crown Asia Investments and the subsequent cancellation of such shares and with certain changes in the composition of our board of directors in May 2016. Such provisions in our 2011 Share Incentive Plan required by the Listing Rules shall automatically lapse to the extent the requirements under the Listing Rules are no longer applicable to us. The maximum aggregate number of shares which may be issued pursuant to all awards is 100,000,000 shares and the plan will expire ten years from December 7, 2011. As of December 31, 2018, we have granted (i) share options to subscribe for a total of 23,029,296 shares and (ii) restricted shares in respect of a total of 11,769,495 shares pursuant to the 2011 Share Incentive Plan. The 2011 Share Incentive Plan succeeds the 2006 Share Incentive Plan.

The following paragraphs describe the principal terms included in the current 2011 Share Incentive Plan.

*Types of Awards.* The awards that may be granted under the plan include options, incentive share options, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units.

*Eligible Participants.* We may grant awards to directors, employees and consultants of our Company, any parent or subsidiary of our Company, or any of our related entities that our board designates as a related entity for the purposes of the 2011 Share Incentive Plan. Our compensation committee may, from time to time, select from among all eligible individuals, those to whom awards shall be granted and shall determine the nature and amount of each award.

*Option Periods and Payments.* Our compensation committee may in its discretion determine, subject to the plan expiration period, the period within which shares must be taken up under an option; the minimum period, if any, for which an option must be held before it can be exercised; the amount, if any, payable on application or acceptance of the option.

*Plan Administration.* Our compensation committee will administer the 2011 Share Incentive Plan and has the power to, among other actions, designate eligible participants, determine the number and types of awards to be granted, and set the terms and conditions of each award granted. The compensation committee's decisions are final, binding, and conclusive for all purposes and upon all parties.

*Award Agreement.* Awards granted will be evidenced by an award agreement that sets forth the terms, conditions and limitations for each award.

*Exercise Price.* Our compensation committee may determine the exercise price or purchase price, if any, of any award.

*Term of Awards.* The term of each award shall be stated in the award agreement. If the participant ceases to be eligible for any reason, the validity of the award shall depend on the terms and conditions of the award agreement. An option will lapse automatically and may not be exercised upon the first to occur of the following events: (a) ten years from the date of the grant, unless an earlier time is set out in the award agreement; (b) three months after termination of service, subject to certain exceptions; (c) one year after the date of termination of service on account of disability or death; (d) the date on which the participant ceases to be eligible

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by reason of termination of relationship with us and/or any of our subsidiaries on grounds that such participant has been guilty of serious misconduct or convicted of any criminal offense involving integrity or honesty; and (e) date on which our compensation committee cancels the option.

*Change in Control and Corporate Transactions.* Upon the consummation of a merger or consolidation in which our Company is not the surviving entity, a change of control of our Company, a sale of substantially all of our assets, the complete liquidation or dissolution of our Company or a reverse takeover, each award will terminate, unless the award is assumed by the successor entity. If the successor entity assumes the award or replaces it with a comparable award, or replaces the award with a cash incentive program and provides for subsequent payout, the replacement award or cash incentive program will automatically become fully vested, exercisable and payable, as applicable, upon termination of the participant's employment without cause within 12 months of such corporate transaction. If the award is neither assumed nor replaced, it shall become fully vested and exercisable and released from any repurchase or forfeiture rights immediately prior to the effective date of such corporate transaction, provided that the participant remains eligible on the effective date of the corporate transaction.

*Amendment and Termination.* With the approval of the Board, our compensation committee may terminate, amend or modify the 2011 Share Incentive Plan, except certain amendments requiring the approval of our shareholders and/or the shareholders of Melco International pursuant to the applicable law. Except amendments made pursuant to the above, no termination, amendment or modification of the plan shall adversely affect in any material way any award previously granted under the plan or any previous plans, without the prior written consent of the participant.

The 2011 Share Incentive Plan will expire ten years after December 7, 2011, the date on which it became effective. No awards may be granted pursuant to the 2011 Share Incentive Plan after that time.

*Vesting Schedule.* In general, our compensation committee determined, or the award agreement would specify, the vesting schedule.

### **MRP Share Incentive Plan**

Apart from the 2006 Share Incentive Plan and the 2011 Share Incentive Plan, our subsidiary, MRP adopted the MRP Share Incentive Plan in June 2013.

In December 2018, we completed the MRP Tender Offer at the tender offer price of PHP7.25 per MRP Share ("Tender Offer Price") to acquire a total of 1,338,477,668 MRP Shares from other minority shareholders of MRP and, together with an additional of 107,475,300 MRP Shares acquired on or after December 6, 2018, increased our equity interest in MRP from approximately 72.8% immediately prior to the announcement of the MRP Tender Offer to approximately 97.9% as of December 31, 2018.

As MRP's public ownership has fallen below the minimum requirement of the Philippine Stock Exchange, trading of its shares on the Philippine Stock Exchange has been suspended since December 10, 2018. In accordance with the rules of the Philippine Stock Exchange, MRP may be involuntarily delisted from the Philippine Stock Exchange within a period of six (6) months from the date of its suspension unless its public ownership is restored to the prescribed threshold under the relevant Philippine Stock Exchange rules.

In view of the potential delisting of MRP, it is expected that no further equity awards will be granted under the MRP Share Incentive Plan. In addition, MRP intends to retire all outstanding awards under the MRP Share Incentive Plan, including the unvested MRP restricted shares and both the unvested and vested but unexercised MRP share options by the payment of cash to the relevant grantees.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. MAJOR SHAREHOLDERS**

The following table sets forth the beneficial ownership of our ordinary shares as of March 27, 2019 by all persons who are known to us to be the beneficial owners of 5% or more of our issued share capital.

<b>Name</b>	<b>Ordinary shares beneficially owned (1)</b>	
	<b>Number</b>	<b>%</b>
Melco Leisure (2)(3)	757,229,043	54.05
Capital Research Global Investors (4)	101,338,368	7.23
EuroPacific Growth Fund (5)	81,804,750	5.84

- (1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, and includes voting or investment power with respect to the securities.
- (2) The address of Melco International and Melco Leisure is The Penthouse, 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. Melco International is listed on the Main Board of the HKSE.
- (3) 757,229,043 ordinary shares are beneficially owned by Mr. Lawrence Ho through Melco Leisure as of March 27, 2019. As of March 27, 2019, Mr. Lawrence Ho, our chairman, chief executive officer and executive director as well as the chairman, chief executive officer and executive director of Melco International, personally holds 42,339,132 ordinary shares of Melco International, representing approximately 2.79% of the total issued shares of Melco International. In addition, 120,333,024 ordinary shares of Melco International are held by Lasting Legend Ltd., 297,851,606 ordinary shares of Melco International are held by Better Joy Overseas Ltd., 50,830,447 ordinary shares of Melco International are held by Mighty Dragon Developments Limited, 7,294,000 ordinary shares of Melco International are held by The L3G Capital Trust, 6,873,000 ordinary shares of Melco International are held by LH Family Investment Inc. and 1,566,000 ordinary shares of Melco International are held by Maple Peak Investments Inc., representing approximately 7.92%, 19.60%, 3.34%, 0.48%, 0.45% and 0.10% of the total issued shares of Melco International, all of which companies are owned by Mr. Ho, and/or persons and/or trusts affiliated with Mr. Ho. Mr. Ho also has interest in Great Respect Limited, a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho and his immediate family members and held 309,476,187 ordinary shares of Melco International, representing 20.37% of the total issued shares of Melco International. Therefore, we believe that Mr. Ho holds an aggregate of 836,563,396 ordinary shares of Melco International, representing approximately 55.05% of the total issued shares of Melco International, including beneficial interest, interest of his controlled corporations and interest of a trust in which he is one of the beneficiaries and taken to have interest by virtue of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong). Melco Leisure is a wholly-owned subsidiary of Melco International.
- (4) Reflects 101,338,368 ordinary shares represented by ADSs. Information regarding beneficial ownership is reported as of December 31, 2018 and is based on the information contained in the Schedule 13G filed by Capital Research Global Investors with the SEC on February 14, 2019. The address of Capital Research Global Investors is 333 South Hope Street, Los Angeles, CA 90071.
- (5) Reflects 81,804,750 ordinary shares represented by ADSs. Information regarding beneficial ownership is reported as of December 31, 2018 and is based on the information contained in the Schedule 13G filed by EuroPacific Growth Fund with the SEC on February 14, 2019. According to information reported therein, the 81,804,750 ordinary shares may also be reflected in a filing made by Capital Research Global Investors, Capital International Investors, and/or Capital World Investors. The address of EuroPacific Growth Fund is 333 South Hope Street Los Angeles, California 90071.

In May 2016, we repurchased 155 million ordinary shares (equivalent to 51,666,666 ADSs) from Crown Asia Investments for the aggregate purchase price of US\$800.8 million. Following completion of the repurchase and cancellation of such shares, Melco International became our single largest shareholder. In December 2016, Crown Asia Investments sold 40,925,499 ordinary shares of our Company in an underwritten

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offering and, concurrently, entered into cash-settled swap transactions relating to a fixed number of our ordinary shares. In February 2017, the Melco Acquisition closed, upon which Melco International became our majority shareholder. In connection with a credit facility entered into by, among others, Melco International in relation to the Melco Acquisition, Melco Leisure has pledged 346,556,734 ordinary shares of our Company held by it. In May 2017, we issued and sold 27,769,248 ADSs (equivalent to 83,307,744 ordinary shares) and 81,995,799 ordinary shares and also repurchased 165,303,544 ordinary shares from Crown Asia Investments for the aggregate purchase price of US\$1.2 billion, and such shares repurchased by us were subsequently cancelled by us.

As of December 31, 2018, a total of 1,482,999,434 ordinary shares were outstanding, of which 725,228,861 ordinary shares were registered in the name of a nominee of Deutsche Bank Trust Company Americas, the depository under the deposit agreement. Other than as described in this annual report, we have no further information as to shares held, or beneficially owned, by U.S. persons. Since the completion of our initial public offering in December 2006, all ordinary shares underlying the ADSs have been held in Hong Kong by the custodian, Deutsche Bank AG, Hong Kong Branch, on behalf of the depository.

None of our shareholders will have different voting rights from other shareholders after the filing of this annual report. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

See “Item 4. Information on the Company — C. Organizational Structure” for our current corporate structure.

### **B. RELATED PARTY TRANSACTIONS**

For discussion of significant related party transactions we entered into during the years ended December 31, 2018, 2017 and 2016, see note 22 to the consolidated financial statements included elsewhere in this annual report.

#### **Employment Agreements**

We have entered into employment agreements with key management and personnel of our Company and our subsidiaries. See “Item 6. Directors, Senior Management and Employees — C. Board Practices — Employment Agreements.”

#### **Equity Incentive Plans**

See “Item 6. Directors, Senior Management and Employees — B. Compensation of Directors and Executive Officers.”

#### **Transactions with Melco International in Relation to Cyprus**

In January 2018, The Integrated Casino Resorts Cyprus Consortium, a consortium comprising of Melco International and The Cyprus Phassouri (Zakaki) Limited, announced the finalized plans for Cyprus’ first integrated resort — City of Dreams Mediterranean. City of Dreams Mediterranean is scheduled to be launched in 2021. The Cyprus Consortium has commenced the operation of a temporary casino and two satellite casinos in 2018 and currently expects to operate an additional two satellite casinos prior to the official launch of City of Dreams Mediterranean. In connection with the City of Dreams Mediterranean project, including the launch and operation of the temporary and satellite casinos, we have provided and may continue to provide certain planning, designing, construction and other services to Melco International and its subsidiaries that are not our subsidiaries. In addition, we have entered into and may enter into further agreements and other arrangements with Melco

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International, or subsidiaries of Melco International that are not our subsidiaries, in relation to the management and operation of the City of Dreams Mediterranean project, including the management and operation of the temporary and satellite casinos. For the year ended December 31, 2018, we received service fee income of US\$4.5 million from Melco International for the provision of certain services for the City of Dreams Mediterranean project.

### **Transactions with EHY Construction**

EHY Construction and Engineering Company Limited, or EHY Construction, is a subsidiary of MECOM Power and Construction Limited, or MECOM. We have had a working relationship with MECOM for over ten years, commencing with the development of City of Dreams. In June 2017, our chairman and chief executive officer, Mr. Ho, acquired a 29.4% equity interest in MECOM. Mr. Ho's equity interest in MECOM is currently approximately 20%. MECOM, through its subsidiary, EHY Construction, continues to provide certain services in relation to our properties in Macau, including but not limited to structural steelwork, construction, fitting-out and renovation work, facility management and repair and maintenance. In July 2018, we entered into a term contract with EHY Construction pursuant to which EHY Construction agreed to provide certain services to us, including but not limited to structural steelworks, civil engineering construction and fitting out and renovation works for certain of our properties in Macau for a term of three years. The performance by EHY Construction of these services under the term contract is subject to (i) individual work orders as may be issued by us to EHY Construction from time to time; and (ii) the maximum aggregate contract amount of HK\$600 million (equivalent to approximately US\$76.6 million). For the year ended December 31, 2018, the amount incurred for the services provided by EHY Construction was US\$23 million.

## **C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

We have appended consolidated financial statements filed as part of this annual report.

### **Legal and Administrative Proceedings**

We are currently a party to certain legal and administrative proceedings which relate to matters arising out of the ordinary course of our business. Based on the current status of such proceedings and the information currently available, our management does not believe that the outcome of such proceedings will have a material adverse effect on our business, financial condition or results of operations.

### **Dividend Policy**

In February 2018, our board amended our quarterly dividend policy to one targeting a quarterly cash dividend of US\$0.045 per ordinary share of the Company (equivalent to US\$0.135 per ADS). In February 2018 and May 2018, we declared a quarterly dividend of US\$0.045 per ordinary share of the Company (equivalent to US\$0.135 per ADS) to our shareholders whose names appeared on our register of members as of the close of business on February 20, 2018 and May 14, 2018, respectively.

In July 2018, our board further amended our quarterly dividend policy to one targeting a quarterly cash dividend of US\$0.04835 per ordinary share of the Company (equivalent to US\$0.14505 per ADS), subject to our

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ability to pay dividends from our accumulated and future earnings, cash availability and future commitments. In July 2018 and November 2018, we declared a quarterly dividend of US\$0.04835 per ordinary share of the Company (equivalent to US\$0.14505 per ADS) to our shareholders whose names appeared on our register of members as of the close of business on August 6, 2018 and November 19, 2018, respectively.

In February 2019, our board further amended our quarterly dividend policy to one targeting a quarterly cash dividend of US\$0.0517 per ordinary share of the Company (equivalent to US\$0.1551 per ADS), subject to our ability to pay dividends from our accumulated and future earnings, cash availability and future commitments. In February 2019, we declared a quarterly dividend of US\$0.0517 per ordinary share of the Company (equivalent to US\$0.1551 per ADS) to our shareholders whose names appeared on our register of members as of the close of business on March 4, 2019.

Our board will continue to review from time to time our dividend policy as part of our commitment to maximizing shareholder value, taking into consideration our financial performance and market conditions.

Our board retains complete discretion on whether to pay dividends. Even if our board decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board may deem relevant. Dividends will be declared and paid in Hong Kong dollar for holders of ordinary shares and U.S. dollar for holders of our ADSs.

All subsidiaries incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after tax to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the boards of directors or administration of the relevant subsidiaries.

Our 2015 Credit Facilities, Studio City Notes, 2021 Studio City Senior Secured Credit Facility and other indebtedness we may incur contain, or may be expected to contain, restrictions on payment of dividends to us, which is expected to affect our ability to pay dividends in the foreseeable future. See "Item 3. Key Information — D. Risk Factors — Risks Relating to Our Shares and ADSs — We cannot assure you that we will make dividend payments in the future."

Under the Cayman Companies Law, subject to the provisions of our Articles, the share premium account of our Company may be applied to pay distributions or dividends to shareholders, provided that immediately following the date the distribution or dividend is proposed to be paid, we are able to pay our debts as they fall due in the ordinary course of business.

### **B. SIGNIFICANT CHANGES**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

## **ITEM 9. THE OFFER AND LISTING**

### **A. OFFERING AND LISTING DETAILS**

Our ADSs, each representing three ordinary shares, have been listed on Nasdaq under the symbol "MPEL" from December 19, 2006 to April 5, 2017 and under the symbol "MLCO" since April 6, 2017. Our ordinary shares were listed on the HKSE and began trading under the stock code "6883" on December 7, 2011 and were delisted from the HKSE on July 3, 2015.

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The following table provides the high and low trading prices for our ADSs on Nasdaq and for our ordinary shares on the HKSE for the periods indicated as follows:

	Nasdaq		HKSE	
	High	Low	High	Low
	(in US\$)		(in HK\$)	
<b>Monthly High and Low</b>				
March 2019 (through March 27, 2019)	23.49	21.17	—	—
February 2019	24.18	20.98	—	—
January 2019	22.18	16.95	—	—
December 2018	19.71	16.50	—	—
November 2018	19.62	15.33	—	—
October 2018	22.26	15.62	—	—
<b>Quarterly High and Low</b>				
First Quarter 2019 (through March 27, 2019)	24.18	16.95		
Fourth Quarter 2018	22.26	15.33		
Third Quarter 2018	27.15	19.10		
Second Quarter 2018	32.95	27.20		
First Quarter 2018	30.49	24.96	—	—
Fourth Quarter 2017	29.60	22.65	—	—
Third Quarter 2017	24.51	19.56	—	—
Second Quarter 2017	23.94	18.78	—	—
First Quarter 2017	19.32	15.70	—	—
<b>Annual High and Low</b>				
2018	32.95	15.33	—	—
2017	29.60	15.70	—	—
2016	20.00	11.91	—	—
2015 <sup>(1)</sup>	28.17	12.80	71.50	45.40
2014	45.70	21.04	126.80	55.75

(1) The trading prices for our ordinary shares on the HKSE are for the period up to July 3, 2015.

### B. PLAN OF DISTRIBUTION

Not applicable.

### C. MARKETS

Our ADSs, each representing three ordinary shares, have been listed on Nasdaq under the symbol “MPEL” from December 19, 2006 to April 5, 2017 and under the symbol “MLCO” since April 6, 2017. Our ordinary shares were listed on the HKSE under the stock code “6883” from December 7, 2011 until July 3, 2015. On January 2, 2015, we applied for a voluntary withdrawal of listing of our ordinary shares on the Main Board of the HKSE, which was approved by our shareholders on March 25, 2015. The voluntary withdrawal of listing of our ordinary shares on HKSE took effect on July 3, 2015, following which our shares are only traded on the Nasdaq Global Select Market in the form of ADSs.

### D. SELLING SHAREHOLDERS

Not applicable.

## E. DILUTION

Not applicable.

## F. EXPENSES OF THE ISSUE

Not applicable.

## ITEM 10. ADDITIONAL INFORMATION

### A. SHARE CAPITAL

Not applicable.

### B. MEMORANDUM AND ARTICLES OF ASSOCIATION

The following are summaries of material provisions of our memorandum and articles of association and the Companies Law, as amended, of the Cayman Islands, or Companies Law, insofar as they relate to the material terms of our ordinary shares.

#### General

All of our outstanding ordinary shares are fully paid and non-assessable. Some of the ordinary shares are issued in registered form only with no share certificates. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Under article 3 of our memorandum of association, the objects for which we were established are unrestricted and we have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law.

#### Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law and our articles of association. Our articles of association do not provide a time limit after which a shareholder's entitlement to an unclaimed dividend lapses.

#### Directors

Directors of our company may be appointed either by an ordinary resolution of the shareholders or by the affirmative vote of all directors. Each director holds office until the expiry of his or her term and until a successor has been elected or appointed. Our articles of association do not require directors to stand for reelection at staggered intervals.

#### Voting Rights

Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by our chairman or one or more shareholders present in person or by proxy entitled to vote and who together hold not less than 10 % of the paid up voting share capital of our company.

A quorum required for a meeting of shareholders consists of one or more shareholders who hold at least one-third of our ordinary shares at the meeting present in person or by proxy or, if a corporation



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or other non-natural person, by its duly authorized representative. Shareholders' meetings are held annually and may be convened by our board on its own initiative or upon a request to the directors by shareholders holding in aggregate at least ten percent of our ordinary shares. Advance notice of at least seven days is required for the convening of our annual general meeting and other shareholders meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of not less than two-thirds of the votes cast attaching to the ordinary shares. A special resolution will be required for important matters such as changing our name or making changes to our memorandum and articles of association.

### **Transfer of Ordinary Shares**

Subject to the restrictions of our articles of association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board.

Our board may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates, and such other evidence as our board may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required; or
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four.

If our directors refuse to register a transfer they must, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers may, on 14 days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and the register closed at such times and for such periods as our board may from time to time determine, provided, however, that the registration of transfers may not be suspended nor the register closed for more than 30 days in any year.

### **Liquidation**

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares will be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

### **Calls on Ordinary Shares and Forfeiture of Ordinary Shares**

Our board may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time and place of payment. The ordinary shares that have been called upon and remain unpaid on the specified time are subject to forfeiture. Shareholders are not liable for any capital calls by the company except to the extent there is an amount unpaid on their shares.

### **Redemption of Ordinary Shares**

Subject to the provisions of the Companies Law, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as the directors may determine.

### **Prohibitions on the Receipt of Dividends, the Exercise of Voting or Other Rights or the Receipt of Other Remuneration**

Our memorandum and articles of association prohibit anyone who is an unsuitable person or an affiliate of an unsuitable person from:

- receiving dividends or interest with regard to our shares;
- exercising voting or other rights conferred by our shares; and
- receiving any remuneration in any form from us or an affiliated company for services rendered or otherwise.

Such unsuitable person or its affiliate must sell all of the shares, or allow us to redeem or repurchase the shares on such terms and manner as the directors may determine and agree with the shareholders, within such period of time as specified by a gaming authority.

These prohibitions commence on the date that a gaming authority serves notice of a determination of unsuitability or our board determines that a person or its affiliate is unsuitable and continue until the securities are owned or controlled by persons found suitable by a gaming authority or our board, as applicable, to own them. An “unsuitable person” is any person who is determined by a gaming authority to be unsuitable to own or control any of our shares or who causes us or any affiliated company to lose or to be threatened with the loss of any gaming license, or who, in the sole discretion of our board, is deemed likely to jeopardize our or any of our affiliates’ application for, receipt of approval for right to the use of, or entitlement to, any gaming license.

The terms “affiliated companies,” “gaming authority” and “person” have the meanings set forth in our articles of association.

### **Redemption of Securities Owned or Controlled by an Unsuitable Person or an Affiliate**

Our memorandum and articles of association provide that shares owned or controlled by an unsuitable person or an affiliate of an unsuitable person are redeemable by us, out of funds legally available for that redemption, by appropriate action of our board to the extent required by the gaming authorities making the determination of unsuitability or to the extent deemed necessary or advisable by our board having regard to relevant gaming laws. From and after the redemption date, the securities will not be considered outstanding and all rights of the unsuitable person or affiliate will cease, other than the right to receive the redemption price and the right to receive any dividends declared prior to any receipt of any written notice from a gaming authority declaring the suitable person to be an unsuitable person but not yet paid. The redemption price will be the price, if any, required to be paid by the gaming authority making the finding of unsuitability or, if the gaming authority does not require a price to be paid, the sum deemed to be the fair value of the securities by our board. The price for the shares will not exceed the closing price per share of the shares on the principal national securities exchange on which the shares are then listed on the trading date on the day before the redemption notice is given. If the shares are not then listed, the redemption price will not exceed the closing sales price of the shares as quoted on an automated quotation system, or if the closing price is not then reported, the mean between the bid and asked prices, as quoted by any other generally recognized reporting system. Our right of redemption is not exclusive of any other rights that we may have or later acquire under any agreement, its bylaws or otherwise. The redemption price may be paid in cash, by promissory note, or both, as required by the applicable gaming authority and, if not, as we elect.

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Our memorandum and articles of association require any unsuitable person and any affiliate of an unsuitable person to indemnify us and our affiliated companies for any and all losses, costs and expenses, including attorneys' fees, incurred by us and our subsidiaries as a result of the unsuitable person's or affiliate's ownership or control of shares, the neglect, refusal or other failure to comply with the provisions of our memorandum and articles of association relating to unsuitable persons, or failure to promptly divest itself of any shares in us.

### **Variations of Rights of Shares**

All or any of the rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied or abrogated either with the unanimous written consent of the holders of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

### **Changes in Capital**

We may from time to time by ordinary resolution:

- increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution may prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- convert all or any of our paid-up shares into stock and reconvert that stock into paid up shares of any denomination;
- sub-divide our existing shares, or any of them, into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share will be the same as it was in case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

We may by special resolution reduce our share capital and any capital redemption reserve in any manner authorized by law.

### **Accounts and Audit**

No shareholder (other than a director) has any right to inspect any of our accounting record or book or document except as conferred by law or authorized by our board or our company by ordinary resolution of the shareholders.

Subject to compliance with all applicable laws, we may send to every person entitled to receive notices of our general meetings under the provisions of the articles of association a summary financial statement derived from our annual accounts and our board's report.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the articles of association. The remuneration of the auditors shall be fixed by our board.

Our financial statements shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing

standards and the report of the auditor shall be submitted to the shareholders in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

### **Exempted Company**

We are an exempted company with limited liability under the Companies Law. The Companies Law distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- annual reporting requirements are minimal and consist mainly of a statement that the company has conducted its operations mainly outside of the Cayman Islands and has complied with the provisions of the Companies Law;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue shares with no par value;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

### **Differences in Corporate Law**

The Companies Law is modeled after that of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Law differs from laws applicable to Delaware corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to Delaware corporations and their shareholders.

### ***Mergers and Similar Arrangements***

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes:

- a "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and
- a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company.

In order to effect a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by:

- a special resolution of the shareholders of each constituent company; and
- such other authorization, if any, as may be specified in such constituent company's articles of association.

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A merger between a parent company incorporated in the Cayman Islands and its subsidiary or subsidiaries incorporated in the Cayman Islands does not require authorization by a resolution of shareholders of the constituent companies provided a copy of the plan of merger is given to every shareholder of each subsidiary company to be merged unless that shareholder agrees otherwise. For this purpose, a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The plan of merger or consolidation must be filed with the Registrar of Companies in the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger and consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares if they follow the required procedures, subject to certain exceptions. The fair value of the shares will be determined by the Cayman Islands court if it cannot be agreed among the parties. Court approval is not required for a merger or consolidation effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands.

While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a take-over offer is made and accepted by holders of not less than 90% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

If the arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

### ***Shareholders' Suits***

Derivative actions have been brought in the Cayman Islands courts. In most cases, the company will be the proper plaintiff in any claim based on a breach of duty owed to it, and a claim against (for example) the company's officers or directors usually may not be brought by a shareholder. However, based on English

authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a “fraud on the minority.”

A shareholder may have a direct right of action against the company where the individual rights of that shareholder have been infringed or are about to be infringed.

### ***Directors’ Fiduciary Duties***

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components, the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director must act in a manner he or she reasonably believes to be in the best interests of the corporation. A director must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company, and therefore it is considered that he or she owes the following duties to the company: a duty to act bona fide in the best interests of the company, a duty not to make a profit out of his or her position as director (unless the company permits him or her to do so), a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interests or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, there are indications that the courts are moving towards an objective standard with regard to the required skill and care.

Under our memorandum and articles of association, directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with our company must declare the nature of their interest at a meeting of the board of directors. Following such declaration, a director may vote in respect of any contract or proposed contract notwithstanding his or her interest.

### ***Shareholder Action by Written Resolution***

Under the Delaware General Corporation Law, a corporation’s certificate of incorporation may eliminate the right of stockholders to act by written consent. Our memorandum and articles of association allow shareholders to act by written resolutions.

### ***Cumulative Voting***

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation’s certificate of incorporation specifically provides for it. Cumulative voting

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potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled for a single director, which increases the shareholder's voting interest with respect to electing such director.

As permitted under Cayman Islands law, our memorandum and articles of association do not provide for cumulative voting.

### ***Removal of Directors***

Under the Delaware General Corporation Law, a director of a corporation may be removed with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise.

Under our memorandum and articles of association, directors can be removed by special resolution of the shareholders.

### ***Transactions with Interested Shareholders***

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date on which such person becomes an interested shareholder. An interested shareholder generally is one which owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction that resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware public corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions entered into must be bona fide in the best interests of the company, for a proper corporate purpose and not with the effect of perpetrating a fraud on the minority shareholders.

### ***Dissolution and Winding Up***

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting interest of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. The Delaware General Corporation Law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board of directors.

Under our memorandum and articles of association, a resolution that our company be wound up by the court or be wound up voluntarily shall be a special resolution, except where the company is to be wound up voluntarily because it is unable to pay its debts as they may fall due in which event the resolution shall be an ordinary resolution.

### ***Variation of Rights of Shares***

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise.

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Under Cayman Islands law and our memorandum and articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class with the unanimous consent in writing of the holders of the issued shares of the relevant class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of such class by a majority of two-thirds of the votes cast at such a meeting.

### ***Amendment of Governing Documents***

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise.

Our memorandum and articles of association may be amended by a special resolution of shareholders.

### ***Inspection of Books and Records***

Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Holders of our shares have no general right under Cayman Islands law, nor any right under our memorandum and articles of association, to inspect or obtain copies of our register of members or our corporate records. However, we intend to provide our shareholders with annual reports containing audited financial statements.

### ***Anti-takeover Provisions in our Memorandum and Articles of Association***

Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

Such shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue these preference shares, the price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be materially adversely affected.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

### ***Rights of Non-resident or Foreign Shareholders***

There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

## **C. MATERIAL CONTRACTS**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" and "Item 7. Major Shareholders and Related Party Transactions" or elsewhere in this annual report on Form 20-F.



## D. EXCHANGE CONTROLS

With regard to our operations in Macau, no foreign exchange controls exist in Macau and Hong Kong and there is a free flow of capital into and out of Macau and Hong Kong. There are no restrictions on remittances of H.K. dollar or any other currency from Macau and Hong Kong to persons not resident in Macau and Hong Kong for the purpose of paying dividends or otherwise.

With regard to our operations in the Philippines, the Philippines has been liberalizing foreign exchange controls in the country, and has adopted a floating exchange rate regime. In any event, the Philippine peso still fluctuates against the H.K. dollar and the U.S. dollar from time to time. Although there are no restrictions or limits on the amounts of the Philippine peso or foreign currency that may be taken in or out of the country, the Bangko Sentral ng Pilipinas (BSP), the Central Bank of the Philippines, imposed a requirement that inward and outward transfers of the Philippine peso in excess of PHP10,000 must be with prior authorization of BSP, while foreign currency in excess of US\$10,000 or its equivalent must be declared to the Bureau of Customs Desk in the airport upon arrival or before departure, as the case may be.

## E. TAXATION

### Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

### United States Federal Income Taxation

The following discussion describes certain material U.S. federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the ADSs or ordinary shares. The effects of any applicable state or local laws and other U.S. federal tax laws such as estate and gift tax laws, and the impact of the alternative minimum tax and the Medicare contribution tax on net investment income, are not discussed. This discussion applies only to U.S. Holders that hold the ADSs or ordinary shares as capital assets within the meaning of Section 1221 of the United States Internal Revenue Code of 1986, as amended, or the Code (generally, property held for investment), and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as of the date of this annual report and U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances or to holders subject to particular rules, including:

- banks;
- certain financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;

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- traders that elect to mark to market;
- U.S. expatriates;
- tax-exempt entities;
- persons holding ADSs or ordinary shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our stock by vote or value;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to ADSs or ordinary shares being taken into account in an “applicable financial statement” (as defined in the Code);
- persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- partnerships or pass-through entities, or persons holding ADSs or ordinary shares through such entities.

**INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ADSs OR ORDINARY SHARES.**

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are the beneficial owner of ADSs or ordinary shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any State thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that holds ADSs or ordinary shares, your tax treatment will generally depend on your status and the activities of the partnership. If you are a partner in such partnership, you should consult your tax advisor.

The discussion below assumes the representations contained in the deposit agreement are true and the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms. If you own ADSs, you should be treated as the owner of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to U.S. federal income tax.

The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the beneficial ownership of the underlying security (for example, pre-releasing ADSs to persons that do not have the beneficial ownership of the securities underlying the ADSs). Accordingly, the availability of a reduced tax rate for any dividends received by certain non-corporate U.S. Holders, including individual U.S. Holders (as discussed below), could be affected by actions taken by intermediaries in the chain of ownership between the holders of ADSs and our Company if as a result of such actions the holders of ADSs are not properly treated as beneficial owners of underlying common shares.

### ***Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares***

Subject to the PFIC rules discussed below, the gross amount of any distributions we make to you with respect to the ADSs or ordinary shares (including the amount of any taxes withheld therefrom) generally will be includible in your gross income as dividend income on the date of receipt by the depository, in the case of ADSs, or on the date of receipt by you, in the case of ordinary shares, but only to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Any such dividends will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from other U.S. corporations. To the extent the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), such excess amount will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and then, to the extent such excess amount exceeds your tax basis in your ADSs or ordinary shares, as capital gain. We currently do not, and we do not intend to, calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that any distribution will generally be reported as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, any dividends may be taxed at the lower capital gains rate applicable to “qualified dividend income,” provided (1) the ADSs or ordinary shares, as applicable, are readily tradable on an established securities market in the United States, (2) we are neither a PFIC nor treated as such with respect to you (as discussed below) for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Under U.S. Internal Revenue Service authority, ADSs will be considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on the Nasdaq, as are our ADSs. There can be no assurance that our ADSs will continue to be readily tradable on an established securities market in later years. Consequently, there can be no assurance that dividends paid on our ADSs will continue to qualify for the reduced tax rates. You should consult your tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends paid with respect to our ADSs or ordinary shares.

Any dividends we pay with respect to our ADSs or ordinary shares will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation generally will be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, any dividends we pay with respect to the ADSs or ordinary shares will generally constitute “passive category income.”

### ***Taxation of Disposition of ADSs or Ordinary Shares***

Subject to the PFIC rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of ADSs or ordinary shares equal to the difference between the amount realized for the ADSs or ordinary shares and your tax basis in the ADSs or ordinary shares. The gain or loss generally will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, that has held the ADSs or ordinary shares for more than one year, you may be eligible for reduced U.S. federal income tax rates. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize on a disposition of ADSs or ordinary shares will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes. You should consult your tax advisors regarding the proper treatment of gain or loss in your particular circumstances.

***Passive Foreign Investment Company***

Based on the market price of our ADSs and ordinary shares, and the composition of our income and assets, we do not believe we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2018. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you we will not be a PFIC for any taxable year. Furthermore, because PFIC status is a factual determination based on actual results for the entire taxable year, our U.S. counsel expresses no opinion with respect to our PFIC status and expresses no opinion with respect to this paragraph. A non-U.S. corporation will be a PFIC for U.S. federal income tax purposes for any taxable year if either:

- at least 75% of its gross income for such year is passive income; or
- at least 50% of the value of its assets (based on a quarterly average) during such year is attributable to assets that produce passive income or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person), as well as gains from the sale of assets (such as stock) that produce passive income, foreign currency gains, and certain other categories of income. For purposes of determining whether we are a PFIC, we will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs and ordinary shares, fluctuations in the market price of the ADSs and ordinary shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC.

If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, we generally will continue to be treated as a PFIC with respect to you for that year and for all succeeding years during which you hold ADSs or ordinary shares, unless we cease to be a PFIC and you make a “deemed sale” election with respect to the ADSs or ordinary shares. If such election is made, you will be deemed to have sold ADSs or ordinary shares you hold at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences described in the following two paragraphs. After the deemed sale election, your ADSs or ordinary shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC. You are urged to consult your tax advisor about this election.

For each taxable year we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any “excess distribution” you receive and any gain you recognize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or recognized gain will be allocated ratably over your holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to tax at the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

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The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

If we are a PFIC with respect to you for any taxable year, to the extent any of our subsidiaries are also PFICs or we make direct or indirect equity investments in other entities that are PFICs, you will be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by us in that proportion which the value of the ADSs or ordinary shares you own bears to the value of all of our ADSs or ordinary shares, as applicable, and you may be subject to the adverse tax consequences described in the preceding two paragraphs with respect to the shares of such lower-tier PFICs that you would be deemed to own. You should consult your tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the PFIC rules described above regarding excess distributions and recognized gains. If you make an effective mark-to-market election for the ADSs or ordinary shares, you will include in income for each year we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or ordinary shares, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss realized on the actual sale or other disposition of the ADSs or ordinary shares, to the extent the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make a mark-to-market election, any distributions we make would generally be subject to the rules discussed above under “— Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares,” except the lower rate applicable to qualified dividend income would not apply.

The mark-to-market election is available only for “marketable stock,” which generally is stock that is regularly traded on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Our ADSs are listed on the Nasdaq, which is a qualified exchange or other market for these purposes. Consequently, if the ADSs continue to be listed on Nasdaq and are regularly traded, and you are a holder of ADSs, we expect the mark-to-market election would be available to you if we were to become a PFIC. There can be no assurance that the ADSs will be “regularly traded” for purposes of the mark-to-market election. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that we own, a U.S. Holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. You should consult your tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

Alternatively, if a non-U.S. corporation is a PFIC, a holder of shares in that corporation may elect out of the PFIC rules described above regarding excess distributions and recognized gains by making a “qualified electing fund” election to include in income its *pro rata* share of the corporation’s income on a current basis. However, you may make a qualified electing fund election with respect to your ADSs or ordinary shares only if we agree to furnish you annually with certain tax information, and we currently do not intend to prepare or provide such information.

Unless otherwise provided by the U.S. Treasury, each U.S. Holder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. If we are or become a PFIC, you should consult your tax advisors regarding any reporting requirements that may apply to you.

**You are strongly urged to consult your tax advisors regarding the application of the PFIC rules to your investment in ADSs or ordinary shares.**

***Information Reporting and Backup Withholding***

Any dividend payments with respect to ADSs or ordinary shares and proceeds from the sale, exchange or other taxable disposition of ADSs or ordinary shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information in a timely manner.

***Additional Reporting Requirements***

Certain U.S. Holders who are individuals are required to report information relating to an interest in our common shares, subject to certain exceptions (including an exception for ADSs or ordinary shares held in accounts maintained by certain financial institutions). You should consult your tax advisors regarding the effect, if any, of these rules on your ownership and disposition of ADSs or ordinary shares.

**THE DISCUSSION ABOVE IS A GENERAL DISCUSSION. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE ADSs OR ORDINARY SHARES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.**

**F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

**G. STATEMENT BY EXPERTS**

Not applicable.

**H. DOCUMENTS ON DISPLAY**

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file an annual report on Form 20-F no later than four months after the close of each fiscal year, which is December 31. As permitted by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we have filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

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Copies of reports and other information, when so filed, may be inspected without charge at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC- 0330. The SEC also maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP. Our annual reports will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

Nasdaq Stock Market Rule 5250(d)(1) requires each issuer to distribute to shareholders copies of an annual report containing audited financial statements of our Company and its subsidiaries a reasonable period of time prior to our Company's annual meeting of shareholders. We do not intend to provide copies. However, shareholders can request a copy, in physical or electronic form, from us or our ADR depository bank, Deutsche Bank. In addition, we intend to post our annual report on our website [www.melco-resorts.com](http://www.melco-resorts.com). Nasdaq Stock Market Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. Walkers (Hong Kong), our Cayman Islands counsel, has provided a letter to the Nasdaq certifying that under the Companies Law (as amended) of the Cayman Islands, we are not required to deliver annual reports to our shareholders prior to an annual general meeting.

### **I. SUBSIDIARY INFORMATION**

Not applicable.

#### **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We believe our and our subsidiaries' primary exposure to market risk will be interest rate risk associated with our substantial indebtedness.

##### **Interest Rate Risk**

Our exposure to interest rate risk is associated with our substantial indebtedness bearing interest based on floating rates. We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and we may supplement by hedging activities in a manner we deem prudent. We cannot be sure that these risk management strategies have had the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

As of December 31, 2018, we are subject to fluctuations in HIBOR and LIBOR as a result of our 2015 Credit Facilities, Aircraft Term Loan and 2021 Studio City Senior Secured Credit Facility. As of December 31, 2018, approximately 64% of our total indebtedness was based on fixed rates. Based on our December 31, 2018 indebtedness level, an assumed 100 basis point change in HIBOR and LIBOR would cause our annual interest cost to change by approximately US\$14.8 million.

To the extent that we effect hedging in respect of our credit facilities, the counterparties to such hedging will also benefit from the security and guarantees we provide to the lenders under such credit facilities,

which could increase our aggregate secured indebtedness. We do not intend to engage in transactions in derivatives or other financial instruments for trading or speculative purposes and we expect the provisions of our existing and any future credit facilities to restrict or prohibit the use of derivatives and financial instruments for purposes other than hedging.

### **Foreign Exchange Risk**

Our exposure to foreign exchange rate risk is associated with the currency of our operations and our indebtedness and as a result of the presentation of our financial statements in U.S. dollar. The majority of our revenues are denominated in H.K. dollar, given the H.K. dollar is the predominant currency used in Macau and is often used interchangeably with the Pataca in Macau, while our expenses are denominated predominantly in Pataca, H.K. dollar and the Philippine peso. In addition, a significant portion of our indebtedness, including the 2017 Senior Notes and the Studio City Notes, and certain expenses, have been and are denominated in U.S. dollar, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollar. We also have a certain portion of our assets and liabilities denominated in the Philippine peso.

The value of the H.K. dollar, Pataca and the Philippine peso against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. While the H.K. dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the H.K. dollar, and the exchange rates between these currencies has remained relatively stable over the past several years, we cannot assure you that the current peg or linkages between the U.S. dollar, H.K. dollar and Pataca will not be de-pegged, de-linked or otherwise modified and subject to fluctuations. Any significant fluctuations in exchange rates between the H.K. dollar, Pataca or the Philippine peso to U.S. dollar may have a material adverse effect on our revenues and financial condition.

We accept foreign currencies from our customers and as of December 31, 2018, in addition to H.K. dollar, Pataca and the Philippine peso, we also hold other foreign currencies. However, any foreign exchange risk exposure associated with those currencies is minimal.

We have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations during the year ended December 31, 2018. Instead, we maintain a certain amount of our operating funds in the same currencies in which we have obligations, thereby reducing our exposure to currency fluctuations. However, we occasionally enter into foreign exchange transactions as part of financing transactions and capital expenditure programs.

See note 11 to the consolidated financial statements included elsewhere in this annual report for further details related to our indebtedness as of December 31, 2018.

Major currencies in which our cash and bank balances (including restricted cash) held as of December 31, 2018 were U.S. dollar, H.K. dollar, the Philippine peso and Pataca. Based on the cash and bank balances as of December 31, 2018, an assumed 1% change in the exchange rates between currencies other than U.S. dollar against the U.S. dollar would cause a maximum foreign transaction gain or loss of approximately US\$13.2 million for the year ended December 31, 2018.

Based on the balances of indebtedness denominated in currencies other than U.S. dollar as of December 31, 2018, an assumed 1% change in the exchange rates between currencies other than U.S. dollar against the U.S. dollar would cause a foreign transaction gain or loss of approximately US\$14.8 million for the year ended December 31, 2018.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

### **A. DEBT SECURITIES**

Not applicable.



## **B. WARRANTS AND RIGHTS**

Not applicable.

## **C. OTHER SECURITIES**

Not applicable.

## **D. AMERICAN DEPOSITARY SHARES**

Persons depositing shares are charged a fee for each issuance of ADSs, including issuances resulting from distributions of shares, share dividends, share splits, bonus and rights distributions and other property, and for each surrender of ADSs in exchange for deposited securities. The fee in each case is not in excess of US\$5.00 for each 100 ADSs (or fraction thereof) issued or surrendered. Any holder of ADSs is charged a fee not in excess of US\$5.00 per 100 ADSs (or portion thereof) issued upon the exercise of rights. The depositary also charges a fee not in excess of US\$5.00 per 100 ADSs held for the distribution of cash proceeds pursuant to cash dividends, sale of rights and other entitlements or otherwise. The depositary may also charge an annual fee not in excess of US\$5.00 per 100 ADSs for the operation and maintenance costs in administering the ADSs. Persons depositing shares may also be required to pay the following charges:

- Taxes (including any applicable interest and penalties thereon) and other governmental charges;
- Cable, telex, facsimile and electronic transmission and delivery expenses;
- Registration fees as may from time to time be in effect for the registration of shares or other deposited securities with the foreign registrar and applicable to transfers of shares or other deposited securities to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;
- Expenses and charges incurred by the depositary in connection with the conversion of foreign currency;
- Fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to the shares, deposited securities and ADSs; and
- Any additional fees, charges, costs or expenses that may be incurred by the depositary from time to time.

We will pay all other charges and expenses of the depositary and any agent of the depositary, except the custodian, pursuant to agreements from time to time between us and the depositary. We and the depositary may amend the fees described above from time to time.

Depositary fees payable upon the issuance and cancellation of ADSs are generally paid to the depositary by the brokers receiving the newly issued ADSs from the depositary and by the brokers delivering the ADSs to the depositary for cancellation. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary service fee are charged by the depositary to the holders of record of ADSs as of the applicable ADS record date.

In the case of cash distributions, service fees are generally deducted from the cash being distributed. In the case of distributions other than cash, such as stock dividends or certain rights, the depositary charges the applicable ADS record date holder concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or in The Depository Trust Company (“DTC”)), the depositary sends invoices

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to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depository generally collects the fees through the settlement systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the service fees paid to the depository.

### **Fees and Other Payments Made by the Depository to Us**

In 2018, we received approximately US\$4.0 million (after tax) reimbursement from the depository in connection with our ADS facility.

## **PART II**

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

### **ITEM 15. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

As of the end of the period covered by this annual report, our management, with the participation of our chief executive officer and our chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, it should be noted that any controls and procedures, no matter how well designed and operated, can only provide reasonable, but not absolute, assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms, and accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

#### **Management's Annual Report on Internal Control Over Financial Reporting**

Our Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act.

Our Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our Company's internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our Company's assets;

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- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our Company's receipts and expenditures are being made only in accordance with authorizations of its management and directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our Company's management assessed the effectiveness of our Company's internal control over financial reporting as of December 31, 2018. In making this assessment, our Company's management used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)* ("2013 framework").

Based on this assessment, management concluded that, as of December 31, 2018, our Company's internal control over financial reporting is effective based on this 2013 framework.

### **Attestation Report of the Registered Public Accounting Firm**

The effectiveness of our Company's internal control over financial reporting as of December 31, 2018, has been audited by Ernst & Young, an independent registered public accounting firm, as stated in their report which appears herein.

### **Changes in Internal Controls Over Financial Reporting**

There were no changes in our Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our Company's internal control over financial reporting.

### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board has determined that Mr. John William Crawford qualifies as "audit committee financial expert" as defined in Item 16A of Form 20-F. Each of the members of our audit and risk committee satisfies the "independence" requirements of the Nasdaq corporate governance rules and Rule 10A-3 under the Exchange Act. See "Item 6. Directors, Senior Management and Employees."

### **ITEM 16B. CODE OF ETHICS**

Our board has adopted a code of business conduct and ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer and any other persons who perform similar functions for us. The code of business conduct and ethics was last amended on January 29, 2019. We have posted our current code of business conduct and ethics on our website at [www.melco-resorts.com](http://www.melco-resorts.com). We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by our principal external auditors, for the years indicated. We did not pay any other fees to our auditor during the years indicated below.

	Year Ended December 31,	
	2018	2017
	<i>(In thousands of US\$)</i>	
Audit fees (1)	\$ 1,609	\$ 1,713
Audit-related fees(2)	311	881
Tax fees (3)	282	86
All other fees (4)	240	—

- (1) “Audit fees” means the aggregate fees in each of the fiscal years indicated for our calendar year audits.
- (2) “Audit-related fees” primarily include the aggregate fees for professional services provided in connection with (i) the issuance of the 2017 Senior Notes and the 2019 Studio City Notes, (ii) the registration statement on Form F-1 for an initial public offering of SCI; and (iii) our registration statement on Form F-3 and the related prospective supplements for our public offering filed with the SEC in December 2016 and May 2017.
- (3) “Tax fees” include the aggregate fees for tax consultations.
- (4) “All other fees” include the aggregate fees for advisory services and an annual charge for an online technical accounting research tool.

The policy of our audit and risk committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firm, including audit services, audit-related services, tax services and other services, other than those for *de minimis* services which are approved by our audit and risk committee prior to the completion of the audit.

For the years ended December 31, 2018 and 2017, nil and 3.4 percent of the total audit-related, tax and all other fees as described above were approved by our audit and risk committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X, respectively.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table sets forth information about our repurchases made in the fiscal year ended December 31, 2018.

<u>Period</u>	<u>Total Number of Ordinary Shares Purchased</u>	<u>Average Price Paid Per Ordinary Share (US\$)</u>	<u>Total Number of Ordinary Shares Purchased as Part of Publicly Announced Program (1)</u>	<u>Maximum Dollar Value of Ordinary Shares that May Yet be Purchased Under Publicly Announced Program (US\$)</u>
January 2018	—	—	—	—
February 2018	—	—	—	—
March 2018	—	—	—	500,000,000
April 2018	—	—	—	500,000,000
May 2018	—	—	—	500,000,000
June 2018	—	—	—	500,000,000
July 2018	—	—	—	500,000,000
August 2018	15,827,796	7.89	15,827,796	375,093,602
September 2018	44,661,933	7.06	44,661,933	59,650,414
October 2018	7,225,260	7.09	7,225,260	8,388,299
November 2018	16,817,856	5.69	16,817,856	412,741,194
December 2018	12,038,220	5.74	12,038,220	343,643,529
<b>Total</b>	<b>96,571,065</b>	<b>6.80</b>	<b>96,571,065</b>	<b>343,643,529</b>

Notes:

- (1) In March 2018, we announced our board of directors approved a US\$500 million share repurchase program which is effective over a three-year period commencing on March 21, 2018. In November 2018, we further announced our board of directors approved an additional US\$500 million share repurchase program which is effective over a three-year period commencing on November 8, 2018.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

Nasdaq Stock Market Rule 5615(a)(3) permits foreign private issuers like us to follow “home country practice” in certain corporate governance matters. For example, Nasdaq Stock Market Rule 5605(b)(1) generally requires that a majority of an issuer’s board of directors must consist of independent directors. Since September 5, 2018, we have had a majority of independent directors serving on our board. Prior to that, we relied on this “home country practice” exception when we did not have a majority of independent directors serving on our board.

In addition, Nasdaq Stock Market Rule 5250(d)(1) requires each issuer to distribute to shareholders copies of an annual report containing audited financial statements of our Company and its subsidiaries a reasonable period of time prior to our Company’s annual meeting of shareholders. We do not intend to provide copies. However, shareholders can request a copy, in physical or electronic form, from us or our ADR depository bank, Deutsche Bank. We intend to post our annual report on our website [www.melco-resorts.com](http://www.melco-resorts.com). Lastly,

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Nasdaq Stock Market Rule 5635 requires each issuer to obtain shareholder approval prior to the issuance of securities in certain circumstances in connection with the acquisition of the stock or assets of another company, equity based compensation of officers, directors, employees or consultants, change of control and certain transactions other than a public offering. Walkers (Hong Kong), our Cayman Islands counsel, has provided letters to Nasdaq certifying that under the Companies Law (as amended) of the Cayman Islands, we are not required to: (i) have a majority of independent directors serving on our board; (ii) deliver annual reports to our shareholders prior to an annual general meeting; or (iii) obtain shareholders' approval prior to any issuance of our ordinary shares. The foregoing is subject to our memorandum and articles of association, as amended and restated from time to time.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

The consolidated financial statements of Melco Resorts & Entertainment Limited and its subsidiaries are included at the end of this annual report.

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### ITEM 19. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	<a href="#"><u>Amended and Restated Memorandum and Articles of Association adopted on March 29, 2017 (incorporated by reference to Exhibit 1.1 from our annual report on Form 20-F for the fiscal year ended December 31, 2016 (File No. 001-33178), filed with the SEC on April 11, 2017)</u></a>
2.1	<a href="#"><u>Form of Registrant’s American Depositary Receipt (included in Exhibit 2.3)</u></a>
2.2	<a href="#"><u>Registrant’s Specimen Certificate for Ordinary Shares (incorporated by reference to Exhibit 4.2 from our registration statement on Form F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)</u></a>
2.3	<a href="#"><u>Form of Deposit Agreement among the Company, the depository and the holders and beneficial owners of the American depository shares issued thereunder (incorporated by reference to Exhibit (a) from Amendment No. 1 to our registration statement on Form F-6 (File No. 333-139159) filed with the SEC on November 29, 2011)</u></a>
2.4	<a href="#"><u>Deed of Variation and Amendment dated July 27, 2007 between our Company, Melco Leisure and Entertainment Group Limited, Melco International Development Limited, PBL Asia Investments Limited, Publishing and Broadcasting Limited and Crown Limited (incorporated by reference to Exhibit 4.11 from our registration statement on Form F-1 (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)</u></a>
2.5	<a href="#"><u>Form of Registration Rights Agreement among our Company, Melco Leisure and Entertainment Group Limited and PBL (incorporated by reference to Exhibit 4.10 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)</u></a>
2.6	<a href="#"><u>Indenture, dated November 26, 2012, among Studio City Finance Limited, certain subsidiaries of Studio City Finance Limited from time to time parties thereto, DB Trustees (Hong Kong) Limited, as trustee and collateral agent, Deutsche Bank Trust Company Americas, as principal paying agent, U.S. registrar and transfer agent, and Deutsche Bank Luxembourg S.A., as European registrar (incorporated by reference to Exhibit 2.10 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)</u></a>
2.7	<a href="#"><u>Pledge Agreement, dated November 26, 2012, by Studio City Finance Limited in favor of DB Trustees (Hong Kong) Limited as collateral agent (incorporated by reference to Exhibit 2.11 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)</u></a>
2.8	<a href="#"><u>Pledge Over Accounts, dated November 26, 2012, among Studio City Finance Limited, DB Trustees (Hong Kong) Limited as collateral agent and Bank of China Limited, Macau Branch as escrow agent and note disbursement agent (incorporated by reference to Exhibit 2.12 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)</u></a>
2.9	<a href="#"><u>Escrow Agreement, dated November 26, 2012, among Studio City Finance Limited, DB Trustees (Hong Kong) Limited as trustee and collateral agent and Bank of China Limited, Macau Branch as escrow agent (incorporated by reference to Exhibit 2.13 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)</u></a>
2.10	<a href="#"><u>Intercompany Note, dated November 26, 2012, issued by Studio City Investments Limited (incorporated by reference to Exhibit 2.14 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)</u></a>

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<u>Exhibit Number</u>	<u>Description of Document</u>
2.11	<a href="#"><u>Note Disbursement and Account Agreement, dated November 26, 2012, among Studio City Finance Limited, Studio City Company Limited as borrower, DB Trustees (Hong Kong) Limited as trustee and collateral agent and Bank of China Limited, Macau Branch as note disbursement agent (incorporated by reference to Exhibit 2.15 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013).</u></a>
2.12	<a href="#"><u>Senior Term Loan and Revolving Facilities Agreement, dated January 28, 2013, among Studio City Investments Limited, Studio City Company Limited, certain guarantors as specified therein, Australia and New Zealand Banking Group Limited, Bank of America, N.A., Bank of China Limited, Macau Branch, Citigroup Global Markets Asia Limited, Credit Agricole Corporate and Investment Bank, Deutsche Bank AG, Hong Kong Branch, Industrial and Commercial Bank of China (Macau) Limited and UBS AG Hong Kong Branch as bookrunner mandated lead arrangers, certain other entities as specified therein as mandated lead arranger, lead arrangers, arranger, senior managers and managers, certain financial institutions as lenders, Deutsche Bank AG, Hong Kong Branch as facility agent, Industrial and Commercial Bank of China (Macau) Limited as agent and security trustee, disbursement agent and agent for the agent and security trustee and Bank of China Limited, Macau Branch as issuing bank (incorporated by reference to Exhibit 2.16 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013).</u></a>
2.13	<a href="#"><u>Amendment Agreement, dated March 1, 2013, between Studio City Investments Limited and Deutsche Bank AG, Hong Kong Branch as facility agent, relating to a senior facilities agreement dated January 28, 2013 (incorporated by reference to Exhibit 2.18 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013).</u></a>
2.14	<a href="#"><u>Loan Agreement dated December 23, 2013, among MCO (Philippines) Investments Limited as lender, Melco Resorts Leisure as borrower and MRP and certain of its subsidiaries from time to time as guarantors, in respect of a term loan facility by the lender to the borrower in the amount of up to US\$ 340 million (incorporated by reference to Exhibit 2.21 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 15, 2014).</u></a>
2.15	<a href="#"><u>Amended and Restated Shareholders' Deed, dated December 14, 2016, entered into between Melco Leisure and Entertainment Group Limited, Melco International Development Limited, Crown Asia Investments Pty. Ltd., Crown Resorts Limited and the Company (incorporated by reference to Exhibit 99.1 of our current report on Form 6-K (File No. 001-33178) furnished with the SEC on December 19, 2016).</u></a>
2.16	<a href="#"><u>Amendment No. 1 and Joinder to Registration Rights Agreement among our Company, Crown Asia Investments Pty Ltd, Crown Resorts Limited, Melco Leisure and Entertainment Group Limited and Melco International Development Limited, dated as of February 9, 2017 (incorporated by reference to Exhibit 2.19 from our annual report on Form 20-F for the fiscal year ended December 31, 2016 (File No. 001-33178), filed with the SEC on April 11, 2017).</u></a>
2.17	<a href="#"><u>Indenture among Studio City Company Limited, as issuer, Studio City Investments Limited, as parent guarantor, the subsidiary guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to 5.875% Senior Secured Notes due 2019 (incorporated by reference to Exhibit 99.2 from our registration statement on Form F-3 (File No. 333-215500), filed with the SEC on December 14, 2016).</u></a>



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<u>Exhibit Number</u>	<u>Description of Document</u>
2.18	<a href="#"><u>Supplemental Indenture among Studio City Company Limited, Industrial and Commercial Bank of China (Macau) Limited, as the security agent, DB Trustees (Hong Kong) Limited, as the intercreditor agent and Deutsche Bank Trust Company Americas, as trustee, relating to 5.875% Senior Secured Notes due 2019 (incorporated by reference to Exhibit 99.3 from our registration statement on Form F-3 (File No. 333-215500), filed with the SEC on December 14, 2016)</u></a>
2.19*	<a href="#"><u>Second Supplemental Indenture among Studio City Company Limited, Industrial and Commercial Bank of China (Macau) Limited, as the security agent, DB Trustees (Hong Kong) Limited, as the intercreditor agent, Deutsche Bank Trust Company Americas, as trustee, Studio City (HK) Two Limited, as a new guarantor, Studio City Investments Limited, as parent guarantor and the subsidiary guarantors parties thereto, relating to 5.875% Senior Secured Notes due 2019</u></a>
2.20	<a href="#"><u>Indenture among Studio City Company Limited, as issuer, Studio City Investments Limited, as parent guarantor, the subsidiary guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to 7.250% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 99.4 from our registration statement on Form F-3 (File No. 333-215500), filed with the SEC on December 14, 2016)</u></a>
2.21	<a href="#"><u>Supplemental Indenture among Studio City Company Limited, Industrial and Commercial Bank of China (Macau) Limited, as the security agent, DB Trustees (Hong Kong) Limited, as the intercreditor agent and Deutsche Bank Trust Company Americas, as the trustee, relating to 7.250% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 99.5 from our registration statement on Form F-3 (File No. 333-215500), filed with the SEC on December 14, 2016)</u></a>
2.22*	<a href="#"><u>Second Supplemental Indenture among Studio City Company Limited, Industrial and Commercial Bank of China (Macau) Limited, as the security agent, DB Trustees (Hong Kong) Limited, as the intercreditor agent and Deutsche Bank Trust Company Americas, as the trustee, relating to 7.250% Senior Secured Notes due 2021</u></a>
2.23	<a href="#"><u>Intercreditor Agreement among Studio City Company Limited, the guarantors of the 5.875% Senior Secured Notes due 2019 and 7.250% Senior Secured Notes due 2021, the lenders and agent for Studio City Company Limited's HK\$233 million revolving credit facility and HK\$1 million term loan facility, the security agent and intercreditor agent named therein, among others (incorporated by reference to Exhibit 99.6 from our registration statement on Form F-3 (File No. 333-215500), filed with the SEC on December 14, 2016)</u></a>
2.24	<a href="#"><u>Amendment No. 2 to Registration Rights Agreement among our Company, Crown Asia Investments Pty Ltd, Crown Resorts Limited, Melco Leisure and Entertainment Group Limited and Melco International Development Limited, dated as of May 15, 2017 (incorporated by reference to Exhibit 2.24 from our annual report on Form 20-F for the fiscal year ended December 31, 2017 (File No. 001-33178), filed with the SEC on April 12, 2018)</u></a>
2.25	<a href="#"><u>Indenture dated June 6, 2017 relating to Melco Resorts Finance Limited's 4.875% Senior Notes due 2025 (incorporated by reference to Exhibit 2.25 from our annual report on Form 20-F for the fiscal year ended December 31, 2017 (File No. 001-33178), filed with the SEC on April 12, 2018)</u></a>
2.26	<a href="#"><u>Termination of Amended and Restated Shareholders' Deed Relating to Melco Resorts &amp; Entertainment Limited, dated May 8, 2017, entered into between Melco Leisure and Entertainment Group Limited, Melco International Development Limited, Crown Asia Investments Pty. Ltd., Crown Resorts Limited and the Company (incorporated by reference to Exhibit 2.26 from our annual report on Form 20-F for the fiscal year ended December 31, 2017 (File No. 001-33178), filed with the SEC on April 12, 2018)</u></a>
2.27*	<a href="#"><u>Indenture among Studio City Finance Limited, as issuer, the subsidiary guarantors parties thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to 7.250% Senior Notes due 2024</u></a>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.1	<a href="#"><u>Form of Indemnification Agreement with our directors and executive officers (incorporated by reference to Exhibit 10.1 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)</u></a>
4.2	<a href="#"><u>Form of Directors' Agreement (incorporated by reference to Exhibit 10.2 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)</u></a>
4.3	<a href="#"><u>Form of Employment Agreement between our Company and an executive officer (incorporated by reference to Exhibit 10.3 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)</u></a>
4.4	<a href="#"><u>English Translation of Subconcession Contract for operating casino games of chance or games of other forms in the Macau Special Administrative Region between Wynn Macau and PBL Macau, dated September 8, 2006 (incorporated by reference to Exhibit 10.4 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)</u></a>
4.5	<a href="#"><u>English Translation of Order of the Secretary for Public Works and Transportation published in Macau Official Gazette no. 9 of March 1, 2006 (incorporated by reference to Exhibit 10.13 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)</u></a>
4.6	<a href="#"><u>2006 Share Incentive Plan, amended by AGM in May 2009 (incorporated by reference to Exhibit 4.37 from our annual report on Form 20-F for the fiscal year ended December 31, 2009 (File No. 001-333178), filed with the SEC on March 31, 2010)</u></a>
4.7	<a href="#"><u>Trade Mark License dated November 30, 2006 between Crown Limited (now known as Crown Resorts Limited) and the Registrant as the licensee (incorporated by reference to Exhibit 10.24 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)</u></a>
4.8	<a href="#"><u>English Translation of the amended Order of Secretary for Public Works and Transportation published in Macau Official Gazette No. 25/2008 in relation to the City of Dreams Land Concession (incorporated by reference to Exhibit 4.30 from our annual report on Form 20-F for the fiscal year ended December 31, 2010 (File No. 001-33178) filed with the SEC on April 1, 2011)</u></a>
4.9	<a href="#"><u>Cooperation Agreement, dated October 25, 2012, among SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Commercial Properties, Inc., Belle Corporation, PremiumLeisure and Amusement, Inc., Melco Resorts Leisure, MPHIL Holdings No. 1 Corporation and MPHIL Holdings No. 2 Corporation (incorporated by reference to Exhibit 4.36 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)</u></a>
4.10	<a href="#"><u>Contract of Lease, dated October 25, 2012, between Belle Corporation and Melco Resorts Leisure (incorporated by reference to Exhibit 4.37 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)</u></a>
4.11	<a href="#"><u>Closing Arrangement Agreement, dated October 25, 2012, among SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Commercial Properties, Inc., SM Development Corporation, Belle Corporation, PremiumLeisure and Amusement, Inc., Melco Resorts Leisure, MPHIL Holdings No. 1 Corporation, MPHIL Holdings No. 2 Corporation, MCO Projects Limited and Melco Property Development Limited (incorporated by reference to Exhibit 4.38 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)</u></a>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.12	<a href="#"><u>Operating Agreement, dated March 13, 2013, among Belle Corporation, SM Investments Corporation, PremiumLeisure and Amusement, Inc., MPHIL Holdings No. 2 Corporation, MPHIL Holdings No. 1 Corporation and Melco Resorts Leisure (incorporated by reference to Exhibit 4.42 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)</u></a>
4.13	<a href="#"><u>2011 Share Incentive Plan, as amended, approved at the extraordinary general meeting on December 4, 2016 (incorporated by reference to Exhibit 4.25 from our annual report on Form 20-F for the fiscal year ended December 31, 2016 (File No. 001-33178), filed with the SEC on April 11, 2017)</u></a>
4.14	<a href="#"><u>Seventh Amendment in Respect of the Senior Facilities Agreement, dated June 19, 2015, between Melco Resorts Macau, Deutsche Bank AG, Hong Kong Branch as agent and DB Trustees (Hong Kong) Limited as security agent (incorporated by reference to Exhibit 4.45 from our annual report on Form 20-F for the fiscal year ended December 31, 2015 (File No. 001-33178), filed with the SEC on April 12, 2016)</u></a>
4.15	<a href="#"><u>Amendments, Waivers and Consent Request Letter, dated October 26, 2015, in connection with the Senior Term Loan and Revolving Facilities Agreement dated January 28, 2013 issued by Studio City Investments Limited and Studio City Company Limited, to Deutsche Bank AG, Hong Kong Branch as facility agent (incorporated by reference to Exhibit 4.46 from our annual report on Form 20-F for the fiscal year ended December 31, 2015 (File No. 001-33178), filed with the SEC on April 12, 2016)</u></a>
4.16	<a href="#"><u>Supplemental Amendments, Waivers and Consent Request Letter, dated November 16, 2015, in connection with the Senior Term Loan and Revolving Facilities Agreement dated January 28, 2013 issued by Studio City Investments Limited and Studio City Company Limited, to Deutsche Bank AG, Hong Kong Branch as facility agent (incorporated by reference to Exhibit 4.47 from our annual report on Form 20-F for the fiscal year ended December 31, 2015 (File No. 001-33178), filed with the SEC on April 12, 2016)</u></a>
4.17	<a href="#"><u>Amended and Restated Credit Agreement relating to Studio City Company Limited's HK\$233 million revolving credit facility and HK\$1 million term loan facility (incorporated by reference to Exhibit 99.7 from our registration statement on Form F-3 (File No. 333-215500), filed with the SEC on December 14, 2016)</u></a>
4.18	<a href="#"><u>Share Repurchase Agreement dated May 4, 2016 between the Registrant and Crown Asia Investments Pty Ltd. (incorporated by reference to Exhibit 99.8 from our registration statement on Form F-3 (File No. 333-215500), filed with the SEC on December 14, 2016)</u></a>
4.19	<a href="#"><u>Purchase Agreement among Studio City Company Limited, as issuer, Studio City Investments Limited as parent guarantor, and subsidiary guarantors as specified therein regarding the 5.875% Senior Secured Notes due 2019 and the 7.250% Senior Secured Notes due 2021 (incorporated by reference to Exhibit 99.10 from our registration statement on Form F-3 (File No. 333-215500), filed with the SEC on December 14, 2016)</u></a>
4.20	<a href="#"><u>Underwriting Agreement, dated December 15, 2016, among the Company, Crown Asia Investments Pty Ltd, Deutsche Bank Securities Inc., UBS Securities LLC and Morgan Stanley &amp; Co. LLC as underwriters and the dealers named therein (incorporated by reference to Exhibit 1.1 of our current report on Form 6-K (File No. 001-33178) furnished with the SEC on December 19, 2016)</u></a>
4.21	<a href="#"><u>Underwriting Agreement, dated May 8, 2017, among the Company, Crown Asia Investments Pty Ltd, Deutsche Bank Securities Inc., UBS Securities LLC and Morgan Stanley &amp; Co. LLC as underwriters (incorporated by reference to Exhibit 1.1 of our current report on Form 6-K (File No. 001-33178) furnished with the SEC on May 9, 2017)</u></a>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.22	<a href="#"><u>Share Repurchase Agreement, dated May 8, 2017, among Melco Resorts &amp; Entertainment Limited, Crown Asia Investments Pty. Ltd. and Crown Resorts Limited (incorporated by reference to Exhibit 99.1 of our current report on Form 6-K (File No. 001-33178) furnished with the SEC on May 9, 2017).</u></a>
4.23	<a href="#"><u>Purchase Agreement, dated May 25, 2017, among Melco Resorts Finance Limited, Australia and New Zealand Banking Group Limited, Merrill Lynch International, BOCI Asia Limited, Industrial and Commercial Bank of China (Asia) Limited and Industrial and Commercial Bank of China (Macau) Limited regarding the 4.875% Senior Notes due 2025 (incorporated by reference to Exhibit 4.35 from our annual report on Form 20-F for the fiscal year ended December 31, 2017 (File No. 001-33178), filed with the SEC on April 12, 2018).</u></a>
4.24	<a href="#"><u>Purchase Agreement, dated June 27, 2017, among Melco Resorts Finance Limited, Australia and New Zealand Banking Group Limited, Deutsche Bank AG Singapore Branch, BOCI Asia Limited, Industrial and Commercial Bank of China (Asia) Limited and Industrial and Commercial Bank of China (Macau) Limited regarding the 4.875% Senior Notes due 2025 (incorporated by reference to Exhibit 4.36 from our annual report on Form 20-F for the fiscal year ended December 31, 2017 (File No. 001-33178), filed with the SEC on April 12, 2018).</u></a>
4.25*	<a href="#"><u>Amended and Restated Shareholders' Agreement, entered into among MCO Cotai Investments Limited, New Cotai, LLC, the Company and SCI in relation to SCI</u></a>
4.26	<a href="#"><u>Management Agreement dated August 30, 2008 between Melco Crown COD (GH) Hotel Limited and Hyatt of Macau Ltd (incorporated by reference to Exhibit 4.21 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009).</u></a>
8.1*	<a href="#"><u>List of Significant Subsidiaries</u></a>
12.1*	<a href="#"><u>CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
12.2*	<a href="#"><u>CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
13.1*	<a href="#"><u>CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
13.2*	<a href="#"><u>CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
15.1*	<a href="#"><u>Consent of Walkers (Hong Kong)</u></a>
15.2*	<a href="#"><u>Consent of Ernst &amp; Young</u></a>
15.3*	<a href="#"><u>Consent of Deloitte Touche Tohmatsu</u></a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed with this annual report on Form 20-F

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

Date: March 29, 2019

By: /s/ Lawrence Yau Lung Ho  
Name: Lawrence Yau Lung Ho  
Title: Chairman and Chief Executive Officer

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Melco Resorts & Entertainment Limited

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Melco Resorts & Entertainment Limited (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2018 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also audited the adjustments for the retrospective application of the authoritative guidance on the presentation and classification of restricted cash described in Note 2(a) that were applied to restate the 2016 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review or apply any procedures to the 2016 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 consolidated financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 29, 2019 expressed an unqualified opinion thereon.

### Adoption of New Accounting Standards

As discussed in Note 2(a) to the consolidated financial statements, the accompanying consolidated statements of cash flows for each of the two years in the period ended December 31, 2017 have been adjusted for the retrospective application of the authoritative guidance on the presentation and classification of restricted cash which was adopted by the Company on January 1, 2018.

As discussed Note 2(ab) to the consolidated financial statements, the Company changed its method for accounting for revenues from contracts with customers due to the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), as amended, effective January 1, 2018, using the modified retrospective approach.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young

We have served as the Company's auditor since 2017.

Hong Kong  
March 29, 2019



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of Melco Resorts & Entertainment Limited:

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting discussed in Note 2(ab) to the consolidated financial statements, the consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows of Melco Resorts & Entertainment Limited and subsidiaries (the "Company") for the year ended December 31, 2016 (the 2016 financial statements before the effects of the adjustments discussed in Note 2(ab) to the financial statements are not presented herein). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 2016 consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting discussed in Note 2(ab) to the consolidated financial statements, present fairly, in all material respects, the consolidated results of their operations and their cash flows for the year ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review or apply any procedures to the adjustments to retrospectively apply the change in accounting discussed in Note 2(ab) to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

/s/ Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong  
April 11, 2017

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Melco Resorts & Entertainment Limited

### Opinion on Internal Control over Financial Reporting

We have audited Melco Resorts & Entertainment Limited's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Melco Resorts & Entertainment Limited (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the year ended December 31, 2018, and the related notes and our report dated March 29, 2019 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young  
Hong Kong  
March 29, 2019

**MELCO RESORTS & ENTERTAINMENT LIMITED****CONSOLIDATED BALANCE SHEETS****(In thousands of U.S. dollars, except share and per share data)**

	December 31,	
	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,436,558	\$ 1,408,211
Investment securities	91,598	89,874
Bank deposits with original maturities over three months	—	9,884
Restricted cash	48,037	45,412
Accounts receivable, net	242,089	176,544
Amounts due from affiliated companies	7,603	2,377
Inventories	40,828	34,988
Prepaid expenses and other current assets	90,749	77,503
<b>Total current assets</b>	<b>1,957,462</b>	<b>1,844,793</b>
PROPERTY AND EQUIPMENT, NET	5,661,653	5,730,760
GAMING SUBCONCESSION, NET	197,533	256,083
INTANGIBLE ASSETS, NET	30,072	4,220
GOODWILL	81,376	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	186,515	189,645
RESTRICTED CASH	129	130
DEFERRED TAX ASSETS	2,992	11
LAND USE RIGHTS, NET	759,651	787,499
<b>TOTAL ASSETS</b>	<b>\$ 8,877,383</b>	<b>\$ 8,895,056</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 24,879	\$ 16,041
Accrued expenses and other current liabilities	1,658,550	1,563,585
Income tax payable	4,903	3,179
Capital lease obligations, due within one year	34,659	33,387
Current portion of long-term debt, net	395,547	51,032
Amounts due to affiliated companies	11,469	16,790
<b>Total current liabilities</b>	<b>2,130,007</b>	<b>1,684,014</b>
LONG-TERM DEBT, NET	3,665,370	3,506,530
OTHER LONG-TERM LIABILITIES	28,866	48,087
DEFERRED TAX LIABILITIES	54,063	53,994
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR	253,374	265,896
AMOUNTS DUE TO AFFILIATED COMPANIES	—	919
<b>TOTAL LIABILITIES</b>	<b>\$ 6,131,680</b>	<b>\$ 5,559,440</b>
COMMITMENTS AND CONTINGENCIES (Note 21)		

**MELCO RESORTS & ENTERTAINMENT LIMITED****CONSOLIDATED BALANCE SHEETS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

	December 31,	
	2018	2017
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares, par value \$0.01; 7,300,000,000 shares authorized; 1,482,999,434 and 1,478,429,243 shares issued; 1,379,762,263 and 1,469,414,231 shares outstanding, respectively	\$ 14,830	\$ 14,784
Treasury shares, at cost; 103,237,171 and 9,015,012 shares, respectively	(657,389)	(90)
Additional paid-in capital	3,523,275	3,671,805
Accumulated other comprehensive losses	(49,804)	(26,610)
Accumulated losses	(703,576)	(772,338)
Total Melco Resorts & Entertainment Limited shareholders' equity	2,127,336	2,887,551
Noncontrolling interests	618,367	448,065
Total equity	2,745,703	3,335,616
TOTAL LIABILITIES AND EQUITY	<u>\$ 8,877,383</u>	<u>\$ 8,895,056</u>

The accompanying notes are an integral part of the consolidated financial statements.

**MELCO RESORTS & ENTERTAINMENT LIMITED**
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands of U.S. dollars, except share and per share data)

	Year Ended December 31,		
	2018	2017	2016
<b>OPERATING REVENUES</b>			
Casino	\$ 4,463,704	\$ 4,937,597	\$ 4,176,667
Rooms	311,028	271,500	265,289
Food and beverage	204,171	184,979	177,515
Entertainment, retail and other	179,606	203,763	197,011
Gross revenues	5,158,509	5,597,839	4,816,482
Less: promotional allowances	—	(313,016)	(297,086)
Net revenues	5,158,509	5,284,823	4,519,396
<b>OPERATING COSTS AND EXPENSES</b>			
Casino	(2,984,711)	(3,374,013)	(2,904,922)
Rooms	(78,377)	(32,641)	(33,218)
Food and beverage	(161,126)	(57,927)	(65,781)
Entertainment, retail and other	(92,436)	(88,268)	(109,817)
General and administrative	(500,624)	(467,121)	(446,591)
Payments to the Philippine Parties	(60,778)	(51,661)	(34,403)
Pre-opening costs	(37,369)	(2,274)	(3,883)
Development costs	(23,029)	(31,115)	(95)
Amortization of gaming subconcession	(56,809)	(57,237)	(57,237)
Amortization of land use rights	(22,646)	(22,817)	(22,816)
Depreciation and amortization	(484,621)	(460,521)	(472,219)
Property charges and other	(29,147)	(31,616)	(5,298)
Total operating costs and expenses	(4,531,673)	(4,677,211)	(4,156,280)
<b>OPERATING INCOME</b>	<b>626,836</b>	<b>607,612</b>	<b>363,116</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest income	5,471	3,579	5,951
Interest expenses, net of capitalized interest	(264,880)	(255,764)	(271,912)
Loan commitment and other finance fees	(4,630)	(6,079)	(7,451)
Foreign exchange (losses) gains, net	(9,612)	12,783	7,356
Other income, net	3,682	5,282	3,572
Loss on extinguishment of debt	(3,461)	(49,337)	(17,435)
Costs associated with debt modification	—	(2,793)	(8,101)
Total non-operating expenses, net	(273,430)	(292,329)	(288,020)
<b>INCOME BEFORE INCOME TAX</b>	<b>353,406</b>	<b>315,283</b>	<b>75,096</b>
<b>INCOME TAX CREDIT (EXPENSE)</b>	<b>445</b>	<b>10</b>	<b>(8,178)</b>
<b>NET INCOME</b>	<b>353,851</b>	<b>315,293</b>	<b>66,918</b>
<b>NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>(2,336)</b>	<b>31,709</b>	<b>108,988</b>
<b>NET INCOME ATTRIBUTABLE TO MELCO RESORTS &amp; ENTERTAINMENT LIMITED</b>	<b>\$ 351,515</b>	<b>\$ 347,002</b>	<b>\$ 175,906</b>

**MELCO RESORTS & ENTERTAINMENT LIMITED****CONSOLIDATED STATEMENTS OF OPERATIONS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

	Year Ended December 31,		
	2018	2017	2016
<b>NET INCOME ATTRIBUTABLE TO MELCO RESORTS &amp; ENTERTAINMENT LIMITED</b>			
<b>PER SHARE:</b>			
Basic	\$ 0.242	\$ 0.236	\$ 0.116
Diluted	\$ 0.240	\$ 0.235	\$ 0.115
<b>WEIGHTED AVERAGE SHARES OUTSTANDING USED IN NET INCOME</b>			
<b>ATTRIBUTABLE TO MELCO RESORTS &amp; ENTERTAINMENT LIMITED PER SHARE</b>			
<b>CALCULATION:</b>			
Basic	1,451,051,051	1,467,653,209	1,516,714,277
Diluted	1,460,909,324	1,479,342,209	1,525,284,272

The accompanying notes are an integral part of the consolidated financial statements.

**MELCO RESORTS & ENTERTAINMENT LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In thousands of U.S. dollars)**

	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 353,851	\$ 315,293	\$ 66,918
Other comprehensive (loss) income:			
Foreign currency translation adjustments, before and after tax	(36,373)	(746)	(5,803)
Changes in fair values of interest rate swap agreements, before and after tax	—	—	61
Unrealized losses on investment securities, before and after tax	—	(1,150)	—
Other comprehensive loss	(36,373)	(1,896)	(5,742)
Total comprehensive income	317,478	313,397	61,176
Comprehensive loss attributable to noncontrolling interests	9,693	31,763	111,896
Comprehensive income attributable to Melco Resorts & Entertainment Limited	<u>\$ 327,171</u>	<u>\$ 345,160</u>	<u>\$ 173,072</u>

The accompanying notes are an integral part of the consolidated financial statements.

MELCO RESORTS & ENTERTAINMENT LIMITED

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(In thousands of U.S. dollars, except share and per share data)

	Melco Resorts & Entertainment Limited Shareholders' Equity								
	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Losses	Retained Earnings (Accumulated losses)	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount					
BALANCE AT JANUARY 1, 2016	1,630,924,523	\$ 16,309	(12,935,230)	\$ (275)	\$ 3,075,459	\$ (21,934)	\$ 1,270,074	\$ 592,226	\$ 4,931,859
Net income for the year	—	—	—	—	—	—	175,906	(108,988)	66,918
Foreign currency translation adjustment	—	—	—	—	—	(2,871)	—	(2,932)	(5,803)
Changes in fair values of interest rate swap agreements	—	—	—	—	—	37	—	24	61
Share-based compensation	—	—	—	—	17,900	—	—	579	18,479
Transfer of shares purchased under trust arrangement for restricted shares vested	—	—	18,213	146	(146)	—	—	—	—
Retirement of repurchased shares	(155,000,000)	(1,550)	—	—	(203,496)	—	(598,125)	—	(803,171)
Issuance of shares for restricted shares vested	—	—	303,318	3	(3)	—	—	—	—
Exercise of share options	—	—	1,789,929	18	3,236	—	—	—	3,254
Transfer of property and equipment between subsidiaries	—	—	—	—	55	—	—	(55)	—
Changes in shareholdings of the Philippine subsidiaries	—	—	—	—	(1,304)	—	—	(1,310)	(2,614)
Dividends declared (\$0.2408 per share)	—	—	—	—	(108,639)	—	(276,930)	—	(385,569)
BALANCE AT DECEMBER 31, 2016	1,475,924,523	14,759	(10,823,770)	(108)	2,783,062	(24,768)	570,925	479,544	3,823,414
Net income for the year	—	—	—	—	—	—	347,002	(31,709)	315,293
Foreign currency translation adjustment	—	—	—	—	—	(692)	—	(54)	(746)
Unrealized losses on investment securities	—	—	—	—	—	(1,150)	—	—	(1,150)
Share-based compensation	—	—	—	—	17,164	—	—	141	17,305
Shares issued	165,303,543	1,653	—	—	1,161,533	—	—	—	1,163,186
Retirement of repurchased shares	(165,303,544)	(1,653)	—	—	(204,533)	—	(957,000)	—	(1,163,186)
Shares issued for future vesting of restricted shares and exercise of share options	2,504,721	25	(2,504,721)	(25)	—	—	—	—	—
Issuance of shares for restricted shares vested	—	—	950,320	9	(9)	—	—	—	—
Exercise of share options	—	—	3,363,159	34	2,622	—	—	—	2,656
Changes in shareholdings of the Philippine subsidiaries	—	—	—	—	29	—	—	143	172
Dividends declared (\$0.5604 per share)	—	—	—	—	(88,063)	—	(733,265)	—	(821,328)
BALANCE AT DECEMBER 31, 2017	1,478,429,243	14,784	(9,015,012)	(90)	3,671,805	(26,610)	(772,338)	448,065	3,335,616
Cumulative-effect adjustment upon adoption of new standard on equity investments (as disclosed in Note 2(ab))	—	—	—	—	—	1,150	(1,150)	—	—
Cumulative-effect adjustment upon adoption of New Revenue Standard (as disclosed in Note 2(ab))	—	—	—	—	—	—	(11,286)	(1,684)	(12,970)
Net income for the year	—	—	—	—	—	—	351,515	2,336	353,851
Foreign currency translation adjustment	—	—	—	—	—	(24,344)	—	(12,029)	(36,373)
Share-based compensation	—	—	—	—	24,830	—	—	(55)	24,775
Reclassification of share-based compensation plan from equity-settled to cash-settled	—	—	—	—	(505)	—	—	—	(505)
Shares repurchased by the Company	—	—	(96,571,065)	(657,322)	—	—	—	—	(657,322)
Shares issued for future vesting of restricted shares and exercise of share options	4,570,191	46	(4,570,191)	(46)	—	—	—	—	—
Issuance of shares for restricted shares vested	—	—	2,115,809	21	(58)	—	—	—	(37)
Exercise of share options	—	—	4,803,288	48	1,834	—	—	—	1,882
Changes in shareholdings of the Philippine subsidiaries	—	—	—	—	(141,572)	—	—	(57,695)	(199,267)
Changes in shareholdings of Studio City International	—	—	—	—	(31,845)	—	—	239,429	207,584
Dividends declared (\$0.1867 per share)	—	—	—	—	(1,214)	—	(270,317)	—	(271,531)
BALANCE AT DECEMBER 31, 2018	1,482,999,434	\$ 14,830	(103,237,171)	\$(657,389)	\$ 3,523,275	\$ (49,804)	\$ (703,576)	\$ 618,367	\$ 2,745,703

The accompanying notes are an integral part of the consolidated financial statements.



**MELCO RESORTS & ENTERTAINMENT LIMITED**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands of U.S. dollars)**

	Year Ended December 31,		
	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 353,851	\$ 315,293	\$ 66,918
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	564,076	540,575	552,272
Amortization of deferred financing costs and original issue premiums	22,311	26,022	48,345
Interest accretion on capital lease obligations	5,161	6,878	9,449
Net loss (gain) on disposal of property and equipment	1,518	5,409	(8,509)
Impairment loss recognized on property and equipment	—	23,197	3,245
(Credit) provision for doubtful debts	(2,637)	(2,028)	67,838
Provision for input value-added tax	4,095	2,813	5,459
Loss on extinguishment of debt	3,461	49,337	17,435
Costs associated with debt modification	—	2,793	8,101
Share-based compensation	25,143	17,305	18,487
Unrealized losses on investment securities	111	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(60,475)	54,903	(18,339)
Inventories and prepaid expenses and other	(27,847)	(2,076)	(6,006)
Long-term prepayments, deposits and other assets	14,866	(49,370)	(22,087)
Accounts payable and accrued expenses and other	161,542	181,661	448,339
Other long-term liabilities	(8,478)	(10,212)	(32,808)
Net cash provided by operating activities	<u>1,056,698</u>	<u>1,162,500</u>	<u>1,158,139</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for acquisition of property and equipment	(275,980)	(157,075)	(131,592)
Payments for capitalized construction costs	(233,488)	(329,275)	(368,616)
Deposits for acquisition of property and equipment	(77,546)	(16,405)	(4,212)
Payments for investment securities	(45,048)	(91,024)	—
Payment for internal-use software costs	(26,552)	—	—
Placement of bank deposits with original maturities over three months	(24,823)	(62,591)	(260,197)
Payments for entertainment production costs and security deposit	(1,542)	—	(33)
Proceeds from sale of property and equipment	595	932	28,906
Withdrawals of bank deposits with original maturities over three months	34,675	263,547	774,093
Proceeds from sale of investment securities	40,013	—	—
Advance payments for construction costs	—	(12,234)	(31,586)
Insurance proceeds received for damaged property and equipment	—	108	—
Payments for land use rights	—	—	(3,788)
Net cash (used in) provided by investing activities	<u>(609,696)</u>	<u>(404,017)</u>	<u>2,975</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repurchase of shares	(655,652)	—	(803,171)
Principal payments on long-term debt	(592,573)	(896,276)	(124,286)
Dividends paid	(271,531)	(821,328)	(385,569)
Purchase of shares of a subsidiary	(199,267)	—	(2,614)
Principal payments on capital lease obligations	(107)	(120)	(47)
Proceeds from exercise of share options	5,018	3,610	3,254
Net proceeds from issuance of shares of a subsidiary	213,527	—	—
Proceeds from long-term debt	1,095,714	702,625	—
Payments of deferred financing costs	—	(34,552)	(27,284)
Net cash used in financing activities	<u>\$ (404,871)</u>	<u>\$ (1,046,041)</u>	<u>\$ (1,339,717)</u>

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**CONSOLIDATED STATEMENTS OF CASH FLOWS - continued**  
**(In thousands of U.S. dollars)**

	Year Ended December 31,		
	2018	2017	2016
EFFECT OF FOREIGN EXCHANGE ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	\$ (11,160)	\$ (281)	\$ (7,949)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	30,971	(287,839)	(186,552)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	1,453,753	1,741,592	1,928,144
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,484,724</u>	<u>\$ 1,453,753</u>	<u>\$ 1,741,592</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS</b>			
Cash paid for interest, net of amounts capitalized	\$ (239,338)	\$ (239,780)	\$ (209,697)
Cash paid for income taxes, net of refunds	(275)	(6,537)	(3,414)
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>			
Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment	50,509	34,147	48,801
Change in accrued expenses and other current liabilities and other long-term liabilities related to construction costs	5,449	62,714	27,794
Change in amounts due to affiliated companies related to construction costs	3,339	10,847	—
Offering expenses capitalized for the issuance of shares of a subsidiary included in accrued expenses and other current liabilities	5,943	—	—
Repurchase of shares included in accrued expenses and other current liabilities	1,670	—	—
Deferred financing costs included in accrued expenses and other current liabilities	—	26	3,180
Consideration on sale of property and equipment offset by escrow funds refundable to the Philippine Parties	<u>—</u>	<u>—</u>	<u>24,644</u>

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

	December 31,	
	2018	2017
Cash and cash equivalents	\$ 1,436,558	\$ 1,408,211
Current portion of restricted cash	48,037	45,412
Non-current portion of restricted cash	129	130
Total cash, cash equivalents and restricted cash	<u>\$ 1,484,724</u>	<u>\$ 1,453,753</u>

The accompanying notes are an integral part of the consolidated financial statements.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands of U.S. dollars, except share and per share data)**

**1. COMPANY INFORMATION**

Melco Resorts & Entertainment Limited (the “Company”) was incorporated in the Cayman Islands, with its American depository shares (“ADS”) listed on the NASDAQ Global Select Market under the symbol “MLCO” in the United States of America.

The Company together with its subsidiaries (collectively referred to as the “Group”) is a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia. The Group currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People’s Republic of China (“Macau”), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Grand Dragon Casino (formerly known as Taipa Square Casino), a casino located at Taipa, Macau. The Group’s business also includes the Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. The Company, through its subsidiaries, including Studio City International Holdings Limited (“Studio City International”), which completed its initial public offering with its ADS listed on the New York Stock Exchange in October 2018, also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, a majority-owned subsidiary of the Company operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila.

As of December 31, 2018 and 2017, Melco International Development Limited (“Melco International”), a company listed in the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”), is the single largest shareholder of the Company.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation and Principles of Consolidation**

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”).

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation.

Effective January 1, 2018, the Group adopted the accounting standards update on the classification and presentation of restricted cash in the statement of cash flows, using the retrospective method, and the updated classification and presentation are reflected for the years presented in the consolidated statements of cash flows. Details of the adoption of this guidance are disclosed in Note 2(ab).

**(b) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. These estimates and judgments are based on historical information, information that is currently available to the Group and on various other assumptions that the Group believes to be reasonable under the circumstances. Accordingly, actual results could differ from those estimates.

**(c) Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(c) Fair Value of Financial Instruments - continued**

The Group estimated the fair values using appropriate valuation methodologies and market information available as of the balance sheet date.

**(d) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less.

Cash equivalents are placed with financial institutions with high-credit ratings and quality.

**(e) Investment Securities**

Investment securities consist of investments in mutual funds that mainly invest in bonds and fixed interest securities. The investment securities are considered as marketable equity securities. Management determines the appropriate classification of its investment securities at the time of purchase and reevaluates the classifications at each balance sheet date. Investment securities are classified as either short-term or long-term based on the nature of each security and its availability for use in current operations. As disclosed in Note 2(ab), with effect from January 1, 2018, investment securities are measured at fair value with changes in fair values recognized through net income in the consolidated statements of operations.

**(f) Restricted Cash**

The current portion of restricted cash represents cash deposited into bank accounts which are restricted as to withdrawal and use and the Group expects these funds will be released or utilized in accordance with the terms of the respective agreements within the next twelve months, while the non-current portion of restricted cash represents funds that will not be released or utilized within the next twelve months. Restricted cash mainly consists of i) bank accounts that are restricted for withdrawals and for payment of project costs or debt servicing associated with borrowings under the respective senior notes and credit facilities; and ii) collateral bank accounts associated with borrowings under the credit facilities.

**(g) Accounts Receivable and Credit Risk**

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of casino receivables. The Group issues credit in the form of markers to approved casino customers following investigations of creditworthiness. Credit is also given to its gaming promoters in Macau and the Philippines, which receivables can be offset against commissions payable and any other value items held by the Group to the respective customers and for which the Group intends to set off when required. As of December 31, 2018 and 2017, a substantial portion of the Group's markers were due from customers and gaming promoters residing in foreign countries. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries.

Accounts receivable, including casino, hotel and other receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems it is probable the receivables are uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful debts is maintained to reduce the Group's receivables to

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****(g) Accounts Receivable and Credit Risk - continued**

their carrying amounts, which approximate fair values. The allowance is estimated based on specific reviews of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions. Management believes that as of December 31, 2018 and 2017, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

**(h) Inventories**

Inventories consist of retail merchandise, food and beverage items and certain operating supplies, which are stated at the lower of cost or net realizable value. Cost is calculated using the first-in, first-out, weighted average and specific identification methods.

**(i) Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation and amortization, and impairment losses, if any. Gains or losses on dispositions of property and equipment are included in the consolidated statements of operations. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

During the construction and development stage of the Group's casino gaming and entertainment casino resort facilities, direct and incremental costs related to the design and construction, including costs under the construction contracts, duties and tariffs, equipment installation, shipping costs, payroll and payroll-benefit related costs, applicable portions of interest and amortization of deferred financing costs, are capitalized in property and equipment. The capitalization of such costs begins when the construction and development of a project starts and ceases once the construction is substantially completed or development activity is suspended for more than a brief period.

Depreciation and amortization expense related to capitalized construction costs and other property and equipment is recognized from the time each asset is placed in service. This may occur at different stages as casino gaming and entertainment casino resort facilities are completed and opened.

Property and equipment are depreciated and amortized over the following estimated useful lives on a straight-line basis:

Freehold land	Not depreciated
Buildings	4 to 40 years
Transportation	5 to 10 years
Leasehold improvements	3 to 10 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	2 to 15 years
Plant and gaming machinery	3 to 5 years

**(j) Capitalized Interest**

Interest, including amortization of deferred financing costs, associated with major development and construction projects is capitalized and included in the cost of the projects. The capitalization of interest ceases when the project is substantially completed or the development activity is suspended for more than a brief period. The amount to be capitalized is determined by applying the weighted average interest rate of the Group's outstanding borrowings to the average amount of accumulated qualifying capital expenditures for assets under construction during the year. Total interest expenses incurred

MELCO RESORTS & ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(j) **Capitalized Interest** - continued

amounted to \$285,947, \$293,247 and \$300,945, of which \$ 21,067, \$37,483 and \$29,033 were capitalized during the years ended December 31, 2018, 2017 and 2016, respectively.

(k) **Gaming Subconcession**

The deemed cost of the gaming subconcession in Macau is capitalized based on the fair value of the gaming subconcession agreement as of the date of acquisition of Melco Resorts (Macau) Limited (“Melco Resorts Macau”), a subsidiary of the Company and the holder of the gaming subconcession in Macau, in 2006, and amortized over the term of agreement which is due to expire in June 2022 on a straight-line basis.

(l) **Internal-Use Software**

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful lives of the software of 15 years on a straight-line basis. The capitalization of such costs begins during the application development stage of the software project and ceases once the software project is substantially complete and ready for its intended use. Costs of specified upgrades and enhancements to the internal-use software are capitalized, while costs associated with preliminary project stage activities, training, maintenance and all other post-implementation stage activities are expensed as incurred.

(m) **Goodwill and Intangible Assets**

Goodwill represents the excess of the acquisition cost over the fair value of tangible and identifiable intangible net assets of any business acquired. Goodwill is not amortized, but is tested for impairment at the reporting unit level on an annual basis, and between annual tests when circumstances indicate that the carrying value of goodwill may not be recoverable.

Intangible assets other than goodwill are amortized over their useful lives unless their lives are determined to be indefinite in which case they are not amortized. Intangible assets are carried at cost, less accumulated amortization. The Group’s finite-lived intangible assets consist of the gaming subconcession and internal-use software. Finite-lived intangible assets are amortized over the shorter of their contractual terms or estimated useful lives. The Group’s intangible assets with indefinite lives represent Mocha Clubs trademarks, which are tested for impairment on an annual basis or when circumstances indicate the carrying value of the intangible assets may not be recoverable.

When performing the impairment analysis for goodwill and intangible assets with indefinite lives, the Group may first perform a qualitative assessment to determine whether it is more likely than not that the asset is impaired. If it is determined that it is more likely than not that the asset is impaired after assessing the qualitative factors, the Group then performs a quantitative impairment test that consists of a comparison of the implied fair value of goodwill and the fair values of the intangible assets with indefinite lives with their carrying amounts. An impairment loss is recognized in an amount equal to the excess of the carrying amount over the implied fair value for goodwill or the excess of the carrying amounts over the fair values of the intangible assets with indefinite lives.

For the years ended December 31, 2018 and 2017, the Group performed qualitative assessments for goodwill and trademarks and determined that it was not more likely than not that goodwill and trademarks were impaired. The assessments included the evaluation of qualitative factors including, but

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(m) Goodwill and Intangible Assets - continued**

not limited to, the results of the most recent quantitative impairment tests, operating results and projected operating results, and macro-economic and industry conditions.

For the year ended December 31, 2016, the detailed quantitative impairment tests were performed and computed the fair value of the reporting unit was in excess of the carrying amount and fair values of the trademarks were in excess of their carrying amounts. For the quantitative impairment test of goodwill, the Group estimated the fair value of the reporting unit with the income and market valuation approaches through the application of capitalized earnings and discounted cash flow methods, which based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, discount rates, long-term growth rates and market comparables. For the quantitative impairment test of the trademarks of Mocha Clubs, the Group estimated the fair values of the trademarks using the relief-from-royalty method, which based on a number of estimates and assumptions, including the incremental after-tax cash flows representing the royalties that the Group was relieved from paying given it is the owner of the trademarks, the projected future revenues of the trademarks, royalty rates, discount rates and long-term growth rates.

As a result of these assessments, no impairment losses have been recognized during the years ended December 31, 2018, 2017 and 2016.

**(n) Impairment of Long-lived Assets (Other Than Goodwill)**

The Group evaluates the long-lived assets with finite lives to be held and used for impairment whenever indicators of impairment exist. The Group then compares the estimated future cash flows of the assets, on an undiscounted basis, to the carrying values of the assets. If the undiscounted cash flows exceed the carrying values, no impairments are indicated. If the undiscounted cash flows do not exceed the carrying values, then an impairment charge is recorded based on the fair values of the assets, typically measured using a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs.

During the years ended December 31, 2018, 2017 and 2016, impairment losses of nil, \$23,197 and \$3,245 were recognized, mainly due to reconfigurations and renovations at the Group's operating properties, and included in the consolidated statements of operations.

**(o) Deferred Financing Costs**

Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are capitalized and amortized to interest expenses over the terms of the related debt agreements using the effective interest method. Deferred financing costs incurred in connection with the issuance of revolving credit facilities are included in long-term prepayments, deposits and other assets in the consolidated balance sheets. All other deferred financing costs are presented as a reduction of long-term debt in the consolidated balance sheets.

**(p) Land Use Rights**

Land use rights are recorded at cost less accumulated amortization. Amortization is provided over the estimated term of the land use rights of 40 years on a straight-line basis.

MELCO RESORTS & ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(q) Revenue Recognition

On January 1, 2018, the Group adopted the Accounting Standards Codification 606, *Revenue from Contracts with Customers*, using the modified retrospective method. The Group's revenues from contracts with customers consist of casino wagers, sales of rooms, food and beverage, entertainment, retail and other goods and services.

Gross casino revenues are measured by the aggregate net difference between gaming wins and losses. The Group accounts for its casino wagering transactions on a portfolio basis versus an individual basis as all wagers have similar characteristics. Commissions related to customers either directly or indirectly through gaming promoters and cash discounts and other cash incentives earned by customers are recorded as a reduction of casino revenues. In addition to the wagers, casino transactions typically include performance obligations related to complimentary goods or services provided to incentivize future gaming or in exchange for incentives or points earned under the Group's non-discretionary incentives programs (including loyalty programs).

For casino transactions that include complimentary goods or services provided by the Group to incentivize future gaming, the Group allocates the standalone selling price of each good or service to the appropriate revenue type based on the good or service provided. Complimentary goods or services that are provided under the Group's control and discretion and supplied by third parties are recorded as operating expenses.

The Group operates different non-discretionary incentives programs in certain of its properties which include loyalty programs (the "Loyalty Programs") to encourage repeat business mainly from loyal slot machine customers and table games patrons. Customers earn points primarily based on gaming activity and such points can be redeemed for free play and other free goods and services. For casino transactions that include points earned under the Loyalty Programs, the Group defers a portion of the revenue by recording the estimated standalone selling prices of the earned points that are expected to be redeemed as a liability. Upon redemption of the points for Group-owned goods or services, the standalone selling price of each good or service is allocated to the appropriate revenue type based on the good or service provided. Upon the redemption of the points with third parties, the redemption amount is deducted from the liability and paid directly to the third party.

After allocating amounts to the complimentary goods or services provided and to the points earned under the Loyalty Programs, the residual amount is recorded as casino revenue when the wagers are settled.

The Group follows the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for operations of certain hotels and Grand Dragon Casino and concluded that it is controlling entity and is the principal to these arrangements. For the operations of certain hotels, the Group is the owner of the hotel properties, and the hotel managers operate the hotels under certain management agreements providing management services to the Group, and the Group receives all rewards and takes substantial risks associated with the hotels' business; it is the principal and the transactions are, therefore, recognized on a gross basis. For the operations of Grand Dragon Casino, given the Group operates the casino under a right to use agreement with the owner of the casino premises and has full responsibility for the casino operations in accordance with its gaming subconcession, it is the principal and casino revenue is, therefore, recognized on a gross basis.



**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****(q) Revenue Recognition - continued**

The transaction prices for rooms, food and beverage, entertainment, retail and other goods and services are the net amounts collected from customers for such goods and services that are recorded as revenues when the goods are provided, services are performed or events are held. Service taxes and other applicable taxes collected by the Group are excluded from revenues. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customers. Revenues from contracts with multiple goods or services provided by the Group are allocated to each good or service based on its relative standalone selling price.

Minimum operating and right to use fees representing lease revenues, adjusted for contractual base fees and operating fee escalations, are included in other revenues and are recognized over the terms of the related agreements on a straight-line basis.

*Contract and Contract-Related Liabilities*

In providing goods and services to its customers, there may be a timing difference between cash receipts from customers and recognition of revenues, resulting in a contract or contract-related liability.

The Group primarily has three types of liabilities related to contracts with customers: (1) outstanding gaming chips and tokens, which represent the amounts owed in exchange for gaming chips held by a customer, (2) loyalty program liabilities, which represent the deferred allocation of revenues relating to incentive earned from the Loyalty Programs, and (3) advance customer deposits and ticket sales, which represent casino front money deposits that are funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as advance ticket sales and deposits on rooms and convention space. These liabilities are generally expected to be recognized as revenues within one year of being purchased, earned, or deposited and are recorded as accrued expenses and other current liabilities on the consolidated balance sheets. Decreases in these balances generally represent the recognition of revenues and increases in the balances represent additional chips and tokens held by customers, increases in unredeemed incentives relating to the Loyalty Programs and additional deposits made by customers.

The following table summarizes the activities related to contract and contract-related liabilities:

	December 31, 2018	January 1, 2018	Increase/ (decrease)
Outstanding gaming chips and tokens	\$ 638,629	\$ 464,613	\$ 174,016
Loyalty program liabilities	46,625	42,929	3,696
Advance customer deposits and ticket sales	386,869	423,603	(36,734)
	<u>\$ 1,072,123</u>	<u>\$ 931,145</u>	<u>\$ 140,978</u>

The major changes from the previous basis, as a result of the adoption of the new revenue standard are summarized in Note 2(ab).

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(r) Gaming Taxes and License Fees**

The Group is subject to taxes and license fees based on gross gaming revenue and other metrics in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. The gaming taxes and the majority of the license fees are determined from an assessment of the Group's gaming revenue and are recognized as casino expense in the accompanying consolidated statements of operations. These taxes and license fees totaled \$2,364,142, \$2,222,498 and \$1,826,061 for the years ended December 31, 2018, 2017 and 2016, respectively.

**(s) Pre-opening Costs**

Pre-opening costs represent personnel, marketing and other costs incurred prior to the opening of new or start-up operations and are expensed as incurred. During the years ended December 31, 2018, 2017 and 2016, the Group incurred pre-opening costs primarily in connection with the development of further expansions to City of Dreams and Studio City. The Group also incurs pre-opening costs on other one-off activities related to the marketing of new facilities and operations.

**(t) Development Costs**

Development costs include the costs associated with the Group's evaluation and pursuit of new business opportunities, which are expensed as incurred.

**(u) Advertising and Promotional Costs**

The Group expenses advertising and promotional costs the first time the advertising takes place or as incurred. Advertising and promotional costs included in the accompanying consolidated statements of operations were \$110,905, \$87,773 and \$83,068 for the years ended December 31, 2018, 2017 and 2016, respectively.

**(v) Foreign Currency Transactions and Translations**

All transactions in currencies other than functional currencies of the Company and its subsidiaries during the year are remeasured at the exchange rates prevailing on the respective transaction dates. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than functional currencies are remeasured at the exchange rates existing on that date. Exchange differences are recorded in the consolidated statements of operations.

The functional currencies of the Company and its major subsidiaries are the United States dollar (" \$" or "US\$"), the Hong Kong dollar ("HK\$"), the Macau Pataca ("MOP") or the Philippine Peso ("PHP"), respectively. All assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date and all income and expense items are translated at the average rates of exchange over the year. All exchange differences arising from the translation of subsidiaries' financial statements are recorded as a component of comprehensive income (loss).

**(w) Share-based Compensation Expenses**

The Group measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award and recognizes that cost over the service period. Compensation is attributed to the periods of associated service and such expense is recognized over the vesting period of the awards on a straight-line basis. Forfeitures are recognized when they occur.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(w) Share-based Compensation Expenses - continued**

Further information on the Group's share-based compensation arrangements is included in Note 16.

**(x) Income Tax**

The Group is subject to income taxes in Hong Kong, Macau, the Philippines and other jurisdictions where it operates.

Deferred income taxes are recognized for all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

The Group's income tax returns are subject to examination by tax authorities in the jurisdictions where it operates. The Group assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes. These accounting standards utilize a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be, based on the technical merits of position, sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely, based on cumulative probability.

**(y) Net Income Attributable to Melco Resorts & Entertainment Limited Per Share**

Basic net income attributable to Melco Resorts & Entertainment Limited per share is calculated by dividing the net income attributable to Melco Resorts & Entertainment Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted net income attributable to Melco Resorts & Entertainment Limited per share is calculated by dividing the net income attributable to Melco Resorts & Entertainment Limited by the weighted average number of ordinary shares outstanding during the year adjusted to include the potentially dilutive effect of outstanding share-based awards.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(y) Net Income Attributable to Melco Resorts & Entertainment Limited Per Share - continued**

The weighted average number of ordinary and ordinary equivalent shares used in the calculation of basic and diluted net income attributable to Melco Resorts & Entertainment Limited per share consisted of the following:

	Year Ended December 31,		
	2018	2017	2016
Weighted average number of ordinary shares outstanding used in the calculation of basic net income attributable to Melco Resorts & Entertainment Limited per share	1,451,051,051	1,467,653,209	1,516,714,277
Incremental weighted average number of ordinary shares from assumed vesting of restricted shares and exercise of share options using the treasury stock method	9,858,273	11,689,000	8,569,995
Weighted average number of ordinary shares outstanding used in the calculation of diluted net income attributable to Melco Resorts & Entertainment Limited per share	<u>1,460,909,324</u>	<u>1,479,342,209</u>	<u>1,525,284,272</u>
Anti-dilutive share options and restricted shares excluded from the calculation of diluted net income attributable to Melco Resorts & Entertainment Limited per share	<u>7,200,837</u>	<u>6,624,345</u>	<u>9,500,248</u>

**(z) Accounting for Derivative Instruments and Hedging Activities**

The Group uses derivative financial instruments such as floating-for-fixed interest rate swap agreements to manage its risks associated with interest rate fluctuations in accordance with lenders' requirements under the Studio City Borrower's prior senior secured credit facilities agreement. All derivative instruments are recognized in the consolidated financial statements at fair value at the balance sheet date. Any changes in fair value are recorded in the consolidated statements of operations or comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair values of interest rate swap agreements are based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields. All outstanding interest rate swap agreements expired during the year ended December 31, 2016.

**(aa) Comprehensive Income and Accumulated Other Comprehensive Losses**

Comprehensive income includes net income, foreign currency translation adjustments, changes in fair values of interest rate swap agreements and unrealized losses on investment securities and is reported in the consolidated statements of comprehensive income.

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****(aa) Comprehensive Income and Accumulated Other Comprehensive Losses - continued**

As of December 31, 2018 and 2017, the Group's accumulated other comprehensive losses consisted of the following components, net of tax and noncontrolling interests:

	December 31,	
	2018	2017
Foreign currency translation adjustments	\$49,804	\$25,460
Unrealized losses on investment securities	—	1,150
	<u>\$49,804</u>	<u>\$26,610</u>

**(ab) Recent Changes in Accounting Standards***Newly Adopted Accounting Pronouncements:*

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update (as subsequently amended) which outlined a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and superseded most current revenue recognition guidance, including industry-specific guidance ("New Revenue Standard"). The core principle of this new revenue recognition model is that an entity should recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. This update also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows arising from an entity's contracts with customers.

On January 1, 2018, the Group adopted the New Revenue Standard using the modified retrospective method applying to those contracts not yet completed as of January 1, 2018. The Group recognized the cumulative effect of adopting the New Revenue Standard as an adjustment to the opening balance of accumulated losses. Amounts for the periods beginning on or 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 major changes as a result of the adoption of the New Revenue Standard are as follows:

- (1) The New Revenue Standard changed the presentation of, and accounting for, goods and services furnished to guests without charge that were previously included in gross revenues and deducted as promotional allowances in the accompanying consolidated statements of operations. Under the New Revenue Standard, the promotional allowances line item was eliminated with the amounts being netted against casino revenues in primarily all cases and are measured based on standalone selling prices. Additionally, the estimated cost of providing the promotional allowances is no longer included in casino expenses but, instead is included in the respective operating departments expense categories.
- (2) A portion of commissions paid or payable to gaming promoters, representing the estimated incentives that were returned to customers, was previously reported as reductions in casino revenue, with the balance of commissions expense reflected as a casino expense. Under the New Revenue Standard, all commissions paid or payable to gaming promoters are reflected as reductions in casino revenue.

MELCO RESORTS & ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(ab) Recent Changes in Accounting Standards - continued

Newly Adopted Accounting Pronouncements: - continued

- (3) The estimated liability for unredeemed non-discretionary incentives under the Loyalty Programs were previously accrued based on the estimated costs of providing such benefits and expected redemption rates. Under the New Revenue Standard, non-discretionary incentives represent a separate performance obligation and the resulting liabilities are recorded using the standalone selling prices of such benefits less estimated breakage and are offset against casino revenue. When the benefits are redeemed, revenues are measured on the same basis and recognized in the resulting category of the goods or services provided. At the adoption date on January 1, 2018, the Group recognized an increase to the opening balance of accumulated losses and noncontrolling interests of \$11,286 and \$1,684, respectively, with a corresponding increase in accrued expenses and other current liabilities.

The amounts of affected financial statement line items for the current period before and after the adoption of the New Revenue Standard are as follows:

	Year Ended December 31, 2018		
	Balances under New Revenue Standard (As reported)	Balances under previous basis	Effect of change higher/ (lower)
<i>Statement of Operations</i>			
<i>Operating Revenues</i>			
Casino	\$ 4,463,704	\$5,217,101	\$(753,397)
Rooms	311,028	313,121	(2,093)
Food and beverage	204,171	205,877	(1,706)
Entertainment, retail and other	179,606	178,400	1,206
Promotional allowances	—	354,930	(354,930)
<i>Operating costs and expenses</i>			
Casino	\$ 2,984,711	\$3,526,215	\$(541,504)
Rooms	78,377	41,613	36,764
Food and beverage	161,126	64,389	96,737
Entertainment, retail and other	92,436	87,364	5,072
General and administrative	500,624	498,632	1,992
Net income	353,851	353,972	(121)
Net income attributable to noncontrolling interests	2,336	2,375	(39)
<i>Net income attributable to Melco Resorts &amp; Entertainment Limited</i>	<i>351,515</i>	<i>351,597</i>	<i>(82)</i>
<i>Basic net income attributable to Melco Resorts &amp; Entertainment Limited per share</i>	<i>0.242</i>	<i>0.242</i>	<i>—</i>
<i>Diluted net income attributable to Melco Resorts &amp; Entertainment Limited per share</i>	<i>0.240</i>	<i>0.241</i>	<i>(0.001)</i>

MELCO RESORTS & ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(ab) Recent Changes in Accounting Standards - continued

Newly Adopted Accounting Pronouncements: - continued

	As at December 31, 2018		
	Balances under New Revenue Standard (As reported)	Balances under previous basis	Effect of change higher/ (lower)
<u>Balance Sheet</u>			
<u>Current Liabilities</u>			
Accrued expenses and other current liabilities	\$ 1,658,550	\$ 1,645,459	\$ 13,091
<u>Shareholders' Equity</u>			
Accumulated losses	\$ 703,576	\$ 692,208	\$ 11,368
Noncontrolling interests	618,367	620,090	(1,723)

In August 2016, the FASB issued an accounting standards update which amended the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance was effective as of January 1, 2018 and the Group adopted this new guidance on a retrospective basis. The adoption of this guidance did not have a material impact on the Group's consolidated financial statements.

In January 2016, the FASB issued an accounting standards update which amended certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This guidance requires equity investments to be measured at fair value with changes in fair values recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). This guidance also eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair values that are required to be disclosed for financial instruments measured at amortized cost on the balance sheet. Further, the guidance requires separate presentation of financial assets and financial liabilities grouped by measurement category and form of financial asset on the balance sheet or in notes to the financial statements. On January 1, 2018, the Group adopted this new guidance using a modified retrospective method, with certain exceptions as specified in the guidance and reclassified the unrealized losses of \$1,150 on investment securities which were previously accounted for as available-for-sale investments, from accumulated other comprehensive losses to the opening balance of accumulated losses. The adoption of this guidance primarily increased the volatility of the Group's other income (expense), net as a result of the remeasurement of marketable equity securities at fair values.

In November 2016, the FASB issued an accounting standards update which amended and clarified the guidance on the classification and presentation of restricted cash in the statement of cash flows. The guidance required that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. Accordingly, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance was effective as of January 1, 2018 and the Group adopted this new guidance on a retrospective basis. The adoption of this guidance impacted the presentation and classification of restricted cash in the Group's consolidated statements of cash flows. For the years ended December 31, 2017 and 2016, substantially all of the changes in restricted cash of \$6,260 and \$277,836, respectively, were previously

MELCO RESORTS & ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(ab) Recent Changes in Accounting Standards - continued

*Newly Adopted Accounting Pronouncements:* - continued

reported within net cash (used in) provided by investing activities in the consolidated statements of cash flows.

*Recent Accounting Pronouncements Not Yet Adopted:*

In February 2016, the FASB issued an accounting standards update on leases, which amends various aspects of existing accounting guidance for leases. The guidance requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. The guidance is effective for interim and fiscal years beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB issued an accounting standards update which provides entities with an additional transition method to adopt the new leases standard. The amendments also provide lessors with a practical expedient to not separate non-lease components from the associated lease components if certain conditions are met. The Group has adopted this guidance using the modified retrospective method, recognizing the cumulative effect of initially applying the guidance at the date of initial application on January 1, 2019. The Group has elected the package of practical expedients, which allows the Group not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any existing leases as of the adoption date. While the Group is currently assessing the quantitative impact the guidance will have on its consolidated financial statements and related disclosures, the Group expects the most significant changes will be related to the recognition of right-of-use assets and lease liabilities for operating leases on the Group's consolidated balance sheet, with no material impact to net income or cash flows.

In January 2017, the FASB issued an accounting standards update which eliminates step two from the goodwill impairment test and instead requires an entity to recognize an impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value, limited to the total amount of goodwill allocated to that reporting unit. This guidance is effective for interim and fiscal years beginning after December 15, 2019, with early adoption permitted. The guidance should be applied prospectively. Management is currently assessing the potential impact of adopting this guidance on the Group's consolidated financial statements. The adoption of this guidance would only impact the Group's consolidated financial statements in situations where an impairment of a reporting unit's assets is determined and the measurement of the impairment charge.

In August 2018, the FASB issued an accounting standards update which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this new guidance. This guidance is effective for interim and fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Group's consolidated financial statements.



**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****3. INVESTMENT SECURITIES**

Investment securities solely represent investments in marketable equity securities. The components of (losses) gains on marketable equity securities were as follows:

	Year Ended December 31, 2018
Net losses recognized on marketable equity securities	\$ (111)
Less: Net losses recognized on marketable equity securities sold during the year	1,345
Unrealized gains recognized on marketable equity securities still held at the reporting date	<u>\$ 1,234</u>

**4. ACCOUNTS RECEIVABLE, NET**

Components of accounts receivable, net are as follows:

	December 31,	
	2018	2017
Casino	\$ 433,565	\$ 375,689
Hotel	5,714	4,934
Other	5,847	6,918
Sub-total	445,126	387,541
Less: allowances for doubtful debts	(203,037)	(210,997)
	<u>\$ 242,089</u>	<u>\$ 176,544</u>

Movement in the allowances for doubtful debts were as follows:

	Year Ended December 31,		
	2018	2017	2016
At beginning of year	\$210,997	\$265,931	\$210,757
(Credit) additional provision	(2,479)	(4,178)	67,791
Write-offs, net of recoveries	(2,115)	(57,696)	(3,044)
Reclassified (to) from long-term receivables, net	(2,062)	6,940	(9,573)
Exchange adjustments	(1,304)	—	—
At end of year	<u>\$203,037</u>	<u>\$210,997</u>	<u>\$265,931</u>

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**5. PROPERTY AND EQUIPMENT, NET**

	December 31,	
	2018	2017
Cost		
Buildings	\$ 6,244,348	\$ 5,178,450
Furniture, fixtures and equipment	993,672	905,319
Leasehold improvements	939,602	829,706
Plant and gaming machinery	218,739	207,314
Transportation	101,800	97,132
Construction in progress	40,225	1,030,203
Freehold land	24,061	—
Sub-total	8,562,447	8,248,124
Less: accumulated depreciation and amortization	(2,900,794)	(2,517,364)
Property and equipment, net	<u>\$ 5,661,653</u>	<u>\$ 5,730,760</u>

As of December 31, 2018 and 2017, construction in progress in relation to City of Dreams and Studio City included interest capitalized in accordance with applicable accounting standards and other direct incidental costs capitalized which, in the aggregate, amounted to \$5,312 and \$135,200, respectively.

The cost and accumulated depreciation and amortization of property and equipment held under capital lease arrangements were \$224,752 and \$49,288 as of December 31, 2018 and \$237,335 and \$39,214 as of December 31, 2017, respectively. Further information of the lease arrangements is included in Note 12.

**6. GAMING SUBCONCESSION, NET**

	December 31,	
	2018	2017
Deemed cost	\$ 894,079	\$ 900,000
Less: accumulated amortization	(696,546)	(643,917)
Gaming subconcession, net	<u>\$ 197,533</u>	<u>\$ 256,083</u>

The Group expects that amortization of the gaming subconcession will be approximately \$56,861 each year from 2019 through 2021, and approximately \$26,950 in 2022.

**7. GOODWILL AND INTANGIBLE ASSETS, NET**

Goodwill is related to Mocha Clubs, a reporting unit. As of December 31, 2017, other intangible assets with indefinite useful lives are related to trademarks of Mocha Clubs. As of December 31, 2018, intangible assets comprised the carrying amounts of trademarks of Mocha Clubs of \$4,193 and internal-use software, a finite-lived intangible asset, of \$25,879. Goodwill and trademarks arose from the acquisition of Mocha Slot Group Limited and its subsidiaries by the Group in 2006. The changes in carrying amounts of goodwill and trademarks represented the exchange differences arising from foreign currency translation at the balance sheet date.

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****7. GOODWILL AND INTANGIBLE ASSETS, NET - continued**

As of December 31, 2018, the costs and the accumulated amortization of internal-use software amounted to \$26,576 and \$697, respectively. The amortization expense of internal-use software recognized for the year ended December 31, 2018 was \$697. The Group expects the amortization of the internal-use software will be approximately \$1,692 in 2019 and \$1,792 each year from 2020 through 2023 and \$17,019 thereafter.

**8. LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS**

Long-term prepayments, deposits and other assets consisted of the following:

	December 31,	
	2018	2017
Entertainment production costs	\$ 76,379	\$ 76,884
Less: accumulated amortization	(65,027)	(58,601)
Entertainment production costs, net	11,352	18,283
Deposits for acquisition of property and equipment	51,580	13,089
Deferred rent assets	46,864	54,467
Other long-term prepayments and other assets	30,391	44,938
Input value-added tax, net	20,097	21,005
Other deposits	14,896	14,775
Deferred financing costs, net	11,330	19,364
Long-term receivables, net	5	3,724
Long-term prepayments, deposits and other assets	<u>\$186,515</u>	<u>\$189,645</u>

Entertainment production costs represent amounts incurred and capitalized for entertainment shows in City of Dreams. The Group amortized the entertainment production costs over 10 years or the respective estimated useful live of the entertainment show, whichever is shorter.

Input value-added tax, net represents the value-added tax recoverable from the tax authority in the Philippines mainly connected with the purchase of assets or services for City of Dreams Manila. During the years ended December 31, 2018, 2017 and 2016, provisions for input value-added tax expected to be non-recoverable amounting to \$4,095, \$2,813 and \$5,459, respectively, were recognized in the consolidated statements of operations.

Long-term receivables, net represent casino receivables from casino customers where settlements are not expected within the next year. During the year ended December 31, 2018, net amount of long-term receivables of \$1,633 was reclassified to current; and net amount of allowances for doubtful debts of \$2,062 was reclassified from current to non-current. During the year ended December 31, 2017, net amount of long-term receivables of \$8,771 and net amount of allowances for doubtful debts of \$6,940, were reclassified to current. During the year ended December 31, 2016, net amount of current accounts receivable of \$6,128 and net amount of allowances for doubtful debts of \$9,573, were reclassified to non-current. Reclassifications to current accounts receivable, net, are made when settlement of such balances are expected to occur within one year.

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****9. LAND USE RIGHTS, NET**

	December 31,	
	2018	2017
Altira Macau ("Taipa Land")	\$ 145,511	\$ 146,475
City of Dreams ("Cotai Land")	396,949	399,578
Studio City ("Studio City Land")	649,263	653,564
	1,191,723	1,199,617
Less: accumulated amortization	(432,072)	(412,118)
Land use rights, net	<u>\$ 759,651</u>	<u>\$ 787,499</u>

**10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	December 31,	
	2018	2017
Outstanding gaming chips and tokens	\$ 638,629	\$ 464,613
Advance customer deposits and ticket sales	386,869	423,603
Gaming tax and license fee accruals	222,607	188,521
Operating expense and other accruals and liabilities	118,288	102,419
Staff cost accruals	144,755	147,040
Property and equipment payables	60,562	45,205
Loyalty program liabilities	46,625	29,959
Construction costs payables	25,461	144,300
Interest expenses payable	14,754	17,925
	<u>\$ 1,658,550</u>	<u>\$ 1,563,585</u>

MELCO RESORTS & ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

11. LONG-TERM DEBT, NET

Long-term debt, net consisted of the following:

	December 31,	
	2018	2017
<b>Credit Facilities</b>		
2015 Credit Facilities (net of unamortized deferred financing costs of \$4,428 and \$6,919, respectively)	\$ 1,471,466	\$ 426,692
2016 Studio City Credit Facilities	128	129
Aircraft Term Loan	3,503	10,167
<b>Senior Notes</b>		
2017 Senior Notes, due 2025 (net of unamortized deferred financing costs and original issue premiums of \$22,904 and \$25,821, respectively)	977,096	974,179
2012 Studio City Notes, due 2020 (net of unamortized deferred financing costs of \$3,436 and \$9,747, respectively)	421,564	815,253
2016 7.250% SC Secured Notes, due 2021 (net of unamortized deferred financing costs of \$10,580 and \$13,702, respectively)	839,420	836,298
2016 5.875% SC Secured Notes, due 2019 (net of unamortized deferred financing costs of \$2,260 and \$4,580, respectively)	347,740	345,420
Philippine Notes, due 2019 (net of unamortized deferred financing costs of \$808)	—	149,424
	<u>4,060,917</u>	<u>3,557,562</u>
Current portion of long-term debt (net of unamortized deferred financing costs of \$2,775 and \$720, respectively)	(395,547)	(51,032)
	<u>\$ 3,665,370</u>	<u>\$ 3,506,530</u>

(a) Credit Facilities

2015 Credit Facilities

On June 29, 2015, Melco Resorts Macau (the “Borrower”) amended and restated the Borrower’s prior senior secured credit facilities agreement from HK\$9,362,160,000 (equivalent to \$1,203,362) to HK\$13,650,000,000 (equivalent to \$1,750,000 based on the exchange rate on the transaction date) senior secured credit facilities agreement (the “2015 Credit Facilities”). The 2015 Credit Facilities, comprise a HK\$3,900,000,000 (equivalent to \$500,000 based on the exchange rate on the transaction date) term loan facility (the “2015 Term Loan Facility”) and a HK\$9,750,000,000 (equivalent to \$1,250,000 based on the exchange rate on the transaction date) multicurrency revolving credit facility (the “2015 Revolving Credit Facility”). The 2015 Credit Facilities provide for additional incremental facilities to be made available, upon further agreement with any of the existing lenders under the 2015 Credit Facilities or other entities, of up to \$1,300,000 (the “2015 Incremental Facility”).

The final maturity date of the 2015 Credit Facilities is: (i) June 29, 2021 in respect of the 2015 Term Loan Facility; and (ii) June 29, 2020 in respect of the 2015 Revolving Credit Facility, or if earlier, the date of repayment, prepayment or cancellation in full of the 2015 Credit Facilities. The maturity date, amount, margin, currency, form and other terms of the 2015 Incremental Facility will be further specified and agreed by the Borrower and the lenders under the 2015 Credit Facilities and additional lenders, if any, upon drawdown on the 2015 Incremental Facility. The 2015 Term Loan Facility is repayable in quarterly

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**11. LONG-TERM DEBT, NET - continued**

**(a) Credit Facilities - continued**

*2015 Credit Facilities - continued*

installments according to an amortization schedule. Each loan made under the 2015 Revolving Credit Facility is repayable in full on the last day of an agreed upon interest period in respect of the loan, generally ranging from one to six months, or rolling over subject to compliance with certain covenants and satisfaction of conditions precedent. The Borrower is also subject to mandatory prepayment requirements in respect of various amounts as specified in the 2015 Credit Facilities; in the event of the disposal of all or substantially all of the business and assets of the borrowing group which includes the Borrower and certain of its subsidiaries as defined under the 2015 Credit Facilities (the "2015 Borrowing Group"), the 2015 Credit Facilities are required to be repaid in full. In the event of a change of control, the Borrower may be required, at the election of any lender under the 2015 Credit Facilities, to repay such lender in full.

As of December 31, 2018, the 2015 Term Loan Facility had been fully drawn down with an outstanding amount of HK\$3,022,500,000 (equivalent to \$385,940). On June 8, 2017, part of the 2015 Revolving Credit Facility of HK\$2,723,000,000 (equivalent to \$350,000) was drawn down and used to partly fund Melco Resorts Finance Limited ("Melco Resorts Finance"), a subsidiary of the Company, for the redemption of the 2013 Senior Notes (as described below) on June 14, 2017. On July 3, 2017, Melco Resorts Finance completed the issuance of the Second 2017 Senior Notes at a principal amount of \$350,000 (priced at 100.75%) (as described below), of which part of the net proceeds were used to repay in full the drawn 2015 Revolving Credit Facility of HK\$2,723,000,000 (equivalent to \$350,000) on July 10, 2017. During the year ended December 31, 2018, part of the 2015 Revolving Credit Facility of HK\$8,536,000,000 (equivalent to \$1,095,714) was drawn down. The 2015 Revolving Credit Facility of HK\$1,214,000,000 (equivalent to \$155,014) remains available for future drawdown as of December 31, 2018.

The indebtedness under the 2015 Credit Facilities is guaranteed by the 2015 Borrowing Group. Security for the 2015 Credit Facilities includes: a first-priority interest in substantially all assets of the 2015 Borrowing Group, the issued share capital and equity interests and certain buildings, fixtures and equipment of the 2015 Borrowing Group and certain other excluded assets and customary security.

The 2015 Credit Facilities contain certain covenants customary for such financings including, but not limited to: the 2015 Borrowing Group's limitations on, except as permitted (i) incurring additional liens; (ii) incurring additional indebtedness (including guarantees); (iii) making certain investments; (iv) paying dividends and other restricted payments; (v) creating any subsidiaries; and (vi) selling assets. The 2015 Credit Facilities also contains conditions and events of default customary for such financings and the financial covenants including a leverage ratio, total leverage ratio and interest cover ratio.

There are provisions that limit certain payments of dividends and other distributions by the 2015 Borrowing Group to companies or persons who are not members of the 2015 Borrowing Group. As of December 31, 2018, there were no material net assets of the 2015 Borrowing Group restricted from being distributed under the terms of the 2015 Credit Facilities as certain financial tests and conditions are satisfied.

Borrowings under the 2015 Credit Facilities bear interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin ranging from 1.25% to 2.50% per annum as adjusted in accordance with the leverage ratio in respect of the 2015 Borrowing Group. The Borrower may select an interest period for borrowings under the 2015 Credit Facilities ranging from one to six months or any other agreed period. The Borrower is obligated to pay a commitment fee on the undrawn amount of the 2015 Revolving Credit Facility and recognized loan

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**11. LONG-TERM DEBT, NET - continued**

**(a) Credit Facilities - continued**

*2015 Credit Facilities - continued*

commitment fees on the 2015 Credit Facilities of \$3,870, \$4,819 and \$4,800 during the years ended December 31, 2018, 2017 and 2016, respectively.

*2016 Studio City Credit Facilities*

On November 30, 2016, the Studio City Company Limited (“Studio City Company” or the “Studio City Borrower”), a majority-owned subsidiary of the Company, amended and restated the Studio City Borrower’s prior senior secured credit facilities agreement from HK\$10,855,880,000 (equivalent to \$1,395,357) to HK\$234,000,000 (equivalent to \$30,077) senior secured credit facilities agreement (the “2016 Studio City Credit Facilities”), comprising a HK\$1,000,000 (equivalent to \$129) term loan facility (the “2016 SC Term Loan Facility”) and a HK\$233,000,000 (equivalent to \$29,948) revolving credit facility (the “2016 SC Revolving Credit Facility”). The Group recorded a loss on extinguishment of debt of \$17,435 and costs associated with debt modification of \$8,101 during the year ended December 31, 2016 in connection with such amendments. As of December 31, 2018, the 2016 SC Term Loan Facility had been fully drawn down with an outstanding amount of HK\$1,000,000 (equivalent to \$128), and the entire 2016 SC Revolving Credit Facility of HK\$233,000,000 (equivalent to \$29,752) remains available for future drawdown as of December 31, 2018.

The 2016 SC Term Loan Facility and the 2016 SC Revolving Credit Facility mature on November 30, 2021 (December 1, 2021 Hong Kong time). The 2016 SC Term Loan Facility has to be repaid at maturity with no interim amortization payments. The 2016 SC Revolving Credit Facility is available from January 1, 2017 up to the date that is one month prior to the 2016 SC Revolving Credit Facility’s final maturity date. The 2016 SC Term Loan Facility is collateralized by cash collateral equal to HK\$1,012,500 (equivalent to \$129) (representing the principal amount of the 2016 SC Term Loan Facility plus expected interest expense in respect of the 2016 SC Term Loan Facility for one financial quarter). The Studio City Borrower is subject to mandatory prepayment requirements in respect of various amounts of the 2016 SC Revolving Credit Facility as specified in the 2016 Studio City Credit Facilities; in the event of the disposal of all or substantially all of the business and assets of the Studio City borrowing group which includes the Studio City Borrower and certain of its subsidiaries as defined under the 2016 Studio City Credit Facilities (the “2016 Studio City Borrowing Group”), the 2016 Studio City Credit Facilities are required to be repaid in full. In the event of a change of control, the Studio City Borrower may be required, at the election of any lender under the 2016 Studio City Credit Facilities, to repay such lender in full (other than the principal amount of the 2016 SC Term Loan Facility).

The indebtedness under the 2016 Studio City Credit Facilities is guaranteed by Studio City Investments and its subsidiaries (other than the Studio City Borrower). Security for the 2016 Studio City Credit Facilities includes a first-priority mortgage over any rights under the land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. The 2016 Studio City Credit Facilities contain certain affirmative and negative covenants customary for such financings, as well as affirmative, negative and financial covenants equivalent to those contained in the 2016 Studio City Secured Notes. All bank accounts of Melco Resorts Macau related solely to the operations of the Studio City gaming area are pledged under 2016 Studio City Credit Facilities and related finance documents. The 2016 Studio City Credit Facilities are secured, on an equal basis with the 2016 Studio City Secured Notes (as described below), by substantially all of the material assets of Studio City Investments

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**11. LONG-TERM DEBT, NET - continued**

**(a) Credit Facilities - continued**

*2016 Studio City Credit Facilities - continued*

and its subsidiaries (although obligations under the 2016 Studio City Credit Facilities that are secured by common collateral securing the 2016 Studio City Secured Notes will have priority over the 2016 Studio City Secured Notes with respect to any proceeds received upon any enforcement action of such common collateral).

The 2016 Studio City Credit Facilities contain certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Company, Studio City Investments and their respective restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments (including dividends and distribution with respect to shares of Studio City Company) and investments; (iii) prepay or redeem subordinated debt or equity and make payments of principal of the 2012 Studio City Notes; (iv) issue or sell capital stock; (v) transfer, lease or sell assets; (vi) create or incur certain liens; (vii) impair the security interests in the Collateral as defined below; (viii) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (ix) change the nature of the business of the relevant group; (x) enter into transactions with shareholders or affiliates; and (xi) effect a consolidation or merger. The 2016 Studio City Credit Facilities also contains conditions and events of default customary for such financings.

There are provisions that limit certain payments of dividends and other distributions by the 2016 Studio City Borrowing Group to companies or persons who are not members of the 2016 Studio City Borrowing Group. As of December 31, 2018, the net assets of Studio City Investments and its restricted subsidiaries of approximately \$1,044,000 were restricted from being distributed under the terms of the 2016 Studio City Credit Facilities.

Borrowings under the 2016 Studio City Credit Facilities bear interest at HIBOR plus a margin of 4% per annum. The Studio City Borrower may select an interest period for borrowings under the 2016 Studio City Credit Facilities ranging from one to six months or any other agreed period. The Studio City Borrower is obligated to pay a commitment fee from January 1, 2017 on the undrawn amount of the 2016 SC Revolving Credit Facility and recognized loan commitment fees on the 2016 SC Revolving Credit Facility of \$419 and \$419 during the years ended December 31, 2018 and 2017, respectively.

*Philippine Credit Facility*

On October 14, 2015, Melco Resorts and Entertainment (Philippines) Corporation ("MRP"), a majority-owned subsidiary of the Company, with its common shares listed on the Philippine Stock Exchange, Inc. (the "PSE") until its trading suspension on December 10, 2018 with details as disclosed in Note 24, entered into an on-demand, unsecured credit facility agreement of PHP2,350,000,000 (equivalent to \$44,572), as amended from time to time (the "Philippine Credit Facility") with a lender to finance advances to Melco Resorts Leisure (PHP) Corporation ("Melco Resorts Leisure"), a majority-owned subsidiary of the Company. As of December 31, 2018, the Philippine Credit Facility availability period, as amended from time to time, is up to May 31, 2019, and the maturity date of each individual drawdown, as amended from time to time, to be the earlier of: (i) the date which is one year from the date of drawdown, and (ii) the date which is 360 days after the end of the availability period. The individual drawdowns under the Philippine Credit Facility are subject to certain conditions precedents, including issuance of a promissory note in favor of the lender evidencing such drawdown. As of December 31, 2018, borrowings under the Philippine Credit Facility bear interest, as amended, at the higher of: (i) the Philippine Dealing System Treasury Reference



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**11. LONG-TERM DEBT, NET - continued**

**(a) Credit Facilities - continued**

*Philippine Credit Facility - continued*

Rate PM (the "PDST-R2") of the selected interest period plus the applicable PDST-R2 margin of 1.25% per annum, and (ii) Philippines Term Deposit Facility Rate (the "TDF") of the selected interest period plus the applicable TDF margin ranging from 0.50% to 0.75% per annum, such rate to be set one business day prior to the relevant interest period. The Philippine Credit Facility includes a tax gross-up provision requiring MRP to pay without any deduction or withholding for or on account of tax.

As of December 31, 2018 and 2017, the Philippine Credit Facility has not been drawn.

*Aircraft Term Loan*

On June 25, 2012, MCE Transportation Limited ("MCE Transportation"), a subsidiary of the Company, entered into a \$43,000 term loan facility agreement to partly finance the acquisition of an aircraft (the "Aircraft Term Loan"). Principal and interest repayments are payable quarterly in arrears until maturity on June 27, 2019, interest is calculated based on London Interbank Offered Rate plus a margin of 2.80% per annum. The Aircraft Term Loan is guaranteed by the Company and security includes a first-priority mortgage on the aircraft itself; pledge over the bank accounts of MCE Transportation; assignment of insurances (other than third party liability insurance); and an assignment of airframe and engine warranties. The Aircraft Term Loan must be prepaid in full if any of the following events occurs: (i) a change of control; (ii) the sale of all or substantially all of the components of the aircraft; (iii) the loss, damage or destruction of the entire or substantially the entire aircraft. Other covenants include lender's approval for any capital expenditure not incurred in the ordinary course of business or any subsequent indebtedness exceeding certain amount by MCE Transportation. As of December 31, 2018, the Aircraft Term Loan has been fully drawn down and the carrying value of aircraft was \$20,091.

**(b) Senior Notes**

*2013 Senior Notes*

On February 7, 2013, Melco Resorts Finance issued \$1,000,000 in aggregate principal amount of 5% senior notes due 2021 and priced at 100% (the "2013 Senior Notes"). On June 6, 2017, Melco Resorts Finance completed the issuance of the First 2017 Senior Notes at a principal amount of \$650,000 (as described below). On June 14, 2017, together with the net proceeds from the issuance of the First 2017 Senior Notes along with the proceeds in the amount of \$350,000 from a partial drawdown of the 2015 Revolving Credit Facility under the 2015 Credit Facilities and cash on hand, Melco Resorts Finance redeemed all of its outstanding 2013 Senior Notes. The 2013 Senior Notes would have matured on February 15, 2021 and the interest on the 2013 Senior Notes was accrued at a rate of 5% per annum, payable semi-annually in arrears on February 15 and August 15 of each year. As a result of the refinancing of the 2013 Senior Notes, the Group recorded a \$48,398 loss on extinguishment of debt and a \$2,793 cost associated with debt modification during the year ended December 31, 2017.

*2017 Senior Notes*

On June 6, 2017, Melco Resorts Finance issued \$650,000 in aggregate principal amount of 4.875% senior notes due 2025 and priced at 100% (the "First 2017 Senior Notes"); and on July 3, 2017, Melco Resorts Finance further issued \$350,000 in aggregate principal amount of 4.875% senior notes due 2025 and priced at 100.75% (the "Second 2017 Senior Notes" and together with the First 2017 Senior Notes, collectively

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**11. LONG-TERM DEBT, NET - continued**

**(b) Senior Notes - continued**

*2017 Senior Notes - continued*

referred to as the “2017 Senior Notes”). The 2017 Senior Notes mature on June 6, 2025 and the interest on the 2017 Senior Notes is accrued at a rate of 4.875% per annum, payable semi-annually in arrears on June 6 and December 6 of each year, commenced on December 6, 2017. The 2017 Senior Notes are general obligations of Melco Resorts Finance, rank equally in right of payment to all existing and future senior indebtedness of Melco Resorts Finance and rank senior in right of payment to any existing and future subordinated indebtedness of Melco Resorts Finance and effectively subordinated to all of Melco Resorts Finance’s existing and future secured indebtedness to the extent of the value of the assets securing such debt and all of the indebtedness of Melco Resorts Finance’s subsidiaries.

The Group used the net proceeds from the offering of the First 2017 Senior Notes to partly fund the redemption of the 2013 Senior Notes on June 14, 2017 and used the net proceeds from the offering of the Second 2017 Senior Notes to fund the repayment of the 2015 Revolving Credit Facility on July 10, 2017 (the drawdown of the 2015 Revolving Credit Facility was used to partly fund the redemption of the 2013 Senior Notes as described above).

Melco Resorts Finance has the option to redeem all or a portion of the 2017 Senior Notes at any time prior to June 6, 2020, at a “make-whole” redemption price. On or after June 6, 2020, Melco Resorts Finance has the option to redeem all or a portion of the 2017 Senior Notes at any time at fixed redemption prices that decline ratably over time. In addition, Melco Resorts Finance has the option to redeem up to 35% of the 2017 Senior Notes with the net cash proceeds from one or more equity offerings at a fixed redemption price at any time prior to June 6, 2020. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture, Melco Resorts Finance also has the option to redeem in whole, but not in part the 2017 Senior Notes at fixed redemption prices. In certain events that relate to the gaming subconcession of Melco Resorts Macau and subject to certain exceptions as more fully described in the indenture, each holder of the 2017 Senior Notes will have the right to require Melco Resorts Finance to repurchase all or any part of such holder’s 2017 Senior Notes at a fixed redemption price.

The indenture governing the 2017 Senior Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Melco Resorts Finance to, among other things, effect a consolidation or merger or sell assets. The indenture governing the 2017 Senior Notes also contains conditions and events of default customary for such financings.

*2012 Studio City Notes*

On November 26, 2012, Studio City Finance Limited (“Studio City Finance”), a majority-owned subsidiary of the Company, issued \$825,000 in aggregate principal amount of 8.5% senior notes due 2020 and priced at 100% (the “2012 Studio City Notes”). Studio City Finance used the net proceeds from the offering to fund the Studio City project with conditions and sequence for disbursements in accordance with an agreement. On December 31, 2018, Studio City Finance partially redeemed the 2012 Studio City Notes in aggregate principal amount of \$400,000 at a price of 100%, together with accrued interest. The Group recorded a loss on extinguishment of debt of \$3,233 during the year ended December 31, 2018 in connection with this redemption.

On January 22, 2019, Studio City Finance initiated a conditional tender offer to purchase the outstanding balance of 2012 Studio City Notes in aggregate principal amount of \$425,000, with \$216,534 aggregated

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**11. LONG-TERM DEBT, NET - continued**

**(b) Senior Notes - continued**

*2012 Studio City Notes - continued*

principal amount of the 2012 Studio City Notes tendered on February 4, 2019, and the remaining outstanding 2012 Studio City Notes in aggregate principal amount of \$208,466 were redeemed in full on March 13, 2019. Further details are disclosed in Note 25.

The 2012 Studio City Notes would have matured on December 1, 2020 and the interest on the 2012 Studio City Notes was accrued at a rate of 8.5% per annum, payable semi-annually in arrears on June 1 and December 1 of each year. The 2012 Studio City Notes were general obligations of Studio City Finance, secured by a first-priority security interest in certain specified bank accounts incidental to the 2012 Studio City Notes and a pledge of certain intercompany loans as defined under the 2012 Studio City Notes, ranked equally in right of payment to all existing and future senior indebtedness of Studio City Finance and ranked senior in right of payment to any existing and future subordinated indebtedness of Studio City Finance. The 2012 Studio City Notes were effectively subordinated to all of Studio City Finance's existing and future secured indebtedness to the extent of the value of the property and assets securing such indebtedness.

All of the existing subsidiaries of Studio City Finance and any other future restricted subsidiaries that provided guarantees of certain specified indebtedness (including the 2016 Studio City Credit Facilities (as described below)) (the "2012 Studio City Notes Guarantors") jointly, severally and unconditionally guaranteed the 2012 Studio City Notes on a senior basis (the "2012 Studio City Notes Guarantees"). The 2012 Studio City Notes Guarantees were general obligations of the 2012 Studio City Notes Guarantors, ranked equally in right of payment with all existing and future senior indebtedness of the 2012 Studio City Notes Guarantors and ranked senior in right of payment to any existing and future subordinated indebtedness of the 2012 Studio City Notes Guarantors. The 2012 Studio City Notes Guarantees were effectively subordinated to the 2012 Studio City Notes Guarantors' obligations under the 2016 Studio City Credit Facilities and the 2016 Studio City Secured Notes (as described below) and any future secured indebtedness that was secured by property and assets of the 2012 Studio City Notes Guarantors to the extent of the value of such property and assets.

At any time on or after December 1, 2015, Studio City Finance had the option to redeem all or a portion of the 2012 Studio City Notes at any time at fixed redemption prices that declined ratably over time and also had the option to redeem in whole, but not in part the 2012 Studio City Notes at fixed redemption prices under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the 2012 Studio City Notes.

The indenture governing the 2012 Studio City Notes contained certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Finance and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. The indenture governing the 2012 Studio City Notes also contained conditions and events of default customary for such financings.

There were provisions under the indenture governing the 2012 Studio City Notes that limited or prohibited certain payments of dividends and other distributions by Studio City Finance and its restricted subsidiaries to companies or persons who were not Studio City Finance or restricted subsidiaries of Studio City Finance,

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**11. LONG-TERM DEBT, NET - continued**

**(b) Senior Notes - continued**

*2012 Studio City Notes - continued*

subject to certain exceptions and conditions. As of December 31, 2018, the net assets of Studio City Finance and its restricted subsidiaries of approximately \$1,117,000 were restricted from being distributed under the terms of the 2012 Studio City Notes.

*2016 Studio City Secured Notes*

On November 30, 2016, Studio City Company issued \$350,000 in aggregate principal amount of 5.875% senior secured notes due 2019 and priced at 100% (the "2016 5.875% SC Secured Notes") and \$850,000 in aggregate principal amount of 7.250% senior secured notes due 2021 and priced at 100% (the "2016 7.250% SC Secured Notes" and together with the 2016 5.875% SC Secured Notes, the "2016 Studio City Secured Notes"). The Group used the net proceeds from the offering, together with cash on hand, to fund the repayment of the Studio City Borrower's prior senior secured credit facilities. The 2016 5.875% SC Secured Notes and 2016 7.250% SC Secured Notes mature on November 30, 2019 and November 30, 2021, respectively, and the interest on the 2016 5.875% SC Secured Notes and 2016 7.250% SC Secured Notes is accrued at a rate of 5.875% and 7.250% per annum, respectively, and is payable semi-annually in arrears on May 30 and November 30 of each year, commenced on May 30, 2017.

The 2016 Studio City Secured Notes are senior secured obligations of Studio City Company, rank equally in right of payment with all existing and future senior indebtedness of Studio City Company (although any liabilities in respect of obligations under the 2016 Studio City Credit Facilities that are secured by common collateral securing the 2016 Studio City Secured Notes will have priority over the 2016 Studio City Secured Notes with respect to any proceeds received upon any enforcement action of such common collateral) and rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Company and effectively subordinated to Studio City Company's existing and future secured indebtedness that is secured by assets that do not secure the 2016 Studio City Secured Notes, to the extent of the assets securing such indebtedness.

All of the existing subsidiaries of Studio City Investments (other than Studio City Company) and any other future restricted subsidiaries that provide guarantees of certain specified indebtedness (including the 2016 Studio City Credit Facilities) (the "2016 Studio City Secured Notes Guarantors") jointly, severally and unconditionally guarantee the 2016 Studio City Secured Notes on a senior basis (the "2016 Studio City Secured Notes Guarantees"). The 2016 Studio City Secured Notes Guarantees are senior obligations of the 2016 Studio City Secured Notes Guarantors, rank equally in right of payment with all existing and future senior indebtedness of the 2016 Studio City Secured Notes Guarantors and rank senior in right of payment to any existing and future subordinated indebtedness of the 2016 Studio City Secured Notes Guarantors. The 2016 Studio City Secured Notes Guarantees are pari passu to the 2016 Studio City Secured Notes Guarantors' obligations under the 2016 Studio City Credit Facilities, and effectively subordinated to any future secured indebtedness that is secured by assets that do not secure the 2016 Studio City Secured Notes and the 2016 Studio City Secured Notes Guarantees, to the extent of the value of the assets.

The 2016 Studio City Secured Notes are secured, on an equal basis with the 2016 Studio City Credit Facilities, by substantially all of the material assets of Studio City Investments and its subsidiaries (although obligations under the 2016 Studio City Credit Facilities that are secured by common collateral securing the 2016 Studio City Secured Notes will have priority over the 2016 Studio City Secured Notes with respect to any proceeds received upon any enforcement action of such common collateral). The common collateral

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**11. LONG-TERM DEBT, NET - continued**

**(b) Senior Notes - continued**

*2016 Studio City Secured Notes - continued*

(shared with the 2016 Studio City Credit Facilities) includes a first-priority mortgage over any rights under the land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. Each series of the 2016 Studio City Secured Notes is secured by the common collateral and, in addition, certain bank accounts (together with the common collateral, the "Collateral"). All bank accounts of Melco Resorts Macau related solely to the operations of the Studio City Casino are pledged under 2016 Studio City Credit Facilities and related finance documents. In addition, the 2016 Studio City Secured Notes are also separately secured by certain specified bank accounts.

At any time prior to November 30, 2018, Studio City Company had the options i) to redeem all or a portion of the 2016 7.250% SC Secured Notes at a "make-whole" redemption price; and ii) to redeem up to 35% of the 2016 7.250% SC Secured Notes with the net cash proceeds of certain equity offerings at a fixed redemption price. Thereafter, Studio City Company has the option to redeem all or a portion of the 2016 7.250% SC Secured Notes at any time at fixed redemption prices that decline ratably over time. At any time prior to November 30, 2019, Studio City Company has the options i) to redeem all or a portion of the 2016 5.875% SC Secured Notes at a "make-whole" redemption price; and ii) to redeem up to 35% of the 2016 5.875% SC Secured Notes with the net cash proceeds of certain equity offerings at a fixed redemption price. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the 2016 Studio City Secured Notes, Studio City Company also has the option to redeem in whole, but not in part the 2016 Studio City Secured Notes at fixed redemption prices.

In the event that the 2012 Studio City Notes were not refinanced or repaid in full by June 1, 2020 in accordance with the terms of the 2016 7.250% SC Secured Notes (and in the case of a refinancing, with refinancing indebtedness with a weighted average life to maturity no earlier than 90 days after the stated maturity date of the 2016 7.250% SC Secured Notes), each holder of the 2016 7.250% SC Secured Notes would have the right to require Studio City Company to repurchase all or any part of such holder's 2016 7.250% SC Secured Notes at a fixed redemption price.

The indenture governing the 2016 Studio City Secured Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Company, Studio City Investments and their respective restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments (including dividends and distribution with respect to shares of Studio City Company) and investments; (iii) prepay or redeem subordinated debt or equity and make payments of principal of the 2012 Studio City Notes; (iv) issue or sell capital stock; (v) transfer, lease or sell assets; (vi) create or incur certain liens; (vii) impair the security interests in the Collateral; (viii) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (ix) change the nature of the business of the relevant group; (x) enter into transactions with shareholders or affiliates; and (xi) effect a consolidation or merger. The indenture governing the 2016 Studio City Secured Notes also contains conditions and events of default customary for such financings.

There are provisions under the indenture governing the 2016 Studio City Secured Notes that limit or prohibit certain payments of dividends and other distributions by Studio City Company, Studio City Investments and their respective restricted subsidiaries to companies or persons who are not Studio City Company, Studio City Investments and their respective restricted subsidiaries, subject to certain exceptions and conditions. As of December 31, 2018, the net assets of Studio City Investments and its restricted

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****11. LONG-TERM DEBT, NET - continued****(b) Senior Notes - continued***2016 Studio City Secured Notes - continued*

subsidiaries of approximately \$1,044,000 were restricted from being distributed under the terms of the 2016 Studio City Secured Notes.

*Philippine Notes*

On January 24, 2014, Melco Resorts Leisure issued PHP15 billion in aggregate principal amount of 5% senior notes due 2019 (equivalent to \$336,825 based on the exchange rate on the transaction date) and priced at 100% and offered to certain primary institutional lenders as noteholders via private placement in the Philippines (the "Philippine Notes"). The net proceeds from the offering of the Philippine Notes were mainly used for funding the City of Dreams Manila project.

On August 31, 2018 and October 9, 2017, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP5.5 billion and PHP7.5 billion (equivalent to \$102,933 and \$144,790 based on the exchange rate on the transaction dates), respectively, and on December 28, 2018 further redeemed in full the remaining portion of the Philippine Notes in an aggregate principal amount of PHP2.0 billion (equivalent to \$37,934 based on the exchange rate on the transaction date), together with accrued interest. Accordingly, the Group recorded a loss on extinguishment of debt of \$228 and \$939 during the years ended December 31, 2018 and 2017, respectively in connection with these redemption.

The Philippine Notes would have matured on January 24, 2019, and the interest on the Philippine Notes was accrued at a rate of 5% per annum, payable semi-annually in arrears. In addition, the Philippine Notes included a tax gross-up provision requiring Melco Resorts Leisure to pay without any deduction or withholding for or on account of tax.

**(c) Borrowing Rates and Scheduled Maturities of Long-term Debt**

During the years ended December 31, 2018, 2017 and 2016, the Group's average borrowing rates were approximately 5.97%, 6.01% and 5.37% per annum, respectively.

Scheduled maturities of the long-term debt (excluding unamortized deferred financing costs and original issue premiums) as of December 31, 2018 are as follows:

Year ending December 31,	
2019	\$ 398,322
2020	1,559,773
2021	1,146,430
2022	—
2023	—
Over 2023	1,000,000
	<u>\$ 4,104,525</u>

**12. CAPITAL LEASE OBLIGATIONS**

On March 13, 2013, Melco Resorts Leisure entered into a lease agreement with Belle Corporation ("Belle", one of the Philippine Parties as defined in Note 20(a)), as amended from time to time (the "MRP Lease

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Agreement”), for lease of certain of the building structures for City of Dreams Manila and this lease is expected to expire on July 11, 2033.

In addition to the MRP Lease Agreement, the Group has entered into other lease agreements with third parties for the lease of certain property and equipment.

The Group made assessments at inception of the leases and capitalized the portion related to property and equipment under capital leases at the lower of the fair value or the present value of the future minimum lease payments.

Future minimum lease payments under capital lease obligations for the Group as of December 31, 2018 are as follows:

Year ending December 31,	
2019	\$ 37,242
2020	40,996
2021	45,191
2022	46,248
2023	47,411
Over 2023	466,632
Total minimum lease payments	683,720
Less: amounts representing interest	(395,687)
Present value of minimum lease payments	288,033
Current portion	(34,659)
Non-current portion	<u>\$ 253,374</u>

**13. FAIR VALUE MEASUREMENTS**

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

The carrying values of cash and cash equivalents, bank deposits with original maturities over three months and restricted cash approximated fair value and were classified as level 1 in the fair value hierarchy. The

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
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**13. FAIR VALUE MEASUREMENTS - continued**

carrying values of long-term deposits, long-term receivables and other long-term liabilities approximated fair value and were classified as level 2 in the fair value hierarchy. The estimated fair value of long-term debt as of December 31, 2018 and 2017, which included the 2015 Credit Facilities, the 2016 Studio City Credit Facilities, the Aircraft Term Loan, the 2017 Senior Notes, the 2012 Studio City Notes, the 2016 Studio City Secured Notes and the Philippine Notes were approximately \$4,043,427 and \$3,714,018, respectively, as compared to its carrying value, excluding unamortized deferred financing costs and original issue premiums, of \$4,104,525 and \$3,619,139, respectively. Fair values were estimated using quoted market prices and were classified as level 1 in the fair value hierarchy for the 2017 Senior Notes, the 2012 Studio City Notes and the 2016 Studio City Secured Notes. Fair values for the 2015 Credit Facilities, the 2016 Studio City Credit Facilities, the Aircraft Term Loan and the Philippine Notes approximated the carrying values as the instruments carried either variable interest rates or the fixed interest rates approximated the market rates and were classified as level 2 in the fair value hierarchy.

As of December 31, 2018 and 2017, the Group did not have any non-financial assets or liabilities that were recognized or disclosed at fair value in the consolidated financial statements.

The Group's financial assets and liabilities recorded at fair value have been categorized based upon fair values in accordance with the applicable accounting standards. As of December 31, 2018 and 2017, investment securities were carried at fair value. Fair values of investment securities were estimated using quoted market prices and were classified as level 1 in the fair value hierarchy.

**14. CAPITAL STRUCTURE**

**Offering and Share Repurchase Transactions**

On May 15, 2017, the Company completed the offer and sale of 27,769,248 ADSs (equivalent to 83,307,744 ordinary shares) and 81,995,799 ordinary shares, representing a total of 165,303,543 ordinary shares in aggregate with gross proceeds amounting to \$1,163,186, with offering expenses of \$3,686 for the offering being reimbursed by a subsidiary of Crown Resorts Limited ("Crown"), an Australian-listed corporation and the then major shareholder of the Company, as described below (the "Offering"). The Offering was made as follows: i) 15,769,248 ADSs (equivalent to 47,307,744 ordinary shares) to the underwriters for resale in an underwritten public offering; ii) 81,995,799 ordinary shares to the underwriters which they used to satisfy the return obligations of their respective affiliates for ADSs borrowed by such affiliates representing 81,995,799 ordinary shares from Melco Leisure and Entertainment Group Limited, the single largest shareholder of the Company which is wholly owned by Melco International, in conjunction with the termination and hedge unwind of certain cash-settled swap transactions entered into in December 2016; and iii) 12,000,000 additional ADSs purchased by one of the underwriters. The Company repurchased 165,303,544 ordinary shares from a subsidiary of Crown concurrently with the Offering at an aggregate price of \$1,163,186 which was partially settled by the net proceeds of \$1,159,500 from the Offering and the remaining amount of \$3,686 being reimbursed by a subsidiary of Crown and not reflected in the transaction costs as described above. Following the completion of this share repurchase, the 165,303,544 repurchased shares were cancelled.

On May 9, 2016, the Company completed a repurchase of 155,000,000 of its ordinary shares (equivalent to 51,666,666 ADSs) from a subsidiary of Crown for an aggregate purchase price of \$800,839, at an average market price of \$15.50 per ADS or \$5.1667 per share. The total cost for these repurchased shares, which comprised the purchase price and all incidental expenses, amounted to \$803,171 was recorded as treasury



**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**14. CAPITAL STRUCTURE - continued**

**Offering and Share Repurchase Transactions - continued**

shares. Following the completion of this share repurchase transaction, the 155,000,000 repurchased shares were cancelled.

**Treasury Shares**

The Company's treasury shares represent i) new shares issued by the Company and held by the depository bank to facilitate the administration and operations of the Company's share incentive plans, and are to be delivered to the directors, eligible employees and consultants on the vesting of restricted shares and upon the exercise of share options; ii) the shares purchased under a trust arrangement for the benefit of certain beneficiaries who were awardees under the 2011 Share Incentive Plan as described in Note 16 and held by a trustee until the termination of the trust in April 2016 following the delisting of the Company's ordinary shares from the Stock Exchange of Hong Kong Limited; and iii) the shares repurchased by the Company under the respective share repurchase programs.

*New Shares Issued by the Company*

During the years ended December 31, 2018, 2017 and 2016, the Company issued 4,570,191, 2,504,721 and nil ordinary shares to its depository bank for future vesting of restricted shares and exercise of share options, respectively. The Company issued 2,115,809, 950,320 and 303,318 of these ordinary shares upon vesting of restricted shares; and 4,803,288, 3,363,159 and 1,789,929 of these ordinary shares upon exercise of share options during the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, the Company had balances of 6,666,106 and 9,015,012 in newly issued ordinary shares which continue to be held by the Company for future issuance upon vesting of restricted shares and exercise of share options, respectively.

*Shares Repurchased by the Company*

On March 21, 2018, the Board of Directors of the Company authorized the repurchase of the Company's ordinary shares and/or ADSs of up to an aggregate of \$500,000 over a three-year period which commenced on March 21, 2018 under a share repurchase program. On November 8, 2018, the Board of Directors of the Company further authorized the repurchase of the Company's ordinary shares and/or ADSs of up to an aggregate of \$500,000 over a three-year period commenced on November 8, 2018 under an additional share repurchase program (this share repurchase program together with the share repurchase program authorized on March 21, 2018, the "2018 Share Repurchase Programs"). Purchases under the 2018 Share Repurchase Programs may be made from time to time on the open market at prevailing market prices, including pursuant to a trading plan in accordance with Rule 10b-18 of the U.S. Securities Exchange Act, and/or in privately-negotiated transactions. The timing and the amount of ordinary shares and/or ADSs purchased were determined by the Company's management based on its evaluation of market conditions, trading prices, applicable securities laws and other factors. The 2018 Share Repurchase Programs may be suspended, modified or terminated by the Company at any time prior to its expiration.

During the year ended December 31, 2018, 32,190,355 ADSs, equivalent to 96,571,065 ordinary shares were repurchased under the 2018 Share Repurchase Programs, of which nil ordinary shares repurchased were retired. As of December 31, 2018, there was 96,571,065 outstanding repurchased ordinary shares under the 2018 Share Repurchase Programs.

MELCO RESORTS & ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

14. CAPITAL STRUCTURE - continued

Treasury Shares - continued

Shares Repurchased by the Company - continued

As of December 31, 2018 and 2017, the Company had 1,482,999,434 and 1,478,429,243 issued ordinary shares, and 103,237,171 and 9,015,012 treasury shares, with 1,379,762,263 and 1,469,414,231 ordinary shares outstanding, respectively.

15. INCOME TAXES

Income before income tax consisted of:

	Year Ended December 31,		
	2018	2017	2016
Macau operations	\$ 522,393	\$ 562,140	\$ 334,409
Hong Kong operations	(48,385)	(26,111)	(10,511)
Philippine operations	83,759	36,035	(18,226)
Other jurisdictions operations	(204,361)	(256,781)	(230,576)
Income before income tax	<u>\$ 353,406</u>	<u>\$ 315,283</u>	<u>\$ 75,096</u>

The income tax (credit) expense consisted of:

	Year Ended December 31,		
	2018	2017	2016
Income tax expense - current:			
Macau Complementary Tax	\$ 676	\$ 13	\$ 2,832
Lump sum in lieu of Macau Complementary Tax on dividends	2,341	2,359	2,795
Hong Kong Profits Tax	46	2,516	1,889
Income tax in other jurisdictions	408	54	36
Sub-total	<u>3,471</u>	<u>4,942</u>	<u>7,552</u>
Under (over) provision of income taxes in prior years:			
Macau Complementary Tax	793	(2,575)	(224)
Hong Kong Profits Tax	(2,303)	30	39
Income tax in other jurisdictions	39	(77)	(4)
Sub-total	<u>(1,471)</u>	<u>(2,622)</u>	<u>(189)</u>
Income tax (credit) expense - deferred:			
Macau Complementary Tax	(629)	(3,020)	(1,074)
Hong Kong Profits Tax	(2,554)	245	(69)
Income tax in other jurisdictions	738	445	1,958
Sub-total	<u>(2,445)</u>	<u>(2,330)</u>	<u>815</u>
Total income tax (credit) expense	<u>\$ (445)</u>	<u>\$ (10)</u>	<u>\$ 8,178</u>

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**15. INCOME TAXES - continued**

A reconciliation of the income tax (credit) expense from income before income tax per the consolidated statements of operations is as follows:

	Year Ended December 31,		
	2018	2017	2016
Income before income tax	\$ 353,406	\$ 315,283	\$ 75,096
Macau Complementary Tax rate	12%	12%	12%
Income tax expense at Macau Complementary Tax rate	42,409	37,834	9,012
Lump sum in lieu of Macau Complementary Tax on dividends	2,341	2,359	2,795
Effect of different tax rates of subsidiaries operating in other jurisdictions	7,138	197	(5,823)
Over provision in prior years	(1,471)	(2,622)	(189)
Effect of income for which no income tax expense is payable	(2,607)	(12,526)	(1,960)
Effect of expenses for which no income tax benefit is receivable	37,731	44,142	30,475
Effect of profits generated by gaming operations exempted	(157,367)	(128,145)	(93,611)
Changes in valuation allowances	71,381	58,751	67,479
Income tax (credit) expense	\$ (445)	\$ (10)	\$ 8,178

The Company and certain of its subsidiaries are exempt from tax in the Cayman Islands or British Virgin Islands, where they are incorporated, however, the Company is subject to Hong Kong Profits Tax on profits from its activities conducted in Hong Kong. Certain subsidiaries incorporated or conducting businesses in Hong Kong, Macau, the Philippines and other jurisdictions are subject to Hong Kong Profits Tax, Macau Complementary Tax, Philippine Corporate Income Tax and income tax in other jurisdictions, respectively, during the years ended December 31, 2018, 2017 and 2016.

Macau Complementary Tax, Hong Kong Profits Tax, Philippine Corporate Income Tax and income tax in other jurisdictions have been provided at 12%, 16.5%, 30% and the respective tax rate in other jurisdictions, on the estimated taxable income earned in or derived from Macau, Hong Kong, the Philippines and other jurisdictions, respectively, during the years ended December 31, 2018, 2017 and 2016, if applicable.

Melco Resorts Macau has been exempted from Macau Complementary Tax on profits generated by gaming operations from 2007 to 2011, and 2012 to 2016 pursuant to the approval notices issued by the Macau government in June 2007 and April 2011, respectively. Melco Resorts Macau continues to benefit from this exemption for another five years from 2017 to 2021 pursuant to the approval notice issued by the Macau government in September 2016. One of the Company's subsidiaries in Macau has also been exempted from Macau Complementary Tax on profits generated from income received from Melco Resorts Macau until 2016, to the extent that such income is derived from Studio City gaming operations and has been subject to gaming tax pursuant to a notice issued by the Macau government in January 2015. Additionally, this subsidiary received an exemption for an additional five years from 2017 to 2021 pursuant to the approval notice issued by the Macau government in January 2017. The exemption coincides with Melco Resorts Macau's exemption from Macau Complementary Tax. The non-gaming profits and dividend distributions of such subsidiary to its shareholders continue to be subject to Macau Complementary Tax. Melco Resorts Macau's non-gaming profits also remain subject to Macau Complementary Tax and Melco Resorts Macau casino revenues remain subject to the Macau special gaming tax and other levies in accordance with its gaming subconcession agreement.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**15. INCOME TAXES - continued**

The casino operations of Melco Resorts Leisure, the operator of City of Dreams Manila, were previously subject to Philippine Corporate Income Tax in the Philippines at the rate of 30% based on Revenue Memorandum Circular No. 33-2013 issued by the Bureau of Internal Revenue (“BIR”) in April 2013. On August 10, 2016, the Supreme Court of the Philippines (the “Supreme Court”) found in the case of Bloomberry Resorts and Hotels, Inc. vs. the BIR, G. R. No. 212530 that all contractees and licensees of the Philippine Amusement and Gaming Corporation (“PAGCOR”), should be exempt from tax, including Philippine Corporate Income Tax realized from the casino operations, upon payment of the 5% franchise tax. The BIR subsequently filed a Motion for Reconsideration of the said decision, which was denied by the Supreme Court with finality in its resolution dated November 28, 2016. Based on the Supreme Court decision, management believes Melco Resorts Leisure’s gaming operations should be exempt from Philippine Corporate Income Tax, among other taxes, provided the license fees which are inclusive of the 5% franchise tax under the terms of the PAGCOR charter, are paid.

During the years ended December 31, 2018, 2017 and 2016, had the Group not received the income tax exemption on profits generated by gaming operations in Macau and the Philippines, the Group’s consolidated net income attributable to Melco Resorts & Entertainment Limited for the years ended December 31, 2018, 2017 and 2016 would have been reduced by \$129,241, \$105,364 and \$81,230, and diluted earnings per share would have been reduced by \$0.088, \$0.071 and \$0.053 per share, respectively.

In January 2014, Melco Resorts Macau entered into an agreement with the Macau government that provided for an annual payment of MOP22,400,000 (equivalent to \$2,795), effective retroactively from 2012 through 2016 coinciding with the 5-year tax holiday mentioned above, as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Resorts Macau on dividend distributions from gaming profits. In August 2017, Melco Resorts Macau received an extension of the agreement for an additional five years applicable to tax years 2017 through 2021. The extension agreement provides for an annual payment of MOP18,900,000 (equivalent to \$2,341). Such annual payment is required regardless of whether dividends are actually distributed or whether Melco Resorts Macau has distributable profits in the relevant year.

The effective tax rates for the years ended December 31, 2018, 2017 and 2016 were (0.1)%, 0% and 10.9%, respectively. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax and Philippine Corporate Income Tax, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefits are receivable, the effect of income for which no income tax expense is payable and the effect of different tax rates of subsidiaries operating in other jurisdictions for the years ended December 31, 2018, 2017 and 2016.

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****15. INCOME TAXES - continued**

The net deferred tax liabilities as of December 31, 2018 and 2017 consisted of the following:

	December 31,	
	2018	2017
Deferred tax assets		
Net operating losses carried forward	\$ 152,652	\$ 155,380
Depreciation and amortization	39,802	32,827
Deferred deductible expenses	—	1,052
Deferred rents	36,567	32,470
Others	7,801	9,051
Sub-total	<u>236,822</u>	<u>230,780</u>
Valuation allowances	(230,384)	(226,617)
Total deferred tax assets	<u>6,438</u>	<u>4,163</u>
Deferred tax liabilities		
Land use rights	(47,554)	(49,258)
Intangible assets	(503)	(505)
Unrealized capital allowances	(2,572)	(1,834)
Others	(6,880)	(6,549)
Total deferred tax liabilities	<u>(57,509)</u>	<u>(58,146)</u>
Deferred tax liabilities, net	<u>\$ (51,071)</u>	<u>\$ (53,983)</u>

As of December 31, 2018 and 2017, valuation allowances of \$230,384 and \$226,617 were provided, respectively, as management believes it is more likely than not that these deferred tax assets will not be realized. During the year ended December 31, 2017, certain subsidiaries of the Company incorporated in Macau (the "Incorporated Companies") completed two mergers and merged with COD Resorts Limited and Altira Resorts Limited (the "Incorporating Companies") (the "Mergers"). As a result of the Mergers, the adjusted operating tax losses for the Group were reduced by the tax losses of the Incorporated Companies, amounting to \$90,834, \$90,039, \$47,382 and \$34,064 that would have expired in 2017, 2018, 2019 and 2020, respectively, during the year ended December 31, 2017 as such losses cannot be utilized. As of December 31, 2018, adjusted operating tax losses carried forward of \$38,923 have no expiry date and the remaining tax losses amounting to \$241,367, \$220,673, \$360,957, \$126 and \$2,651 will expire in 2019, 2020, 2021, 2027 and 2028, respectively. Adjusted operating tax losses carried forward of \$321,537 expired during the year ended December 31, 2018.

Deferred tax, where applicable, is provided under the asset and liability method at the enacted statutory income tax rate of the respective tax jurisdictions, applicable to the respective financial years, on the difference between the consolidated financial statements carrying amounts and income tax base of assets and liabilities.

Aggregate undistributed earnings of the Company's foreign subsidiaries available for distribution to the Company of approximately \$655,735 and \$343,616 as at December 31, 2018 and 2017, respectively, are considered to be indefinitely reinvested and the amounts exclude the undistributed earnings of Melco Resorts Macau. Accordingly, no provision has been made for the dividend withholding taxes that would be payable upon the distribution of those amounts to the Company. If those earnings were to be distributed or

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**15. INCOME TAXES - continued**

they were determined to be no longer permanently reinvested, the Company would have to record a deferred income tax liability in respect of those undistributed earnings of approximately \$79,417 and \$41,432 as at December 31, 2018 and 2017, respectively.

An evaluation of the tax positions for recognition was conducted by the Group by determining if the weight of available evidence indicates it is more likely than not that the positions will be sustained on audit, including resolution of related appeals or litigation processes, if any. Uncertain tax benefits associated with the tax positions were measured based solely on the technical merits of being sustained on examinations. The Group concluded that there were no significant uncertain tax positions requiring recognition in the consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 and there are no material unrecognized tax benefits which would favorably affect the effective income tax rates in future periods. As of December 31, 2018 and 2017, there were no interest and penalties related to uncertain tax positions recognized in the consolidated financial statements. The Group does not anticipate any significant increases or decreases to its liability for unrecognized tax benefits within the next twelve months.

The Company and its subsidiaries' major tax jurisdictions are Hong Kong, Macau and the Philippines. Income tax returns of the Company and its subsidiaries remain open and subject to examination by the local tax authorities of Hong Kong, Macau and the Philippines until the statute of limitations expire in each corresponding jurisdiction. The statute of limitations in Hong Kong, Macau and the Philippines are six years, five years and three years, respectively.

**16. SHARE-BASED COMPENSATION**

**2006 Share Incentive Plan**

The Company adopted a share incentive plan in 2006 ("2006 Share Incentive Plan"), as amended, for grants of share options and nonvested shares of the Company's ordinary shares to eligible directors, employees and consultants of the Group and its affiliates. The maximum term of an award was 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for all awards under the 2006 Share Incentive Plan was 100,000,000 over 10 years. On December 7, 2011, the Group adopted a new share incentive plan ("2011 Share Incentive Plan") as described below and no further awards may be granted under the 2006 Share Incentive Plan on or after such date as all subsequent awards will be issued under the 2011 Share Incentive Plan.

MELCO RESORTS & ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

16. SHARE-BASED COMPENSATION - continued

2006 Share Incentive Plan - continued

Share Options

A summary of the share options activity under the 2006 Share Incentive Plan for the year ended December 31, 2018, is presented as follows:

	Number of Share Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2018	6,929,538	\$ 0.80		
Exercised	(4,634,085)	0.38		
Forfeited or expired	(5,985)	0.24		
Outstanding as of December 31, 2018	<u>2,289,468</u>	<u>\$ 1.64</u>	<u>2.09</u>	<u>\$ 9,701</u>
Fully vested and exercisable as of December 31, 2018	<u>2,289,468</u>	<u>\$ 1.64</u>	<u>2.09</u>	<u>\$ 9,701</u>

The following information is provided for share options under the 2006 Share Incentive Plan:

	Year Ended December 31,		
	2018	2017	2016
Proceeds from the exercise of share options	<u>\$ 1,195</u>	<u>\$ 2,192</u>	<u>\$ 3,036</u>
Intrinsic value of share options exercised	<u>\$ 37,239</u>	<u>\$ 18,004</u>	<u>\$ 6,205</u>

As of December 31, 2018, there were no unrecognized compensation costs related to share options under the 2006 Share Incentive Plan.

2011 Share Incentive Plan

The Company adopted the 2011 Share Incentive Plan, effective on December 7, 2011, which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase the Company's ordinary shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of the Group and its affiliates. The maximum term of an award is 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for all awards under the 2011 Share Incentive Plan is 100,000,000 over 10 years, which could be raised up to 10% of the issued share capital upon shareholders' approval. As of December 31, 2018, there were 66,681,053 ordinary shares available for grants of various share-based awards under the 2011 Share Incentive Plan.

Share Options

During the years ended December 31, 2018, 2017 and 2016, the exercise prices for share options granted under the 2011 Share Incentive Plan were determined at the market closing prices of the Company's ADS trading on the NASDAQ Global Select Market on the dates of grant. These share options became exercisable over vesting periods of two to three years. The share options granted expire 10 years from the date of grant.

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****16. SHARE-BASED COMPENSATION - continued****2011 Share Incentive Plan - continued***Share Options - continued*

The Group uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of the Company's ADS trading on the NASDAQ Global Select Market. Expected term is based upon the vesting term or the historical expected term of publicly traded companies. The risk-free interest rate used for each period presented is based on the United States of America Treasury yield curve at the time of grant for the period equal to the expected term.

The fair values of share options granted under the 2011 Share Incentive Plan were estimated on the dates of grant using the following weighted average assumptions as follows:

	Year Ended December 31,		
	2018	2017	2016
Expected dividend yield	2.04%	2.00%	1.00%
Expected stock price volatility	40.17%	47.94%	46.08%
Risk-free interest rate	2.62%	2.09%	1.47%
Expected term (years)	5.56	6.1	5.6

On March 18, 2016, the Board of Directors of the Company approved a modification to lower the exercise prices and extend the vesting periods of certain outstanding underwater share options held by active employees as of March 18, 2016. Share options eligible for modification were those that were granted during the years ended December 31, 2015, 2014 and 2013 under the 2011 Share Incentive Plan, including those unvested, or vested but not exercised. The total of 4,572,234 eligible share options were modified with an exercise price of \$17.27 per ADS or \$5.7567 per share, which was the closing price of the Company's ADS trading on the NASDAQ Global Select Market on the date of modification. The vesting period for the relevant share options (including certain vested share options) was extended as part of the modification. The number of the Company's ordinary share subject to the modified share options and the expiration dates of such modified share options will remain the same as the original share options. A total incremental share-based compensation expense resulting from the modification was approximately \$689, representing the excess of the fair value of the modified share options, using Black-Scholes valuation model, over the fair value of the share options immediately before its modification. The incremental share-based compensation expense and the unrecognized compensation costs remaining from the original share options are being recognized on a straight-line basis over a new vesting period of three years from the date of modification. The significant weighted average assumptions used to determine the fair value of the modified share options includes expected dividend of 1%, expected stock price volatility of 45.8%, risk-free interest rate of 1.31% and expected term of 5.6 years.



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16. SHARE-BASED COMPENSATION - continued

2011 Share Incentive Plan - continued

Share Options - continued

A summary of the share options activity under the 2011 Share Incentive Plan for the year ended December 31, 2018, is presented as follows:

	Number of Share Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2018	13,446,511	\$ 5.55		
Granted	5,461,929	9.25		
Exercised	(778,269)	5.07		
Forfeited or expired	(1,095,211)	6.25		
Outstanding as of December 31, 2018	<u>17,034,960</u>	<u>\$ 6.72</u>	<u>7.67</u>	<u>\$ 5,300</u>
Fully vested and expected to vest as of December 31, 2018	<u>17,034,960</u>	<u>\$ 6.72</u>	<u>7.67</u>	<u>\$ 5,300</u>
Exercisable as of December 31, 2018	<u>3,663,867</u>	<u>\$ 5.02</u>	<u>5.71</u>	<u>\$ 3,131</u>

The following information is provided for share options under the 2011 Share Incentive Plan:

	Year Ended December 31,		
	2018	2017	2016
Weighted average grant date fair value (excluding options granted under modification)	<u>\$ 3.09</u>	<u>\$ 2.45</u>	<u>\$ 2.29</u>
Proceeds from the exercise of share options	<u>\$ 3,823</u>	<u>\$ 2,195</u>	<u>\$ 218</u>
Intrinsic value of share options exercised	<u>\$ 3,744</u>	<u>\$ 1,246</u>	<u>\$ 28</u>

As of December 31, 2018, there were \$18,015 unrecognized compensation costs related to share options under the 2011 Share Incentive Plan and the costs are expected to be recognized over a weighted average period of 1.85 years.

Restricted Shares

During the years ended December 31, 2018, 2017 and 2016, the grant date fair values for restricted shares granted under the 2011 Share Incentive Plan, with vesting periods of two to three years, were determined with reference to the market closing prices of the Company's ADS trading on the NASDAQ Global Select Market on the dates of grant.

MELCO RESORTS & ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

16. SHARE-BASED COMPENSATION - continued

2011 Share Incentive Plan - continued

Restricted Shares - continued

A summary of the restricted shares activity under the 2011 Share Incentive Plan for the year ended December 31, 2018, is presented as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2018	5,864,888	\$ 6.24
Granted	1,879,176	9.50
Vested	(2,159,189)	6.46
Forfeited	(345,801)	6.46
Unvested as of December 31, 2018	<u>5,239,074</u>	<u>\$ 7.30</u>

The following information is provided for restricted shares under the 2011 Share Incentive Plan:

	Year Ended December 31,		
	2018	2017	2016
Weighted average grant date fair value	<u>\$ 9.50</u>	<u>\$ 6.30</u>	<u>\$ 5.74</u>
Grant date fair value of restricted shares vested	<u>\$ 13,952</u>	<u>\$ 9,236</u>	<u>\$ 2,751</u>

As of December 31, 2018, there were \$19,445 unrecognized compensation costs related to restricted shares under the 2011 Share Incentive Plan and the costs are expected to be recognized over a weighted average period of 1.83 years.

**MRP Share Incentive Plan**

MRP adopted a share incentive plan (the "MRP Share Incentive Plan"), effective on June 24, 2013, which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase MRP common shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of MRP and its subsidiaries, and the Group and its affiliates. The maximum term of an award is 10 years from the date of grant. The maximum aggregate number of common shares to be available for all awards under the MRP Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of MRP from time to time over 10 years. As of December 31, 2018, there were 151,992,134 MRP common shares available for grants of various share-based awards under the MRP Share Incentive Plan.

*Share Options*

During the years ended December 31, 2018 and 2017, the exercise prices for share options granted under the MRP Share Incentive Plan were determined with reference to the market closing prices of MRP common shares on the dates of grant as defined in the MRP Share Incentive Plan. There were no share options granted under the MRP Share Incentive Plan during the year ended December 31, 2016. These share options generally became exercisable over vesting periods of two to three years. The share options granted expire 10 years from the date of grant.

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****16. SHARE-BASED COMPENSATION - continued****MRP Share Incentive Plan - continued***Share Options - continued*

MRP uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of MRP common shares trading on the PSE and a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical expected term of the Company. The risk-free interest rate used for each period presented is based on the Philippine government bond yield at the time of grant for the period equal to the expected term.

The fair values of share options granted under the MRP Share Incentive Plan were estimated on the dates of grant using the following weighted average assumptions as follows:

	Year Ended December 31,	
	2018	2017
Expected dividend yield	—	—
Expected stock price volatility	45.00%	45.00%
Risk-free interest rate	5.69%	4.47%
Expected term (years)	5.6	5.9

On August 2, 2016, the board of MRP approved a proposal to allow for an option exchange program, designed to provide the eligible personnel an opportunity to exchange certain outstanding underwater share options for new restricted shares to be granted (the "Option Exchange Program"). Share options eligible for exchange were those that were granted during the years ended December 31, 2013 and 2014 under the MRP Share Incentive Plan, including those unvested, or vested but not exercised. The acquiescence of the Philippine SEC on the Option Exchange Program was obtained by MRP on September 30, 2016. The exchange was subject to the eligible personnel's consent and became effective on October 21, 2016, which was the deadline for acceptance of the exchange by the eligible personnel. A total of 96,593,629 eligible share options were tendered by eligible personnel, representing 99.2% of the total share options eligible for exchange. MRP granted an aggregate of 43,700,116 new restricted shares in exchange for the eligible share options surrendered. The new restricted shares have vesting periods of 3 years. A total incremental share-based compensation expense resulting from the Option Exchange Program was approximately \$883, representing the excess of the fair value of the new restricted shares over the fair value of the surrendered share options immediately before the exchange. The fair value of the new restricted shares is determined with reference to the market closing price of the MRP common shares at the effective date of the exchange. The incremental share-based compensation expense and unrecognized compensation costs remaining from the surrendered share options as a result of the exchange are being recognized on a straight-line basis over the new vesting period.

MELCO RESORTS & ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

16. SHARE-BASED COMPENSATION - continued

MRP Share Incentive Plan - continued

Share Options - continued

A summary of the share options activity under the MRP Share Incentive Plan for the year ended December 31, 2018, is presented as follows:

	Number of Share Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2018	15,067,193	\$ 0.12		
Granted	2,158,552	0.15		
Forfeited or expired	(190,240)	0.17		
Outstanding as of December 31, 2018	<u>17,035,505</u>	<u>\$ 0.12</u>	<u>7.69</u>	<u>\$ 535</u>
Fully vested and expected to vest as of December 31, 2018	<u>17,035,505</u>	<u>\$ 0.12</u>	<u>7.69</u>	<u>\$ 535</u>
Exercisable as of December 31, 2018	<u>7,923,724</u>	<u>\$ 0.08</u>	<u>6.54</u>	<u>\$ 489</u>

The following information is provided for share options under the MRP Share Incentive Plan:

	Year Ended December 31,		
	2018	2017	2016
Weighted average grant date fair value	<u>\$ 0.07</u>	<u>\$ 0.08</u>	<u>\$ —</u>
Proceeds from the exercise of share options	<u>\$ —</u>	<u>\$ 173</u>	<u>\$ —</u>
Intrinsic value of share options exercised	<u>\$ —</u>	<u>\$ 6</u>	<u>\$ —</u>

As of December 31, 2018, there were \$374 unrecognized compensation costs related to share options under the MRP Share Incentive Plan and the costs are expected to be recognized over a weighted average period of 1.75 years.

Restricted Shares

During the years ended December 31, 2018 and 2017, the grant date fair values for restricted shares granted under the MRP Share Incentive Plan, with vesting periods of two to three years, were determined with reference to the market closing prices of MRP common shares on the dates of grant as defined in the MRP Share Incentive Plan. There were no restricted shares granted under the MRP Share Incentive Plan during the year ended December 31, 2016.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**16. SHARE-BASED COMPENSATION - continued**

**MRP Share Incentive Plan - continued**

*Restricted Shares - continued*

A summary of the restricted shares activity under the MRP Share Incentive Plan for the year ended December 31, 2018, is presented as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2018	48,646,363	\$ 0.10
Granted	6,482,482	0.14
Vested	(20,506,393)	0.09
Forfeited	(5,177,792)	0.08
Unvested as of December 31, 2018	<u>29,444,660</u>	<u>\$ 0.11</u>

The following information is provided for restricted shares under the MRP Share Incentive Plan:

	Year Ended December 31,		
	2018	2017	2016
Weighted average grant date fair value	\$ 0.14	\$ 0.16	\$ —
Grant date fair value of restricted shares vested	<u>\$ 1,747</u>	<u>\$ 454</u>	<u>\$ 3,280</u>

As of December 31, 2018, there were \$1,361 unrecognized compensation costs related to restricted shares under the MRP Share Incentive Plan and the costs are expected to be recognized over a weighted average period of 1.81 years.

The share-based compensation cost for the Group was recognized as follows:

	Year Ended December 31,		
	2018	2017	2016
Share-based compensation cost:			
2011 Share Incentive Plan	\$ 25,284	\$ 16,789	\$ 16,399
MRP Share Incentive Plan	(141)	516	2,088
Total share-based compensation expenses recognized in general and administrative expenses	<u>\$ 25,143</u>	<u>\$ 17,305</u>	<u>\$ 18,487</u>

**17. EMPLOYEE BENEFIT PLANS**

The Group has obligations to make the required contributions with respect to the below defined contribution retirement benefits schemes.

The Group operates defined contribution fund schemes, which allow eligible employees to participate in defined contribution plans (the “Defined Contribution Fund Schemes”). The Group either contributes a fixed percentage of the eligible employees’ relevant income, a fixed amount or an amount which matches

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**17. EMPLOYEE BENEFIT PLANS - continued**

the contributions of the employees up to a certain percentage of relevant income to the Defined Contribution Fund Schemes. The Group's contributions to the Defined Contribution Fund Schemes are vested with employees in accordance to a vesting schedule, achieving full vesting 10 years from the date of employment. The Defined Contribution Fund Schemes were established under trusts with the fund assets being held separately from those of the Group by independent trustees.

Employees employed by the Group in Macau and the Philippines are members of government-managed social security fund schemes (the "Social Security Fund Schemes"), which are operated by the respective governments. The Group is required to pay a monthly fixed contribution or certain percentage of the employees' relevant income and meet the minimum mandatory requirements of the respective Social Security Fund Schemes to fund the benefits.

During the years ended December 31, 2018, 2017 and 2016, the Group's contributions into the defined contribution retirement benefits schemes were \$22,223, \$21,853 and \$16,105, respectively.

**18. DISTRIBUTION OF PROFITS**

All subsidiaries of the Company incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after tax to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the board of directors of the relevant subsidiaries. As of December 31, 2018 and 2017, the aggregate balance of the reserves amounted to \$31,522 and \$31,209, respectively.

The Group's borrowings, subject to certain exceptions and conditions, contain certain restrictions on paying dividends and other distributions, as defined in the respective indentures governing the relevant senior notes, credit facility agreements and other associated agreements, details of which are disclosed in Note 11 under each of the respective borrowings.

**19. DIVIDENDS**

On March 7, 2018, May 23, 2018, August 15, 2018 and November 29, 2018, the Company paid the quarterly dividends of \$0.045, \$0.045, \$0.04835 and \$0.04835 per share, respectively, and during the year ended December 31, 2018, the Company recorded total amount of quarterly dividends of \$271,531, with \$1,214 and \$270,317 as distributions against additional paid-in capital and retained earnings, respectively.

On February 10, 2017, the Company paid a special dividend of \$0.4404 per share and on March 15, 2017, May 31, 2017, August 23, 2017 and November 30, 2017, the Company paid quarterly dividends of \$0.03, \$0.03, \$0.03 and \$0.03 per share, respectively. During the year ended December 31, 2017, the Company recorded total amount of special and quarterly dividends of \$821,328, with \$733,265 and \$88,063 as distributions against retained earnings and additional paid-in capital, respectively.

On March 16, 2016, the Company paid a special dividend of \$0.2146 per share and on May 31, 2016, August 31, 2016 and November 30, 2016, the Company paid quarterly dividends of \$0.0073, \$0.0063 and \$0.0126 per share, respectively. During the year ended December 31, 2016, the Company recorded total

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**19. DIVIDENDS - continued**

amount of special and quarterly dividends of \$385,569, with \$108,639 and \$276,930 as distributions against additional paid-in capital and retained earnings, respectively.

On February 19, 2019, a quarterly dividend of \$0.0517 per share has been declared by the Board of Directors of the Company and was paid to the shareholders of record as of March 4, 2019.

**20. REGULAR LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MRP LEASE AGREEMENT FOR CITY OF DREAMS MANILA**

Pursuant to a memorandum of agreement entered into by a subsidiary of the Company with the Philippine Parties as described below and certain of its subsidiaries in 2012 for the development of City of Dreams Manila, the relevant parties of the Licensees as described below and certain of its subsidiaries, entered into the following agreements which became effective on March 13, 2013 and ends on the date of expiry of the Regular License as described below, currently expected to be on July 11, 2033 unless terminated earlier in accordance with the respective terms of the individual agreements.

**(a) Regular License**

On April 29, 2015, PAGCOR issued a regular casino gaming license, as amended (the "Regular License") in replacement of a provisional license granted as of March 13, 2013, to the co-licensees (the "Licensees") namely, MPHIL Holdings No.1 Corporation, a subsidiary of MRP, and its subsidiaries including Melco Resorts Leisure (collectively the "MPHIL Holdings Group"), SM Investments Corporation ("SMIC"), Belle Corporation ("Belle") and PremiumLeisure and Amusement, Inc. ("PLAI") (SMIC, Belle and PLAI are collectively referred to as the "Philippine Parties") for the establishment and operation of City of Dreams Manila, with Melco Resorts Leisure, a co-licensee, as the "special purpose entity" to operate the casino business and as representative for itself and on behalf of the other co-licensees in dealings with PAGCOR. The Regular License has the same terms and conditions as the provisional license, and is valid until July 11, 2033. Further details of the terms and commitments under the Regular License are included in Note 21(c).

**(b) Cooperation Agreement**

The Licensees and certain of its subsidiaries entered into a cooperation agreement (the "Cooperation Agreement") and other related arrangements which govern the rights and obligations of the Licensees. Under the Cooperation Agreement, Melco Resorts Leisure is appointed as the sole and exclusive representative of the Licensees in connection with the Regular License and is designated as the operator to operate and manage City of Dreams Manila. Further details of the commitments under the Cooperation Agreement are included in Note 21(c).

**(c) Operating Agreement**

The Licensees entered into an operating agreement (the "Operating Agreement") which governs the operation and management of City of Dreams Manila by Melco Resorts Leisure. Under the Operating Agreement, Melco Resorts Leisure is appointed as the sole and exclusive operator and manager of City of Dreams Manila, and is responsible for, and has sole discretion (subject to certain exceptions) and control over, all matters relating to the operation and management of City of Dreams Manila (including the gaming and non-gaming operations). The Operating Agreement also includes terms of certain monthly payments to PLAI from Melco Resorts Leisure, based on the performance of gaming operations of City of Dreams Manila and is included in "Payments to the Philippine Parties" in the

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****20. REGULAR LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MRP LEASE AGREEMENT FOR CITY OF DREAMS MANILA - continued****(c) Operating Agreement - continued**

consolidated statements of operations, and further provides that Melco Resorts Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

**(d) MRP Lease Agreement**

Under the MRP Lease Agreement, Belle agreed to lease to Melco Resorts Leisure the land and certain of the building structures for City of Dreams Manila. The leased property is used by Melco Resorts Leisure and any of its affiliates exclusively as a hotel, casino and resort complex.

**21. COMMITMENTS AND CONTINGENCIES****(a) Capital Commitments**

As of December 31, 2018, the Group had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams and City of Dreams Manila totaling \$83,819.

**(b) Operating Lease and Other Arrangements Commitments****Lessee Arrangements**

The Group leased a portion of land for City of Dreams Manila, Mocha Clubs sites, office space, warehouses, staff quarters and various equipment under non-cancellable operating leases and right to use agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractual agreed incremental rates and on the general inflation rate once agreed by the Group and its lessor and in some cases contingent rental expenses stated as a percentage of turnover. During the years ended December 31, 2018, 2017 and 2016, the Group incurred rental and right to use expenses amounting to \$44,374, \$45,783 and \$37,349, respectively, which consisted of minimum rental and right to use expenses of \$28,454, \$30,532 and \$32,228 and contingent rental and right to use expenses of \$15,920, \$15,251 and \$5,121, respectively.

As of December 31, 2018, future minimum lease payments under non-cancellable operating leases and right to use agreements were as follows:

Year ending December 31,	
2019	\$ 24,523
2020	16,325
2021	14,757
2022	9,288
2023	5,365
Over 2023	33,211
	<u>\$ 103,469</u>

**Lessor Arrangements**

The Group entered into non-cancellable operating leases and right to use agreements mainly for mall spaces in the sites of City of Dreams, City of Dreams Manila and Studio City with various retailers that



**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****21. COMMITMENTS AND CONTINGENCIES - continued****(b) Operating Lease and Other Arrangements Commitments - continued****Lessor Arrangements - continued**

expire at various dates through November 2026. Certain of the operating leases and right to use agreements include minimum base fees with escalated contingent fee clauses.

As of December 31, 2018, future minimum fees to be received under non-cancellable operating leases and right to use agreements were as follows:

Year ending December 31,	
2019	\$ 54,410
2020	47,133
2021	37,300
2022	35,482
2023	37,248
Over 2023	97,670
	<u>\$309,243</u>

The total future minimum fees do not include the escalated contingent fee clauses. During the years ended December 31, 2018, 2017 and 2016, the Group earned contingent fees of \$12,654, \$27,457 and \$23,461, respectively.

**(c) Other Commitments****Gaming Subconcession**

On September 8, 2006, the Macau government granted a gaming subconcession to Melco Resorts Macau to operate its gaming business in Macau. Pursuant to the gaming subconcession agreement, Melco Resorts Macau committed to pay the Macau government the following:

- i) A fixed annual premium of MOP30,000,000 (equivalent to \$3,719).
- ii) A variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
  - MOP300,000 (equivalent to \$37) per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kinds of games or to certain players;
  - MOP150,000 (equivalent to \$19) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kinds of games or to certain players; and
  - MOP1,000 (equivalent to \$0.1) per year for each electrical or mechanical gaming machine, including the slot machine.
- iii) A special gaming tax of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.
- iv) A sum of 4% of the gross revenues of the gaming business operations to utilities designated by the Macau government (a portion of which must be used for promotion of tourism in Macau) on a monthly basis.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**21. COMMITMENTS AND CONTINGENCIES - continued**

(c) **Other Commitments - continued**

**Gaming Subconcession - continued**

- v) Melco Resorts Macau must maintain a guarantee issued by a Macau bank in favor of the Macau government in a maximum amount of MOP300,000,000 (equivalent to \$37,191) until the 180<sup>th</sup> day after the termination date of the gaming subconcession.

As a result of the bank guarantee issued by the bank to the Macau government as disclosed in Note 21(c)(v) above, a sum of 1.75% of the guarantee amount will be payable by Melco Resorts Macau quarterly to the bank.

**Land Concession Contracts**

The Company's subsidiaries have entered into concession contracts for the land in Macau on which Altira Macau, City of Dreams and Studio City properties and development projects are located. The title to the land lease right is obtained once the related land concession contract is published in the Macau official gazette. The contracts have a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The Company's land holding subsidiaries are required to i) pay an upfront land premium, which is recognized as a land use right in the consolidated balance sheets and an annual government land use fee, which is recognized as general and administrative expense and may be adjusted every five years; and ii) place a guarantee deposit upon acceptance of the land lease terms, which is subject to adjustments from time to time in line with the amounts paid as annual land use fees. During the land concession term, amendments may be sought which have or may result in revisions to the development conditions, land premium and government land use fees.

*Altira Macau*

On December 18, 2013, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Taipa Land on which Altira Macau is located. According to the revised land amendment, the government land use fees were approximately \$190 per annum. As of December 31, 2018, the Group's total commitment for government land use fees for the Altira Macau site to be paid during the initial term of the land concession contract which expires in March 2031 was \$2,245.

*City of Dreams*

On January 29, 2014, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Cotai Land on which City of Dreams is located. The amendment required an additional land premium of approximately \$23,344, which was fully paid in January 2016. According to the revised land amendment, the government land use fees were approximately \$1,180 per annum during the development period of an additional hotel at City of Dreams; and approximately \$1,230 per annum after the completion of the development. In January 2018, the Macau government granted an extension of the development period under the land concession contract for Cotai Land to June 11, 2018. As of December 31, 2018, the Group's total commitment for government land use fees for the City of Dreams site to be paid during the initial term of the land concession contract which expires in August 2033 was \$17,896.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**21. COMMITMENTS AND CONTINGENCIES - continued**

(c) **Other Commitments - continued**

**Land Concession Contracts - continued**

*Studio City*

On September 23, 2015, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Studio City Land on which Studio City is located. According to the revised land amendment, the government land use fees were approximately \$490 per annum during the development period of Studio City; and approximately \$1,100 per annum after the development period. In February 2018, the Macau government granted an extension of the development period under the land concession contract for Studio City Land to July 24, 2021. As of December 31, 2018, the Group's total commitment for government land use fees for the Studio City site to be paid during the initial term of the land concession contract which expires in October 2026 was \$8,226.

**Regular License**

Other commitments required by PAGCOR under the Regular License includes as follows:

- To secure a surety bond in favor of PAGCOR in the amount of PHP100,000,000 (equivalent to \$1,897) to ensure prompt and punctual remittances/payments of all license fees.
- License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operations. The license fees are inclusive of the 5% franchise tax under the terms of the PAGCOR charter.
- The Licensees are required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the Licensees and approved by PAGCOR.
- PAGCOR may collect a 5% fee on non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues from hotel operations should not be subject to the 5% fee except for rental income received from retail concessionaires.
- Grounds for revocation of the Regular License, among others, are as follows: (a) failure to comply with material provisions of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt or insolvent; and (d) if the debt-to-equity ratio is more than 70:30. As of December 31, 2018 and 2017, MPHIL Holdings Group, as one of the Licensee parties, has complied with the required debt-to-equity ratio under the definition as agreed with PAGCOR.

**Cooperation Agreement**

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any losses suffered or incurred by that Licensees arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular License. Also, each of the Philippine Parties and MPHIL Holdings Group agree to indemnify the non-breaching party for any losses suffered or incurred as a result of a breach of any warranties.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**21. COMMITMENTS AND CONTINGENCIES - continued**

**(d) Guarantees**

Except as disclosed in Notes 11 and 21(c), the Group has made the following significant guarantees as of December 31, 2018:

- Melco Resorts Macau has issued a promissory note (“Livrança”) of MOP550,000,000 (equivalent to \$68,184) to a bank in respect of the bank guarantee issued to the Macau government under its gaming subconcession.
- The Company has entered into two deeds of guarantee with third parties amounting to \$35,000 to guarantee certain payment obligations of the City of Dreams’ operations.
- In October 2013, one of the Company’s subsidiaries entered into a trade credit facility agreement for HK\$200,000,000 (equivalent to \$25,538) (“Trade Credit Facility”) with a bank to meet certain payment obligations of the Studio City project. The Trade Credit Facility which matured on August 31, 2017 was further extended to August 31, 2019, and is guaranteed by Studio City Company. As of December 31, 2018, approximately \$638 of the Trade Credit Facility had been utilized.
- Melco Resorts Leisure has issued a corporate guarantee of PHP100,000,000 (equivalent to \$1,897) to a bank in respect of a surety bond issued to PAGCOR as disclosed in Note 21(c) under Regular License.

**(e) Litigation**

As of December 31, 2018, the Group is a party to certain other legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings have no material impacts on the Group’s consolidated financial statements as a whole.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**22. RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2018, 2017 and 2016, the Group entered into the following significant related party transactions:

Related companies	Nature of transactions	Year Ended December 31,		
		2018	2017	2016
<i>Transactions with affiliated companies</i>				
Melco International and its subsidiaries	Management fee expenses	\$ 4,339 <sup>(1)</sup>	\$ 1,787 <sup>(2)</sup>	\$ 1,191 <sup>(2)</sup>
	Shared service fee income for corporate office	3,044	951	232
	Design and construction service fee income for Cyprus Project <sup>(3)</sup>	2,625	—	—
	Management fee income for Cyprus Project <sup>(4)</sup>	1,903	1,487	—
A joint venture and a subsidiary of MECOM Power and Construction Limited (“MECOM”) <sup>(5) (6)</sup>	Construction and renovation work performed and recognized as property and equipment	13,454	35,510	—
	Consultancy fee expense	<u>11,723</u>	<u>2,228</u>	<u>—</u>

Notes

- (1) The amount mainly represents management fee expenses for the services provided by the senior management of Melco International and for the operation of the office of the Company’s Chief Executive Officer.
- (2) The amount mainly included the Company’s reimbursement to Melco International’s subsidiary for service fees incurred on its behalf for the operation of the office of the Company’s Chief Executive Officer.
- (3) The amount mainly represents management fee income for design and construction services provided by the Group to a subsidiary of Melco International for development of an integrated casino resort and up to four satellite casinos in the Republic of Cyprus (“Cyprus Project”).
- (4) The amount mainly represents management fee income for services provided by the Group to a subsidiary of Melco International for management and operation for the Cyprus Project.
- (5) A company in which Mr. Lawrence Yau Lung Ho, the Company’s Chief Executive Officer, has a shareholding interest of approximately 20%.
- (6) In July 2018, the Group entered into a term contract with EHY Construction and Engineering Company Limited (“EHY Construction”), a subsidiary of MECOM, pursuant to which EHY Construction agreed to provide certain services to the Group, including but not limited to structural steelworks, civil engineering construction and fitting out and renovation work for a term of three years. The performance by EHY Construction of these services under the term contract is subject to (i) individual work orders as may be issued to EHY Construction from time to time; and (ii) the maximum aggregate

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****22. RELATED PARTY TRANSACTIONS - continued**

contract amount of HK\$600,000,000 (equivalent to \$76,613). The amounts included the services provided by EHY Construction of \$23,015 during the year ended December 31, 2018.

**Commitments with Related Parties**

As of December 31, 2018, the Group had capital commitments contracted but not incurred with a joint venture and a subsidiary of MECOM mainly for the construction for Studio City totaling \$2,024.

**(a) Amounts Due from Affiliated Companies**

The outstanding balances mainly arising from operating income or prepayment of operating expenses as of December 31, 2018 and 2017 are unsecured, non-interest bearing and repayable on demand with details as follows:

	December 31,	
	2018	2017
Melco International and its subsidiaries	\$ 7,603	\$ 2,367
Others	—	10
	<u>\$ 7,603</u>	<u>\$ 2,377</u>

**(b) Amounts Due to Affiliated Companies**

The current portion of amounts due to affiliated companies mainly arising from construction and renovation work performed, operating expenses and expenses paid by affiliated companies on behalf of the Group as of December 31, 2018 and 2017, are unsecured, non-interest bearing and repayable on demand with details as follows:

	December 31,	
	2018	2017
A joint venture and subsidiaries of MECOM	\$ 8,118	\$ 14,675
A subsidiary of Melco International	3,340	1,293
Others	11	822
	<u>\$ 11,469</u>	<u>\$ 16,790</u>

The non-current portion of amounts due to affiliated companies arising from construction cost retentions payable as of December 31, 2017 was unsecured and non-interest bearing. No part of the amount was repayable within the next twelve months from the balance sheet date and, accordingly, the amount was shown as a non-current liability in the consolidated balance sheet.

**23. SEGMENT INFORMATION**

The Group is principally engaged in the gaming and hospitality business in Asia and its principal operating and developmental activities occur in two geographic areas: Macau and the Philippines. The Group monitors its operations and evaluates earnings by reviewing the assets and operations of Mocha Clubs, Altira Macau, City of Dreams, Studio City and City of Dreams Manila. Grand Dragon Casino is included in the Corporate and Other category.

**MELCO RESORTS & ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)****23. SEGMENT INFORMATION - continued**

The Group's segment information for total assets and capital expenditures is as follows:

**Total Assets**

	December 31,		
	2018	2017	2016
<b>Macau:</b>			
Mocha Clubs	\$ 120,789	\$ 121,980	\$ 135,707
Altira Macau	376,655	427,668	473,731
City of Dreams	3,636,735	3,453,135	3,193,895
Studio City	3,378,646	3,475,321	3,466,291
Sub-total	7,512,825	7,478,104	7,269,624
<b>The Philippines:</b>			
City of Dreams Manila	644,482	682,204	825,247
Corporate and Other	720,076	734,748	1,245,470
Total consolidated assets	<u>\$ 8,877,383</u>	<u>\$ 8,895,056</u>	<u>\$ 9,340,341</u>

**Capital Expenditures**

	Year Ended December 31,		
	2018	2017	2016
<b>Macau:</b>			
Mocha Clubs	\$ 8,973	\$ 4,690	\$ 7,763
Altira Macau	24,450	5,776	3,031
City of Dreams	311,441	467,780	359,258
Studio City	73,189	37,174	62,754
Sub-total	418,053	515,420	432,806
<b>The Philippines:</b>			
City of Dreams Manila	22,572	13,571	3,621
Corporate and Other	54,109	30,051	1,485
Total capital expenditures	<u>\$ 494,734</u>	<u>\$ 559,042</u>	<u>\$ 437,912</u>

**MELCO RESORTS & ENTERTAINMENT LIMITED**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**
**23. SEGMENT INFORMATION - continued**

The Group's segment information and reconciliation to net income attributable to Melco Resorts & Entertainment Limited is as follows:

	Year Ended December 31,		
	2018	2017	2016
<b>NET REVENUES</b>			
Macau:			
Mocha Clubs	\$ 113,432	\$ 121,250	\$ 120,491
Altira Macau	471,292	446,132	439,127
City of Dreams	2,543,652	2,666,309	2,590,824
Studio City	1,368,400	1,363,405	838,179
Sub-total	4,496,776	4,597,096	3,988,621
The Philippines:			
City of Dreams Manila	612,948	649,276	491,235
Corporate and Other	48,785	38,451	39,540
Total net revenues	<u>\$ 5,158,509</u>	<u>\$ 5,284,823</u>	<u>\$ 4,519,396</u>
<b>ADJUSTED PROPERTY EBITDA (1)</b>			
Macau:			
Mocha Clubs	\$ 21,490	\$ 26,639	\$ 23,789
Altira Macau	55,547	20,671	5,116
City of Dreams	756,381	804,872	742,291
Studio City	375,288	335,568	155,985
Sub-total	1,208,706	1,187,750	927,181
The Philippines:			
City of Dreams Manila	269,200	235,019	160,336
Total adjusted property EBITDA	<u>1,477,906</u>	<u>1,422,769</u>	<u>1,087,517</u>
<b>OPERATING COSTS AND EXPENSES</b>			
Payments to the Philippine Parties	(60,778)	(51,661)	(34,403)
Pre-opening costs	(37,369)	(2,274)	(3,883)
Development costs	(23,029)	(31,115)	(95)
Amortization of gaming subconcession	(56,809)	(57,237)	(57,237)
Amortization of land use rights	(22,646)	(22,817)	(22,816)
Depreciation and amortization	(484,621)	(460,521)	(472,219)
Land rent to Belle	(3,001)	(3,143)	(3,327)
Share-based compensation	(25,143)	(17,305)	(18,487)
Property charges and other	(29,147)	(31,616)	(5,298)
Net gain on disposal of property and equipment to Belle	—	—	8,134
Corporate and Other expenses	(108,527)	(137,468)	(114,770)
Total operating costs and expenses	<u>(851,070)</u>	<u>(815,157)</u>	<u>(724,401)</u>
<b>OPERATING INCOME</b>	<u>\$ 626,836</u>	<u>\$ 607,612</u>	<u>\$ 363,116</u>



**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**23. SEGMENT INFORMATION - continued**

	Year Ended December 31,		
	2018	2017	2016
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest income	\$ 5,471	\$ 3,579	\$ 5,951
Interest expenses, net of capitalized interest	(264,880)	(255,764)	(271,912)
Loan commitment and other finance fees	(4,630)	(6,079)	(7,451)
Foreign exchange (losses) gains, net	(9,612)	12,783	7,356
Other income, net	3,682	5,282	3,572
Loss on extinguishment of debt	(3,461)	(49,337)	(17,435)
Costs associated with debt modification	—	(2,793)	(8,101)
Total non-operating expenses, net	<u>(273,430)</u>	<u>(292,329)</u>	<u>(288,020)</u>
INCOME BEFORE INCOME TAX	353,406	315,283	75,096
INCOME TAX CREDIT (EXPENSE)	445	10	(8,178)
NET INCOME	353,851	315,293	66,918
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>(2,336)</u>	<u>31,709</u>	<u>108,988</u>
NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED	<u>\$ 351,515</u>	<u>\$ 347,002</u>	<u>\$ 175,906</u>

Note

- (1) “Adjusted property EBITDA” is earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine Parties, land rent to Belle, net gain on disposal of property and equipment to Belle, Corporate and Other expenses, and other non-operating income and expenses. The Group uses Adjusted property EBITDA to measure the operating performance of Mocha Clubs, Altira Macau, City of Dreams, Studio City and City of Dreams Manila and to compare the operating performance of its properties with those of its competitors.

The Group’s geographic information for long-lived assets is as follows:

**Long-lived Assets**

	December 31,		
	2018	2017	2016
Macau	\$ 6,287,324	\$ 6,389,846	\$ 6,330,624
The Philippines	381,866	458,242	533,477
Hong Kong and other foreign countries	61,095	12,389	1,493
Total long-lived assets	<u>\$ 6,730,285</u>	<u>\$ 6,860,477</u>	<u>\$ 6,865,594</u>

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**24. CHANGE IN SHAREHOLDING OF THE SUBSIDIARIES**

**The Philippine subsidiaries**

During the year ended December 31, 2016, the Company through MCO (Philippines) Investments Limited (“MCO Investments”), purchased 50,263,000 common shares of MRP at a total consideration of PHP123,307,331 (equivalent to \$2,614 based on the exchange rate on the transaction date) from the open market, which increased the Company’s shareholding in MRP and the Group recognized a decrease of \$761 in the Company’s additional paid-in capital which reflected the adjustment to the carrying amount of the noncontrolling interest in MRP.

During the year ended December 31, 2017, 1,040,485 share options under the MRP Share Incentive Plan were exercised, which decreased the Company’s shareholding in MRP and the Group recognized an increase of \$96 in the Company’s additional paid-in capital which reflected the adjustment to the carrying amount of the noncontrolling interest in MRP.

During the years ended December 31, 2018, 2017 and 2016, 20,506,393, 2,826,644 and 19,541,800 restricted shares under the MRP Share Incentive Plan were vested, which decreased the Company’s shareholding in MRP and the Group recognized a decrease of \$573, \$67 and \$543, respectively, in the Company’s additional paid-in capital which reflected the adjustment to the carrying amount of the noncontrolling interest in MRP.

In September 2018, MRP filed with the PSE (i) a tender offer report, as amended from time to time, the tender offer of MCO Investments (the “Bidder”), to acquire up to 1,569,786,768 outstanding common shares of MRP held by the public and other MRP shareholders at the offer price of PHP7.25 per MRP share for the purpose of a voluntary delisting of MRP (the “Tender Offer”); and (ii) a petition for voluntary delisting of MRP from the PSE, as amended from time to time, if at least 95% of the outstanding common shares of MRP were acquired (the “Voluntary Delisting”). In October 2018, the purpose for the Tender Offer was changed from voluntary delisting of MRP to increasing the Bidder’s shareholding interest in MRP and such change led to the withdrawal of the petition for Voluntary Delisting by MRP. The Tender Offer period commenced on October 31, 2018 and expired on November 29, 2018 and 1,338,477,668 outstanding common shares of MRP were tendered (the “Tendered Shares”) and acquired by MCO Investments at the offer price of PHP7.25 per MRP share for a total amount of PHP9,703,963,000 (equivalent to \$184,055 based on the exchange rate on the transaction date) and crossed at the PSE on December 10, 2018. After the completion of the cross transaction of the Tendered Shares, the shares of MRP was suspended for trading on the PSE on December 10, 2018 as a result of the public float of MRP fell below the 10% minimum public ownership requirement of the PSE rules. In addition, during the year ended December 31, 2018, the Company through MCO Investments, purchased 107,475,300 common shares of MRP at a total consideration of PHP779,196,000 (equivalent to \$14,779 based on the exchange rate on the transaction date) from the open market. The above transactions increased the Company’s shareholding in MRP and the Group recognized a decrease of \$140,999 in the Company’s additional paid-in capital which reflected the adjustment to the carrying amount of the noncontrolling interest in MRP.

During the years ended December 31, 2018 and 2016, the total transfers to noncontrolling interests amounted to \$141,572 and \$1,304, respectively, and during the year ended December 31, 2017, the total transfers from noncontrolling interests amounted to \$29, in relation to transactions as described above. The Group retains its controlling financial interests in MRP before and after the above transactions.

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**24. CHANGE IN SHAREHOLDING OF THE SUBSIDIARIES - continued**

**Studio City International**

During the year ended December 31, 2018, Studio City International completed its initial public offering. In connection with its offering, Studio City International issued (i) 28,750,000 ADSs, representing 115,000,000 Class A ordinary shares, (ii) 800,376 Class A ordinary shares to Melco International to effect an assured entitlement distribution, pursuant to a concurrent private placement, and (iii) additional 4,312,500 ADSs, representing 17,250,000 Class A ordinary shares, pursuant to the full exercise by the underwriters of the over-allotment option. The offering decreased the Company's shareholding in Studio City International and the Group recognized a decrease of \$31,845 in the Company's additional paid-in capital which reflected the adjustment to the carrying amount of the noncontrolling interest in Studio City International. The Group retains its controlling financial interests in Studio City International before and after the above transactions.

The schedule below discloses the effects of changes in the Company's ownership interest in MRP and Studio City International on the Company's equity:

	Year Ended December 31,		
	2018	2017	2016
Net income attributable to Melco Resorts & Entertainment Limited Transfers (to) from noncontrolling interests:	\$ 351,515	\$ 347,002	\$ 175,906
<b>The Philippine subsidiaries</b>			
Decrease in Melco Resorts & Entertainment Limited additional paid-in capital resulting from purchases of common shares of MRP from the open market and the Tender Offer	(140,999)	—	(761)
Decrease in Melco Resorts & Entertainment Limited additional paid-in capital resulting from the vesting of restricted shares under the MRP Share Incentive Plan	(573)	(67)	(543)
Increase in Melco Resorts & Entertainment Limited additional paid-in capital resulting from the exercise of share options under the MRP Share Incentive Plan	—	96	—
Sub-total	<u>(141,572)</u>	<u>29</u>	<u>(1,304)</u>
<b>Studio City International</b>			
Decrease in Melco Resorts & Entertainment Limited additional paid-in capital resulting from an initial public offering of Studio City International	(31,845)	—	—
Sub-total	<u>(31,845)</u>	<u>—</u>	<u>—</u>
Changes from net income attributable to Melco Resorts & Entertainment Limited's shareholders and transfers from noncontrolling interests	<u>\$ 178,098</u>	<u>\$ 347,031</u>	<u>\$ 174,602</u>

**MELCO RESORTS & ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**25. SUBSEQUENT EVENTS**

On January 22, 2019, Studio City Finance initiated a conditional tender offer (the “Conditional Tender Offer”) to purchase the outstanding 2012 Studio City Notes in aggregate principal amount of \$425,000, with accrued interest. The Conditional Tender Offer was conditional with sufficient funding from completion of one or more financing transactions, together with cash on hand. The Conditional Tender Offer expired on February 4, 2019 with \$216,534 aggregate principal amount of the 2012 Studio City Notes tendered.

On February 11, 2019, Studio City Finance issued \$600,000 in aggregate principal amount of 7.250% senior notes due 2024 and priced at 100% (the “2019 Studio City Notes”). The net proceeds from the 2019 Studio City Notes were partly used to fund the Conditional Tender Offer, and to redeem in full the remaining outstanding 2012 Studio City Notes in aggregate principal amount of \$208,466, with accrued interest on March 13, 2019. All of the existing subsidiaries of Studio City Finance and any other future restricted subsidiaries as defined in the 2019 Studio City Notes are guarantors to guarantee the indebtedness under the 2019 Studio City Notes.

In preparing the consolidated financial statements, the Group has evaluated events and transactions for potential recognition and disclosure through March 29, 2019, the date the consolidated financial statements were available to be issued.

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this “*Second Supplemental Indenture*”) dated as of July 30, 2018 among Studio City (HK) Two Limited (the “*New Guarantor*”), Studio City Company Limited, a BVI business company with limited liability incorporated under the laws of British Virgin Islands (the “*Company*”), Studio City Investments Limited (the “*Parent Guarantor*”), certain subsidiaries of the Parent Guarantor (the “*Subsidiary Guarantors*” and, together with the Parent Guarantor and the New Guarantor, the “*Guarantors*”) and Deutsche Bank Trust Company Americas, as Trustee (in such role, the “*Trustee*”).

WITNESSETH:

WHEREAS the Company, the Trustee and each of the parties described above are parties to an Indenture, dated as of November 30, 2016, as amended (as amended, supplemented, waived or otherwise modified, the “*Indenture*”), providing for the issuance of the Company’s 5.875% Senior Secured Notes due 2019;

WHEREAS, pursuant to Sections 4.17(a)(1) and 9.03 of the Indenture, the New Guarantor is required to execute a supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company, the Trustee and the other parties hereto mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee. Pursuant to, and subject to the provisions of, Article 11 of the Indenture, the New Guarantor (which term includes each other New Guarantor that hereinafter guarantees the Notes pursuant to the terms of the Indenture) hereby unconditionally and irrevocably guarantees, jointly and severally with each other Guarantor, to each Holder and to the Trustee and their successors and assigns to the extent set forth in the Indenture and subject to the provisions thereof (a) the full and punctual payment when due, whether at Stated Maturity, by acceleration, by redemption or otherwise, of all obligations of the Company under the Indenture (including obligations to the Trustee) and the Notes, whether for payment of principal of, or interest, premium, if any, on, the Notes and all other monetary obligations of the Company under the Indenture and the Notes and (b) the full and punctual performance within applicable grace periods of all other obligations of the Company whether for fees, expenses, indemnification or otherwise under the Indenture and the Notes (all the foregoing being hereinafter collectively called the “*Guaranteed Obligations*”). The New Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from such New Guarantor and that such New Guarantor will remain bound under Article 11 of the Indenture, notwithstanding any extension or renewal of any Guaranteed Obligation.

The Guaranteed Obligations of the New Guarantor to the Holders of Notes and to the Trustee pursuant to the Indenture as supplemented hereby, are expressly set forth in Article 11 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee.

3. Ratification of Indenture: Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and each Holder, by accepting the Notes whether heretofore or hereafter authenticated and delivered (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee attorney-in-fact of such Holder for such purpose; provide d, however, that each Guarantor shall be released from all its obligations with respect to this Guarantee in accordance with the terms of the Indenture, including Section 11.08 of the Indenture and upon any defeasance of the Notes in accordance with Article 8 of the Indenture.

4. Governing Law. **THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

5. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture. The recitals of fact contained herein shall be treated as statements of the other parties hereto and not the Trustee.

6. Counterparts. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

STUDIO CITY (HK) TWO LIMITED, as New Guarantor,

By:  /s/ Stephanie Cheung  
Name: Stephanie Cheung  
Title: Sole Director

STUDIO CITY COMPANY LIMITED, as Company,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY INVESTMENTS LIMITED, as Parent Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY HOLDINGS TWO LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

*[Signature Page to the 2019 Notes Second Supplemental Indenture]*

STUDIO CITY HOLDINGS THREE LIMITED, as  
Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY HOLDINGS FOUR LIMITED, as  
Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY ENTERTAINMENT LIMITED, as  
Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY SERVICES LIMITED, as Subsidiary  
Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

*[Signature Page to the 2019 Notes Second Supplemental Indenture]*



STUDIO CITY HOTELS LIMITED, as Subsidiary  
Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

SCP HOLDINGS LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

SCIP HOLDINGS LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY HOSPITALITY AND SERVICES  
LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

SCP ONE LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

*[Signature Page to the 2019 Notes Second Supplemental Indenture]*

SCP TWO LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss

Name: Timothy Green Nauss

Title: Authorized Signatory

STUDIO CITY DEVELOPMENTS LIMITED, as  
Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss

Name: Timothy Green Nauss

Title: Authorized Signatory

STUDIO CITY RETAIL SERVICES LIMITED, as  
Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss

Name: Timothy Green Nauss

Title: Authorized Signatory

*[Signature Page to the 2019 Notes Second Supplemental Indenture]*

DEUTSCHE BANK TRUST COMPANY AMERICAS, as  
Trustee,

By: Deutsche Bank National Trust Company

By:  /s/ Chris Niesz

Name: Chris Niesz

Title: Vice President

By:  /s/ Debra A. Schwalb

Name: Debra A. Schwalb

Title: Vice President

*[Signature Page to the 2019 Notes Second Supplemental Indenture]*

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this “*Second Supplemental Indenture*”) dated as of July 30, 2018 among Studio City (HK) Two Limited (the “*New Guarantor*”), Studio City Company Limited, a BVI business company with limited liability incorporated under the laws of British Virgin Islands (the “*Company*”), Studio City Investments Limited (the “*Parent Guarantor*”), certain subsidiaries of the Parent Guarantor (the “*Subsidiary Guarantors*” and, together with the Parent Guarantor and the New Guarantor, the “*Guarantors*”) and Deutsche Bank Trust Company Americas, as Trustee (in such role, the “*Trustee*”).

WITNESSETH:

WHEREAS the Company, the Trustee and each of the parties described above are parties to an Indenture, dated as of November 30, 2016, as amended (as amended, supplemented, waived or otherwise modified, the “*Indenture*”), providing for the issuance of the Company’s 7.250% Senior Secured Notes due 2021;

WHEREAS, pursuant to Sections 4.17(a)(1) and 9.03 of the Indenture, the New Guarantor is required to execute a supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company, the Trustee and the other parties hereto mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee. Pursuant to, and subject to the provisions of, Article 11 of the Indenture, the New Guarantor (which term includes each other New Guarantor that hereinafter guarantees the Notes pursuant to the terms of the Indenture) hereby unconditionally and irrevocably guarantees, jointly and severally with each other Guarantor, to each Holder and to the Trustee and their successors and assigns to the extent set forth in the Indenture and subject to the provisions thereof (a) the full and punctual payment when due, whether at Stated Maturity, by acceleration, by redemption or otherwise, of all obligations of the Company under the Indenture (including obligations to the Trustee) and the Notes, whether for payment of principal of, or interest, premium, if any, on, the Notes and all other monetary obligations of the Company under the Indenture and the Notes and (b) the full and punctual performance within applicable grace periods of all other obligations of the Company whether for fees, expenses, indemnification or otherwise under the Indenture and the Notes (all the foregoing being hereinafter collectively called the “*Guaranteed Obligations*”). The New Guarantor further agrees that the *Guaranteed Obligations* may be extended or renewed, in whole or in part, without notice or further assent from such New Guarantor and that such New Guarantor will remain bound under Article 11 of the Indenture, notwithstanding any extension or renewal of any *Guaranteed Obligation*.

The *Guaranteed Obligations* of the New Guarantor to the Holders of Notes and to the Trustee pursuant to the Indenture as supplemented hereby, are expressly set forth in Article 11 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee.

3. Ratification of Indenture: Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and each Holder, by accepting the Notes whether heretofore or hereafter authenticated and delivered (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee attorney-in-fact of such Holder for such purpose; provided, however, that each Guarantor shall be released from all its obligations with respect to this Guarantee in accordance with the terms of the Indenture, including Section 11.08 of the Indenture and upon any defeasance of the Notes in accordance with Article 8 of the Indenture.

4. Governing Law. **THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

5. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture. The recitals of fact contained herein shall be treated as statements of the other parties hereto and not the Trustee.

6. Counterparts. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

STUDIO CITY (HK) TWO LIMITED, as New Guarantor,

By:  /s/ Stephanie Cheung  
Name: Stephanie Cheung  
Title: Sole Director

STUDIO CITY COMPANY LIMITED, as Company,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY INVESTMENTS LIMITED, as Parent Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY HOLDINGS TWO LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

*[Signature Page to the 2021 Notes Second Supplemental Indenture]*

STUDIO CITY HOLDINGS THREE LIMITED, as  
Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY HOLDINGS FOUR LIMITED, as  
Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY ENTERTAINMENT LIMITED, as  
Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY SERVICES LIMITED, as Subsidiary  
Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

*[Signature Page to the 2021 Notes Second Supplemental Indenture]*

STUDIO CITY HOTELS LIMITED, as Subsidiary  
Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

SCP HOLDINGS LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

SCIP HOLDINGS LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

STUDIO CITY HOSPITALITY AND SERVICES  
LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

SCP ONE LIMITED, as Subsidiary Guarantor,

By:  /s/ Timothy Green Nauss  
Name: Timothy Green Nauss  
Title: Authorized Signatory

*[Signature Page to the 2021 Notes Second Supplemental Indenture]*



SCP TWO LIMITED, as Subsidiary Guarantor,

By:           /s/ Timothy Green Nauss          

Name: Timothy Green Nauss

Title: Authorized Signatory

STUDIO CITY DEVELOPMENTS LIMITED, as  
Subsidiary Guarantor,

By:           /s/ Timothy Green Nauss          

Name: Timothy Green Nauss

Title: Authorized Signatory

STUDIO CITY RETAIL SERVICES LIMITED, as  
Subsidiary Guarantor,

By:           /s/ Timothy Green Nauss          

Name: Timothy Green Nauss

Title: Authorized Signatory

*[Signature Page to the 2021 Notes Second Supplemental Indenture]*

DEUTSCHE BANK TRUST COMPANY AMERICAS, as  
Trustee,

By: Deutsche Bank National Trust Company

By:  /s/ Chris Niesz

Name: Chris Niesz

Title: Vice President

By:  /s/ Debra A. Schwalb

Name: Debra A. Schwalb

Title: Vice President

*[Signature Page to the 2021 Notes Second Supplemental Indenture]*

**STUDIO CITY FINANCE LIMITED,**

as Company

**THE SUBSIDIARY GUARANTORS PARTIES HERETO,**

**7.250% SENIOR NOTES DUE 2024**

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**INDENTURE**

**February 11, 2019**

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**DEUTSCHE BANK TRUST COMPANY AMERICAS,**

as Trustee, Paying Agent, Registrar and Transfer Agent

and

**THE OTHER PERSONS FROM TIME TO TIME PARTY HERETO**

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INDENTURE dated as of February 11, 2019 among Studio City Finance Limited, a BVI business company with limited liability incorporated under the laws of the British Virgin Islands with company number 1673307 (the “Company”), the Subsidiary Guarantors named herein (the “Subsidiary Guarantors”) and Deutsche Bank Trust Company Americas, a New York banking corporation as Trustee, Paying Agent, Registrar and Transfer Agent.

Each party agrees as follows for the benefit of each other and for the other parties hereto and for the equal and ratable benefit of the Holders (as defined herein) of the 7.250% Senior Notes due 2024 (the “Notes”):

## **ARTICLE 1 DEFINITIONS**

### Section 1.01 *Definitions.*

“144A Global Note” means a Global Note substantially in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depository or its nominee, that will be issued in a denomination equal (subject to a maximum denomination of US\$500 million) to the outstanding principal amount of the Notes sold in reliance on Rule 144A.

“2020 Notes” means the 8.500% Senior Notes due 2020 of the Company.

“Acquired Indebtedness” means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is Incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

“Additional Notes” means additional Notes (other than the Initial Notes) issued under this Indenture in accordance with Section 2.02 and Section 4.09 hereof, as part of the same series as the Initial Notes; *provided that* any Additional Notes that are not fungible with the Notes for U.S. federal income tax purposes shall have a separate CUSIP, ISIN or other identifying number than any previously issued Notes, but shall otherwise be treated as a single class with all other Notes issued under this Indenture.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control,” as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided that* beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“Agent” means any Registrar, co-registrar, Paying Agent, Transfer Agent or additional paying agents or transfer agents.

“Applicable Premium” means, with respect to any Note on any redemption date, the greater of:

1. 1.0% of the principal amount of the Note; or



2. the excess of:

- (a) the present value at such redemption date of (i) the redemption price of the Note at February 11, 2021, plus (ii) all required interest payments due on the Note through February 11, 2021 (such redemption price being set forth in the table appearing in Section 3.07 hereof) plus (iii) all required interest payments due on the Note through February 11, 2021 (excluding accrued but unpaid interest to but excluding the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over
- (b) the principal amount of the Note, if greater,

as calculated by the Company or on behalf of the Company by such Person as the Company may engage. For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Paying Agent, the Transfer Agent, or the Registrar.

“*Applicable Procedures*” means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depository, Euroclear and Clearstream, Luxembourg that apply to such transfer or exchange.

“*Asset Sale*” means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; *provided that* the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of this Indenture described in Section 4.15 hereof and/or the provisions described in Section 5.01 hereof and not by the provisions of Section 4.10 hereof;

(2) the issuance of Equity Interests in any of the Restricted Subsidiaries of the Company or the sale of Equity Interests in any of the Company’s Subsidiaries; and

(3) any Event of Loss.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than US\$5.0 million;

(2) a transfer of assets between or among the Company and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary of the Company to the Company or a Restricted Subsidiary of the Company;

(4) the sale, license, transfer, lease (including the right to use) or other disposal of products, services, rights, accounts receivable, undertakings, establishments or other current assets or cessation of any undertaking or establishment in the ordinary course of business (including pursuant to any shared services agreements (including the MSA), Revenue Sharing Agreement or any construction and development activities) and any sale or other disposition of damaged, worn-out, surplus or obsolete assets (or the dissolution of any Dormant Subsidiary) in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) any transfer, termination or unwinding or other disposition of Hedging Obligations in the ordinary course of business;

(7) a transaction covered under Section 5.01 or Section 4.15;

(8) the lease of, right to use or equivalent interest under Macau law on that portion of real property granted to Studio City Developments Limited pursuant to the applicable land concession granted by the government of the Macau SAR in connection with the development of the Phase II Project in accordance with such applicable land concession;

(9) a Restricted Payment that does not violate the provisions of Section 4.07 hereof or a Permitted Investment, and any other payment under the Services and Right to Use Agreement, the Reinvestment Agreement or the MSA and any transactions or arrangements involving contractual rights under, pursuant to or in connection with the Services and Right to Use Agreement, the Reinvestment Agreement or the MSA, including any amendments, modifications, supplements, extensions, replacements, terminations or renewals thereof;

(10) the (i) lease, sublease, license or right to use of any portion of the Property to persons who, either directly or through Affiliates of such persons, intend to develop, operate or manage gaming, hotel, nightclubs, bars, restaurants, malls, amusements, attractions, recreation, spa, pool, exercise or gym facilities, or entertainment facilities or venues or retail shops or venues or similar or related establishments or facilities within the Property and (ii) the grant of declarations of covenants, conditions and restrictions and/or easements or other rights to use with respect to common area spaces and similar instruments benefiting such tenants of such lease, subleases licenses and rights to use generally and/or entered into connection with the Property (collectively, the “*Venue Easements*”); *provided that* no Venue Easements or operations conducted pursuant thereto would reasonably be expected to materially interfere with, or materially impair or detract from, the operation of the Property;

(11) the dedication of space or other dispositions of property in connection with and in furtherance of constructing structures or improvements reasonably related to the development, construction and operation of the Property; *provided*, that in each case such dedication or other disposition is in furtherance of, and does not materially impair or interfere with the use or operations (or intended use or operations) of, the Property;

(12) the granting of easements, rights of way, rights of access and/or similar rights to any governmental authority, utility providers, cable or other communication providers and/or other parties providing services or benefits to the Property, the real property held by the Company or a Restricted Subsidiary of the Company or the public at large that would not reasonably be expected to interfere in any material respect with the construction, development or operation of the Property;

(13) the granting of a lease, right to use or equivalent interest to Melco Resorts Macau or Melco Resorts or any of its Affiliates for purposes of operating a gaming facility at Studio City, including under the Services and Right to Use Agreement and any related agreements, or any transactions or arrangements contemplated thereby;

(14) the grant of licenses to intellectual property rights to third Persons (other than Affiliates of the Company or any Restricted Subsidiary of the Company) on an arm’s length basis in the ordinary course of business or to Melco Resorts Macau, Melco Resorts and its Affiliates in the ordinary course of business;

(15) transfers, assignments or dispositions constituting an Incurrence of a Permitted Lien (but not the actual sale or other disposition of the property subject to such Lien); and

(16) any surrender or waiver of contractual rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business.

“*Bankruptcy Law*” means (i) the United States Bankruptcy Code of 1978 or any similar U.S. federal or state law for the relief of debtors, (ii) the provisions of the Code of Civil Procedure of Macau that deal with the placement of a debtor into liquidation, the administration and disposal of its assets, the distribution of the proceeds thereof and the alternatives to such liquidation, or any laws of similar effect, and (iii) those laws included, principally within (but not limited to) the BVI Business Companies Act, 2004 (as amended) and the Insolvency Act, 2007 (as amended) concerning the solvency and insolvency of BVI companies.

“*Beneficial Owner*” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

“*Business Day*” means any day other than a Legal Holiday.

“*Capital Lease Obligation*” means, at the time any determination is to be made, the amount of the liability in respect of a finance or capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with U.S. GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“*Capital Stock*” means:

(1) in the case of a corporation, corporate stock or shares;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“*Cash Equivalents*” means:

(1) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (*provided that* the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than six months from the date of acquisition;

(2) demand deposits, certificates of deposit, time deposits and eurodollar time deposits with maturities of 12 months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any commercial bank organized under the laws of Macau, Hong Kong, a member state of the European Union or of the United States of America or any state thereof having capital and surplus in excess of US\$500.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "A-3" or higher by Moody's or "A-" or higher by S&P or the equivalent rating category or another internationally recognized rating agency;

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within 12 months after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"Casualty" means any casualty, loss, damage, destruction or other similar loss with respect to real or personal property or improvements.

"Change of Control" means the occurrence of any of the following:

(1) Melco Resorts' equity securities not being listed on at least one of the following:

(a) The Hong Kong Stock Exchange;

(b) The NASDAQ Stock Market; or

(c) The New York Stock Exchange;

(2) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any "person" or "group" (as such terms are used in Section 13(d) of the Exchange Act) (other than Melco Resorts or a Related Party of Melco Resorts);

(3) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(4) the first day on which:

(A) Melco Resorts ceases to own, directly or indirectly, (i) a majority, or (ii) if Melco Resorts is authorized by the relevant Gaming Authority or is otherwise permitted to hold less than 50.1% of Equity Interest in Studio City International, the greater of (x) such lesser percentage and (y) 35%, of the outstanding Equity Interests and/or Voting Stock of each of the Company and Studio City Holdings Five Limited (or any Person which becomes a "Golden Shareholder" and/or a "Preference Holder" under the Direct Agreement pursuant to the terms thereof, if any);

(B) Melco Resorts ceases to own, directly or indirectly, less than 50.1% of Equity Interest in Melco Resorts Macau (or another operator of the Studio City Casino); or

- (C) Melco Resorts ceases to have, directly or indirectly (through a Subsidiary), the power to nominate a number of directors on the Board of Directors of the Company who are entitled to cast a majority of the votes which may be cast at a meeting of the Board of Directors of the Company.

“*Clearstream, Luxembourg*” means Clearstream Banking S.A.

“*Company*” means Studio City Finance Limited, and any and all successors thereto.

“*Condemnation*” means any taking by a Governmental Authority of assets or property, or any part thereof or interest therein, for public or quasi-public use under the power of eminent domain, by reason of any public improvement or condemnation or in any other manner.

“*Consolidated Net Income*” means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with U.S. GAAP; *provided that*:

(1) the Net Income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions actually paid in cash to, or the amount of loss actually funded in cash by, the specified Person or a Restricted Subsidiary of the Person;

(2) the Net Income of any Restricted Subsidiary that is not a Subsidiary Guarantor will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders *provided, however*, that Consolidated Net Income of the specified Person will be increased by the amount of dividends or similar contributions actually paid in cash (or to the extent converted into cash) to the specified Person or any of its Restricted Subsidiaries that is a Subsidiary Guarantor, to the extent not already included therein;

(3) the cumulative effect of a change in accounting principles will be excluded; and

(4) charges or expenses related to deferred financing fees and Indebtedness issuance costs, including related commissions, fees and expenses, premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off, extinguishment, repurchase, cancellation or forgiveness of Indebtedness will be excluded.

“*Corporate Trust Office of the Trustee*” means the address of the Trustee specified in Section 13.02 hereof or such other address as to which the Trustee may give notice to the Company.

“*Credit Facilities*” means one or more debt facilities, indentures or commercial paper facilities, in each case, with banks or other lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or other forms of Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to investors) in whole or in part from time to time.

“*Credit Facilities Documents*” means the collective reference to any Credit Facilities, any notes issued pursuant thereto and the guarantees thereof, and the collateral or other documents relating thereto, as amended, supplemented, restated, renewed, refunded, replaced, restructured, repaid, refinanced or otherwise modified, in whole or in part, from time to time.

“*Custodian*” means Deutsche Bank Trust Company Americas, as custodian with respect to the Notes in global form, or any successor entity thereto.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Definitive Note*” means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit A hereto, except that such Note shall not bear the Global Note Legend and shall not have the “Schedule of Exchanges of Interests in the Global Note” attached thereto.

“*Depository*” means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depository with respect to the Notes, and any and all successors thereto appointed as depository hereunder and having become such pursuant to the applicable provision of this Indenture.

“*Direct Agreement*” means the direct agreement dated November 26, 2013, in relation to (a) the Services and Right to Use Agreement and (b) the Reinvestment Agreement.

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.07 hereof. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Indenture will be the maximum amount that the Company may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

“*Dormant Subsidiary*” means a Restricted Subsidiary of the Company which does not trade (for itself or as agent for any other person) and does not own, legally or beneficially, assets (including, without limitation, Indebtedness owed to it) which in aggregate have a book value greater than US\$100,000 and has no third-party recourse Indebtedness or intercompany Indebtedness with the Company or any other Restricted Subsidiary.

“*EBITDA*” means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication:

- (1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*
- (2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*
- (3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(4) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period), of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(5) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards; *plus*

(6) Pre-Opening Expenses, to the extent such expense were deducted in computing Consolidated Net Income; *plus*

(7) any goodwill or other intangible asset impairment charge; *plus*

(8) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with U.S. GAAP.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses of, a Restricted Subsidiary of the Company will be added to Consolidated Net Income to compute EBITDA of the Company only to the extent that a corresponding amount was included in the calculation of Consolidated Net Income.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*Equity Offering*” means any public sale or private issuance of Capital Stock (other than Disqualified Stock) of (1) the Company or (2) a direct or indirect parent of the Company to the extent the net proceeds from such issuance are contributed in cash to the common equity capital of the Company (in each case other than pursuant to a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of the Company).

“*Euroclear*” means Euroclear Bank SA/NV.

“*Event of Loss*” means, with respect to the Company, any Subsidiary Guarantor or any Restricted Subsidiary of the Company that is a Significant Subsidiary, any (1) Casualty, (2) Condemnation or seizure (other than pursuant to foreclosure) or (3) settlement in lieu of clause (2) above, in each case having a fair market value in excess of US\$20.0 million.

“*Exchange Act*” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

“*Excluded Contributions*” means the net cash proceeds received by the Company subsequent to the Issue Date from:

(1) contributions to its common equity capital; and

(2) the issuance or sale (other than to a Subsidiary of the Company or to any Company or Subsidiary management equity plan or stock option plan or any other management or employee benefit plan or agreement) by the Company of shares of its Capital Stock (other than Disqualified Stock) or a share capital increase;

in each case, designated as Excluded Contributions on the date on which such Excluded Contributions were received pursuant to an Officer’s Certificate, and excluded from the calculation set forth in Section 4.07(a)(4)(C)(ii) hereof.

“*Excluded Subsidiary*” means a Restricted Subsidiary of the Company which (a) is incorporated solely for the purpose of complying with the requirements of the government of Macau in connection with the conduct of the Permitted Business by the Company and its Restricted Subsidiaries, and (b) does not own, legally or beneficially, assets (including, without limitation, Indebtedness owed to it) which in aggregate have a book value greater than US\$100,000 and has no third-party recourse Indebtedness or intercompany Indebtedness with the Company or any other Restricted Subsidiary.

“*Existing Studio City Company Notes*” means the US\$350,000,000 5.875% Senior Secured Notes due 2019 and the US\$850,000,000 7.250% Senior Secured Notes due 2021 of Studio City Company Limited outstanding on the Issue Date.

“*Fair Market Value*” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Company (unless otherwise provided in this Indenture).

“*Fixed Charge Coverage Ratio*” means with respect to any specified Person for any period, the ratio of EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “*Calculation Date*”), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect (in accordance with Regulation S-X under the Securities Act) as if they had occurred on the first day of the four-quarter reference period;

(2) the EBITDA attributable to discontinued operations, as determined in accordance with U.S. GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with U.S. GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the Obligations giving rise to such Fixed Charges will not be Obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and



(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

“Fixed Charges” means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt discount (but not (i) debt issuance costs, commissions, fees and expenses or (ii) amortization of discount on the Intercompany Note Proceeds Loans), non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges Incurred in respect of letter of credit or bankers’ acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (other than Indebtedness secured by a Lien of the type specified in clause (22) of the definition of “Permitted Liens”), whether or not such Guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of Preferred Stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of such Person (other than Disqualified Stock) or to such Person or a Restricted Subsidiary of such Person, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with U.S. GAAP.

“Gaming Authorities” means the applicable gaming board, commission, or other governmental gaming regulatory body or agency which (a) has, or may at any time after issuance of the Notes have, jurisdiction over the gaming activities (i) at the Studio City Casino, (ii) of Melco Resorts Macau (or any other operator of the Studio City Casino including Melco Resorts or any of its Affiliates), or (iii) of the Company or any of its Subsidiaries, or any successor to such authority or (b) is, or may at any time after the issuance of the Notes be, responsible for interpreting, administering and enforcing the Gaming Laws.

“Gaming Laws” means all applicable constitutions, treaties, resolutions, laws, regulations, instructions and statutes pursuant to which any Gaming Authority possesses regulatory, licensing or permit authority over gaming, gambling or casino activities, and all rules, rulings, orders, ordinances, regulations of any Gaming Authority applicable to the gambling, casino, gaming businesses or activities (i) at Studio City Casino, (ii) of Melco Resorts Macau (or any other operator of the Studio City Casino including Melco Resorts or any of its Affiliates), or (iii) of the Company or any of its Subsidiaries in any jurisdiction, as in effect from time to time, including the policies, interpretations and administration thereof by the Gaming Authorities.

“Gaming Licenses ” means any concession, subconcession, license, permit, franchise or other authorization at any time required under any Gaming Laws to own, lease, operate or otherwise conduct the gaming business (i) at Studio City Casino or (ii) of Melco Resorts Macau.

“*Global Note Legend*” means the legend set forth in Section 2.06(f)(2) hereof, which is required to be placed on all Global Notes issued under this Indenture.

“*Global Notes*” means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes deposited with or on behalf of and registered in the name of the Depository or its nominee, substantially in the form of Exhibit A hereto and that bears the Global Note Legend and that has the “Schedule of Exchanges of Interests in the Global Note” attached thereto, issued in accordance with Section 2.01, 2.06(b)(3), 2.06(b)(4), and with Section 2.06(d)(2) or 2.06(f) hereof.

“*Governmental Authority*” means the government of the Macau SAR or any other territory, nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“*Guarantee*” means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

“*Hedging Obligations*” means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

“*Holder*” means a Person in whose name a Note is registered.

“*Incur*” means, with respect to any Indebtedness, Capital Stock or other Obligation of any Person, to create, issue, assume, guarantee, incur (by conversion, exchange, or otherwise) or otherwise become liable in respect of such Indebtedness, Capital Stock or other Obligation or the recording, as required pursuant to U.S. GAAP or otherwise, of any such Indebtedness or other Obligation on the balance sheet of such Person. Indebtedness or Capital Stock otherwise Incurred by a Person before it becomes a Restricted Subsidiary of the Company shall be deemed to be Incurred at the time at which such Person becomes a Restricted Subsidiary of the Company. The accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends on Preferred Stock in the form of additional shares of Preferred Stock shall not be considered an Incurrence of Indebtedness.

“*Indebtedness*” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of banker’s acceptances;
- (4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with U.S. GAAP. In addition, the term “Indebtedness” includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

Notwithstanding the foregoing, “Indebtedness” will not include (i) any capital commitments, deposits or advances from customers or any contingent obligations to refund payments (including deposits) to customers (or any guarantee thereof), (ii) obligations of the Company or a Restricted Subsidiary of the Company to pay the deferred and unpaid purchase price of property or services due to suppliers of equipment or other assets (including parts thereof) not more than one year after such property is acquired or such services are completed and the amount of unpaid purchase price retained by the Company or any of its Restricted Subsidiaries in the ordinary course of business in connection with an acquisition of equipment or other assets (including parts thereof) pending full operation or contingent on certain conditions during a warranty period of such equipment or assets in accordance with the terms of the acquisition; *provided that*, in each case of clause (i) and (ii), such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet), or (iii) any lease of property which would be considered an operating lease under U.S. GAAP and any guarantee given by the Company or a Restricted Subsidiary in the ordinary course of business solely in connection with, or in respect of, the obligations of the Company or a Restricted Subsidiary under any operating lease.

The amount of Indebtedness of any Person at any time shall be the outstanding balance at such time of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided that*:

- (A) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with U.S. GAAP;
- (B) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and
- (C) that the amount of or the principal amount of Indebtedness with respect to any Hedging Obligation shall be equal to the net amount payable if such Hedging Obligation terminated at or prior to that time due to a default by such Person.

“*Indenture*” means this Indenture, as amended or supplemented from time to time.

“*Independent Financial Advisor*” means accounting, appraisal or investment banking firm of international standing.

“*Indirect Participant*” means a Person who holds a beneficial interest in a Global Note through a Participant.

“*Initial Notes*” means the first US\$600,000,000 aggregate principal amount of Notes issued under this Indenture on the date hereof.

“*Initial Purchasers*” means Deutsche Bank AG, Singapore Branch or Australia, New Zealand Banking Group Limited, Bank of Communications Co., Ltd. Macau Branch, BOC Asia Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China (Macau) Limited and Mizuho Securities USA LLC.

“*Intercompany Note Proceeds Loans*” means the one or more intercompany loans between the Company and its Subsidiaries pursuant to which the Company on-lends to its Subsidiaries the net proceeds from the issuance of the 2020 Notes in accordance with the terms of the definitive documents with respect to the 2020 Notes, including in connection with any extension, additional issuance or refinancing thereof.

“*Investment Grade Status*” shall apply at any time the Notes receive (i) a rating equal to or higher than BBB- (or the equivalent) from S&P and (ii) a rating equal to or higher than Baa3 (or the equivalent) from Moody’s.

“*Investments*” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees and consultants made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with U.S. GAAP. If the Company or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company’s Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.07 hereof. The acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of Section 4.07 hereof. Except as otherwise provided in this Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

“*Issue Date*” means the date on which the Notes (other than any Additional Notes) are originally issued.

“*Land Concession*” means the land concession by way of lease, for a period of 25 years, subject to renewal as of October 17, 2001 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.

“*Legal Holiday*” means a Saturday, a Sunday or a day on which banking institutions in the City of New York, New York, Hong Kong, Macau, the British Virgin Islands or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

“*Lien*” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

“*Melco Resorts*” means Melco Resorts & Entertainment Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands.

“*Melco Resorts Macau*” means Melco Resorts (Macau) Limited, a Macau company.

“*Melco Resorts Parties*” means COD Resorts Limited, Altira Resorts Limited, Melco Resorts (Macau) Limited, MPEL Services Limited, Golden Future (Management Services) Limited, MPEL Properties (Macau) Limited, Melco Resorts Security Services Limited, Melco Resorts Travel Limited, MCE Transportation Limited, MCE Transportation Two Limited and any other Person which accedes to the MSA as a “*Melco Crown Party*” pursuant to terms thereof; and a “*Melco Resorts Party*” means any of them.

“*Moody’s*” means Moody’s Investors Service, Inc. or any successor to the rating agency business thereof.

“*MSA*” means the master services agreement dated December 21, 2015, including any work agreements entered into pursuant to the master services agreement, entered into between the Studio City Parties on the one part and the Melco Resorts Parties on the other part, as amended, modified, supplemented, extended, replaced or renewed from time to time, and any other master services agreement or equivalent agreement or contract, including any work agreements entered into pursuant to any such master services agreement, in each case entered into in connection with the conduct of Permitted Business and on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in an arm’s length commercial transaction, as amended, modified, supplemented, extended, replaced or renewed from time to time.

“*Net Income*” means, with respect to any Person, the net income (loss) of such Person, determined in accordance with U.S. GAAP and before any reduction in respect of Preferred Stock dividends, excluding, however:

(1) any gain (or loss), together with any related provision for taxes on such gain (or loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment, repurchase or cancellation of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (or loss), together with any related provision for taxes on such extraordinary gain (or loss).

“*Net Proceeds*” means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with U.S. GAAP.

“*Non-Recourse Debt*” means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender, other than, in the case of (a) and (b), Indebtedness incurred pursuant to Section 4.09(b)(15) hereof; and

(2) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries (other than to the Equity Interests of any Unrestricted Subsidiary).

“*Non-U.S. Person*” means a Person who is not a U.S. Person.

“*Note Guarantee*” means the Guarantee by each Subsidiary Guarantor of the Company’s Obligations under this Indenture and the Notes.

“*Notes*” has the meaning assigned to it in the preamble to this Indenture. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Indenture, and unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

“*Obligations*” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“*Offering Memorandum*” means the offering memorandum dated January 29, 2019 in respect of the Notes.

“*Officer*” means the Chairman of the Board, Chief Executive Officer, Property Chief Financial Officer, President, any Executive Vice President, Senior Vice President or Vice President, Treasurer or Secretary of the Company or any Directors of the Board or any Person acting in that capacity.

“*Officer’s Certificate*” means a certificate signed on behalf of the Company by an Officer of the Company which meets the requirements of Section 13.05 hereof.

“*Opinion of Counsel*” means a written opinion from legal counsel who is acceptable to the Trustee that meets the requirements of Section 13.05 hereof. The counsel may be an employee of or counsel to the Company.

“*Participant*” means, with respect to the Depository, Euroclear or Clearstream, Luxembourg, a Person who has an account with the Depository, Euroclear or Clearstream, Luxembourg, respectively (and, with respect to DTC, shall include Euroclear and Clearstream, Luxembourg).

“*Permitted Business*” means (1) any businesses, services or activities engaged in by the Company or any of its Restricted Subsidiaries on the Issue Date, including, without limitation, the construction, development and operation of the Property, (2) any gaming, hotel, accommodation, hospitality, transport, tourism, resort, food and beverage, retail, entertainment, cinema / cinematic venue, audio-visual production (including provision of sound stage, recording studio and similar facilities), performance, cultural or related business, development, project, undertaking or venture of any kind in the Macau SAR, and (3) any other businesses, services, activities or undertakings that are necessary for, supportive of, or connected, related, complementary, incidental, ancillary or similar to, any of the foregoing or are extensions or developments of any thereof (including in support of the businesses, services, activities and undertakings of the Melco Resorts group as a whole or any member thereof including through participation in shared and centralized services and activities).

“Permitted Investments” means:

- (1) any Investment in the Company or in a Restricted Subsidiary of the Company;
- (2) any Investment in cash or Cash Equivalents;
- (3) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment:
  - (A) such Person becomes a Restricted Subsidiary of the Company; or
  - (B) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;
- (4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 4.10 hereof;
- (5) any acquisition of assets or Capital Stock in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;
- (6) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (7) Investments represented by Hedging Obligations;
- (8) loans or advances to employees, officers, or directors made in the ordinary course of business of the Company or any Restricted Subsidiary of the Company in an aggregate principal amount not to exceed US\$2.0 million at any one time outstanding;
- (9) repurchases of the Notes;
- (10) any Investments consisting of gaming credit extended to customers and junket operators in the ordinary course of business and consistent with applicable law and any Investments made or deemed to be made in connection with or through any transactions or arrangements involving contractual rights under, pursuant to or in connection with (i) the Services and Right to Use Agreement, the Reinvestment Agreement or the MSA and (ii) any transaction or arrangements made pursuant to clause (10) of the definition of “Asset Sale”, including any amendments, modifications, supplements, extensions, replacements, terminations or renewals;
- (11) advances to contractors and suppliers and accounts, trade and notes receivables created or acquired in the ordinary course of business;
- (12) receivables owing to the Company or any of its Restricted Subsidiaries if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (13) any Investment existing on the Issue Date or made pursuant to binding commitments in effect on the Issue Date or an Investment consisting of any extension, modification or renewal of any Investment existing on the Issue Date; *provided that* the amount of any such Investment may be increased (x) as required by the terms of such Investment as in existence on the Issue Date or (y) as otherwise permitted under this Indenture;

(14) Investments in prepaid expenses, negotiable instruments held for collection, deposits made in connection with self-insurance, and performance and other similar deposits and prepayments made in connection with an acquisition of assets or property in the ordinary course of business by the Company or any Restricted Subsidiary of the Company;

(15) deposits made by the Company or any Restricted Subsidiary of the Company in the ordinary course of business to comply with statutory or regulatory obligations (including land grants) to maintain deposits for the purposes specified by the applicable statute or regulation (including land grants) from time to time;

(16) any Investment consisting of a Guarantee permitted by Section 4.09 hereof and performance guarantees that do not constitute Indebtedness entered into by the Company or any Restricted Subsidiary of the Company in the ordinary course of business;

(17) to the extent constituting an Investment, licenses of intellectual property rights granted by the Company or any Restricted Subsidiary of the Company in the ordinary course of business; *provided*, that such grant does not interfere in any material respect with the ordinary conduct of the business of such Person;

(18) Investments consisting of purchases and acquisitions of inventory, supplies, materials, services or equipment or purchases of contract rights or licenses or leases of intellectual property, in each case, in the ordinary course of business;

(19) Investments held by a Person that becomes a Restricted Subsidiary of the Company; *provided, however*, that such Investments were not acquired in contemplation of the acquisition of such Person;

(20) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(21) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens";

(22) Investments (other than Permitted Investments) made with Excluded Contributions; *provided, however*, that any amount of Excluded Contributions made will not be included in the calculation of Section 4.07(a)(4)(C)(ii) hereof;

(23) Investments consisting of the licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons; and

(24) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (24) under the Indenture that are at the time outstanding not to exceed US\$5.0 million.

"*Permitted Liens*" means:

- (1) Liens to secure Indebtedness permitted by Section 4.09(b)(1)(i)(x) and Section 4.09(b)(3)(a) hereof;
- (2) Liens created for the benefit of (or to secure) the Notes (including any Additional Notes) or the Note Guarantees;
- (3) Liens in favor of the Company or the Subsidiary Guarantors;



(4) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Subsidiary of the Company; *provided that* such Liens were not created in connection with, or in contemplation of, such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Subsidiary;

(5) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Subsidiary of the Company; *provided that* such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;

(6) Liens incurred or deposits made in the ordinary course of business in connection with workmen's compensation or employment obligations or other obligations of a like nature, including any Lien securing letters of credit issued in the ordinary course of business in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(7) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Section 4.09(b)(4) covering only the assets acquired with or financed by such Indebtedness and directly related assets such as proceeds (including insurance proceeds), improvements, replacements and substitutions thereto;

(8) Liens existing on the Issue Date;

(9) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided that* any reserve or other appropriate provision as is required in conformity with U.S. GAAP has been made therefor;

(10) Liens imposed by law, such as carriers, warehousemen's, landlord's, suppliers' and mechanics' Liens, in each case, incurred in the ordinary course of business;

(11) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(12) Liens to secure any Permitted Refinancing Indebtedness permitted to be Incurred under this Indenture; *provided, however,* that:

- (A) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
- (B) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(13) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be under this Indenture, secured by a Lien on the same assets or property securing such Hedging Obligations;

(14) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks not given in connection with the money borrowed, (ii) relating to pooled deposit or sweep accounts of the Company or any of its Restricted Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Company and its Restricted Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(15) Liens arising out of judgments against such Person not giving rise to an Event of Default, with respect to which such Person shall then be proceeding with an appeal or other proceedings for review, *provided that* any reserve or other appropriate provision as shall be required in conformity with U.S. GAAP shall have been made therefor;

(16) Liens granted to the Trustee for its compensation and indemnities pursuant to this Indenture;

(17) Liens arising out of or in connection with licenses, sublicenses, leases (other than capital leases) and subleases (including rights to use) of assets (including, without limitation, intellectual property) entered into in the ordinary course of business;

(18) Liens upon specific items of inventory or other goods and proceeds of the Company or any of its Restricted Subsidiaries securing obligations in respect of bankers' acceptances issued or created to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business;

(19) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangement for the sale of goods in the ordinary course of business;

(20) Liens arising under customary provisions limiting the disposition or distribution of assets or property or any related restrictions thereon in operating agreements, joint venture agreements, partnership agreements, contracts for sale and other agreements arising in the ordinary course of business; *provided, that* such Liens do not extend to any assets of the Company or any of its Restricted Subsidiaries other than the assets subject to such agreements or contracts;

(21) Liens on deposits made in the ordinary course of business to secure liability to insurance carriers;

(22) Liens on the Equity Interests of Unrestricted Subsidiaries;

(23) Liens created or Incurred under, pursuant to or in connection with the Services and Right to Use Agreement or the Reinvestment Agreement, including Liens on any revenues or receipts thereunder or any accounts created or maintained thereunder;

(24) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries of the Company securing obligations of such joint ventures;

(25) Liens securing Indebtedness Incurred pursuant to Section 4.09(b)(17) hereof;

(26) Liens incurred in the ordinary course of business of the Company or any Subsidiary of the Company with respect to Obligations that do not exceed US\$5.0 million at any one time outstanding; and

(27) Liens securing obligations under a debt service reserve account or interest reserve account (including all dividends, instruments, cash and Cash Equivalents and other property, as applicable, on deposit in such account) established for the benefit of creditors securing Indebtedness to the extent such debt service reserve account or interest reserve account is established in the ordinary course of business consistent with past practice.

“*Permitted Refinancing Indebtedness*” means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided that*:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, Incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes or the Note Guarantees, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes and the Note Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) such Indebtedness is Incurred either by the Company or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“*Phase I*” means the approximately 477,110 gross square-meter complex on the Site which contains retail, hotel, gaming, entertainment, food and beverage outlets and entertainment studios and other facilities.

“*Phase II Project*” means the development of the remainder of the Site, which is expected to include one or more types of Permitted Business and will be developed in accordance with the applicable governmental requirements regarding the Site.

“*Preferred Stock*” means any Equity Interest with preferential right of payment of dividends or upon liquidation, dissolution, or winding up.

“*Pre-Opening Expenses*” means, with respect to any fiscal period, the amount of expenses (other than interest expense) incurred with respect to capital projects that are classified as “pre-opening expenses” on the applicable financial statements of the Company and its Restricted Subsidiaries for such period, prepared in accordance with U.S. GAAP.

“*Private Placement Legend*” means the legend set forth in Section 2.06(f)(1) hereof to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

“*Property*” means Phase I and the Phase II Project.

“*QIB*” means a “qualified institutional buyer” as defined in Rule 144A.

“*Regulation S*” means Regulation S promulgated under the Securities Act.

“*Regulation S Global Note*” means a Global Note substantially in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depository or its nominee, issued in a denomination equal (subject to a maximum denomination of US\$500 million) to the outstanding principal amount of the Notes sold in reliance on Rule 903 of Regulation S.

“*Reinvestment Agreement*” means the reimbursement agreement dated June 15, 2012, between Melco Resorts Macau and Studio City Entertainment Limited, as amended, restated, modified, supplemented, extended, replaced (whether upon or after termination or otherwise or whether with the original or other relevant parties) or renewed, in whole or in part from time to time, including pursuant to the Direct Agreement.

“*Related Party*” means:

(1) any controlling stockholder or majority-owned Subsidiary of Melco Resorts; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding at least 50.1% interest of which consist of Melco Resorts and/or such other Persons referred to in the immediately preceding clause (1).

“*Responsible Officer*,” when used with respect to the Trustee, means any officer within the Corporate Trust Office of the Trustee (or any successor group of the Trustee) with direct responsibility for the administration of this Indenture or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“*Restricted Definitive Note*” means a Definitive Note bearing the Private Placement Legend.

“*Restricted Global Note*” means a Global Note bearing the Private Placement Legend.

“*Restricted Investment*” means an Investment other than a Permitted Investment.

“*Restricted Period*” means the 40-day distribution compliance period as defined in Regulation S.

“*Restricted Subsidiary*” of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

“*Revenue Sharing Agreement*” means any joint venture, development, management, operating or similar agreement or arrangement for the sharing of revenues, profits, losses, costs or expenses entered into in connection with developments or services complementary or ancillary to the Property in the ordinary course of business (including, for the avoidance of doubt, such agreements or arrangements reasonably necessary to conduct a Permitted Business) and on arms’ length terms.

“*Rule 144*” means Rule 144 promulgated under the Securities Act.

“*Rule 144A*” means Rule 144A promulgated under the Securities Act.

“*Rule 903*” means Rule 903 promulgated under the Securities Act.

“*Rule 904*” means Rule 904 promulgated under the Securities Act.

“*S&P*” means S&P Global Ratings or any successor to the rating agency business thereof.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the United States Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

“*Senior Secured Credit Facilities*” means the amended and restated senior secured credit facilities dated November 30, 2016 among Studio City Company Limited, the guarantors named therein, the financial institutions named as lenders therein and the agent for such lenders, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, as such facilities may be amended, restated, modified, renewed, supplemented, replaced or refinanced from time to time.

“*Services and Right to Use Agreement*” means the services and right to use agreement originally dated May 11, 2007 and as amended and restated on June 15, 2012, executed with Studio City Entertainment Limited (formerly named MSC Diversões, Limitada and New Cotai Entertainment (Macau) Limited), a wholly owned indirect subsidiary of the Company, as amended, restated, modified, supplemented, extended, replaced (whether upon or after termination or otherwise or whether with the original or other relevant parties) or renewed, in whole or in part from time to time, including pursuant to the Direct Agreement.

“*SGX-ST*” means the Singapore Exchange Securities Trading Limited or its successor.

“*Shareholder Subordinated Debt*” means, collectively, any debt provided to the Company by any direct or indirect parent holding company of the Company (or Melco Resorts), in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Shareholder Subordinated Debt; *provided that* such Shareholder Subordinated Debt:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Company (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confer on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(4) is not secured by a Lien on any assets of the Company or a Restricted Subsidiary of the Company and is not guaranteed by any Subsidiary of the Company;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Company;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Company with its obligations under the Notes, the Note Guarantees, and this Indenture;

(7) does not (including upon the happening of any event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Company.

“*Significant Subsidiary*” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the Issue Date.

“*Site*” means an approximately 130,789 square meter parcel of land in the reclaimed area between Taipa and Coloane Island (Cotai), Lotes G300, G310 and G400, registered with the Macau Real Estate Registry under no. 23059.

“*Special Put Option Triggering Event*” means:

(1) any event after which the Gaming License or other permits or authorizations as are necessary for the operation of the Studio City Casino in substantially the same manner and scope as operations are conducted at the Issue Date cease to be in full force and effect, for a period of ten consecutive days or more, and such event has a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its Subsidiaries, taken as a whole; or

(2) the termination, rescission, revocation or modification of any Gaming License which has had a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its Subsidiaries, taken as a whole, excluding any termination or rescission resulting from or in connection with any renewal, tender or other process conducted by the government of Macau in connection with the granting or renewal of any Gaming License; *provided that* such renewal, tender or other process results in the granting or renewal of the relevant Gaming License.

“*Stated Maturity*” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“*Studio City Casino*” means any casino, gaming business or activities conducted at the Site.

“*Studio City International*” means Studio City International Holdings Limited, an exempted company incorporated with limited liability under the laws of the British Virgin Island.

“*Studio City Parties*” means Studio City International, Studio City Entertainment Limited, Studio City Hotels Limited, Studio City Retail Services Limited, Studio City Developments Limited, Studio City Ventures Limited, Studio City Services Limited and any other Person which accedes to the MSA as a “Studio City Party” pursuant to terms thereof.

“*Subordinated Indebtedness*” means (a) with respect to the Company, any Indebtedness of the Company which is by its terms subordinated in right of payment to the Notes, and (b) with respect to any Subsidiary Guarantor, any Indebtedness of such Subsidiary Guarantor which is by its terms subordinated in right of payment to such Subsidiary Guarantor’s Obligations in respect of its Note Guarantee.

“*Subsidiary*” means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

“*Subsidiary Guarantor*” means each of (1) Studio City Investments Limited, Studio City Company Limited, Studio City Holdings Two Limited, Studio City Holdings Three Limited, Studio City Holdings Four Limited, Studio City Entertainment Limited, Studio City Services Limited, Studio City Hotels Limited, SCP Holdings Limited, Studio City Hospitality and Services Limited, SCIP Holdings Limited, SCP One Limited, SCP Two Limited, Studio City Developments Limited, Studio City Retail Services Limited and Studio City (HK) Two Limited and (2) any other Subsidiary of the Company that provides a Note Guarantee in accordance with the provisions of this Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of this Indenture.

“*Total Assets*” means, as of any date, the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with U.S. GAAP as shown on the most recent balance sheet of such Person.

“*Transactions*” means the offering of the Notes and the offer to purchase and/or redemption, as the case may be, of the 2020 Notes as described in the Offering Memorandum.

“*Treasury Rate*” means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to February 11, 2021; provided, however, that if the period from the redemption date to February 11, 2021 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“*Trustee*” means Deutsche Bank Trust Company Americas until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

“*Unrestricted Definitive Note*” means a Definitive Note that does not bear and is not required to bear the Private Placement Legend.

“*Unrestricted Global Note*” means a Global Note that does not bear and is not required to bear the Private Placement Legend.

“*Unrestricted Subsidiary*” means any Subsidiary of the Company that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by Section 4.11 hereof, is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person’s financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

“U.S. GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time.

“U.S. Government Obligations” means securities that are:

- (1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged, or
- (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in each case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such U.S. Government Obligations or a specific payment of principal of or interest on any such U.S. Government Obligations held by such custodian for the account of the holder of such depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligations or the specific payment of principal of or interest on the U.S. Government Obligations evidenced by such depository receipt.

“U.S. Person” means a U.S. Person as defined in Rule 902(k) promulgated under the Securities Act.

“Voting Stock” of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amount of such Indebtedness.

“Wholly-Owned Restricted Subsidiary” is any Wholly-Owned Subsidiary that is a Restricted Subsidiary.

“Wholly-Owned Subsidiary” of any Person means a Subsidiary of such Person 100% of the outstanding Capital Stock or other ownership interests of which (other than directors’ qualifying shares) shall at the time be owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person.



## Section 1.02 Other Definitions.

<u>Term</u>	<u>Defined in</u> <u>Section</u>
"Additional Amounts"	2.13
"Affiliate Transaction"	4.11
"Asset Sale Offer"	3.09
"Authentication Order"	2.02
"Change of Control Offer"	4.15
"Change of Control Payment"	4.15
"Change of Control Payment Date"	4.15
"Covenant Defeasance"	8.03
"Designated Subsidiary Guarantor Enforcement Sale"	11.08
"direct parent companies"	4.20
"DTC"	2.03
"Event of Default"	6.01
"Excess Proceeds"	4.10
"Guaranteed Obligations"	11.01
"Legal Defeasance"	8.02
"Offer Amount"	3.09
"Offer Period"	3.09
"Paying Agent"	2.03
"Permitted Debt"	4.09
"Payment Default"	6.01
"Purchase Date"	3.09
"Redemption Date"	3.07
"Registrar"	2.03
"Relevant Jurisdiction"	2.13
"Restricted Payments"	4.07
"Reversion Date"	4.21
"Special Put Option Offer"	4.21
"Special Put Option Payment"	4.21
"Suspended Covenants"	4.21
"Suspension Period"	4.21
"Taxes"	2.13

## Section 1.03 Rules of Construction.

Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with U.S. GAAP;
- (3) "or" is not exclusive;
- (4) words in the singular include the plural, and in the plural include the singular;
- (5) "will" shall be interpreted to express a command;
- (6) provisions apply to successive events and transactions; and
- (7) references to sections of or rules under the Securities Act will be deemed to include substitute, replacement of successor sections or rules adopted by the SEC from time to time.

**ARTICLE 2**  
**THE NOTES**

Section 2.01 *Form and Dating.*

(a) *General.* The Notes and the Trustee's certificate of authentication will be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note will be dated the date of its authentication. The Notes shall be in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

The terms and provisions contained in the Notes will constitute, and are hereby expressly made, a part of this Indenture and the Company, the Subsidiary Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) *Global Notes.* Notes issued in global form will be substantially in the form of Exhibit A hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form will be substantially in the form of Exhibit A hereto (but without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note will represent such of the outstanding Notes as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby will be made by the Paying Agent, Trustee or the Registrar, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

(c) *Euroclear and Clearstream, Luxembourg Procedures Applicable.* The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions—Clearstream Banking, Luxembourg" and "Customer Handbook" of Clearstream, Luxembourg will be applicable to transfers of beneficial interests in the Regulation S Global Note that are held by Participants through Euroclear or Clearstream, Luxembourg.

Section 2.02 *Execution and Authentication.*

At least one Officer must sign the Notes for the Company by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note will nevertheless be valid.

A Note will not be valid until authenticated by the manual signature of the Trustee. The signature will be conclusive evidence that the Note has been authenticated under this Indenture.

The Company may issue additional notes under the Indenture from time to time after the Issue Date. Any issuance of Additional Notes shall be subject to all of the covenants described under Article 4 of this Indenture, including Section 4.09 hereof. The Notes and any Additional Notes subsequently issued under this Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase; *provided, however* if the Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, such Additional Notes will have a separate CUSIP, ISIN or other identifying number.

The Trustee will, upon receipt of a written order of the Company signed by an Officer (an “*Authentication Order*”), authenticate Notes for original issue that may be validly issued under this Indenture, including any Additional Notes. The aggregate principal amount of Notes outstanding at any time may not exceed the aggregate principal amount of Notes authorized for issuance by the Company pursuant to one or more Authentication Orders, except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Company.

#### Section 2.03 *Registrar, Paying Agent and Transfer Agent.*

The Company will maintain an office or agency where Notes may be presented for registration of transfer or for exchange (“*Registrar*”) and an office or agency where Notes may be presented for payment (“*Paying Agent*”). The Company will also maintain a transfer agent (the “*Transfer Agent*”). The Registrar will keep a register of the Notes and of their transfer and exchange. The Transfer Agent shall perform the functions of a transfer agent. The Company may appoint one or more co-registrars, one or more additional transfer agents and one or more additional paying agents. The term “Registrar” includes any co-registrar and the term “Paying Agent” includes any additional paying agent. The Company may change any Paying Agent, the Transfer Agent or Registrar without notice to any Holder and shall so notify the Trustee and each Paying Agent thereof in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar, Transfer Agent or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints The Depository Trust Company (“*DTC*”) to act as Depository with respect to the Global Notes.

The Company initially appoints Deutsche Bank Trust Company Americas to act as the Registrar, Transfer Agent and Paying Agent and to act as Custodian, with respect to the Global Notes.

#### Section 2.04 *Paying Agent to Hold Money in Trust.*

The Company will require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium or Additional Amounts, if any, or interest on the Notes, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) will have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it will segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee will serve as Paying Agent for the Notes.

#### Section 2.05 *Holder Lists.*

The Registrar will preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders. If the Trustee is not the Registrar, the Company will furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes.

#### Section 2.06 *Transfer and Exchange.*

(a) *Transfer and Exchange of Global Notes.* A Global Note may not be transferred except as a whole by the Depository to a nominee of the Depository, by a nominee of the Depository to the Depository or to another nominee of the Depository, or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. All Global Notes will be exchanged by the Company for Definitive Notes if:

(1) the Company delivers to the Trustee notice from the Depository that it is unwilling or unable to continue to act as Depository or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depository is not appointed by the Company within 120 days after the date of such notice from the Depository;

(2) the Company in its sole discretion determines that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

Upon the occurrence of either of the preceding events in (1) or (2) above, Definitive Notes shall be issued in such names as the Depository shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a), however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b), (c) or (f) hereof.

(b) *Transfer and Exchange of Beneficial Interests in the Global Notes.* The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depository, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) *Transfer of Beneficial Interests in the Same Global Note.* Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend; *provided, however,* that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(1).

(2) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(1) above, the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(i) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(i) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depository to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above.

Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(g) hereof.

(3) *Transfer of Beneficial Interests to Another Restricted Global Note.* A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(4) *Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note.* A beneficial interest in any Restricted Global Note may be exchanged by any Holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(i) if the Holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(ii) if the Holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth, if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to the paragraph above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to the paragraph above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) *Transfer or Exchange of Beneficial Interests for Definitive Notes.*

(1) *Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes.* If any Holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

- (A) if the Holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;
- (B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;
- (C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;
- (D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;
- (E) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or
- (F) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the Holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) *Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes.* A Holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if the Registrar receives the following:

(i) if the Holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1) (b) thereof; or

(ii) if the Holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in such case set forth in this paragraph, if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes.* If any Holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g) hereof, and the Company will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will be registered in such name or names and in such authorized denomination or denominations as the Holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will not bear the Private Placement Legend.

(d) *Transfer and Exchange of Definitive Notes for Beneficial Interests.*

(1) *Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes.* If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Note is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(F) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee will cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of the appropriate Restricted Global Note.

(2) *Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if the Registrar receives the following:

(i) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(ii) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in such case set forth in this paragraph, if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions in this Section 2.06(d)(2), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) *Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.



If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (1)(B), (1)(D) or (3) above at a time when an Unrestricted Global Note has not yet been issued, the Company will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) *Transfer and Exchange of Definitive Notes for Definitive Notes.* Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(1) *Restricted Definitive Notes to Restricted Definitive Notes.* Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications and certificates required by item (3) thereof, if applicable.

(2) *Restricted Definitive Notes to Unrestricted Definitive Notes.* Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if the Registrar receives the following:

(i) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(ii) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in such case set forth in this paragraph, if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Unrestricted Definitive Notes to Unrestricted Definitive Notes.* A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) *Legends*. The following legends will appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(1) Private Placement Legend.

(A) Except as permitted by subparagraph (C) below, each 144A Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

“THE NOTES MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF US\$200,000 AND INTEGRAL MULTIPLES OF US\$1,000 IN EXCESS THEREOF.

IF AT ANY TIME THE COMPANY DETERMINES IN GOOD FAITH THAT A HOLDER OR BENEFICIAL OWNER OF THIS SECURITY OR BENEFICIAL INTERESTS HEREIN IS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE, THE COMPANY SHALL REQUIRE SUCH HOLDER TO TRANSFER THIS SECURITY (OR INTEREST HEREIN) TO A TRANSFEREE ACCEPTABLE TO THE COMPANY WHO IS ABLE TO AND WHO DOES SATISFY ALL OF THE REQUIREMENTS SET FORTH HEREIN AND IN THE INDENTURE. PENDING SUCH TRANSFER, SUCH HOLDER WILL BE DEEMED NOT TO BE THE HOLDER OF THIS SECURITY (OR INTEREST HEREIN) FOR ANY PURPOSE, INCLUDING BUT NOT LIMITED TO RECEIPT OF PRINCIPAL AND INTEREST PAYMENTS ON THE SECURITY, AND SUCH HOLDER WILL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THE SECURITY EXCEPT AS OTHERWISE REQUIRED TO SELL ITS INTEREST THEREIN AS DESCRIBED HEREIN.

THE NOTES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) ONLY (A) TO THE COMPANY, THE SUBSIDIARY GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.”

(B) Except as permitted by subparagraph (C) below, each Regulation S Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

“THE NOTES MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF US\$200,000 AND INTEGRAL MULTIPLES OF US\$1,000 IN EXCESS THEREOF.

THE NOTES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) ONLY (A) TO THE COMPANY, THE SUBSIDIARY GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.”

(C) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(4), (c)(2), (d)(2), (d)(3), (e)(2) or (e)(3) of this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) will not bear the Private Placement Legend.

(2) *Global Note Legend.* Each Global Note will bear a legend in substantially the following form:

“THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

(g) *Cancellation and/or Adjustment of Global Notes.* At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note will be returned to or retained and canceled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on such Global Note by the Trustee or by the Registrar at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on such Global Note by the Trustee or by the Registrar at the direction of the Trustee to reflect such increase.

(h) General Provisions Relating to Transfers and Exchanges.

(1) To permit registrations of transfers and exchanges, the Company will execute and the Trustee will authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.02 hereof or at the Registrar's request.

(2) No service charge will be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.06, 3.06, 3.09, 4.10, 4.15 and 9.05 hereof).

(3) The Registrar will not be required to register the transfer of or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(4) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes will be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(5) Neither the Registrar nor the Company will be required:

(A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(6) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

(7) The Trustee will authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

(8) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile or electronic mail (in pdf format).

### Section 2.07 *Replacement Notes.*

If any mutilated Note is surrendered to the Trustee or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company will issue and the Trustee, upon receipt of an Authentication Order, will authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company and the Trustee may charge the Holder for their expenses in replacing a Note, including but not limited to the reasonable expenses of counsel and any tax that may be imposed with respect to replacement of such Note.

Every replacement Note is an additional obligation of the Company and will be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

### Section 2.08 *Outstanding Notes.*

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note; however, Notes held by the Company or a Subsidiary of the Company shall not be deemed to be outstanding for purposes of Section 3.07(a) hereof.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a protected purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes will be deemed to be no longer outstanding and will cease to accrue interest.

### Section 2.09 *Treasury Notes.*

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or any Subsidiary Guarantor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any Subsidiary Guarantor, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that the Trustee actually knows are so owned will be so disregarded.

### Section 2.10 *Temporary Notes.*

Until certificates representing Notes are ready for delivery, the Company may prepare and the Trustee, upon receipt of an Authentication Order, will authenticate temporary Notes. Temporary Notes will be substantially in the form of certificated Notes but may have variations that the Company considers appropriate for temporary Notes and as may be reasonably acceptable to the Trustee. Without unreasonable delay, the Company will prepare and the Trustee will authenticate definitive Notes in exchange for temporary Notes.

Holders of temporary Notes will be entitled to all of the benefits of this Indenture.

### Section 2.11 *Cancellation.*

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent will forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee, in accordance with its customary procedures, and no one else will cancel (subject to the Trustee's retention policy) all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and will dispose of such cancelled Notes in its customary manner (subject to the record retention requirement of the Exchange Act). At the request of the company, the Trustee will confirm the cancellation of the Notes delivered to it. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

### Section 2.12 *Defaulted Interest.*

If the Company defaults in a payment of interest on the Notes, it will pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company will notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company will fix or cause to be fixed each such special record date and payment date; *provided that* no such special record date may be less than ten (10) days prior to the related payment date for such defaulted interest. At least fifteen (15) days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) will mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

### Section 2.13 *Additional Amounts.*

(a) All payments of principal of, premium, if any, and interest on the Notes and all payments under the Note Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever ("*Taxes*") nature imposed or levied by or within any jurisdiction in which the Company or any applicable Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) or any jurisdiction from or through which payment is made by or on behalf of the Company or any Subsidiary Guarantor (including the jurisdiction of any Paying Agent) (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "*Relevant Jurisdiction*"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In such event, the Company or the applicable Subsidiary Guarantor, as the case may be, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and will pay such additional amounts ("*Additional Amounts*") as will result in receipt by the Holder of such amounts as would have been received by such holder had no such withholding or deduction been required, *provided that* no Additional Amounts will be payable for or on account of:

(1) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder or beneficial owner of such Note or Note Guarantee, as the case may be, and the Relevant Jurisdiction including, without limitation, such holder or beneficial owner being or having been a citizen or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein, other than merely holding such Note or the receipt of payments thereunder or under the Note Guarantee;

(B) the presentation of such Note (where presentation is required) more than thirty (30) days after the later of the date on which the payment of the principal of, premium, if any, or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(C) the failure of the holder or beneficial owner to comply with a timely request of the Company or any Subsidiary Guarantor addressed to the holder or beneficial owner, as the case may be, to provide information concerning such holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such holder; or

(D) the presentation of such Note (where presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(2) any estate, inheritance, gift, sale, transfer, excise or personal property or similar tax, assessment or other governmental charge;

(3) any tax, duty, assessment or other governmental charge which is payable other than (i) by deduction or withholding from payments of principal of or interest on the Note or payments under the Note Guarantees, or (ii) by direct payment by the Company or applicable Subsidiary Guarantor in respect of claims made against the Company or the applicable Subsidiary Guarantor;

(4) any tax arising pursuant to Sections 1471 - 1474 of the U.S. Internal Revenue Code of 1986, as amended, and any successor or amended version that is substantively comparable and not materially more onerous to comply with, any official interpretations thereof, current or future regulations or agreements entered pursuant thereto, any agreement entered pursuant thereto, any U.S. or non-U.S. law enacted in connection with an intergovernmental agreement related thereto, or any rules, regulations, or administrative guidance of any kind relating to any of the foregoing; or

(5) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (1), (2), (3) and (4); or

(b) with respect to any payment of the principal of, or premium, if any, or interest on, such Note or any payment under any Note Guarantee to such holder, if the holder is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, or beneficial owner been the holder thereof.

In addition to the foregoing, the Company and the Subsidiary Guarantors will also pay and indemnify the holder of a Note for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest and other reasonable expenses related thereto) which are levied by any Relevant Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or enforcement of, any of the Notes or any Note Guarantee. The Company and the Subsidiary Guarantors will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from each Relevant Jurisdiction imposing such taxes, in such form as provided in the ordinary course by the Relevant Jurisdiction and as is reasonably available to the Company, and will provide such certified copies to the Trustees and the Paying Agent. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent. The Company or the Subsidiary Guarantor, as applicable, will attach to each certified copy a certificate stating (x) that the amount of withholding taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding taxes paid per \$1,000 principal amount of the Notes.



(c) Whenever there is mentioned in any context the payment of principal of, and any premium or interest, on any Note or under any Note Guarantee, such mention will be deemed to include payment of Additional Amounts provided for in this Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

*Section 2.14 Forced Sale or Redemption for Non-QIBs.*

(a) The Company has the right to require any Holder of a Note (or beneficial interest therein) that is a U.S. Person and is determined not to have been a QIB at the time of acquisition of such Note or is otherwise determined to be in breach, at the time given, of any of the representations and agreements required to be made pursuant to the transfer restrictions set forth herein, to transfer such Security (or beneficial interest therein) to a transferee acceptable to the Company who is able to and who does make all of the representations and agreements required to be made pursuant to the transfer restrictions set forth herein, or to redeem such Note (or beneficial interest therein) within 30 days of receipt of notice of the Company's election to so redeem such Holder's Notes on the terms set forth in paragraph (b) below. Pending such transfer or redemption, such Holder will be deemed not to be the Holder of such Note for any purpose, including but not limited to receipt of interest and principal payments on such Note, and such Holder will be deemed to have no interest whatsoever in such Note except as otherwise required to sell or redeem its interest therein.

(b) Any such redemption occurring pursuant to paragraph (a) above shall be at a redemption price equal to the lesser of (i) the Person's cost, plus accrued and unpaid interest, if any, to the redemption date and (ii) 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. The Company shall notify the Trustee in writing of any such redemption as soon as practicable.

**ARTICLE 3**  
**REDEMPTION AND PREPAYMENT**

*Section 3.01 Notices to Trustee.*

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it must furnish to the Trustee, the Registrar and the Paying Agent, at least 30 days but not more than 60 days before a redemption date, an Officer's Certificate setting forth:

- (1) the clause of this Indenture pursuant to which the redemption shall occur;
- (2) the redemption date;
- (3) the principal amount of Notes to be redeemed; and
- (4) the redemption price.

*Section 3.02 Selection of Notes to Be Redeemed or Purchased.*

If fewer than all of the Notes are to be redeemed or purchased at any time, the Trustee, the Paying Agent or the Registrar will select Notes for redemption or purchase (i) in compliance with the requirements of the principal national securities exchange, if any, on which Notes are listed and any applicable Depository procedures, (ii) by lot or such other similar method in accordance with the applicable procedures of the Depository or any other applicable clearing system (if the Notes are Global Notes), or (iii) if there are no such requirements of such exchange or the Notes are not then listed on a national securities exchange or cleared through the Depository or any other applicable clearing system, on a *pro rata* basis. No Notes of a principal amount of US\$200,000 or less may be redeemed or purchased in part, and if Notes are redeemed or purchased in part, the remaining outstanding amount must be at least equal to US\$200,000 and integral multiples of US\$1,000 in excess thereof. None of the Trustee, the Paying Agent or the Registrar will be liable for any selections made under this paragraph.

In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased will be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption or purchase date by the Registrar from the outstanding Notes not previously called for redemption or purchase.

The Registrar will promptly notify the Company in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected will be in amounts of US\$200,000 or integral multiples of US\$1,000 in excess thereof; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not a multiple of US\$1,000, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

*Section 3.03 Notice of Redemption.*

Subject to the provisions of Section 3.09 hereof, at least 30 days but not more than 60 days before a redemption date, the Company will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date (with prior notice to the Trustee) if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Article 8 or 11 hereof.

The notice will identify the Notes to be redeemed and will state:

- (1) the redemption date;

(2) the redemption price;

(3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note, *provided that* the unredeemed portion has a minimum denomination of US\$200,000;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed;

(8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes;

(9) if applicable, any condition to such redemption; and

(10) if applicable, that payment of the redemption price and performance of the Company's obligations with respect to such redemption is to be performed by another Person and the identity of such other Person.

At the Company's request, the Trustee will give the notice of redemption in the Company's name and at its expense; *provided, however*, that the Company has delivered to the Trustee, at least three Business Days prior to the date that the notice of redemption is to be delivered to Holders, an Officer's Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

#### Section 3.04 *Effect of Notice of Redemption.*

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become due and payable on the redemption date at the redemption price stated in such notice, provided, that any redemption pursuant to Paragraph 5 of the Notes may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent.

#### Section 3.05 *Deposit of Redemption or Purchase Price.*

No later than 10 a.m. New York time one Business Days prior to the redemption or purchase date, the Company will deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued interest and Additional Amounts, if any, on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent will promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption or purchase price of, and accrued interest and Additional Amounts, if any, on all Notes to be redeemed or purchased.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption or purchase date, interest will cease to accrue on the Notes or the portions of Notes called for redemption or purchase. If a Note is redeemed or purchased on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06 *Notes Redeemed or Purchased in Part.*

In the case of Definitive Notes, upon surrender of a Note that is redeemed or purchased in part, the Company will issue and, upon receipt of an Authentication Order, the Trustee will authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered.

Section 3.07 *Optional Redemption.*

(a) At any time prior to February 11, 2021, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 107.250% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the rights of the Holders on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of one or more Equity Offerings; *provided that*:

(1) at least 65% of the aggregate principal amount of Notes originally issued under this Indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 45 days of the date of the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the discretion of the Company, be subject to the satisfaction of one or more conditions precedent, including the completion of the Equity Offering.

(b) At any time prior to February 11, 2021, the Company may redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, the date of redemption, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date. Any such redemption and notice may, at the discretion of the Company, be subject to satisfaction of one or more conditions precedent.

(c) Except pursuant to the two preceding paragraphs and the provisions under Section 3.10 and Section 3.11 hereof, the Notes will not be redeemable at the Company's option prior to February 11, 2021.

(d) On or after February 11, 2021, the Company may redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of the principal amount) set forth below plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable redemption date, if redeemed during the periods indicated below, subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant interest payment date:

<u>Period</u>	<u>Redemption Price</u>
Twelve-month period on or after February 11, 2021	103.625%
Twelve-month period on or after February 11, 2022	101.813%
On or after February 11, 2023	100.000%

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(e) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Section 3.01 through Section 3.06 hereof and may, at the discretion of the Company, be subject to the satisfaction of one or more conditions precedent. If such redemption is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, at the Company's discretion, the redemption date may be delayed until such time (*provided, however*, that any delayed redemption date shall not be more than 60 days after the date the relevant notice of redemption was sent) as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date or by the redemption date as delayed. In addition, the Company may provide in such notice that payment of the redemption price and performance of the Company's obligations with respect to such redemption may be performed by another Person.

#### Section 3.08 *Mandatory Redemption.*

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Company may be required to offer to purchase Notes as described in Section 4.15 and Section 4.10 hereof. The Company may at any time and from time to time purchase Notes in the open market or otherwise.

#### Section 3.09 *Offer to Purchase by Application of Excess Proceeds.*

In the event that, pursuant to Section 4.10 hereof, the Company is required to commence an offer to all Holders to purchase Notes (an "*Asset Sale Offer*"), it will follow the procedures specified below.

The Asset Sale Offer shall be made to all Holders and all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets. The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "*Offer Period*"). No later than five Business Days after the termination of the Offer Period (the "*Purchase Date*"), the Company will apply all Excess Proceeds (the "*Offer Amount*") to the purchase of Notes and such other *pari passu* Indebtedness (on a *pro rata* basis, if applicable) or, if less than the Offer Amount has been tendered, all Notes and other Indebtedness tendered in response to the Asset Sale Offer. Payment for any Notes so purchased will be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest and Additional Amounts, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Company will send, by first class mail, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice will contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The notice, which will govern the terms of the Asset Sale Offer, will state:

- (1) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer will remain open;
- (2) the Offer Amount, the purchase price and the Purchase Date;
- (3) that any Note not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in integral multiples of US\$200,000 and integral multiples of US\$1,000 in excess thereof only;

(6) that Holders electing to have Notes purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(7) that Holders will be entitled to withdraw their election if the Company, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, if the aggregate principal amount of Notes and other *pari passu* Indebtedness surrendered by holders thereof exceeds the Offer Amount, the Company will select the Notes and other *pari passu* Indebtedness to be purchased in accordance with Section 3.02 based on the principal amount of Notes and such other *pari passu* Indebtedness surrendered (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of US\$200,000, or integral multiples of US\$1,000 in excess thereof, will be purchased); and

(9) that Holders whose Notes were purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer), *provided* that the unpurchased portion has a minimum denomination of US\$200,000.

On or before the Purchase Date, the Company will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary (but subject to Section 3.02), the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and will deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.09. The Company, the Depositary or the Paying Agent, as the case may be, will promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company will promptly issue a new Note, and the Trustee, upon written request from the Company, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered, *provided* that the unpurchased portion has a minimum denomination of US\$200,000. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company will publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Section 3.01 through Section 3.06 hereof.

### Section 3.10 *Redemption for Taxation Reasons.*

The Notes may be redeemed, at the option of the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to Holders (which notice will be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption (the "*Tax Redemption Date*") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in, or amendment to, an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective on or after the date of this Indenture with respect to any payment due or to become due under the Notes, this Indenture or a Note Guarantee, the Company or a Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the Company or a Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; *provided that* for the avoidance of doubt, changing the jurisdiction of the Company or a Subsidiary Guarantor is not a reasonable measure for the purposes of this Section 3.10; *provided, further*, that no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Company or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee:

- (1) an Officer's Certificate stating that such change or amendment referred to in the prior paragraph has occurred, and describing the facts related thereto and stating that such requirement cannot be avoided by the Company or such Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant of recognized international standing stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and Opinion of Counsel or opinion of tax consultant as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the Holders.

Any Notes that are redeemed pursuant to this Section 3.10 will be cancelled.

### Section 3.11 *Gaming Redemption.*

Each Holder, by accepting a Note, shall be deemed to have agreed that if the Gaming Authority of any jurisdiction in which the Company or any of its Affiliates (including Melco Resorts Macau) conducts or proposes to conduct gaming requires that a person who is a holder or the beneficial owner of Notes be licensed, qualified or found suitable under applicable Gaming Laws, such holder or beneficial owner, as the case may be, shall apply for a license, qualification or a finding of suitability within the required time period. If such Person fails to apply or become licensed or qualified or is found unsuitable, the Company shall have the right, at its option:

- (1) to require such Person to dispose of its Notes or beneficial interest therein within 30 days of receipt of notice of the Company's election or such earlier date as may be requested or prescribed by such Gaming Authority; or
- (2) to redeem such Notes, which redemption may be less than 30 days following the notice of redemption if so requested or prescribed by the applicable gaming authority, at a redemption price equal to:

(A) the lesser of:

- (1) the Person's cost, plus accrued and unpaid interest, if any, to the earlier of the redemption date or the date of the finding of unsuitability or failure to comply; and
- (2) 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the earlier of the redemption date or the date of the finding of unsuitability or failure to comply; or

(B) such other amount as may be required by applicable law or order of the applicable Gaming Authority.

The Company shall notify the Trustee in writing of any such redemption as soon as practicable. Neither the Company nor the Trustee shall be responsible for any costs or expenses any Holder may incur in connection with such Holder's application for a license, qualification or a finding of suitability.



## ARTICLE 4 COVENANTS

### Section 4.01 *Payment of Notes.*

The Company will pay or cause to be paid the principal of, premium, if any, and interest and Additional Amounts, if any, on the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest and Additional Amounts, if any, will be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 10:00 a.m. New York Time two Business Days prior to the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, interest and Additional Amounts, if any, then due. All the funds provided to the Paying Agent must be in U.S. Dollars.

The Company will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Additional Amounts (without regard to any applicable grace period) at the same rate to the extent lawful.

### Section 4.02 *Maintenance of Office or Agency.*

The Company will maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company fails to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission will in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates Deutsche Bank Trust Company Americas as one such office or agency of the Company in accordance with Section 2.03 hereof.

### Section 4.03 *Reports.*

(a) The Company will provide to the Trustee and the Holders and make available to potential investors:

(1) within 120 days after the end of the Company's fiscal year, annual reports of the Company containing: (a) information with a level of detail that is substantially comparable to the sections in the Offering Memorandum entitled "Selected Consolidated Financial and Operational Data," "Business," "Management," "Related Party Transactions" and "Description of Other Material Indebtedness;" (b) the Company's audited consolidated (i) balance sheet as of the end of the two most recent fiscal years and (ii) income statement and statement of cash flow for the two most recent fiscal years, in each case prepared in accordance with U.S. GAAP and including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (c) an operating and financial review of the two most recent fiscal years for the Company and its Restricted Subsidiaries, including a discussion of (i) the financial condition and results of operations of the Company on a consolidated basis and any material changes between such two fiscal years and (ii) any material developments in the business of the Company and its Restricted Subsidiaries; and (d) *pro forma* income statement and balance sheet information of the Company, together with explanatory footnotes, for any Change of Control or material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year, unless *pro forma* information has been provided in a previous report pursuant to paragraph (2)(c) below; *provided that no pro forma* information shall be required to be provided for any material acquisitions or dispositions relating solely to the Phase II Project;

(2) within 60 days after the end of each day of the first three fiscal quarters in each fiscal year of the Company, quarterly reports containing: (a) the Company's unaudited condensed consolidated (i) balance sheet as of the end of such quarter and (ii) statement of income and cash flow for the quarterly and year to date periods ending on the most recent balance sheet date, and the comparable prior year periods, in each case prepared in accordance with U.S. GAAP; (b) an operating and financial review of such periods for the Company and its Restricted Subsidiaries including a discussion of (i) the financial condition and results of operations of the Company on a consolidated basis and material changes between the current period and the period of the prior year and (ii) any material developments in the business of the Company and its Restricted Subsidiaries; (c) *pro forma* income statement and balance sheet information of the Company, together with explanatory footnotes, for any Change of Control or material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter, *provided that* no *pro forma* information shall be required to be provided for any material acquisitions or dispositions relating solely to the Phase II Project, and *provided further* that the Company may provide any such *pro forma* information relating to a material acquisition within 75 days following such quarterly report in the form of a report provided pursuant to clause (3) below; and

(3) promptly from time to time after the occurrence of any of the events listed in (a) to (d) of this clause (3) information with respect to (a) any change in the independent accountants of the Company or any of the Significant Subsidiaries of the Company, (b) any material acquisition or disposition, (c) any material event that the Company or any Restricted Subsidiary of the Company announces publicly and (d) any information that the Company is required to make publicly available under the requirements of the SGX-ST or such other exchanges on which the securities of the Company or its Subsidiaries are then listed.

(b) If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries constitute Significant Subsidiaries of the Company, then the annual and quarterly information required by the paragraphs (a)(1) and (a)(2) hereof shall include a reasonably detailed presentation of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries of the Company.

(c) In addition, so long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and in any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the holders of the Notes, securities analysts and prospective investors, upon their request, any information that Rule 144A(d)(4) under the Securities Act would require the Company to provide to such parties.

(d) The Company may elect to satisfy its obligations under this Section 4.03 with respect to all such financial information relating to the Company by furnishing, or making available on the SEC's website, *provided* that the Trustee shall have no responsibility whatsoever to determine whether such filing has occurred, such financial information relating to Studio City International, or by furnishing or making available on the SGX's website such financial information relating to Studio City Company Limited; provided that the same is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to Studio City International or Studio City Company Limited (as the case may be), on the one hand, and the information relating to the Company and its Restricted Subsidiaries on a stand-alone basis, on the other hand; provided further that the Company shall make no more than two such elections.

(e) All financial statement information required under this covenant shall be prepared on a consistent basis in accordance with U.S. GAAP. In addition, all financial statement information and all reports required under this covenant shall be presented in the English language.

(f) *[Intentionally Omitted]*.

(g) Delivery of such reports, information and documents to the Trustee shall be for informational purposes only as regards the Trustee and the Trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on the Officer's Certificates).

#### Section 4.04 *Compliance Certificate*.

(a) The Company shall deliver to the Trustee within 120 days after the end of each fiscal year, an Officer's Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) *[Intentionally Omitted]*.

(c) So long as any of the Notes are outstanding, the Company will deliver to the Trustee, as soon as possible and in any event within five (5) Business Days after the Company becomes aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. The Trustee shall not be deemed to have a duty to monitor compliance by the Company, nor to have knowledge of a Default or an Event of Default (other than a payment default on a scheduled interest payment date) unless a Responsible Officer of the Trustee receives written notice thereof, stating that it is a notice of default and referencing the applicable section of this Indenture.

#### Section 4.05 *Taxes*.

The Company will pay, and will cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies required to be paid by the Company or such Subsidiaries except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders.

Section 4.06 *Stay, Extension and Usury Laws.*

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07 *Limitation on Restricted Payments.*

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or a Restricted Subsidiary of the Company);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any of its direct or indirect parents;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Indebtedness of the Company or any Subsidiary Guarantor (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment,

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"),

unless, at the time of and after giving effect to such Restricted Payment:

(A) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(B) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to Incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof; and

(C) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (2) through (12) of Section 4.07(b)) pursuant to this Indenture, is less than the sum of:

(i) 75% of the EBITDA of the Company less 2.00 times Fixed Charges for the period (taken as one accounting period) from the beginning of the fiscal quarter in which the Notes are issued to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such EBITDA for such period is a deficit, minus 100% of such deficit); plus

(ii) 100% of the aggregate net cash proceeds received by the Company since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests (other than Disqualified Stock) of the Company (in each case, other than in connection with any Excluded Contribution) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company); *plus*

(iii) to the extent that any Restricted Investment that was made after the Issue Date (x) is reduced as a result of payments of dividends to the Company or a Restricted Subsidiary of the Company or (y) is sold for cash or otherwise liquidated or repaid for cash, (in the case of sub-clauses (x) and (y)) the lesser of (i) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment or (z) is reduced upon the release of a Note Guarantee granted by the Company or a Restricted Subsidiary of the Company that constituted a Restricted Investment, to the extent that the initial granting of such Note Guarantee reduced the restricted payments capacity under Section 4.07(a)(4)(C); *plus*

(iv) to the extent that any Unrestricted Subsidiary of the Company designated as such after the Issue Date is re-designated as a Restricted Subsidiary after the Issue Date, the lesser of (i) the Fair Market Value of the Company's Restricted Investment in such Subsidiary as of the date of such re-designation or (ii) the Fair Market Value of the net aggregate Investments made by the Company or a Restricted Subsidiary of the Company in such Unrestricted Subsidiary from the date such entity was originally designated as an Unrestricted Subsidiary through the date of such re-designation; *plus*

(v) 100% of the aggregate amount received from the sale of the stock of any Unrestricted Subsidiary of the Company after the Issue Date or 100% of any dividends received by the Company or a Restricted Subsidiary of the Company after the Issue Date from an Unrestricted Subsidiary of the Company.

(b) The provisions of Section 4.07(a) hereof will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of this Indenture;

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company (in each case, other than in connection with any Excluded Contribution); *provided that* the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from Section 4.07(a)(4)(C)(ii) hereof;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the net cash proceeds from a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(4) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests on a *pro rata* basis;

(5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any current or former officer, director or employee of the Company or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided that* the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed US\$1.0 million in any twelve-month period;

(6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(7) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Restricted Subsidiary of the Company issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio test described in Section 4.09(a) hereof;

(8) any Restricted Payment made or deemed to be made by the Company or a Restricted Subsidiary of the Company under, pursuant to or in connection with the Services and Right to Use Agreement, the Reinvestment Agreement or the MSA;

(9) [RESERVED];

(10) Restricted Payments that are made with Excluded Contributions;

(11) payments to any parent entity in respect of directors' fees, remuneration and expenses (including director and officer insurance (including premiums therefore)) to the extent relating to the Company and its Subsidiaries, in an aggregate amount not to exceed US\$2.0 million per annum;

(12) the making of Restricted Payments, if applicable:

(A) in amounts required for any direct or indirect parent of the Company to pay fees and expenses (including franchise or similar taxes) required to maintain its corporate existence, customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of any direct or indirect parent of the Company and general corporate operating and overhead expenses of any direct or indirect parent of the Company in each case to the extent such fees and expenses are attributable to the ownership or operation of the Company, if applicable, and its Subsidiaries, in an aggregate amount not to exceed US\$2.0 million per annum;

(B) in amounts required for any direct or indirect parent of the Company, if applicable, to pay interest and/or principal on Indebtedness the proceeds of which have been contributed to the Company or any of its Restricted Subsidiaries prior to the Issue Date and that has been guaranteed by, or is otherwise considered Indebtedness of, the Company Incurred in accordance with Section 4.09; *provided that* the amount of any such proceeds will be excluded from Section 4.07(a)(4)(C)(ii);

(C) in amounts required for any direct or indirect parent of the Company to pay fees and expenses, other than to Affiliates of the Company, related to any unsuccessful equity or debt offering of such parent; and

(D) payments for services under any Revenue Sharing Agreement that would constitute or be deemed to constitute a Restricted Payment;

(13) any Restricted Payment used to fund the Transactions and the payment of fees and expenses incurred in connection with the Transactions or owed by the Company or any direct or indirect parent of the Company or its Restricted Subsidiaries to Affiliates, and any other payments made, including any such payments made to any direct or indirect parent of the Company to enable it to make payments, in connection with the consummation of the Transactions, whether payable on the Issue Date or thereafter, in each case on terms described in the Offering Memorandum under “Use of Proceeds” and to the extent permitted by Section 4.11;

(14) any Restricted Payments, to the extent required to be made by any Gaming Authority having jurisdiction over the Company or any of its Restricted Subsidiaries or Melco Resorts Macau (or any other operator of the Studio City Casino);

(15) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company or any Restricted Subsidiary; *provided, however*, that any such cash payment shall not be for the purpose of evading the limitation of this Section 4.07;

(16) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness of the Company or any Subsidiary Guarantor pursuant to provisions similar to those described under Section 4.15, *provided that* all Notes tendered by holders of the Notes in connection with a Change of Control Offer have been repurchased, redeemed or acquired for value;

(17) payments or distributions to dissenting stockholders of Capital Stock of the Company pursuant to applicable law in connection with a consolidation, merger or transfer of all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole, that complies with Section 5.01; *provided that* as a result of such consolidation, merger or transfer of assets, the Company shall have made a Change of Control Offer (if required by this Indenture) and that all Notes tendered by holders in connection with such Change of Control Offer have been repurchased, redeemed or acquired for value; and

(18) other Restricted Payments in an aggregate amount not to exceed US\$15.0 million since the Issue Date,

*provided, however*, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (12), (13) and (18) of this Section 4.07(b), no Default shall have occurred and be continuing or would occur as a consequence thereof.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this Section 4.07 will be determined by the Board of Directors of the Company whose resolution with respect thereto will be delivered to the Trustee as set forth in an Officer’s Certificate of the Company. The Company’s Board of Directors’ determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of international standing (an “*Independent Financial Advisor*”) if the Fair Market Value exceeds US\$45.0 million.

#### Section 4.08 *Dividend and Other Payment Restrictions Affecting Subsidiaries.*

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause, permit or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

(b) The restrictions in Section 4.08(a) hereof will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Indebtedness or any other agreements in existence on the Issue Date as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided that* the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other restrictions than those contained in those agreements on the Issue Date;

(2) the Credit Facilities Documents (other than the Senior Secured Credit Facilities), and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided that* such Credit Facilities Documents and the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings thereof are not materially more restrictive, taken as a whole, with respect to such dividend and the other restrictions than those contained in the Senior Secured Credit Facilities;

(3) the Indenture, the Notes and the Note Guarantees;

(4) applicable law, rule, regulation or order, or governmental license, permit or concession;

(5) any agreement or instrument governing Indebtedness or Capital Stock of a Person or assets acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was Incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired (and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements or instruments; *provided that* the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other restrictions than those contained in those agreements or instruments at the time of such acquisition); *provided further, that*, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be Incurred;

(6) customary non-assignment provisions in contracts and licenses including, without limitation, with respect to any intellectual property, entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in Section 4.08(a)(3);

(8) any agreement for the sale or other disposition of Equity Interests or property or assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;



(9) Permitted Refinancing Indebtedness; *provided that* the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Liens permitted to be incurred under the provisions of Section 4.12 hereof that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) provisions limiting dividends or the disposition or distribution of assets, property or Equity Interests in joint venture or operating agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements, merger agreements and other similar agreements entered into with the approval of the Company's Board of Directors, which limitation is applicable only to the assets, property or Equity Interests that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers or suppliers under contracts entered into in the ordinary course of business; and

(13) any agreement or instrument with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of this Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals, supplements or amendments or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal, supplement, amendment or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed, supplemented, amended or replaced.

#### Section 4.09 *Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock.*

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) and the Company will not issue any shares of Disqualified Stock and the Company will not, and the Company will not permit any of its Restricted Subsidiaries, to issue any shares of Preferred Stock; *provided, however,* that the Company may Incur Indebtedness (including Acquired Indebtedness) or issue Disqualified Stock, and the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) or issue Preferred Stock, if the Fixed Charge Coverage Ratio of the Company for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred or such Disqualified Stock or Preferred Stock is issued, as the case may be, would have been at least 2.00 to 1.00 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been Incurred, or the Disqualified Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

(b) The provisions of Section 4.09(a) hereof do not apply to the following (collectively, "*Permitted Debt*"):

(1) the Incurrence by the Company and the Subsidiary Guarantors of Indebtedness under Credit Facilities; *provided that* on the date of the Incurrence of any such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (1) (together with any refinancing thereof) does not exceed the sum of: (i)(x) US\$35.0 million; plus (y) US\$100.0 million Incurred in respect of the Phase II Project; *less* (ii), in the case of clause (i)(y), the aggregate amount of all Net Proceeds of Asset Sales applied since the Issue Date to repay any term Indebtedness Incurred pursuant to this clause (1)(i)(y) or to repay any revolving credit indebtedness Incurred under this clause (1)(i)(y) and effect a corresponding commitment reduction thereunder pursuant to Section 4.10 hereof;

(2) the Incurrence of Indebtedness represented by the Notes (other than Additional Notes) and the Note Guarantees (other than Notes Guarantees for Additional Notes) and the Intercompany Note Proceeds Loans;

(3) (a) the Incurrence by the Company or the Subsidiary Guarantors of Indebtedness in an aggregate principal amount at any time outstanding, including all Permitted Refinancing Indebtedness Incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred pursuant to this clause (3)(a), not to exceed the greater of (x) an amount equal to 3.5 times the EBITDA of the Company for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the relevant time of determination and (y) US\$1,200,000,000, and (b) Indebtedness existing on the Issue Date (other than the Existing Studio City Company Notes and Indebtedness described in clauses (1) and (2));

(4) the Incurrence of Indebtedness of the Company or any of its Restricted Subsidiaries represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or other assets (including through the acquisition of Capital Stock of any person that owns property, plant or other assets which will, upon acquisition, become a Restricted Subsidiary) used in the business of the Company or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness Incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred pursuant to this clause (4), not to exceed the greater of (x) US\$50.0 million and (y) 2.0% of Total Assets at any time outstanding;

(5) the Incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be Incurred under Section 4.09(a) or clauses (2), (3)(b), (4), (5) or (15) of this Section 4.09(b);

(6) (a) Obligations in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance, bid, appeal and surety bonds and completion or performance guarantees (including the guarantee of any land grant) provided by the Company or any Restricted Subsidiary in connection with the Property or in the ordinary course of business and (b) Indebtedness constituting reimbursement obligations with respect to letters of credit or trade or bank guarantees (including for land grants) issued in the ordinary course of business to the extent that such letters of credit, trade or bank guarantees (including for land grants) are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than thirty (30) days following receipt of a demand for reimbursement;

(7) the Incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company or any of its Restricted Subsidiaries; *provided, however*, that:

(A) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Subsidiary Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Company, or the Note Guarantee, in the case of a Subsidiary Guarantor; and

(B) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not the Company or a Restricted Subsidiary of the Company, will be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (7);

(8) shares of Preferred Stock of a Restricted Subsidiary issued to the Company or another Restricted Subsidiary of the Company; *provided that*

(A) any subsequent issuance or transfer of Equity Interests that results in any such Preferred Stock being held by a Person other than the Company or a Restricted Subsidiary of the Company; and

(B) any sale or other transfer of any such Preferred Stock to a Person that is not the Company or a Restricted Subsidiary of the Company, will be deemed, in each case, to constitute an issuance of such Preferred Stock by such Restricted Subsidiary that was not permitted by this clause (8).

(9) the Incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(10) the guarantee by the Company or any Restricted Subsidiary of the Company of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be Incurred by another provision of this Section 4.09; *provided that* if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is extinguished within five (5) Business Days of its Incurrence;

(12) to the extent constituting Indebtedness, agreements to pay service fees to professionals (including architects, engineers, contractors and designers) in furtherance of and/or in connection with the Property or agreements to pay fees and expenses or other amounts pursuant to the Services and Right to Use Agreement or the MSA or otherwise arising under the Services and Right to Use Agreement or the MSA in the ordinary course of business (*provided, that* no such agreements shall give rise to Indebtedness for borrowed money);

(13) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds, or performance bonds securing any obligation of the Company or any Restricted Subsidiary of the Company pursuant to such agreements, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of a Restricted Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition; *provided, that* the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received in connection with such disposition;

(14) Obligations in respect of Shareholder Subordinated Debt;

(15) any guarantees made solely in connection with (and limited in scope to) the giving of a Lien of the type specified in clause (22) of "Permitted Liens" to secure Indebtedness of an Unrestricted Subsidiary, the only recourse of which to the Company and its Restricted Subsidiaries is to the Equity Interests subject to the Liens;

(16) the Incurrence by the Company or the Subsidiary Guarantors of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness Incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred pursuant to this clause (16), not to exceed US\$50.0 million; and

(17) the Incurrence by the Company or the Subsidiary Guarantors of additional Indebtedness in respect of the Phase II Project in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness Incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred pursuant to this clause (17), not to exceed the greater of (x) 75% of the EBITDA of the Company for the most recently ended four full fiscal quarters for which internal financial statements are available (which figure shall be based on audited financial information, if for an annual period) and (y) US\$350.0 million.

The Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (17) above, or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its Incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section 4.09. Indebtedness incurred under the Senior Secured Credit Facilities will be deemed to have been incurred in reliance on the exception provided by clause (1)(x) of the definition of Permitted Debt and may not be reclassified and Indebtedness incurred under the Existing Studio City Company Notes will be deemed to have been incurred in reliance on the exception provided by clause (3)(a) of the definition of Permitted Debt and may not be reclassified. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an Incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this Section 4.09; provided, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of the Company as accrued. Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary of the Company may Incur pursuant to this Section 4.09 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

Further, for purposes of determining compliance with this covenant, to the extent the Company or any of its Restricted Subsidiaries guarantees Indebtedness of a direct or indirect parent entity to the extent otherwise permitted by this covenant, the on-loan by such direct or indirect parent entity to the Company or any of its Restricted Subsidiaries of all or a portion of the principal amount of such Indebtedness will not be double counted.

The amount of any Indebtedness outstanding as of any date will be:

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
  - (A) the Fair Market Value of such assets at the date of determination; and
  - (B) the face amount of the Indebtedness of the other Person.

#### Section 4.10 Asset Sales.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale (other than an Event of Loss), unless:

(1) the Company or the Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability;

(B) any securities, notes or other Obligations received by the Company or any such Restricted Subsidiary from such transferee that are, within 30 days of the receipt thereof, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion; and

(C) any stock or assets of the kind referred to in Section 4.10(b)(2) or Section 4.10(b)(4).

(b) Within 360 days after the receipt of any Net Proceeds from an Asset Sale (including an Event of Loss), the Company or the applicable Restricted Subsidiary, as the case may be may apply such Net Proceeds:

(1) to repay (a) Indebtedness Incurred under Section 4.09(b)(1) and Section 4.09(b)(17), (b) other Indebtedness of the Company or a Subsidiary Guarantor secured by property and assets that are the subject of such Asset Sale, and, in each case, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto, (c) Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor or (d) the Notes pursuant to the redemption provisions of this Indenture;

(2) to acquire all or substantially all of the assets of another Permitted Business, or any Capital Stock of, a Person undertaking another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of the Company (*provided that* (a) such acquisition funded with any proceeds from an Event of Loss occurs within the date that is 545 days after receipt of the Net Proceeds from the relevant Event of Loss to the extent that a binding agreement to acquire such assets or Capital Stock is entered into on or prior to the date that is 360 days after receipt of the Net Proceeds from the relevant Event of Loss, and (b) if such acquisition is not consummated within the period set forth in clause (a), the Net Proceeds not so applied will be deemed to be Excess Proceeds);

(3) to make a capital expenditure (*provided that* any such capital expenditure funded with any proceeds from an Event of Loss occurs within the date that is 545 days after receipt of the Net Proceeds from the relevant Event of Loss to the extent that a binding agreement to make such capital expenditure is entered into on or prior to the date that is 360 days after receipt of the Net Proceeds from the relevant Event of Loss); or

(4) to acquire other assets that are not classified as current assets under U.S. GAAP and that are used or useful in a Permitted Business (*provided that* (a) such acquisition funded from an Event of Loss occurs within the date that is 545 days after receipt of the Net Proceeds from the relevant Event of Loss to the extent that a binding agreement to acquire such assets is entered into on or prior to the date that is 360 days after receipt of the Net Proceeds from the relevant Event of Loss, and (b) if such acquisition is not consummated within the period set forth in clause (a), the Net Proceeds not so applied will be deemed to be Excess Proceeds);

or enter into a binding commitment regarding clauses (2), (3) or (4) above (in addition to the binding commitments expressly referenced in those clauses); *provided that* such binding commitment shall be treated as a permitted application of Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated and (y) the 180th day following the expiration of the aforementioned 360-day period. To the extent such acquisition or expenditure is not consummated on or before such 180th day and the Company or such Restricted Subsidiary shall not have applied such Net Proceeds pursuant to clauses (2), (3) or (4) above on or before such 180th day, such commitment shall be deemed not to have been a permitted application of Net Proceeds, and such Net Proceeds will constitute Excess Proceeds.

(c) Pending the final application of any Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Indenture.

(d) Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this Section 4.10 will constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds US\$5.0 million, within ten (10) days thereof, the Company shall make an Asset Sale Offer to all Holders with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Company will purchase all tendered Notes on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(e) The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Section 3.09 hereof or this Section 4.10, the Company will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under Section 3.09 hereof or this Section 4.10 by virtue thereof.

Section 4.11 *Transactions with Affiliates.*

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an “*Affiliate Transaction*”), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$45.0 million, a resolution of the Board of Directors of the Company set forth in an Officer’s Certificate certifying that such Affiliate Transaction complies with this Section 4.11(a) and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company or, if the Board of Directors of the Company has no disinterested directors, approved in good faith by a majority of the members (or in the case of a single member, the sole member) of the Board of Directors of the Company; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$60.0 million, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of national standing with experience appraising the terms and conditions of the type of transaction or series of related transactions.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Section 4.11(a) hereof:

(1) any employment agreement, employee benefit plan (including compensation, retirement, disability, severance and other similar plan), officer or director indemnification, stock option or incentive plan or agreement, employee equity subscription agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among the Company and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Company solely because the Company owns directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable officers’ and directors’ fees and reimbursement of expenses (including the provision of indemnity to officers and directors) to Persons who are not otherwise Affiliates of the Company;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company or contribution to the common equity capital of the Company;

(6) Restricted Payments (including any payments made under, pursuant to or in connection with the Services and Right to Use Agreement, the Reinvestment Agreement or the MSA) that do not violate Section 4.07 hereof;

(7) any agreement or arrangement existing on the Issue Date, including any amendments, modifications, supplements, extensions, replacements, terminations or renewals (so long as any such agreement or arrangement together with all such amendments, modifications, supplements, extensions, replacements, terminations and renewals, taken as a whole, is not materially more disadvantageous to the Company and its Restricted Subsidiaries, taken as a whole, than the original agreement or arrangement as in effect on the Issue Date, unless any such amendments, modifications, supplements, extensions, replacements, terminations or renewals are imposed by any Gaming Authority or any other public authority, in each case having jurisdiction over the Studio City Casino, Melco Resorts Macau (or any other operator of the Studio City Casino), the Company or any of its Restricted Subsidiaries, including, but not limited to, the government of the Macau SAR);

(8) loans or advances to employees (including personnel who provide services to the Company or any of its Restricted Subsidiaries pursuant to the MSA) in the ordinary course of business not to exceed US\$2.0 million in the aggregate at any one time outstanding;

(9) [RESERVED];

(10) (a) transactions or arrangements under, pursuant to or in connection with the Services and Right to Use Agreement, the Reinvestment Agreement or the MSA, including any amendments, modifications, supplements, extensions, replacements, terminations or renewals thereof (so long as the Services and Right to Use Agreement and the Reinvestment Agreement, taken as a whole, or the MSA, respectively, together with all such amendments, modifications, supplements, extensions, replacements, terminations and renewals, taken as a whole, is not materially more disadvantageous to the Company and its Restricted Subsidiaries, taken as a whole, than the Services and Right to Use Agreement and the Reinvestment Agreement, taken as a whole, or the MSA, respectively, as in effect on the Issue Date or, as determined in good faith by the Board of Directors of the Company, would not materially and adversely affect the Company's ability to make payments of principal of and interest on the Notes) and (b) other than with respect to transactions or arrangements subject to clause (a) above, transactions or arrangements with customers, clients, suppliers or sellers of goods or services in the ordinary course of business, on terms that are fair to the Company or any of its Restricted Subsidiaries, as applicable, or are no less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arms-length basis from a Person that is not an Affiliate of the Company, in the case of each of (a) and (b), unless any such amendments, modifications, supplements, extensions, replacements, terminations or renewals are imposed by any Gaming Authority or any other public authority having jurisdiction over Melco Resorts Macau (or any other operator of the Studio City Casino), the Company or any of its Restricted Subsidiaries, including, but not limited to, the government of the Macau SAR;

(11) the execution of the Transactions, and the payment of all fees and expenses relating to the Transactions described in the Offering Memorandum;

(12) transactions or arrangements to be entered into in connection with the Property in the ordinary course of business (including, for the avoidance of doubt, transactions or arrangements necessary to conduct a Permitted Business) including any amendments, modifications, supplements, extensions, replacements, terminations or renewals thereof; *provided* that such transactions or arrangements must comply with clauses 4.11(a)(1) and (a)(2)(A) hereof;



(13) transactions or arrangements duly approved by the Audit and Risk Committee of Studio City International so long as Studio City International is listed on the New York Stock Exchange or another internationally recognized stock exchange and the Company delivers to the Trustee a copy of the resolution of the Audit and Risk Committee of Studio City International annexed to an Officer's Certificate certifying that such Affiliate Transaction complies with this clause (13) and that such Affiliate Transaction has been duly approved by the Audit and Risk Committee of Studio City International;

(14) execution, delivery and performance of any tax sharing agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes; and

(15) provision by, between, among, to or from Persons who may be deemed Affiliates of group administrative, treasury, legal, accounting and similar services.

#### Section 4.12 *Liens*.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness on any asset now owned or hereafter acquired or any proceeds, income or profits therefrom or assign or convey any right to receive income therefrom, except Permitted Liens, or, if such Lien is not a Permitted Lien, unless the Notes and the Note Guarantees are secured on a *pari passu* basis with the obligations so secured until such time as such obligations are no longer secured by a Lien.

#### Section 4.13 *Business Activities*.

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Business, except to such extent as would not be material to the Company and its Restricted Subsidiaries (taken as a whole).

#### Section 4.14 *Corporate Existence*.

Subject to Article 5 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect:

(1) its corporate existence, and the corporate, partnership or other existence of each of its Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Subsidiary; and

(2) the rights (charter and statutory), licenses and franchises of the Company and its Subsidiaries; *provided, however*, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders.

Section 4.15 *Offer to Repurchase upon Change of Control.*

(a) Upon the occurrence of a Change of Control, each Holder will have the right to require the Company to repurchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Company has previously or concurrently elected to redeem the Notes in full pursuant to Section 3.07 hereof. Within ten (10) days following any Change of Control, except to the extent that the Company has exercised its right to redeem the Notes by delivery of a notice of redemption pursuant to Section 3.03 hereof, the Company shall mail a notice (a "*Change of Control Offer*") to each Holder with a copy to the Trustee stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Company to repurchase such Holder's Notes at a repurchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of repurchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date (the "*Change of Control Payment*"));

(2) the circumstances and relevant facts and financial information regarding such Change of Control;

(3) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(4) that any Note not tendered will continue to accrue interest;

(5) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date;

(6) the Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" attached to the Notes completed, or transfer by book-entry transfer, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(7) the Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased, and

(8) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, *provided* that the unpurchased portion has a minimum denomination of US\$200,000.

(b) On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Paying Agent the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes properly tendered and being purchased by the Company.

The Paying Agent will promptly mail (but in any case not later than five (5) days after the Change of Control Payment Date) to each Holder properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any, *provided* that the unpurchased portion has a minimum denomination of US\$200,000. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) Notwithstanding anything to the contrary in this Section 4.15, the Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.15 hereof and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to Section 3.03 hereof, unless and until there is a default in payment of the applicable redemption price.

(d) A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

(e) Notes repurchased by the Company pursuant to a Change of Control Offer will be retired and cancelled at the option of the Company. Notes purchased by a third party pursuant to the preceding paragraph will have the status of Notes issued and outstanding.

(f) The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of the Notes pursuant to this Section 4.15. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.15, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 4.15 by virtue of such compliance.

#### Section 4.16 *Payments for Consents.*

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture, the Notes or the Note Guarantees unless such consideration is (1) offered to be paid; and (2) is paid to all Holders that consent, waive or agree to amend within the time frame and on the terms set forth in the solicitation documents relating to such consent, waiver or agreement.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes in connection with an exchange offer, the Company and any of the Restricted Subsidiaries may exclude (a) in connection with an exchange offer, holders or beneficial owners of the Notes that are not “qualified institutional buyers” as defined in Rule 144A under the Securities Act, and (b) in connection with any consent, waiver or amendment, holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such holders or beneficial owners would require the Company or any of its Restricted Subsidiaries to (i) file a registration statement, prospectus or similar document or subject the Company or any of its Restricted Subsidiaries to ongoing periodic reporting or similar requirements under any securities laws (including but not limited to, the United States federal securities laws and the laws of the European Union or its member states), (ii) qualify as a foreign corporation or other entity as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (iii) generally consent to service of process in any such jurisdiction or (iv) subject the Company or any of its Restricted Subsidiaries to taxation in any such jurisdiction if it is not otherwise so subject, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Section 4.17 *Future Subsidiary Guarantors.*

(a) If the Company or any of its Restricted Subsidiaries acquires or creates another Subsidiary after the Issue Date, then the Company shall cause such newly acquired or created Subsidiary to become a Subsidiary Guarantor (in the event that such Subsidiary provides a guarantee of any other Indebtedness of the Company or a Subsidiary Guarantor of the type specified under clauses (1) or (2) of the definition of "Indebtedness"), at which time such Subsidiary shall:

(1) execute a supplemental indenture in the form attached as Exhibit D hereto pursuant to which such Subsidiary shall unconditionally guarantee, on a senior basis, all of the Company's Obligations under this Indenture and the Notes on the terms set forth in this Indenture;

(2) take such further action and execute and deliver such other documents as otherwise may be reasonably requested by the Trustee to give effect to the foregoing; and

(3) deliver to the Trustee an Opinion of Counsel that (i) such supplemental indenture and any other documents required to be delivered have been duly authorized, executed and delivered by such Subsidiary and constitute legal, valid, binding and enforceable Obligations of such Subsidiary.

(b) Notwithstanding the foregoing, any Guarantee of the Notes created pursuant to the provisions described in paragraph (a) above may provide by its terms that it will be automatically and unconditionally released and discharged upon:

(1) (with respect to any Guarantee created after the date of this Indenture) the release by the holders of the Company's or the Subsidiary Guarantor's Indebtedness described in paragraph (a) above, of their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness other than as a result of payment under such guarantee), at a time when:

(A) no other Indebtedness of either the Company or any Subsidiary Guarantor has been guaranteed by such Restricted Subsidiary; or

(B) the holders of all such other Indebtedness that is guaranteed by such Restricted Subsidiary also release their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness other than as a result of payment under such guarantee); or

(2) the release of the Note Guarantees on the terms and conditions and in the circumstances described in Section 11.08 hereof.

(c) Each additional Note Guarantee will be limited as necessary to recognize certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law. Notwithstanding Section 4.17(a) hereof, the Company shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent that such Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in (i) any liability for the officers, directors or shareholders of such Restricted Subsidiary or (ii) any significant cost, expense, liability or obligation (including with respect of any Taxes, but excluding any reasonable guarantee or similar fee payable to the Company or a Restricted Subsidiary of the Company) other than reasonable out of pocket expenses.

#### Section 4.18 *Designation of Restricted and Unrestricted Subsidiaries.*

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default; *provided that* in no event will the business currently operated by the Company, Studio City Developments Limited, Studio City Entertainment Limited or Studio City Hotels Limited be transferred to or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 4.07 hereof or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company may re-designate any Unrestricted Subsidiary to be a Restricted Subsidiary if that re-designation would not cause a Default.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate of the Company certifying that such designation complied with the preceding conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be Incurred as of such date under Section 4.09 hereof, the Company will be in Default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided that* such designation will be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09 hereof, calculated on a *pro forma* basis as if such designation had occurred at the beginning of the reference period; and (2) no Default or Event of Default would be in existence following such designation. On such designation, the Company shall deliver an Officer's Certificate of the Company to the Trustee regarding such designation and certifying that such designation complies with the preceding conditions and the relevant covenants under this Indenture.

#### Section 4.19 *Listing.*

The Company will use its commercially reasonable efforts to list and maintain the listing and quotation of the Notes on the Official List of the Singapore Exchange Securities Trading Limited or another comparable exchange.

#### Section 4.20 *Limitations on Use of Proceeds*

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than as set forth under the caption "Use of Proceeds" in the Offering Memorandum.

#### Section 4.21 *Special Put Option.*

(a) Upon a Special Put Option Triggering Event, each Holder will have the right to require the Company to repurchase all or any part of such Holder's Notes pursuant to a Special Put Option Offer (as defined below) on the terms set forth in this Section 4.21. In the Special Put Option Offer, the Company will offer to purchase the Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to but excluding the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Company has previously or concurrently elected to redeem the Notes in full as described under Section 3.07 hereof.

(b) Within ten days following the occurrence of a Special Put Option Triggering Event, except to the extent that the Company has exercised its right to redeem the Notes in full by delivery of a notice of redemption as described under Section 3.07 hereof the Company shall mail a notice (a “*Special Put Option Offer*”) to each Holder with a copy to the Trustee and the Paying Agent stating:

(1) that a Special Put Option Triggering Event has occurred and that such holder has the right to require the Company to repurchase such Holder’s Notes at a repurchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to but excluding the date of repurchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date);

(2) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(3) the instructions determined by the Company, consistent with this Section 4.21, that a Holder must follow in order to have its Notes repurchased.

(c) Notes repurchased by the Company pursuant to a Special Put Option Offer will have the status of Notes issued but not outstanding or will be retired and cancelled at the option of the Company. Notes purchased by a third party pursuant to sub-clause (b)(3) of this Section 4.21 will have the status of Notes issued and outstanding.

(d) On the date of repurchase pursuant to a Special Put Option Offer, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Special Put Option Offer;

(2) deposit with the Paying Agent an amount equal to the repurchase price, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to but excluding the date of repurchase (the “*Special Put Option Payment*”), in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee, the Notes properly accepted together with an Officers’ Certificate stating the aggregate principal amount of Notes or portions of Notes properly tendered and being purchased by the Company.

(e) The Paying Agent will promptly mail to each Holder properly tendered the Special Put Option Payment for such Notes, and the Trustee, or its authenticating agent, will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any.

(f) The provisions described in this Section 4.21 that require the Company to make a Special Put Option Offer following a Special Put Option Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described this Section 4.21 with respect to a Special Put Option Triggering Event, this Indenture does not contain provisions that permit the Holders to require that the Company repurchase or redeem the Notes in the event of a termination, rescission or expiration of any Gaming License.

(g) The Company will not be required to make a Special Put Option Offer upon a Special Put Option Triggering Event if (1) a third party makes the Special Put Option Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Special Put Option Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Special Put Option Offer, or (2) notice of redemption has been given in accordance with Section 3.07 and Section 3.10 hereof pursuant to which the Company has exercised its right to redeem the Notes in full, unless and until there is a default in payment of the applicable redemption price.

(h) The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this provision. To the extent that the provisions of any securities laws or regulations conflict with provisions of this provision, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

#### Section 4.22 *Suspension of Covenants*

(a) The following covenants (the “*Suspended Covenants*”) will not apply during any period during which the Notes have an Investment Grade Status (a “*Suspension Period*”): Section 4.07, Section 4.08, Section 4.09, Section 4.10, Section 4.11, Section 5.01(a)(3) and Section 4.17. Additionally, during any Suspension Period, the Company will not be permitted to designate any Restricted Subsidiary as an Unrestricted Subsidiary.

(b) In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the “*Reversion Date*”) the Notes cease to have Investment Grade Status, then the Suspended Covenants will apply with respect to events occurring following the Reversion Date (unless and until the Notes subsequently attain an Investment Grade Status, in which case the Suspended Covenants will again be suspended for such time that the Notes maintain an Investment Grade Status); *provided, however*, that no Default or Event of Default will be deemed to exist under the Indenture with respect to the Suspended Covenants, and none of the Company or any of its Subsidiaries will bear any liability for any actions taken or events occurring during a Suspension Period and before any related Reversion Date, or any actions taken at any time pursuant to any contractual obligation or binding commitment arising prior to such Reversion Date, regardless of whether those actions or events would have been permitted if the applicable Suspended Covenant had remained in effect during such period. The Company shall notify the Trustee should the Notes achieve Investment Grade Status; *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall be under no obligation to notify the holders of the Notes that the Notes have achieved Investment Grade Status.

(c) On each Reversion Date, all Indebtedness Incurred during the Suspension Period prior to such Reversion Date will be deemed to be Indebtedness existing on the Issue Date. For purposes of calculating the amount available to be made as Restricted Payments under Section 4.07(a)(4)(C) hereof on or after the Reversion Date, calculations under such covenant shall be made as though such covenant had been in effect during the entire period of time after the Issue Date (including the Suspension Period). Restricted Payments made during the Suspension Period not otherwise permitted pursuant to any of clauses (2) through (6) or (18) under Section 4.07(b) hereof will reduce the amount available to be made as Restricted Payments under Section 4.07(a)(4)(C) hereof; *provided*, that the amount available to be made as Restricted Payments on the Reversion Date shall not be reduced to below zero solely as a result of such Restricted Payments. In addition, for purposes of the other Suspended Covenants, all agreements entered into and all actions taken during the Suspension Period, including, without limitation, the Incurrence of Indebtedness shall be deemed to have been taken or to have existed prior to the Issue Date.

**ARTICLE 5  
SUCCESSORS**

Section 5.01 *Merger, Consolidation, or Sale of Assets.*

(a) *The Company.* The Company will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company survives); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person unless:

(1) either:

(A) if the transaction or series of transactions is a consolidation of the Company with or a merger of the Company with or into any other Person, the Company shall be the surviving entity of such merger or consolidation; or

(B) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made shall be a corporation organized and existing under the laws of the British Virgin Islands, Cayman Islands, Hong Kong, Macau, Singapore, United States, any state of the United States or the District of Columbia, and such Person shall expressly assume all the Obligations of the Company under the Notes and this Indenture, pursuant to supplemental indentures or other documents or agreements reasonably satisfactory to the Trustee;

(2) immediately after such transaction, no Default or Event of Default exists; and

(3) the Company, or if applicable, the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made, would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to Incur at least US\$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09(a) hereof.

(b) *The Subsidiary Guarantors.* Subject to the Section 11.08(c) hereof, no Subsidiary Guarantor will, and the Company will not permit any Subsidiary Guarantor to, directly or indirectly:

(1) consolidate or merge with or into another Person (whether or not such Subsidiary Guarantor survives); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of such Subsidiary Guarantor in one or more related transactions, to another Person, unless:

(1) either:

(A) if the transaction or series of transactions is a consolidation of such Subsidiary Guarantor with or a merger of such Subsidiary Guarantor with or into any other Person, such Subsidiary Guarantor shall be the surviving entity of such consolidation or merger; or

(B) the Person formed by or surviving any such consolidation or merger (if other than such Subsidiary Guarantor) or to which such sale, assignment, transfer, conveyance or other disposition has been made shall be a corporation organized and existing under the laws of the British Virgin Islands, Cayman Islands, Hong Kong, Macau, Singapore, United States, any state of the United States or the District of Columbia, and such Person shall expressly assume all the Obligations of such Subsidiary Guarantor under its Note Guarantee and this Indenture, pursuant to a supplemental indenture; and



(2) immediately after such transaction, no Default or Event of Default exists.

(c) This Section 5.01 will not apply to:

(1) a merger of the Company or a Subsidiary Guarantor, as the case may be, with an Affiliate solely for the purpose of reincorporating the Company or a Subsidiary Guarantor, as the case may be, in another jurisdiction; or

(2) any consolidation or merger, or any sale, assignment, transfer, conveyance, or other disposition of assets between or among the Company and the Subsidiary Guarantors or between or among the Subsidiary Guarantors.

Upon consummation of any consolidation or merger, or any sale, assignment, transfer, conveyance, or other disposition of assets by a Subsidiary Guarantor with or into the Company or another Subsidiary Guarantor in accordance with this Section 5.01 which results in a Subsidiary Guarantor distributing all of its assets (other than *de minimis* assets required by law to maintain its corporate existence) to the Company or another Subsidiary Guarantor, such transferring Subsidiary Guarantor may be wound up pursuant to a solvent liquidation or solvent reorganization, provided it shall have no third party recourse Indebtedness or be the obligor under any intercompany Indebtedness.

#### Section 5.02 *Successor Corporation Substituted.*

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Company in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof, the successor Person formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the “Company” shall refer instead to the successor Person and not to the Company), and may exercise every right and power of the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; *provided, however*, that the predecessor Company shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale of all of the Company’s assets in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof.

## **ARTICLE 6 DEFAULTS AND REMEDIES**

#### Section 6.01 *Events of Default.*

(a) Each of the following is an event of default (an “*Event of Default*”):

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption, upon required repurchase, or otherwise) of the principal of, or premium, if any, on the Notes;

(3) failure by the Company or any of its Restricted Subsidiaries to comply with its obligations under the provisions of Section 3.09, 4.10, 4.15, 4.21 or 5.01 hereof;

(4) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in this Indenture,;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of this Indenture, if that default:

(A) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a “*Payment Default*”); or

(B) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US\$20.0 million or more at any time outstanding;

(6) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction (other than any judgment as to which a reputable third party insurer has accepted full responsibility and coverage) aggregating in excess of US\$20.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(7) the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(A) commences a voluntary case or is the subject of a petition by a creditor to have it declared bankrupt,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is not paying its debts as they become due;

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(B) appoints a custodian of the Company or of any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary; or

(C) orders the liquidation of the Company or of any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary;

(9) except as permitted by this Indenture, (a) any Note Guarantee being held in any judicial proceeding in a competent jurisdiction to be unenforceable or invalid or ceases for any reason to be in full force and effect, or (b) any Person acting on behalf of any Subsidiary Guarantor, denying or disaffirming its Obligations under its Note Guarantee; and

(10) the termination or rescission of any Gaming License or the Macau government takes any formal measure to do so (excluding any termination or rescission resulting from or in connection with any renewal, tender or other process conducted by the government of Macau in connection with the granting or renewal of any Gaming License; provided that such renewal, tender or other process results in the granting or renewal of the relevant Gaming License).

#### Section 6.02 *Acceleration.*

In the case of an Event of Default specified in Section 6.01(a)(7) or 6.01(a)(8) hereof, with respect to the Company, any Restricted Subsidiary of the Company that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Upon any such declaration, the Notes shall become due and payable immediately.

The Holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of all of the Holders, rescind an acceleration (including any related payment default that resulted from such acceleration) and its consequences, if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except non-payment of principal of, premium, if any, or interest on the Notes).

#### Section 6.03 *Other Remedies.*

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium and Additional Amounts, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

#### Section 6.04 *Waiver of Past Defaults.*

Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium, if any, or interest on, the Notes (including in connection with an offer to purchase); *provided, however,* that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

#### Section 6.05 *Control by Majority.*

Holders of a majority in aggregate principal amount of the then outstanding Notes may direct, in writing, the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders or that may involve the Trustee in personal liability.

#### Section 6.06 *Limitation on Suits.*

(a) Subject to the provisions of this Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any Holders unless such Holders have offered to the Trustee indemnity and/or security to its satisfaction against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts, if any, when due, no Holder may pursue any remedy with respect to this Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes have made a written request to the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity to its satisfaction; and

(5) during such 60-day period, Holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a written direction inconsistent with such request.

(b) A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

#### Section 6.07 *Rights of Holders to Receive Payment.*

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal, premium, Additional Amounts, if any, and interest on the Notes, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder; *provided that* a Holder shall not have the right to institute any such suit for the enforcement of payment if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the Lien of this Indenture upon any property subject to such Lien.

#### Section 6.08 *Collection Suit by Trustee.*

If an Event of Default specified in Section 6.01(a)(1) or (a)(2) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, premium, Additional Amounts, if any, and interest remaining unpaid on, the Notes and interest on overdue principal and premium, if any and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09 *Trustee May File Proofs of Claim.*

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.08 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.08 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 *Priorities.*

If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

*First:* to the Trustee, the Agents, and their respective agents and attorneys for amounts due under Section 7.08 hereof, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee or any Agent, and the costs and expenses of collection;

*Second:* to Holders for amounts due and unpaid on the Notes for principal, premium, Additional Amounts, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, Additional Amounts, if any, and interest, respectively; and

*Third:* to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

Section 6.11 *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in aggregate principal amount of the then outstanding Notes.

**ARTICLE 7**  
**TRUSTEE**

*Section 7.01 Duties of Trustee.*

(a) If an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee will be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of willful misconduct on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee will examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(3) other than with respect to a payment default, the Trustee shall not be charged with knowledge of any Default or Event of Default unless written notice has been delivered to a Responsible Officer at the Corporate Trust Office of the Trustee referencing the applicable provision of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(2) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer; and

(3) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section 7.01.

(e) No provision of this Indenture will require the Trustee, to expend or risk its own funds or incur any liability.

(f) The Trustee will not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

*Section 7.02 Rights of Trustee.*

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel or both. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel. The Trustee may engage and consult with professional advisors and counsel selected by it at the reasonable expense of the Company, and the Trustee may rely conclusively upon advice of such professional advisors and counsel or any Opinion of Counsel will be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon by the Trustee and any of its directors, officers, employees or agents duly appointed.

(c) The Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any agent appointed with due care. The Trustee shall have no duty to monitor the performance of such agents.

(d) The Trustee will not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture. The Trustee shall not be required to take action at the direction of the Company or Holders which conflicts with the requirements of this Indenture or for which it is not indemnified to its satisfaction, or which involves undue risk or would be contrary to applicable law or regulation.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company will be sufficient if signed by an Officer or a director of the Company.

(f) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to it in its sole discretion against the losses, liabilities and expenses that might be incurred by it in compliance with such request or direction.

(g) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services and the unavailability of the Federal Reserve Bank wire or facsimile or other communication facility; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(h) The recitals contained herein and in the Notes are made by the Company and not by the Trustee, and the Trustee, does not assume any responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this Indenture or the Notes,.

(i) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the Company, personally or by agent or attorney at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(j) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(k) The rights, privileges, indemnity, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder and each agent, custodian and other Person employed to act hereunder *provided, however* any such agent or custodian shall not be deemed to be a fiduciary;

(l) The Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture;

(m) In the event that the Trustee and Agents shall be uncertain as to their respective duties or rights hereunder or shall receive instructions, claims or demands from the Company, which in their opinion, conflict with any of the provisions of this Indenture, they shall be entitled to refrain from taking action until directed in writing by a final order or judgment of a court of competent jurisdiction;

(n) So long as any of the Notes remains outstanding, the Company shall provide the Agents with a sufficient number of copies of this Indenture and each of the documents sent to the Trustee or which are required to be made available by stock exchange regulations or stated in the Offering Memorandum relating to the Notes, to be available and, subject to being provided with such copies, each of the Agents will procure that such copies shall be available at its specified office during normal office hours for examination by the Holders and that copies thereof will be furnished to the Holders upon written request at their own expense;

(o) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate and/or an Opinion of Counsel;

(p) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Holders, each representing less than a majority in aggregate principal amount of the Notes then outstanding, pursuant to the provisions of this Indenture, the Trustee, in its sole discretion, may determine what action, if any, will be taken and shall not incur any liability for its failure to act until such inconsistency or conflict is, in its reasonable opinion, resolved;

(q) The Trustee may, before commencing (or at any time during the continuance of) any act, action or proceeding, require the Holders at whose instance it is acting to deposit with the Trustee the Notes held by them, for which Notes the Trustee to which such Notes are deposited shall issue receipts to such Holders;

(r) Notwithstanding any other provision of this Indenture, the Trustee and the Paying Agent shall be entitled to make a deduction or withholding from any payment which they make under this Indenture for or on account of any present or future taxes, duties or charges if and to the extent so required by applicable law, in which event the Trustee or the Paying Agent, as applicable, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so withheld or deducted;

(s) The Trustee shall (except as expressly otherwise provided herein) as regards all the trusts, powers, authorities and discretions vested in it by this Indenture or by applicable law, have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and, absent any wilful misconduct, gross negligence or fraud on the part of the Trustee the Trustee shall not be responsible for any loss, damage, cost, claim or any other liability or inconvenience that may result from the exercise or non-exercise thereof;

(t) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice of the Company mentioned herein shall be sufficiently evidenced if in writing and signed by an Officer of the Company and any resolution of the Board of Directors shall be sufficiently evidenced by a board resolution;



(u) The Trustee shall have no duty to inquire as to the performance of the covenants of the Company or its Restricted Subsidiaries. Delivery of reports, information and documents to the Trustee under Section 4.03 hereof shall be for informational purposes only as regards the Trustee and the Trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates);

(v) The Trustee shall not have any obligation or duty to monitor, determine or inquire as to compliance, and shall not be responsible or liable for compliance with restrictions on transfer, exchange, redemption, purchase or repurchase, as applicable, of minimum denominations imposed under this Indenture or under applicable law or regulation with respect to any transfer, exchange, redemption, purchase or repurchase, as applicable, of any interest in any Notes;

(w) The Trustee is not required to give any bond or surety with respect to the performance of its duty or the exercise of its power under this Indenture or the Notes;

(x) No provision of this Indenture shall require the Trustee to do anything which, in its opinion, may be illegal or contrary to applicable law or regulation;

(y) The Trustee may assume without inquiry in the absence of actual knowledge that the Company is duly complying with its obligations contained in this Indenture required to be performed and observed by them, and that no Default or Event of Default or other event which would require repayment of the Notes has occurred; and

(z) The permissive right of the Trustee to take the actions permitted by this Indenture shall not be construed as an obligation or duty to do so.

#### Section 7.03 *[Intentionally Omitted.]*

#### Section 7.04 *Individual Rights of Trustee.*

(a) The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. The Trustee is also subject to Section 7.11 hereof.

(b) If the Trustee becomes a creditor of the Company or a Subsidiary Guarantor, this Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires actual knowledge that it has any conflicting interest it must eliminate such conflict within 90 days or resign.

#### Section 7.05 *Trustee's Disclaimer.*

The Trustee will not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it will not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it will not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than the certificate of authentication. The Trustee shall not be deemed to be required to calculate any Fixed Charges, Treasury Rates, Additional Amounts, any make-whole amount, any Fixed Charge Coverage Ratio or other coverage ratio, or otherwise.

#### Section 7.06 *Notice of Defaults.*

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee will mail to Holders a notice of the Default or Event of Default within ninety (90) days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium, Additional Amounts, if any, or interest on, any Note, the Trustee shall not be deemed to have such actual knowledge and may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders.

Section 7.07 *[Intentionally Omitted.]*

Section 7.08 *Compensation and Indemnity.*

(a) The Company will pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder pursuant to a written fee agreement executed or as otherwise agreed by the Trustee and the Company. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust. The Company will reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses properly incurred or made by it in addition to the compensation for its services. Such expenses will include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(b) The Company and the Subsidiary Guarantors will indemnify the Trustee and its officers, directors, employees and agents against any and all losses, liabilities or expenses (including the fees and expenses of counsel) incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company and the Subsidiary Guarantors (including this Section 7.08) and defending itself against any claim (whether asserted by the Company, the Subsidiary Guarantors, any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable solely to its gross negligence, willful misconduct or fraud as determined by a court of competent jurisdiction in a final non-appealable order. The Trustee will notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company will not relieve the Company or any of the Subsidiary Guarantors of their obligations hereunder. The Company or such Subsidiary Guarantor will defend the claim and the Trustee will cooperate in the defense. The Trustee may have separate counsel and the Company will pay the reasonable fees and expenses of such counsel. Neither the Company nor any Subsidiary Guarantor need to pay for any settlement made without its consent, which consent will not be unreasonably withheld.

(c) The obligations of the Company and the Subsidiary Guarantors under this Section 7.08 will survive the satisfaction and discharge of this Indenture, and the resignation or removal of the Trustee and/or any Agent.

(d) To secure the Company's and the Subsidiary Guarantors' payment obligations in this Section 7.08, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien will survive the satisfaction and discharge of this Indenture.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(a)(7) or Section 6.01(a)(8) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

Section 7.09 *Replacement of Trustee.*

(a) A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.09.

(b) The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in aggregate principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

- (1) the Trustee fails to comply with Section 7.11 hereof;

- (2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;
- (3) a custodian or public officer takes charge of the Trustee or its property; or
- (4) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company will promptly appoint a successor Trustee. Within one (1) year after the successor Trustee takes office, the holders of a majority in aggregate principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

(d) If a successor Trustee does not take office within sixty (60) days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of at least 10% in aggregate principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee at the sole expense of the Company.

(e) If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.11 hereof, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to Holders. The retiring Trustee will promptly transfer all property held by it as Trustee to the successor Trustee; *provided* all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.08 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.09, the Company's obligations under Section 7.08 hereof will continue for the benefit of the retiring Trustee.

#### Section 7.10 *Successor Trustee by Merger, etc.*

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act will be the successor Trustee.

#### Section 7.11 *Eligibility; Disqualification.*

There shall at all times be a Trustee hereunder that is entitled to carry out the activities of a trustee under the laws of England and Wales, or Hong Kong or the State of New York or is a corporation organized or doing business under the laws of the United States of America or any state thereof or the District of Columbia that is authorized under such laws to exercise corporate trustee power and that is a corporation which is generally recognized as a corporation which customarily performs such corporate trustee roles and provides such corporate trustee services in transactions similar in nature to the offering of the Notes. No obligor under the Notes or Person directly controlling, controlled by, or under common control with such obligor shall serve as trustee under the Notes.

#### Section 7.12 *Appointment of Co-Trustee.*

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction or otherwise, the Trustee shall have the power and may execute and deliver all instruments necessary to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustees, of all or any part of this Indenture, and to vest in such Person or Persons, in such capacity and for the benefit of the Holders, such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 7.09 hereof and no notice to the Holders of the appointment of any co-trustee or separate trustee shall be required.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(1) All rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Trustee.

(2) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(3) The Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Section 7.12. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection or rights (including the rights to compensation, reimbursement and indemnification hereunder) to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies, and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

#### Section 7.13 *Resignation of Agents.*

Any Agent may resign and be discharged from its duties under this Indenture at any time by giving thirty (30) days' prior written notice of such resignation to the Trustee and the Company. The Trustee or the Company may remove any Agent at any time by giving thirty (30) days' prior written notice to such Agent. Upon such notice, a successor Agent shall be appointed by the Company, who shall provide written notice of such to the Trustee. Such successor Agent shall become the Agent hereunder upon the resignation or removal date specified in such notice. If the Company is unable to replace the resigning Agent within thirty (30) days after such notice, the Agent shall deliver any funds then held hereunder in its possession to the Trustee or (i) such Agent may appoint as its successor Agent, any reputable and experienced financial institution acceptable to the Trustee and the Company or (ii) apply to a court of competent jurisdiction for the appointment of a successor Agent or for other appropriate relief. The reasonable costs and expenses (including its counsels' fees and expenses) incurred by the Agent in connection with such proceeding shall be paid by the Company. Upon receipt of the identity of the successor Agent, the Agent shall deliver any funds then held hereunder to the successor Agent, less the Agent's fees, costs and expenses or other obligations owed to the Agent. Upon its resignation and delivery of any funds, the Agent shall be discharged of and from any and all further obligations arising in connection with this Indenture, but shall continue to enjoy the benefit of Section 7.08 hereof.

Section 7.14 *Agents General Provisions.*

- (a) The rights, powers, duties and obligations and actions of each Agent under this Indenture are several and not joint or joint and several.
- (b) The Company and the Agents acknowledge and agree that in the event of a Default or Event of Default, the Trustee may, by notice in writing to the Company and the Agents, require that the Agents act as agents of, and take instructions exclusively from, the Trustee. Until they have received such written notice from the Trustee, the Agents shall act solely as agents of the Company and need have no concern for the interests of the Holders.
- (c) In the event that instructions given to any Agent are not reasonably clear, then such Agent shall be entitled to seek clarification from the Company or other party entitled to give the Agents instructions under this Indenture. If an Agent has sought clarification in accordance with this Section 7.14(c), then such Agent shall be entitled to take no action until such clarification is provided, and shall not incur any liability for not taking any action pending receipt of such clarification.
- (d) The Agents shall only have such duties as expressly set out in this Indenture.
- (e) The Company shall provide the Agents with a certified list of authorized signatories.

Section 7.15 *Rights of Trustee in Other Roles.*

All rights, powers and indemnities contained in this Article 7 shall apply to the Trustee in its other roles hereunder and to the Agents.

**ARTICLE 8**  
**LEGAL DEFEASANCE AND COVENANT DEFEASANCE**

Section 8.01 *Option to Effect Legal Defeasance or Covenant Defeasance.*

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

Section 8.02 *Legal Defeasance and Discharge.*

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Company and each of the Subsidiary Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from their Obligations with respect to all outstanding Notes (including the Note Guarantees) on the date the conditions set forth below are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, Legal Defeasance means that the Company and the Subsidiary Guarantors will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including the Note Guarantees), which will thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in clauses (1) and (2) below, and to have satisfied all their other obligations under such Notes, the Note Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which will survive until otherwise terminated or discharged hereunder:

- (1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium and Additional Amounts, if any, on, such Notes when such payments are due from the trust referred to in Section 8.04 hereof;

(2) the Company's Obligations with respect to the Notes under Article 2 and Section 4.02 hereof;

(3) the rights, powers, trusts, duties and immunities of the Trustee, the Paying Agent and Transfer Agent and the Registrar, and the Company's and the Subsidiary Guarantors' Obligations in connection therewith; and

(4) this Article 8.

Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 hereof.

#### Section 8.03 *Covenant Defeasance.*

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Company and each of the Subsidiary Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from each of their obligations under the covenants contained in Sections 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15, 4.16, 4.17, 4.18, 4.19 and 4.21 hereof and Section 5.01(a)(3) hereof with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, "*Covenant Defeasance*"), and the Notes will thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but will continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes will not be deemed outstanding for accounting purposes). For this purpose, *Covenant Defeasance* means that, with respect to the outstanding Notes and Note Guarantees, the Company and the Subsidiary Guarantors may omit to comply with and will have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply will not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes and Note Guarantees will be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04 hereof and Section 6.01(a)(3) through 6.01(a)(5) hereof will not constitute Events of Default.

#### Section 8.04 *Conditions to Legal or Covenant Defeasance.*

In order to exercise either Legal Defeasance or Covenant Defeasance under either Section 8.02 or 8.03 hereof:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars, non-callable U.S. Government Obligations, or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of an election under Section 8.02 hereof, the Company must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that:

(A) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or

(B) since the date of this Indenture, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of an election under Section 8.03 hereof, the Company must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company must deliver to the Trustee an Officer's Certificate of the Company stating that the deposit was not made by the Company with the intent of preferring the Holders over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and

(7) the Company must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

(8) The Trustee shall be entitled to its usual fees and, in addition, any fees and expenses incurred or charged by the Trustee and its counsel in connection with defeasance, satisfaction and discharge, and investment or custody services provided hereunder.

*Section 8.05 Deposited Money and U.S. Government Obligations to be Held in Trust; Other Miscellaneous Provisions.*

Subject to Section 8.06 hereof, all money and non-callable U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 hereof in respect of the outstanding Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, and Additional Amounts, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company will pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Obligations deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the holders of the outstanding Notes.

Notwithstanding anything in this Article 8 to the contrary, the Trustee will deliver or pay to the Company from time to time upon the request of the Company any money or non-callable U.S. Government Obligations held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(1) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

*Section 8.06 Repayment to Company.*

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on, any Note and remaining unclaimed for two (2) years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) will be discharged from such trust; and the holder of such Note will thereafter be permitted to look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, will thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which will not be less than thirty (30) days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

*Section 8.07 Reinstatement.*

If the Trustee or Paying Agent is unable to apply any U.S. dollars or non-callable U.S. Government Obligations in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's and the Subsidiary Guarantors' obligations under this Indenture and the Notes and the Note Guarantees will be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; *provided, however*, that, if the Company makes any payment of principal of, premium, if any, or interest on, any Note following the reinstatement of its obligations, the Company will be subrogated to the rights of the holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

**ARTICLE 9**  
**AMENDMENT, SUPPLEMENT AND WAIVER**

*Section 9.01 Without Consent of Holders of Notes.*

Notwithstanding Section 9.02 of this Indenture, the Company, the Subsidiary Guarantors, the Trustee (as applicable and to the extent each is a party to the relevant document) may amend or supplement this Indenture, the Notes, and/or the Note Guarantees without the consent of any Holder:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes;
- (3) to provide for the assumption of the Company's or a Subsidiary Guarantor's Obligations under the Notes or the Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Subsidiary Guarantor's assets, as applicable;



(4) to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under this Indenture of any such Holder;

(5) to conform the text of the Notes, this Indenture or the Note Guarantees to any provision of the "Description of Notes" section of the Offering Memorandum, to the extent that such provision in that "Description of Notes" section of the Offering Memorandum was intended to be a verbatim recitation of a provision of the Notes, this Indenture or the Note Guarantees, which intent shall be evidenced by an Officer's Certificate of the Company to that effect;

(6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture as of the date of this Indenture; or

(7) to allow any Subsidiary Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes or to release any Subsidiary Guarantor from its Note Guarantee in accordance with the terms of this Indenture.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee, will join with the Company and the Subsidiary Guarantors in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but neither the Trustee nor any Agent will be obligated to (although they may at their discretion) enter into such amended or supplemental indenture that affects their own rights, duties or immunities under this Indenture or otherwise.

#### Section 9.02 *With Consent of Holders of Notes.*

Except as provided below in this Section 9.02, the Company and the Trustee may amend or supplement this Indenture (including, without limitation, Section 3.09, 4.10 and 4.15 hereof) and the Notes, and the Company, the Trustee and the Subsidiary Guarantors, may amend or supplement the Note Guarantees with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium or Additional Amounts, if any, or interest on, the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture, the Notes or the Note Guarantees may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes).

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02, 9.06, 13.04 and 13.05 hereof, the Trustee, will join with the Company and the Subsidiary Guarantors in the execution of such amended or supplemental indenture authorized or permitted by the terms of this Indenture unless such amended or supplemental indenture directly affects the Trustee's or any Agent's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee and/or each Agent may in their discretion, but will not be obligated to, enter into such amended or supplemental indenture.

It is not necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it is sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company will mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding voting as a single class may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes. However, without the consent of each Holder (including the Additional Notes) affected, an amendment, supplement or waiver under this Section 9.02 may not (with respect to any Notes (including the Additional Notes) held by a non-consenting Holder):

- (1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of, premium, if any, or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (except as provided above with respect to Sections 3.09, 4.10, 4.21 and 4.15 hereof);
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;
- (4) waive a Default or Event of Default in the payment of principal of, or interest or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any Note payable in money other than that stated in the Notes;
- (6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of, or interest or premium, if any, on, the Notes;
- (7) waive a redemption payment with respect to any Note (other than a payment required by Section 3.09, 4.10, 4.21 or 4.15 hereof);
- (8) release any Subsidiary Guarantor from any of its Obligations under its Note Guarantee or this Indenture, except in accordance with the terms of this Indenture; or
- (9) make any change in the preceding amendment and waiver provisions.

For the avoidance of doubt, no amendment to or deletion of, or actions taken in compliance with, the covenants described under Article 4 shall be deemed to impair or affect any rights of Holders to receive payment of principal of, or premium, if any, or interest on, the Notes.

#### *Section 9.03 Supplemental Indenture.*

Every amendment or supplement to this Indenture or the Notes will be set forth in an amended or supplemental indenture.

#### *Section 9.04 Revocation and Effect of Consents.*

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by such Holder and every subsequent holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section 9.05 *Notation on or Exchange of Notes.*

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note will not affect the validity and effect of such amendment, supplement or waiver.

Section 9.06 *Trustee to Sign Amendments, etc.*

The Trustee will sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amended or supplemental indenture until the Board of Directors of the Company approves it. In executing any amended or supplemental indenture, the Trustee will be entitled to receive security and/or indemnity to their reasonable satisfaction. The Trustee (subject to Section 7.01 hereof) will be fully protected in relying upon, in addition to the documents required by Section 13.04 hereof, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture, that the supplemental indenture is legal, valid, binding and enforceable against the Company in accordance with its terms and such other matters as the Trustee may request. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

**ARTICLE 10**  
**[INTENTIONALLY OMITTED]**

**ARTICLE 11**  
**NOTE GUARANTEES**

Section 11.01 *Guarantee.*

(a) Each Subsidiary Guarantor hereby jointly and severally, irrevocably and unconditionally guarantees to each Holder and to the Trustee, successors and assigns (1) the full and punctual payment when due, whether at Stated Maturity, by acceleration, by redemption or otherwise, of all obligations of the Company under this Indenture (including obligations to the Trustee) and the Notes, whether for payment of principal of, interest, premium or Additional Amounts, if any, on the Notes and all other monetary obligations of the Company under this Indenture and the Notes and (2) the full and punctual performance within applicable grace periods of all other obligations of the Company whether for fees, expenses, indemnification or otherwise under this Indenture and the Notes (all the foregoing being hereinafter collectively called the "*Guaranteed Obligations*"). Each Subsidiary Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from each such Subsidiary Guarantor, and that each such Subsidiary Guarantor shall remain bound under this Article 11 notwithstanding any extension or renewal of any Guaranteed Obligation.

(b) Each Subsidiary Guarantor waives presentation to, demand of payment from and protest to the Company of any of the Guaranteed Obligations and also waives notice of protest for non-payment. Each Subsidiary Guarantor waives notice of any default under the Notes or the Guaranteed Obligations. The obligations of each Subsidiary Guarantor hereunder shall not be affected by (1) the failure of any Holder or the Trustee to assert any claim or demand or to enforce any right or remedy against the Company or any other Person under this Indenture, the Notes or any other agreement or otherwise; (2) any extension or renewal of any thereof; (3) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Notes or any other agreement; (4) the release of any security held by any Holder or the Trustee for the Guaranteed Obligations or any of them; (5) the failure of any Holder or the Trustee to exercise any right or remedy against any other guarantor of the Guaranteed Obligations; or (6) any change in the ownership of such Subsidiary.

(c) Each Subsidiary Guarantor hereby waives any right to which it may be entitled to have its obligations hereunder divided among the Subsidiary Guarantors, such that such Subsidiary Guarantor's obligations would be less than the full amount claimed. Each Subsidiary Guarantor hereby waives any right to which it may be entitled to have the assets of the Company first be used and depleted as payment of the Company's or such Subsidiary Guarantor's obligations hereunder prior to any amounts being claimed from or paid by such Subsidiary Guarantor hereunder. Each Subsidiary Guarantor hereby waives any right to which it may be entitled to require that the Company be sued prior to an action being initiated against such Subsidiary Guarantor.

(d) Each Subsidiary Guarantor further agrees that its Note Guarantee herein constitutes a guarantee of payment, performance and compliance when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder or the Trustee to any security held for payment of the Guaranteed Obligations.

(e) Except as expressly set forth in Sections 8.02, 11.02 and 11.08, the obligations of each Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder or the Trustee to assert any claim or demand or to enforce any remedy under this Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of any Subsidiary Guarantor or would otherwise operate as a discharge of any Subsidiary Guarantor as a matter of law or equity.

(f) Except as expressly set forth in Sections 8.02, 11.02 and 11.08, each Subsidiary Guarantor agrees that its Note Guarantee shall remain in full force and effect until payment in full of all the Guaranteed Obligations. Each Subsidiary Guarantor further agrees that its Note Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Guaranteed Obligation is rescinded or must otherwise be restored by any Holder or the Trustee upon the bankruptcy or reorganization of the Company or otherwise.

(g) In furtherance of the foregoing and not in limitation of any other right which any Holder or the Trustee has at law or in equity against any Subsidiary Guarantor by virtue hereof, upon the failure of the Company to pay the principal of or interest on any Guaranteed Obligation when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, or to perform or comply with any other Guaranteed Obligation, each Subsidiary Guarantor hereby promises to and shall, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders or the Trustee an amount equal to the sum of (1) the unpaid principal amount of such Guaranteed Obligations, (2) accrued and unpaid interest on such Guaranteed Obligations (but only to the extent not prohibited by law) and (3) all other monetary obligations of the Company to the Holders and the Trustee.

(h) Each Subsidiary Guarantor further agrees that, as between it, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of any Note Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby, and (2) in the event of any declaration of acceleration of such Guaranteed Obligations as provided in Article 6, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by such Subsidiary Guarantor for the purposes of Section 11.01.

(i) Each Subsidiary Guarantor also agrees to pay any and all costs and expenses (including attorneys' fees and expenses) incurred by the Trustee in enforcing any rights under Section 11.01.

(j) Upon request of the Trustee, each Subsidiary Guarantor shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

*Section 11.02 Limitation on Liability.*

Any term or provision of this Indenture to the contrary notwithstanding, the maximum aggregate amount of the Guaranteed Obligations guaranteed hereunder by any Subsidiary Guarantor shall not exceed the maximum amount that can be hereby guaranteed by the applicable Subsidiary Guarantor without rendering the Note Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to ultra vires, fraudulent conveyance, fraudulent transfer, corporate benefit, financial assistance or similar laws affecting the rights of creditors generally or other considerations under applicable law.

*Section 11.03 Successors and Assigns.*

This Article 11 shall be binding upon each Subsidiary Guarantor and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in this Indenture and in the Notes shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Indenture.

*Section 11.04 No Waiver.*

Neither a failure nor a delay on the part of either the Trustee or the Holders in exercising any right, power or privilege under this Article 11 shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article 11 at law, in equity, by statute or otherwise.

*Section 11.05 Modification.*

No modification, amendment or waiver of any provision of this Article 11, nor the consent to any departure by any Subsidiary Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Subsidiary Guarantor in any case shall entitle such Subsidiary Guarantor to any other or further notice or demand in the same, similar or other circumstances.

*Section 11.06 Execution of Supplemental Indenture for Future Subsidiary Guarantors.*

Each Restricted Subsidiary which is required to become a Subsidiary Guarantor pursuant to Section 4.17 hereof shall promptly execute and deliver to the Trustee a supplemental indenture pursuant to which such Subsidiary shall become a Subsidiary Guarantor under this Article 11 and shall guarantee the Guaranteed Obligations. Concurrently with the execution and delivery of such supplemental indenture, the Company shall deliver to the Trustee an Opinion of Counsel and an Officer's Certificate to the effect that such supplemental indenture has been duly authorized, executed and delivered by such Restricted Subsidiary and that, subject to the application of bankruptcy, insolvency, moratorium, fraudulent conveyance or transfer and other similar laws relating to creditors' rights generally and to the principles of equity, whether considered in a proceeding at law or in equity, the Note Guarantee of such Subsidiary Guarantor is a legal, valid and binding obligation of such Subsidiary Guarantor, enforceable against such Subsidiary Guarantor in accordance with its terms and/or to such other matters as the Trustee may reasonably request.

Section 11.07 *Non-Impairment.*

The failure to endorse a Note Guarantee on any Note shall not affect or impair the validity thereof.

Section 11.08 *Release of Guarantees.*

(a) Subject to paragraphs (b) and (c), each Note Guarantee, once it becomes due, is a continuing guarantee and shall (i) remain in full force and effect until payment in full of all the Guaranteed Obligations, (ii) be binding upon each Subsidiary Guarantor and its successors and (iii) inure to the benefit of, and be enforceable by, the Trustee, the Holders and their successors, transferees and assigns.

(b) The Note Guarantee of a Subsidiary Guarantor with respect to the Notes will be automatically and unconditionally released and discharged:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Subsidiary Guarantor (including by way of merger or, consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate Section 3.09 or 4.15 hereof;

(2) in connection with any sale or other disposition of the Capital Stock of that Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate Section 3.09 or 4.15 hereof and such Subsidiary Guarantor ceases to be a Restricted Subsidiary of the Company as a result of such sale or other disposition;

(3) if the Company designates any Restricted Subsidiary that is a Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with Section 4.18 hereof;

(4) upon Legal Defeasance or satisfaction and discharge of the Indenture as provided by Articles 8 and 12 of this Indenture;

(5) upon payment in full of the principal of, premium, if any, and accrued and unpaid interest on, the Notes and all other Obligations that are then due and payable thereunder;

(6) upon the merger or consolidation of any Subsidiary Guarantor with and into the Company or a Wholly-Owned Subsidiary Guarantor (or a Wholly-Owned Restricted Subsidiary that becomes a Subsidiary Guarantor concurrently with the transaction) that is the surviving Person in such merger or consolidation, or upon the liquidation of such Subsidiary Guarantor following the transfer of all or substantially all of its assets to the Company or a Wholly-Owned Subsidiary Guarantor (or a Wholly-Owned Restricted Subsidiary that becomes a Subsidiary Guarantor concurrently with the transaction); or

(7) as described under Article 9 hereof.

(c) Each Holder hereby authorizes the Trustee to take all actions to effectuate any release in accordance with the provisions of this Section 11.08, subject to customary and reasonably satisfactory protections and indemnifications provided by the Company to the Trustee.

**ARTICLE 12**  
**SATISFACTION AND DISCHARGE**

Section 12.01 *Satisfaction and Discharge.*

This Indenture will be discharged and will cease to be of further effect as to all Notes issued hereunder, when:

(1) either:

(A) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(B) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one (1) year and the Company has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable U.S. Government Obligations, or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound;

(3) the Company or any Subsidiary Guarantor has paid or caused to be paid all sums payable by it under this Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate of the Company and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to sub clause (b) of clause (1) of this Section 12.01, the provisions of Sections 12.02 and 8.06 hereof will survive.

Section 12.02 *Application of Trust Money.*

Subject to the provisions of Section 8.06 hereof, all money deposited with the Trustee pursuant to Section 12.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

If the Trustee or Paying Agent is unable to apply any cash in U.S. dollars or non-callable U.S. Government Obligations in accordance with Section 12.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 12.01 hereof; *provided that* if the Company has made any payment of principal of, premium, if any, or interest on, any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the cash in U.S. dollars or non-callable U.S. Government Obligations held by the Trustee or Paying Agent.

### ARTICLE 13 MISCELLANEOUS

Section 13.01 *[Intentionally Omitted]*.

Section 13.02 *Notices*.

Any notice or communication by the Company or the Trustee to the others is duly given if in writing, in the English language, and delivered in Person or by first class mail (registered or certified, return receipt requested), facsimile transmission, electronic mail (in pdf format) or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Company, Studio City Investments Limited, Studio City Company Limited, Studio City Holdings Two Limited, Studio City Holdings Three Limited, Studio City Holdings Four Limited, SCP Holdings Limited, SCIP Holdings Limited, SCP One Limited and/or SCP Two Limited:

Jayla Place, Wickhams Cay I  
Road Town, Tortola  
British Virgin Islands

With a copy to:

Studio City (HK) Limited  
36th Floor, The Centrium  
60 Wyndham Street  
Central, Hong Kong  
Facsimile No.: +852 2537 3618  
Attention: Company Secretary

If to Studio City Services Limited, Studio City Entertainment Limited, Studio City Hotels Limited, Studio City Hospitality and Services Limited, Studio City Retail Services Limited and/or Studio City Developments Limited:

Rua de Évora, nos 199-207  
Edifício Flower City  
1° andar, A1, Taipa  
Macau

With a copy to:

Studio City (HK) Limited  
36th Floor, The Centrium  
60 Wyndham Street  
Central, Hong Kong  
Facsimile No.: +852 2537 3618  
Attention: Company Secretary



With a copy to:  
Ashurst Hong Kong  
11/F Jardine House  
1 Connaught Place  
Central, Hong Kong  
Facsimile No.: +852 2868 0898  
Attention: Anna-Marie Slot

If to Studio City (HK) Two Limited:

36th Floor, The Centrium  
60 Wyndham Street  
Central, Hong Kong  
Facsimile No.: +852 2537 3618  
Attention: Company Secretary

If to the Trustee, the Paying Agent, Registrar and Transfer Agent:  
Deutsche Bank Trust Company Americas  
60 Wall Street, 16<sup>th</sup> Floor  
MS NYC60-1630  
New York, NY 10005  
United States

Facsimile No.: (732) 578-4635  
Attention: Corporates Team – Studio City Finance Limited

With a copy to:

Deutsche Bank National Trust Company  
for Deutsche Bank Trust Company Americas  
100 Plaza One – 8<sup>th</sup> Floor  
MS JCY03-0801  
Jersey City, NJ 07311-3901  
United States  
Attention: Corporates Team – Studio City Finance Limited  
Facsimile: (732) 578-4635

The Company, any Subsidiary Guarantor, the Trustee and any Agent, by notice to the others, may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if transmitted by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder will be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it will not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it will mail a copy to the Trustee and each Agent at the same time.

Section 13.03 *Communication by Holders of Notes with Other Holders of Notes.*

Holders may communicate with other Holders with respect to their rights under this Indenture or the Notes.

Section 13.04 *Certificate and Opinion as to Conditions Precedent.*

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officer's Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 13.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 13.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 13.05 *Statements Required in Certificate or Opinion.*

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 13.06 *Rules by Trustee and Agents.*

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 13.07 *No Personal Liability of Directors, Officers, Employees and Stockholders.*

No past, present or future director, officer, employee, incorporator or stockholder of the Company or any Subsidiary Guarantor, as such, will have any liability for any obligations of the Company or the Subsidiary Guarantors under the Notes, this Indenture or the Notes Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Section 13.08 *Governing Law.*

THE LAWS OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 13.09 *No Adverse Interpretation of Other Agreements.*

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 13.10 *Successors.*

All agreements of the Company in this Indenture and the Notes will bind its successors. All agreements of the Trustee and each Agent in this Indenture will bind their respective successors. All agreements of each Subsidiary Guarantor in this Indenture will bind their respective successors, except as otherwise provided in Section 11.05 hereof.

Section 13.11 *Severability.*

In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

Section 13.12 *Counterpart Originals.*

The parties may sign any number of copies of this Indenture. Each signed copy will be an original, but all of them together represent the same agreement.

Section 13.13 *Table of Contents, Headings, etc.*

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and will in no way modify or restrict any of the terms or provisions hereof.

Section 13.14 *Patriot Act*

In order to comply with the laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including, without limitation, those relating to the funding of terrorist activities and money laundering, including Section 326 of the USA Patriot Act of the United States ("Applicable Law"), the Trustee and Agents are required to obtain, verify, record and update certain information relating to individuals and entities which maintain a business relationship with the Trustee and Agents. Accordingly, each of the parties agree to provide to the Trustee and Agents, upon their request from time to time such identifying information and documentation as may be available for such party in order to enable the Trustee and Agents to comply with Applicable Law.

Section 13.15 *Submission to Jurisdiction; Waiver of Jury Trial*

THE COMPANY AND EACH SUBSIDIARY GUARANTOR HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE FEDERAL AND STATE COURTS IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK IN ANY SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE COMPANY AND EACH SUBSIDIARY GUARANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTE GUARANTEES, THE NOTES AND ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY IN FEDERAL AND STATE COURTS IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK AND IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT OR PROCEEDING IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE TRUSTEE OR ANY HOLDER OF THE NOTES TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY OTHER JURISDICTION. THE COMPANY AND EACH SUBSIDIARY GUARANTOR IRREVOCABLY APPOINTS LAW DEBENTURE CORPORATE SERVICES INC., 4TH FLOOR, 400 MADISON AVENUE, NEW YORK, NEW YORK, 10017, AS ITS AUTHORIZED AGENT IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK UPON WHICH PROCESS MAY BE SERVED IN ANY SUCH SUIT OR PROCEEDING, AND AGREES THAT SERVICE OF PROCESS UPON SUCH AGENT, AND WRITTEN NOTICE OF SAID SERVICE TO THE COMPANY BY THE PERSON SERVING THE SAME TO THE ADDRESS PROVIDED IN SECTION 13.02, SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON THE COMPANY OR ANY SUBSIDIARY GUARANTOR, AS THE CASE MAY BE, IN ANY SUCH SUIT OR PROCEEDING. THE COMPANY AND EACH SUBSIDIARY GUARANTOR FURTHER AGREES TO TAKE ANY AND ALL ACTION AS MAY BE NECESSARY TO MAINTAIN SUCH DESIGNATION AND APPOINTMENT OF SUCH AGENT IN FULL FORCE AND EFFECT FOR SO LONG AS THE NOTES ARE OUTSTANDING FROM THE DATE OF THIS INDENTURE.

EACH PARTY HERETO HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS INDENTURE, THE NOTES, THE NOTE GUARANTEES, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION 13.15 HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS SHALL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, SUPPLEMENTS OR MODIFICATIONS TO (OR ASSIGNMENTS OF) THIS INDENTURE. IN THE EVENT OF LITIGATION, THIS INDENTURE MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL (WITHOUT A JURY) BY THE COURT.

[Signatures on following page]

**SIGNATURES**

Dated as of February 11, 2019

STUDIO CITY FINANCE LIMITED

By: /s/ Geoffrey P. Andres

Name: Geoffrey P. Andres

Title: Authorized Signatory

STUDIO CITY INVESTMENTS LIMITED

By: /s/ Geoffrey P. Andres

Name: Geoffrey P. Andres

Title: Authorized Signatory

STUDIO CITY COMPANY LIMITED

By: /s/ Geoffrey P. Andres

Name: Geoffrey P. Andres

Title: Authorized Signatory

STUDIO CITY HOLDINGS TWO LIMITED

By: /s/ Geoffrey P. Andres

Name: Geoffrey P. Andres

Title: Authorized Signatory

STUDIO CITY HOLDINGS THERE LIMITED

By: /s/ Geoffrey P. Andres

Name: Geoffrey P. Andres

Title: Authorized Signatory

STUDIO CITY HOLDINGS FOUR LIMITED

By: /s/ Geoffrey P. Andres

Name: Geoffrey P. Andres

Title: Authorized Signatory

[SIGNATURE PAGE - INDENTURE]

STUDIO CITY ENTERTAINMENT LIMITED

By: /s/ Geoffry P. Andres

Name: Geoffry P. Andres

Title: Authorized Signatory

STUDIO CITY SERVICES LIMITED

By: \_\_\_\_\_

Name:

Title:

STUDIO CITY HOTELS LIMITED

By: /s/ Geoffry P. Andres

Name: Geoffry P. Andres

Title: Authorized Signatory

SCP HOLDINGS LIMITED

By: /s/ Geoffry P. Andres

Name: Geoffry P. Andres

Title: Authorized Signatory

STUDIO CITY HOSPITALITY AND SERVICES  
LIMITED

By: \_\_\_\_\_

Name:

Title:

SCP ONE LIMITED

By: /s/ Geoffry P. Andres

Name: Geoffry P. Andres

Title: Authorized Signatory

[SIGNATURE PAGE - INDENTURE]

STUDIO CITY ENTERTAINMENT LIMITED

By: \_\_\_\_\_  
Name:  
Title:

STUDIO CITY SERVICES LIMITED

By: /s/ Evan A. Winkler \_\_\_\_\_  
Name: Evan A. Winkler  
Title: Authorized Signatory

STUDIO CITY HOTELS LIMITED

By: \_\_\_\_\_  
Name:  
Title:

SCP HOLDINGS LIMITED

By: \_\_\_\_\_  
Name:  
Title:

STUDIO CITY HOSPITALITY AND SERVICES  
LIMITED

By: /s/ Evan A. Winkler \_\_\_\_\_  
Name: Evan A. Winkler  
Title: Authorized Signatory

SCP ONE LIMITED

By: \_\_\_\_\_  
Name:  
Title:

[SIGNATURE PAGE - INDENTURE]

SCP TWO LIMITED

By: /s/ Geoffry P. Andres

Name: Geoffry P. Andres

Title: Authorized Signatory

STUDIO CITY INVESTMENTS LIMITED

By: /s/ Geoffry P. Andres

Name: Geoffry P. Andres

Title: Authorized Signatory

SCIP HOLDINGS LIMITED

By: /s/ Geoffry P. Andres

Name: Geoffry P. Andres

Title: Authorized Signatory

STUDIO CITY RETAIL SERVICES LIMITED

By: /s/ Geoffry P. Andres

Name: Geoffry P. Andres

Title: Authorized Signatory

STUDIO CITY (HK)TWO LIMITED

By: /s/ Stephanie Cheung

Name: Stephanie Cheung

Title: Authorized Signatory

[SIGNATURE PAGE – INDENTURE]



DEUTSCHE BANK TRUST COMPANY AMERICAS, as  
Trustee

By: Deutsche Bank National Trust Company

By: /s/ Annie Jaghatspanyan

Name: Annie Jaghatspanyan

Title: Vice President

By: /s/ Robert S. Peschler

Name: Robert S. Peschler

Title: Vice President

DEUTSCHE BANK TRUST COMPANY AMERICAS,  
as Paying Agent, Registrar and Transfer Agent

By: Deutsche Bank National Trust Company

By: /s/ Annie Jaghatspanyan

Name: Annie Jaghatspanyan

Title: Vice President

By: /s/ Robert S. Peschler

Name: Robert S. Peschler

Title: Vice President

[SIGNATURE PAGE – INDENTURE]

[Face of Note]

[Insert the Global Note Legend, if applicable pursuant to the provisions of the Indenture]

[Insert the Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

**CUSIP:**  
**ISIN:**  
**COMMON CODE:**

7.250% Senior Notes due 2024

No. \_\_\_\_\_

STUDIO CITY FINANCE LIMITED

Promises to pay to Cede & Co. or its registered assigns, the principal sum of \_\_\_\_\_ [NUMBER IN WORDS] February 11, 2024.

Interest Payment Dates: February 11 and August 11

Record Dates: January 27 and July 27

Dated: \_\_\_\_\_, 20\_\_

IN WITNESS WHEREOF, the Company has caused this Note to be signed manually or by facsimile by the duly authorized officers referred to below.

Dated: \_\_\_\_\_, 20\_\_

STUDIO CITY FINANCE LIMITED, as Company

By: \_\_\_\_\_

Name:

Title:

**Certificate of Authentication**

This is one of the Notes referred to in the within-mentioned Indenture.

Dated: \_\_\_\_\_, 20\_\_

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Trustee

By: \_\_\_\_\_

Name:

Title:

[Back of Note]  
STUDIO CITY FINANCE LIMITED  
7.250% SENIOR NOTES DUE 2024

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST.* Studio City Finance Limited, a BVI business company with limited liability incorporated under the laws of the British Virgin Islands (the “*Company*”), promises to pay interest on the principal amount of this Note at 7.250% per annum from August 11, 2019 until maturity. The Company will pay interest and Additional Amounts, if any, semi-annually in arrears on February 11 and August 11 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an “*Interest Payment Date*”). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided that* if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided further* that the first Interest Payment Date shall be August 11, 2019. The Company will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Additional Amounts (without regard to any applicable grace period) at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) *METHOD OF PAYMENT.* The Company will pay interest on the Notes (except defaulted interest) and Additional Amounts, if any, to the Persons who are registered Holders of Notes at the close of business on January 27 or July 27 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, and Additional Amounts, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest and Additional Amounts, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided that* payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Additional Amounts, if any, on, all Global Notes and all other Notes, the Holders of which will have provided wire transfer instructions to the Company or the Paying Agent, and shall so notify the Trustee and the Paying Agent thereof. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR.* Initially, Deutsche Bank Trust Company Americas will act as Paying Agent, Registrar and Transfer Agent. The Company may change any Paying Agent, Transfer Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE.* The Company issued the Notes under an Indenture dated as of February 11, 2019 (the “*Indenture*”) among the Company, each Subsidiary Guarantor, the Trustee, the Paying Agent, the Registrar and other persons from time to time party thereto. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Indenture does not limit the aggregate principal amount of Notes that may be issued thereunder.

(5) *OPTIONAL REDEMPTION.*

(a) On or after February 11, 2021, the Company may redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable redemption date, if redeemed during the periods indicated below, subject to the rights of Holders on the relevant record date to receive interest on the relevant interest payment date:

<u>Period</u>	<u>Redemption Price</u>
Twelve-month period on or after February 11, 2021	103.625%
Twelve-month period on or after February 11, 2022	101.813%
On or after February 11, 2023	100.000%

(b) Notwithstanding the provisions of subparagraph (b) of this Paragraph (5), at any time prior to February 11, 2021, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes at a redemption price equal to 107.250% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date (subject to the rights of the Holders on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of one or more Equity Offerings; *provided that* at least 65% in aggregate principal amount of the Notes originally issued under the Indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption and that such redemption occurs within 45 days of the date of the closing of such Equity Offering.

(c) At any time prior to February 11, 2021, the Company may also redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each Holder's registered address, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date.

(d) Any redemption pursuant to subparagraphs (a), (b) and (c) of this Paragraph

(5) may, at the discretion of the Company, be subject to the satisfaction of one or more conditions precedent. If such redemption is so subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, at the Company's discretion, the redemption date may be delayed until such time (*provided, however*, that any delayed redemption date shall not be more than 60 days after the date the relevant notice of redemption was sent) as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date or by the redemption date as delayed. In addition, the Company may provide in such notice that payment of the redemption price and performance of the Company's obligations with respect to such redemption may be performed by another Person.

(e) Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(f) The Notes may also be redeemed in the circumstances described in Sections 3.10 and 3.11 of the Indenture.

(6) *MANDATORY REDEMPTION*. The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

(7) *REPURCHASE AT THE OPTION OF HOLDER*. The Notes may be subject to a Change of Control Offer, a Special Put Option or an Asset Sale Offer, as further described in Sections 3.09, 4.10, 4.15 and 4.21 of the Indenture.

(8) *NOTICE OF REDEMPTION*. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction or discharge of the Indenture. Notes in denominations larger than US\$200,000 may be redeemed in part but only in integral multiples of US\$1,000 provided that the unredeemed part has a minimum denomination of US\$200,000, unless all of the Notes held by a Holder are to be redeemed.

(9) *DENOMINATIONS, TRANSFER, EXCHANGE*. The Notes are in registered form without coupons in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar, the Transfer Agent and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) *PERSONS DEEMED OWNERS*. The registered Holder may be treated as its owner for all purposes.

(11) *AMENDMENT, SUPPLEMENT AND WAIVER*. The Indenture, the Notes or the Note Guarantees may be amended as set forth in the Indenture.

(12) *DEFAULTS AND REMEDIES*. The events listed in Section 6.01 of the Indenture shall constitute “*Events of Default*” for the purpose of this Note.

(13) *TRUSTEE DEALINGS WITH COMPANY*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

(14) *NO RECOURSE AGAINST OTHERS*. A director, officer, employee, incorporator or stockholder of the Company, as such, will not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(15) *AUTHENTICATION*. This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(16) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(17) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption, and reliance may be placed only on the other identification numbers placed thereon.

(18) *GOVERNING LAW*. THE LAWS OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE AND THIS NOTE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Studio City Finance Limited  
Jayla Place, Wickhams Cay I  
Road Town, Tortola  
British Virgin Islands  
Attention: Company Secretary

With a copy to:  
Studio City (HK) Limited  
36th Floor, The Centrium  
60 Wyndham Street  
Central, Hong Kong  
Facsimile No.: +852 2537 3618  
Attention: Company Secretary



ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: \_\_\_\_\_  
(Insert assignee's legal name)

\_\_\_\_\_  
(Insert assignee's soc. sec. or tax I.D. no.)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Print or type assignee's name, address and zip code)

and irrevocably appoint \_\_\_\_\_ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_  
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee\*: \_\_\_\_\_

\* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

*OPTION OF HOLDER TO ELECT PURCHASE*

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10, Section 4.15 or Section 4.21 of the Indenture, check the appropriate box below:

Section 4.10

Section 4.15

Section 4.21

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10, Section 4.15 or Section 4.21 of the Indenture, state the amount you elect to have purchased:

Date: \_\_\_\_\_

US\$ \_\_\_\_\_

Your Signature: \_\_\_\_\_  
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: \_\_\_\_\_

Signature Guarantee\*: \_\_\_\_\_

\* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

<u>Date of Exchange</u>	<u>Amount of decrease in Principal Amount of this Global Note</u>	<u>Amount of increase in Principal Amount of this Global Note</u>	<u>Principal Amount of this Global Note following such decrease (or increase)</u>	<u>Signature of authorized officer of Trustee or Custodian</u>
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## FORM OF CERTIFICATE OF TRANSFER

[Company address block]

[Registrar address block]

Re: 7.250% Senior Notes due 2024 of Studio City Finance Limited

Reference is hereby made to the Indenture, dated as of February 11, 2019 (the “*Indenture*”), among Studio City Finance Limited, as issuer (the “*Company*”), each Subsidiary Guarantor and Deutsche Bank Trust Company Americas, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

\_\_\_\_\_, (the “*Transferor*”) owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of US\$\_\_\_\_\_ in such Note[s] or interests (the “*Transfer*”), to \_\_\_\_\_ (the “*Transferee*”), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1.  **Check if Transferee will take delivery of a beneficial interest in the 144A Global Note or a Restricted Definitive Note pursuant to Rule 144A.** The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the “*Securities Act*”), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

2.  **Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Note or a Restricted Definitive Note pursuant to Regulation S.** The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

3.  **Check and complete if Transferee will take delivery of a beneficial interest in a Restricted Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S.** The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a)  such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b)  such Transfer is being effected to the Company or a subsidiary thereof;

or

(c)  such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.

4.  **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note.**

(a)  **Check if Transfer is pursuant to Rule 144.** (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b)  **Check if Transfer is Pursuant to Regulation S.** (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c)  **Check if Transfer is Pursuant to Other Exemption.** (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

---

[Insert Name of Transferor]

By: \_\_\_\_\_

Name:

Title:

Dated: \_\_\_\_\_

**ANNEX A TO CERTIFICATE OF TRANSFER**

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

- (a)  a beneficial interest in the:
  - (i)  144A Global Note (CUSIP \_\_\_\_\_), or
  - (ii)  Regulation S Global Note (CUSIP \_\_\_\_\_); or
- (b)  a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

- (a)  a beneficial interest in the:
    - (i)  144A Global Note (CUSIP \_\_\_\_\_), or
    - (ii)  Regulation S Global Note (CUSIP \_\_\_\_\_), or
    - (iii)  Unrestricted Global Note (CUSIP \_\_\_\_\_); or
  - (b)  a Restricted Definitive Note; or
  - (c)  an Unrestricted Definitive Note,
- in accordance with the terms of the Indenture.

## FORM OF CERTIFICATE OF EXCHANGE

[Company address block]

[Registrar address block]

Re: 7.250% Senior Notes due 2024 of Studio City Finance Limited

(CUSIP \_\_\_\_\_)

Reference is hereby made to the Indenture, dated as of February 11, 2019 (the “*Indenture*”), among Studio City Finance Limited, as issuer (the “*Company*”), each Subsidiary Guarantor and Deutsche Bank Trust Company Americas, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

\_\_\_\_\_, (the “*Owner*”) owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of US\$\_\_\_\_\_ in such Note[s] or interests (the “*Exchange*”). In connection with the Exchange, the Owner hereby certifies that:

**1. Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note**

(a)  **Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note.** In connection with the Exchange of the Owner’s beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the Securities Act of 1933, as amended (the “*Securities Act*”), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b)  **Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note.** In connection with the Exchange of the Owner’s beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c)  **Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note.** In connection with the Owner’s Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner’s own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.



(d)  **Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note.** In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

**2. Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes**

(a)  **Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b)  **Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note.** In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE]  144A Global Note,  Regulation S Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

\_\_\_\_\_  
[Insert Name of Transferor]

By: \_\_\_\_\_

Name:

Title:

Dated: \_\_\_\_\_

FORM OF SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this “*Supplemental Indenture*”) dated as of \_\_\_\_\_, among [name of New Subsidiary Guarantor[s]] (the “*New Subsidiary Guarantor*”), Studio City Finance Limited, a BVI business company with limited liability incorporated under the laws of British Virgin Islands (the “*Company*”) and Deutsche Bank Trust Company Americas, as Trustee (in such role, the “*Trustee*”).

WITNESSETH:

WHEREAS the Company, the Trustee and each of the parties described above are parties to an Indenture, dated as of February 11, 2019, as amended (as amended, supplemented, waived or otherwise modified, the “*Indenture*”), providing for the issuance of the Company’s 7.250% Senior Notes due 2024;

WHEREAS, pursuant to Section 9.03 of the Indenture, each New Subsidiary Guarantor is required to execute a supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantor, the Company, the Trustee and the other parties hereto mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee. Pursuant to, and subject to the provisions of, Article 11 of the Indenture, [each][the] New Subsidiary Guarantor (which term includes each other New Subsidiary Guarantor that hereinafter guarantees the Notes pursuant to the terms of the Indenture) hereby unconditionally and irrevocably guarantees, jointly and severally with each other New Subsidiary Guarantor and all Subsidiary Guarantors, to each Holder and to the Trustee and their successors and assigns to the extent set forth in the Indenture and subject to the provisions thereof (a) the full and punctual payment when due, whether at Stated Maturity, by acceleration, by redemption or otherwise, of all obligations of the Company under the Indenture (including obligations to the Trustee) and the Notes, whether for payment of principal of, or interest, premium, if any, on, the Notes and all other monetary obligations of the Company under the Indenture and the Notes and (b) the full and punctual performance within applicable grace periods of all other obligations of the Company whether for fees, expenses, indemnification or otherwise under the Indenture and the Notes (all the foregoing being hereinafter collectively called the “Guaranteed Obligations”). [Each][The] New Subsidiary Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from such New Subsidiary Guarantor and that such New Subsidiary Guarantor[s] will remain bound under Article 11 of the Indenture, notwithstanding any extension or renewal of any Guaranteed Obligation.

The Guaranteed Obligations of [each][the] New Subsidiary Guarantor to the Holders of Notes and to the Trustee pursuant to the Indenture as supplemented hereby, are expressly set forth in Article 11 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee.

[ *Relevant limitations imposed by local law analogous to Section 11.02 of the Indenture to be inserted, if and as applicable*].

3. Ratification of Indenture: Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and each Holder, by accepting the Notes whether heretofore or hereafter authenticated and delivered (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee attorney-in-fact of such Holder for such purpose; *provided, however,* that [the][each] New Subsidiary Guarantor and each Subsidiary Guarantor shall be released from all its obligations with respect to this Guarantee in accordance with the terms of the Indenture, including Section 11.08 of the Indenture and upon any defeasance of the Notes in accordance with Article 8 of the Indenture.

4. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

5. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture. The recitals of fact contained herein shall be treated as statements of the other parties hereto and not the Trustee.

6. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

[NAME OF NEW SUBSIDIARY GUARANTOR],  
as New Subsidiary Guarantor,

By: \_\_\_\_\_  
Name:  
Title:

STUDIO CITY FINANCE LIMITED, as Company

By: \_\_\_\_\_  
Name:  
Title:

DEUTSCHE BANK TRUST COMPANY AMERICAS, as  
Trustee

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

October 16, 2018

*MCE Cotai Investments Limited*

*New Cotai, LLC*

*Melco Resorts & Entertainment Limited*

*and*

*Studio City International Holdings Limited*

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**AMENDED AND RESTATED  
SHAREHOLDERS' AGREEMENT**

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## **PARTIES**

- (1) **MCE Cotai Investments Limited**, a company incorporated in the Cayman Islands, of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1 - 9005, Cayman Islands (**MCE Cotai**)
- (2) **New Cotai, LLC**, a limited liability company formed in Delaware, United States of America, c/o New Cotai Holdings, LLC, of Two Greenwich Plaza, Greenwich, Connecticut 06830, United States of America (**New Cotai**)
- (3) **Melco Resorts & Entertainment Limited**, a company incorporated in the Cayman Islands, of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1 - 9005, Cayman Islands (**Melco**)
- (4) **Studio City International Holdings Limited**, a company incorporated in the Cayman Islands, with its registered office at Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands (**Company**)

## **BACKGROUND**

- (A) On 27 July 2011, MCE Cotai, New Cotai, Melco (formerly known as Melco Crown Entertainment Limited) and the Company (formerly known as CYBER AGENTS ONE LIMITED, a company incorporated in the British Virgin Islands), entered into an agreement to govern their relationship in connection with, and the conduct and operations of, the Group (as amended by Amendment No.1 to Shareholders' Agreement, dated 25 September 2012, Amendment No.2 to Shareholders' Agreement, dated 17 May 2013, Amendment No.3 to Shareholders' Agreement, dated 3 June 2014, and Amendment No.4 to Shareholders' Agreement, dated 21 July 2014, the **Original Shareholders Agreement**).
- (B) In connection with the transactions contemplated by the Implementation Agreement dated September 6, 2018 between the Company, New Cotai, MCE Cotai and Melco, MCE Cotai, New Cotai, Melco and the Company have agreed to amend and restate the Original Shareholders Agreement and enter into this document, executed as a deed, to govern their relationship in connection with, and the conduct and operations of, the Group.

## **AGREED TERMS**

### **1. INTERPRETATION**

#### **1.1 Definitions**

In this document:

**20-Day VWAP** means the volume-weighted average trading price of an ADS for the twenty (20)-trading day period immediately preceding the date upon which the 20-Day VWAP is being calculated based on quotations as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such ADSs are not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such ADSs are listed or admitted to trading, in each case, divided by the number of Class A Ordinary Shares that one ADS represents.

**ADS** means an American Depositary Share, each representing four Class A Ordinary Shares;

**Affiliate** means a Person who, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, a specified Person. For the purpose of the definition of Affiliate, “control”, “controlled by” and “under common control with” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting shares, by agreement, contract, or otherwise.

**Authorisation** means:

- (a) any consent, permit, license, or authorisation; or
- (b) exemption,

from, by, or with, a Governmental Agency.

**Board** means the Board of Directors of the Company from time to time.

**Business Day** means a day which is not a Saturday, Sunday or bank or public holiday in the Cayman Islands, Hong Kong or New York, nor a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9.00am and 5.00pm.

**Cash Purchase Price** has the meaning given to that term in **clause 6.5**.

**Casino Management Agreement** means the services and right to use agreement between Melco Crown Gaming (Macau) Limited, New Cotai Entertainment, LLC and New Cotai Entertainment (Macau) Limited dated 11 May 2007, as amended from time to time, and any agreements or arrangements related thereto.

**Class A Ordinary Shares** means the Class A ordinary shares, par value US\$0.0001 per share, of the Company.

**Class B Ordinary Shares** means the Class B ordinary shares, par value US\$0.0001 per share, of the Company.

**Company Subsidiary** means any company which is or becomes a Subsidiary of the Company from time to time.

**Competitor** means (other than Melco and its Affiliates):

- (a) any person or entity holding a Gaming Authorisation to operate games of fortune and chance in a casino in Macau;
- (b) any person or entity holding a direct or indirect interest in any person specified in **clause (a)** of this definition and having the right to appoint a director on the board of any such entity; or
- (c) any subsidiary of any person specified in **clause (a)** of this definition.



**Confidential Information** means:

- (a) any confidential, non-public or proprietary information relating to the business, assets or affairs of the Group; and
- (b) any information relating to this document and the transactions contemplated by it including the existence of this document and the transactions contemplated by it and of the negotiations which preceded it;

provided, however, that Confidential Information shall not include information that:

- (a) is or becomes generally available to the public other than as a result of disclosure in violation of this document;
- (b) is or becomes available to the receiving person on a non-confidential basis prior to its disclosure to such person;
- (c) is or has been independently developed or conceived by the receiving person without use of Confidential Information; or
- (d) becomes available to the receiving person on a non-confidential basis from a source other than the Company; provided, that such source is not known by such person to be bound by a confidentiality agreement with the Company.

**Confidentiality Deed** means the confidentiality deed attached to this document as **Annexure A**.

**Contracts** means agreements, contracts, arrangements or understandings, whether formal or informal, written or oral.

**control** means, in relation to a person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the person, whether through the ownership of voting securities, by contract, or otherwise.

**D&O Policy** means a directors and officers insurance policy taken out by the Company from time to time with a reputable insurer.

**Deed of Accession** means a deed of accession substantially in the form contained in **Annexure B**.

**Deposit Agreement** means the Deposit Agreement by and among the Company, Deutsche Bank Trust Company Americas and the other parties thereto, to be entered into in connection with an underwritten public offering of the Company's Equity Securities.

**Director** means a member of the Board of the Company from time to time.

**Disclosing Shareholder** has the meaning given to that term in **clause 7.7(a)**.

**Dispute** has the meaning given to that term in **clause 8.1(a)**.

**Dispute Notice** has the meaning given to that term in **clause 8.1(b)**.

**Disputing Parties** has the meaning given to that term in **clause 8.1(c)**.

**Duty** means any stamp, transaction or registration duty or similar charge imposed by any Governmental Agency and includes any interest, fine, penalty, charge or other amount in respect of the above.

**Effective Interest in Securities** means the interest of a person or entity (the **Person**) in Securities calculated as the sum of:

- (a) the number of Securities in issue for which the Person is the registered holder; plus
- (b) the product of:
  - (i) the fraction that is determined by multiplying the economic interest in the equity of an entity (the **First Entity**) held by the Person (expressed as a fraction of all the economic interests in the equity of the First Entity) by the economic interest in the equity of each other entity within the chain of entities between the First Entity and the Registered Holder (in each case expressed as a fraction of all the economic interests in the equity of each such entity) and, where the Person has an interest in Securities through more than one First Entity, the interest that is obtained by aggregating such Person's fractional interest in all such First Entities, and
  - (ii) the number of Securities in issue that are held by registered holders of Securities in which the Person holds an interest through the chain or chains of entities in **clause (b)(i) (Registered Holder)**; and

expressed as a percentage of all the Securities in issue.

For the purposes of this definition, "economic interest in the equity of an entity" excludes any derivative or synthetic security that represents an interest in the underlying equity securities of such entity.

**Entitled Minority Shareholder** means any Minority Shareholder that is holding Class A Ordinary Shares at the relevant time of the offer of Equity Securities under **clause 6.1**.

**Equity Plan** means any compensation plan, agreement, or other arrangement that provides for the grant or issuance of equity or equity-based awards (including share options) and that is approved by the Company for the benefit of any of the employees of the Company or any of its Subsidiaries or Affiliates or other service providers (including directors, advisers and consultants), or the employees or other services providers (including directors, advisers and consultants) of any of their respective Affiliates or Subsidiaries.

**Equity Securities** means, with respect to any Person, equity securities or any securities convertible into or exchangeable or exercisable for any equity securities of such Person.

**Exchange Right** means the rights conferred upon New Cotai under Article III of the Participation Agreement dated October 12, 2018 between the Company, New Cotai and Newco (**Participation Agreement**).

**Gaming Authorisation** means any gaming concession, subconcession, licensing or regulatory Authorisation (or any renewal or extension thereof) to conduct gaming business in any jurisdiction.

**Gaming Promoter** means any gaming promoter duly licensed by the Macau government to act in any such capacity, and whose activity is to promote gaming in casinos in Macau by providing (among other things) amenities such as transport, lodgement, food and beverage and entertainment to patrons.

**Gaming Regulator** means any Governmental Agency responsible for the regulation of gaming, wagering or betting in any jurisdiction.

**Governmental Agency** means:

- (a) a government, whether foreign, federal, state, territorial or local;
- (b) a department, office, or minister of a government acting in that capacity; or
- (c) a commission, delegate, instrumentality, agency, board or other governmental or semi-governmental, judicial, administrative, monetary, regulatory, fiscal or tax authority, whether statutory or not.

**Group** means the Company and the Company Subsidiaries from time to time and the expressions **member of the Group** or **Group member** or **Group Company** mean any one of them.

**Hong Kong** means the Hong Kong Special Administrative Region of the People's Republic of China.

**Land** means a plot of land situated in Macau, at the Cotai reclaimed land area, with gross area of 130,789 square meters, described at and denoted by the letter "A" on map no. 5899/2000 issued by Macao Cartography and Cadastre Bureau on 3 January 2012.

**Law** means any law or legal or regulatory compliance requirement, including at common law, in equity, under any statute, regulation or by-law and any decision, directive, guidance, guideline or requirement of any Governmental Agency or the relevant stock exchange.

**Macau** means the Macau Special Administrative Region of the People's Republic of China.

**Melco Casino(s)** means the casino(s) and gaming area(s) owned directly or indirectly (in whole or in majority) or operated (or both) by Melco, the Subconcessionaire or any of their respective Affiliates.

**Melco Original Share Amount** means the number of Securities set out next to Melco Shareholders in the attached Schedule I, which shall be increased or decreased from time to time in a corresponding manner to account for any split, subdivision, reverse split, consolidation, share dividend or share distribution in respect of Securities, including any Adjustment Event (as defined in the Participation Agreement), provided any such increase or decrease shall be documented in an amendment of Schedule I by the parties in accordance with **clause 13.1**.

**Melco Shareholders** means Melco and any Affiliate of Melco to whom Securities are issued or Transferred under this document.

**Memorandum and Articles of Association** means the memorandum and articles of association of the Company, as may be amended from time to time in accordance herewith.

**Minority Shareholders** means, at the relevant time of determination, any Shareholder the name of which is set forth on **Schedule II** hereto, which schedule may be amended from time to time in accordance with **clause 2.2(f)** and subject to **clause 2.2(g)**, provided that, at the relevant time of determination, such Shareholder is either (i) validly holding Class B Ordinary Shares or (ii) validly holding (a) Class A Ordinary Shares which such Shareholder has received as a result of exercising (including in connection with a Mandatory Exchange (as defined in the Participation Agreement) its Exchange Rights, or (b) Class A Ordinary Shares received from New Cotai or another Permitted Transferee, who in either case acquired them as described in the immediately preceding clause (a) and subsequently transferred them to such Shareholder directly or indirectly through multiple transfers (on successive occasions) so long as (x) each of such transfers was made by and between a transferor and transferee who were, at the time of such subsequent transfers, Permitted Transferees and (y) there were no other intervening Transfers of such Exchange Shares that were not between Permitted Transferees (such Class A Ordinary Shares acquired by each Shareholder set out in Schedule II and in the manner contemplated in clauses (a) or (b), **Exchange Shares**); provided further that at any given time, there shall be no more than twenty-five (25) Minority Shareholders. For the avoidance of doubt, the limit of twenty-five (25) Minority Shareholders is inclusive of Shareholders holding Class B Ordinary Shares.

**New Cotai Original Share Amount** means the number of Securities set out next to New Cotai in the attached Schedule I, which shall be increased or decreased from time to time in a corresponding manner to account for any split, subdivision, reverse split, consolidation, share dividend or share distribution in respect of Securities, including any Adjustment Event (as defined in the Participation Agreement), provided any such increase or decrease shall be documented in an amendment of Schedule I by the parties in accordance with **clause 13.1**.

**Newco** means MSC Cotai Limited, a business company limited by shares incorporated in the British Virgin Islands.

**Newco Memorandum and Articles of Association** means the memorandum and articles of association of Newco, as may be amended from time to time in accordance herewith.

**Observer** means an observer appointed to the Board in accordance **with clause 2.2(a)(ii)**.

**Offer** has the meaning set forth in **clause 6.1**.

**Opening** means 27 October 2015, the date that the Studio City Property opened to the public.

**Other Casinos** mean those casinos or gaming areas operated but not majority owned or controlled by Melco or any of its Affiliates.

**Permitted Transferee** means any one or more investment funds or other entities directly or indirectly owned, managed or advised by Oaktree Capital Management, L.P. or Silver Point Capital, L.P. (for so long as the transferee continues to be directly or indirectly owned, managed, or advised by Oaktree Capital Management, L.P. or Silver Point Capital, L.P.).

**Project Lender** means any third party lender(s) to the Studio City Property or any representative or agent (including a trustee, collateral agent or security agent) of any such third party lender(s).

**Prospective Purchaser** has the meaning given to the term in **clause 7.7(a)**.

**Registration Rights Agreement** means the registration rights agreement entered into by and between the Shareholders (as defined therein) and the Company dated the date hereof.

**Respective Proportion** means, with respect to an Entitled Minority Shareholder, a fraction, the numerator of which shall be the number of Exchange Shares validly held by such Entitled Minority Shareholder at the relevant time of calculation and the denominator of which shall be the sum of (i) the number of issued and outstanding Class A Ordinary Shares held by Melco and its Affiliates (excluding the Company and its Subsidiaries), (ii) the number of Exchange Shares held by all Entitled Minority Shareholders, and (iii) the number of Class A Ordinary Shares issuable if all Participants (as defined in the Participation Agreement) exercised their Exchange Rights with respect to the entirety of the remaining Participation Interests (as defined in the Participation Agreement).

**Security** means a fully paid share in the capital of the Company carrying the rights and obligations set out in this document and in the Memorandum and Articles of Association, which shall include Class A Ordinary Shares (including any Class A Ordinary Shares represented by ADSs) and Class B Ordinary Shares.

**Shared Vendor Contracts** has the meaning given to the term in **clause 3.1**.

**Shared Vendors** has the meaning given to the term in **clause 3.1**.

**Shareholder** means a holder of Securities from time to time.

**Shareholder Group** means each of the Melco Shareholders, on the one hand, and the Minority Shareholders, on the other hand, or either one of them (as the context requires).

**Studio City Casino** means the casino and gaming area within the Studio City Property.

**Studio City Property** means the gaming, retail and entertainment resort located and operated on the Land.

**Subconcession** means the trilateral agreement dated 8 September 2006 entered into by and among the Macau government, Wynn Resorts (Macau), S.A. (**Wynn Macau**) (as concessionaire for the operation of casino games of chance and other casino games in Macau, under the terms of a concession contract dated 24 June 2002 between Macau and Wynn Macau, as amended on 8 September 2006) and the Subconcessionaire, comprising a set of instruments from which shall flow an integrated web of rights, duties and obligations by and for all and each of Macau, Wynn Macau and the Subconcessionaire, pursuant to the terms of which the Subconcessionaire shall be entitled to operate casino games of chance and other casino games in Macau as an autonomous subconcessionaire in relation to Wynn Macau, including any supplemental letters or agreements entered into or issued by the Macau government and the Subconcessionaire from time to time, and including any replacement concession or subconcession for the operation of casino games of chance and other casino games in Macau.

**Subconcessionaire** means Melco Resorts (Macau) Limited, a company incorporated in Macau, or any other Affiliate of Melco holding a Gaming Authorisation in Macau from time to time.

**Subsidiary** means, with respect to any Person:

- (a) any corporation, association or other business entity of which (i) more than 50% of the total voting power of shares of capital stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or shareholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity that is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person (or a combination thereof), or (ii) the composition of its board of directors is directly or indirectly controlled by such Person; and

- (b) any partnership or limited liability company of which (i) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (ii) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

**Transaction Documents** means this document, the Registration Rights Agreement and the Memorandum and Articles of Association.

**Transfer** means to transfer, sell, exchange, hypothecate, assign, charge, pledge, encumber, gift, convey (including in trust) or otherwise dispose of.

**Unsubscribed Equity Securities** has the meaning set forth in clause 6.3(b).

**Unsuitable Person** means a person or entity whose direct or indirect ownership of Securities could (on the facts then known):

- (a) based on the written advice of outside legal counsel to a Shareholder or Melco (as applicable); or
- (b) based on an objection received from a Gaming Regulator,

be reasonably expected to adversely impact the suitability or entitlement of:

- (x) any member of the Group;
- (y) any Melco Shareholder, any holder of Upstream Securities in any Melco Shareholder, or any of their respective Affiliates, in each case, in the case of a Transfer of any Securities or Upstream Securities by any person other than those persons; or
- (z) any Minority Shareholder, any holder of Upstream Securities in any Minority Shareholder, or any of their respective Affiliates, in each case, in the case of a Transfer of any Securities or Upstream Securities by any person other than those persons, to maintain any Gaming Authorisation.

**Upstream Securities** means, in respect of a Shareholder, any equity securities or interests in equity securities issued by that Shareholder or by any person that directly, or indirectly through one or more interposed entities (whether legally or beneficially), holds an Effective Interest in Securities held by that Shareholder, but does not include any equity securities or interests in equity securities:

- (a) in any investment fund or account managed by any investment fund, or in any successors or Affiliates of the foregoing, or in any person that, directly or indirectly through one or more interposed entities (whether legally or beneficially), holds equity securities or interests in equity securities in any such person;

- (b) in Melco, or any of its shareholders or any person that directly, or indirectly through one or more interposed entities (whether legally or beneficially), holds equity securities or interests in equity securities in those shareholders; or
- (c) in any other Shareholder or holder of Upstream Securities whose shares are listed on an internationally recognised stock exchange.

## 1.2 Construction

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
- (b) any gender includes the other genders;
- (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (d) **includes** means includes without limitation;
- (e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause;
- (f) a reference to:
  - (i) a person includes a partnership, individual, limited liability company, trust, joint venture, unincorporated association, corporation and a Governmental Agency;
  - (ii) a person or a party includes the person's legal personal representatives, successors, assigns and persons substituted by novation;
  - (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
  - (iv) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;
  - (v) a right includes a benefit, remedy, discretion or power;
  - (vi) time is to local time in Hong Kong;
  - (vii) "US\$" or US dollars is a reference to the currency of the United States of America;
  - (viii) "HK\$" or HK dollars is a reference to the currency of Hong Kong;
  - (ix) this or any other document includes the document as novated, varied or replaced in accordance with the terms hereof and thereof and despite any change in the identity of the parties;
  - (x) this document includes all schedules, annexures and exhibits to it;
  - (xi) a clause, schedule or annexure is a reference to a clause, schedule or annexure, as the case may be, of this document;

- (xii) a reference to a meeting is a meeting in person, by conference telephone or similar equipment, so long as all of the participants can hear each other; and
- (xiii) if the number of Securities the Effective Interest in Securities represents is required to be calculated, if the number is not a whole number, that number will rounded up or down, as appropriate, with .5 or greater rounded up;
- (g) if the date on or by which any act shall be done under this document is not a Business Day, the act shall be done on or by the next Business Day;
- (h) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded; and
- (i) the schedules and annexures to this document shall be incorporated by reference herein and constitute a part hereof.

### 1.3 Headings

Headings do not affect the interpretation of this document.

## 2. DIRECTORS

### 2.1 Melco Directors

- (a) Subject to **clause 2.1(b)**, the Melco Shareholders may appoint, from time to time, by Notice to the Company, one Director so long as they hold in aggregate a number of Securities equal to at least 33% but less than 66% of the Melco Original Share Amount, two Directors for so long as they hold in aggregate a number of Securities equal to at least 66% but less than 99% of the Melco Original Share Amount, and three Directors for so long as they hold in aggregate a number of Securities equal to at least 99% of the Melco Original Share Amount, including to fill vacancies created by removals under **clause 2.1(c)** or vacancies created under **clause 2.4** of Directors appointed by the Melco Shareholders.
- (b) Despite **clause 2.1(a)**, the Melco Shareholders may, from time to time, by notice to the Company, appoint up to three Directors for so long as they hold in aggregate:
  - (i) a number of Securities equal to more than 66% of the Melco Original Share Amount; and
  - (ii) more Securities in issue than any other Shareholder and its Affiliates to whom Securities have been issued or Transferred in accordance with this document, in the aggregate, provided that for the purposes of this clause 2.1(b)(ii), the depository bank for the ADSs shall be deemed not to be a Shareholder ;including to fill vacancies created under **clause 2.1(c)**, or vacancies created under **clause 2.4** of Directors appointed by the Melco Shareholders.
- (c) Subject to **clause 2.1(d)**, the Melco Shareholders may remove any Director appointed by them under **clauses 2.1(a)** or **2.1(b)** (as applicable) by notice to the Company.



- (d) Any notice under **clauses 2.1(a), 2.1(b) or 2.1(c)** shall be signed by Shareholders holding a majority of the Securities in issue held by all of the Melco Shareholders as at the date of the notice.

## 2.2 Minority Directors

- (a) New Cotai may, for so long as it holds in aggregate, a number of Securities equal to:
- (i) 50% or more of the New Cotai Original Share Amount, appoint two Directors; and
  - (ii) 25% or more, but less than 50% of the New Cotai Original Share Amount, (y) appoint one Director, including in each case to fill vacancies created by removals under **clause 2.2(c)** or vacancies created under **clause 2.4** of Directors appointed by New Cotai, in each case by written notice to the Company; and (z) to the extent not prohibited by applicable Laws or the listing or exchange rules of any stock exchange on which the Securities are listed, appoint one Observer to the Board, including to fill vacancies created by removals under **clause 2.2(c)** or death or resignation of an Observer, in each case by written notice to the Company.
- (b) New Cotai may, for so long as it has the right to appoint at least one Director pursuant to **clause 2.2(a)**, appoint a Director (who is already a member of the Board of the Company and appointed pursuant to Clause 2.2(a)) to sit on any committee of the Board (other than (i) a committee formed to evaluate a transaction between the Company and the Minority Shareholders or their Affiliates or (ii) a committee that the Board has determined as a matter of good corporate governance should be comprised solely of independent directors and, at such time, no Director appointed by the Minority Shareholders is independent under applicable stock exchange rules), to the extent any such appointment is not prohibited by applicable Laws or the listing or exchange rules of any stock exchange on which the Securities are listed; provided, however, that a simple majority will be sufficient to approve such committees' decisions and, provided further, that such Director will not be required to form a quorum at meetings of any committee so long as due notice of the meeting has been provided.
- (c) Subject to **clause 2.2(d)**, New Cotai may remove any Director or Observer appointed under **clause 2.2(a)** or remove from any committee any Director appointed by it to such committee under **clause 2.2(b)** by notice to the Company.
- (d) Any notice under **clauses 2.2(a), 2.2(b) or 2.2(c)** shall be signed by New Cotai.
- (e) New Cotai's rights under **clauses 2.2(a) through 2.2(d)** shall terminate at such time when New Cotai no longer holds at least 5% of the Securities in issue.
- (f) New Cotai shall amend Schedule II from time to time to ensure, at all times, that (i) it only includes Shareholders that satisfy the definition of Minority Shareholders herein, (ii) the number of Class B Ordinary Shares and/or Exchange Shares set out next to each Minority Shareholder in Schedule II is accurate and (iii) the number of Minority Shareholders does not exceed twenty-five (25). The amendment of Schedule II will be effective upon the receipt by Melco and the Company of a copy of such amendment in accordance with **clause 10.7**.

- (g) New Cotai represents and warrants to the Company and Melco on the date hereof and on the date of each amendment of Schedule II that (i) each Minority Shareholder set out in Schedule II is a Permitted Transferee, (ii) Schedule II accurately sets out the number of Class B Ordinary Shares and Exchange Shares held by each of the Minority Shareholders, and (iii) each Minority Shareholder acquired and holds the Exchange Shares set out next to such Minority Shareholder's name in Schedule II either (x) as a result of exercising (including in connection with a Mandatory Exchange (as defined in the Participation Agreement) its Exchange Rights pursuant to which Class A Ordinary Shares were received, or (y) through a transfer from New Cotai or another Permitted Transferee, who in either case acquired them as described in the immediately preceding clause (x) and subsequently transferred them to such Shareholder directly or indirectly through multiple transfers (on successive occasions) so long as (aa) each of such transfers were made by and between a transferor and transferee who were, at the time of such subsequent transfers, Permitted Transferees and (bb) there were no other intervening Transfers of such Class A Ordinary Shares that were not between Permitted Transferees.

### **2.3 Eligibility and rights of Observers**

- (a) An Observer is entitled to attend each meeting of the Board.
- (b) An Observer shall be given the same notice of each meeting of the Board, at the same time and in the same form, as given to the Directors.
- (c) An Observer shall be provided with all of the information provided to Directors at the same time as such information is provided to the Directors, including all board packs, agendas and any information to be presented to the Board.
- (d) An Observer is not entitled to vote at meetings of the Board.
- (e) It is a condition of the designation of an Observer under **clause 2.2(a)** that the Observer enters into, or is already covered by, a confidentiality deed with the Company on terms substantially the same as the Confidentiality Deed or otherwise acceptable to the Company.

### **2.4 Vacation of office**

The office of a Director will be vacated if:

- (a) a Director resigns his office by notice in writing to the Company;
- (b) a Director dies;
- (c) an order is made by any competent court or official on the grounds that a Director is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and a majority of the Directors resolve that his office be vacated;
- (d) without leave, a Director is absent from meetings of the Board (unless an alternate Director appointed by him attends in his place) for a continuous period of 6 months, and a majority of the Directors resolve that his office be vacated;
- (e) a Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

- (f) a Director ceases to be or is prohibited from being a Director by law or by virtue of any provisions in the Memorandum and Articles of Association;
- (g) a Director is removed from office by notice in writing served upon him signed by not less than a majority in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office; provided that a Director appointed by a Shareholder may only be removed by that Shareholder pursuant to **clauses 2.1, 2.2 and 2.5**; or
- (h) a Director is removed under **clause 2.1(c) or 2.2(c)** (as applicable);

## **2.5 Removal of Directors**

- (a) If the number of Directors appointed by a person under **clauses 2.1 or 2.2** is greater than the number of Directors entitled to be appointed by that person under the relevant clause, then that person shall, within two Business Days of ceasing to be so entitled, give notice to the Company removing that number of Directors in excess of its entitlement.
- (b) If any person to whom **clause 2.5(a)** applies does not give notice removing the required number of Directors within the period specified in that clause, any person entitled to appoint a Director under **clauses 2.1 or 2.2** may give such a notice removing any such Directors.

## **2.6 Alternate directors**

- (a) A Director (other than any independent Director under applicable stock exchange rules) may, with the prior written approval of the Board, appoint an alternate director by notice to the Company.
- (b) An alternate director may attend any Board meeting and vote on any resolution of the Board provided the Director that appointed the alternate is not present at the meeting and is a Director at the time of the meeting.
- (c) An alternate director is entitled to a separate vote for each Director the alternate director represents in addition to any vote that alternate director may have as a Director if that alternate director is also a Director.

## **2.7 Director duties**

Each Director and director of a Company Subsidiary shall be required to have regard to, and act in the best interests of, the Company and all of its Shareholders; provided that, to the maximum extent permitted by law and without detracting from or limiting the foregoing obligation, Directors and directors of Company Subsidiaries shall be permitted to also have regard to the interests of the Shareholder Group that appointed that Director in carrying out his or her duties as a Director or a director of any Company Subsidiary to the extent that those interests are consistent with the best interests of the Company and all of its Shareholders.

## **2.8 Fees and expenses of Directors**

- (a) The Company shall:

- (i) pay the reasonable expenses properly incurred by Directors in relation to the business of the Group, including accommodation expenses in travelling to and from meetings of the Board or any committee of the Board, any Group Company, or any committee of any such company, and provided such expenses are supported by valid receipts; and
  - (ii) pay the cost of any insurance policies taken out by the Company in respect of the Directors.
- (b) No Director that is not independent within the meaning of the listing or exchange rules of any stock exchange on which the Securities are listed is entitled to be paid any fees in connection with his or her appointment or role as a Director.

## 2.9 D&O Policy

The Company shall:

- (a) maintain a D&O Policy in respect of each Director and each director of a Company Subsidiary that provides a level of coverage consistent with that maintained by similarly sized companies that engage in activities similar to those undertaken by the Company and the Company Subsidiaries; and
- (b) pay the premiums in respect of that D&O Policy in relation to the Director's term in office and for six years after the expiry of the Director's term (to the maximum extent permitted by Law).

## 2.10 Indemnity deed

Each Group member shall enter into a deed of access and indemnity with each director of such a company (on terms acceptable to the Board) under which it indemnifies the directors to the maximum extent permitted by Law and gives each director a right (subject to certain limitations) to have access to and make copies of Board papers and minutes in respect of the period during which the relevant director is or was a director of such a company.

## 2.11 Post IPO

Following an underwritten public offering of the Company's Equity Securities, or American depositary shares representing the Company's Equity Securities, related party transactions shall be approved by an audit committee of independent Directors, unless the rules of the relevant exchange require or permit an alternative approval process by independent Directors (in which case that process will apply).

## 3. SHARED VENDOR CONTRACTS

### 3.1 Shared Vendor Contracts

The parties acknowledge that Melco and its Affiliates may from time to time enter into Contracts with a supplier, vendor or other party or its Affiliates or related parties (**Shared Vendors**) for the provision of various goods and services to more than one Melco Casino (**Shared Vendor Contracts**).

### 3.2 Obligation

Subject to **clause 3.3**, Melco shall, for so long as New Cotai holds 5% or more of the Securities in issue, use commercially reasonable endeavours:

- (a) to obtain on behalf of the Group, to the extent possible, economic and other terms at least as favourable (when taken as a whole and after taking into account, among other things, the passing of time, inflation and the then prevailing economic conditions) to the Group as the economic and other terms it obtains from the applicable Shared Vendor for any of the other Melco Casinos in respect of similar goods and services; and
- (b) to utilise the services of, and obtain goods from, the Shared Vendors and to obtain volume and pricing discounts on such services and goods from such Shared Vendors for the benefit of the Group.

### 3.3 Application

- (a) The parties agree that **clause 3.2** will not apply in respect of any the following Shared Vendors:
  - (i) any utility operators (water, electricity, gas and telephone and whether public or private) in Hong Kong or Macau;
  - (ii) a financier or lender to Melco or any of its Affiliates;
  - (iii) a Governmental Agency;
  - (iv) a Gaming Promoter; or
  - (v) an Other Casino.
- (b) The parties agree that **clause 3.2(b)** does not apply to any Shared Vendor Contract which is the subject of any dispute, claim, or other proceedings or the performance of which, or the goods provided under which, do not in the reasonable opinion of Melco or any of its Affiliates, meet appropriate standards of performance.

### 3.4 Gaming Promoters

Melco will use commercially reasonable efforts to ensure that there is no bias or discrimination by or at the direction of Melco or any of its Affiliates against the Group with respect to:

- (a) the use or selection of Gaming Promoters;
- (b) the allocation of customers by Gaming Promoters (to the extent it is within the control of Melco); or
- (c) the commissions, commission rate policies or extensions of credit in respect of Gaming Promoters for the Group as compared to commissions, commission rate policies or extensions of credit in respect of Gaming Promoters for any of the other Melco Casinos (excluding Other Casinos).

### 3.5 Audit rights

- (a) If **clause 3.2** applies, New Cotai may on an annual basis jointly request the Company to instruct the Company's auditors to audit the compliance by Melco with its obligations under **clause 3.2** and to share the results thereof with the Director(s) appointed by New Cotai.

- (b) The parties agree that any audit conducted under **clause 3.5(a)** will be limited to a review of a random sample of Shared Vendor Contracts of an appropriate size to be determined by the auditor to verify compliance by Melco with **clause 3.2(a)**.
- (c) Any work conducted by the Company's auditors in respect of **clause 3.5(a)** will be at the expense of the Company.
- (d) Melco shall instruct the auditors of the other Melco Casinos (other than Other Casinos) to reasonably cooperate with the Company's auditors in connection with any work conducted by the Company's auditors under **clause 3.5(a)** (but subject to **clause 3.5(b)**).

#### **4. CASINO OPERATION**

##### **4.1 Casino operation**

- (a) The Subconcessionaire is the holder of the Subconcession under which the Subconcessionaire is authorised by the Macau government to conduct the operation of casino games of chance and other casino games in Macau.
- (b) The parties acknowledge that the Subconcessionaire shall operate the Studio City Casino within the Subconcession pursuant to the terms of the Casino Management Agreement.
- (c) The Subconcessionaire shall apply for a Gaming Authorisation to operate in Macau prior to any expiration of the Subconcession from time to time, or at such other time determined by the Macau government, and, in any event, continue to operate the Studio City Casino for as long as the Subconcession is in effect.

##### **4.2 Gaming tables**

- (a) The parties acknowledge that the initial number of gaming tables authorised by the Macau government for operation at Studio City Casino on Opening is 250 mass gaming tables.
- (b) Any additional gaming tables authorised by the Macau government to be utilised by the Subconcessionaire after initial allocation of gaming tables by the Macau government to the Studio City Casino will (to the extent permitted by the Macau government) be allocated by the Subconcessionaire to the Studio City Casino and the other Melco Casinos:
  - (i) in proportion to the number of tables the Studio City Casino and the other Melco Casinos have (or have allocated to them) at that time; and
  - (ii) if the number of additional gaming tables authorised by the Macau government to be utilised by the Subconcession is disproportionately more than the number of gaming tables authorised to other concession and subconcession holders in Macau (based on the number of gaming tables held by each of them and including circumstances in which the percentage of additional gaming tables allocated to the Subconcessionaire exceeds the percentage of gaming tables allocated to other gaming concession or subconcession holders in Macau under the table cap regime implemented by the Macau government from time to time), the amount of the excess will (to the extent permitted by the Macau government) be allocated by the Subconcessionaire between the Studio City Casino and the other Melco Casinos based on:

- (A) the relative gaming expansion plans approved by the Macau government; or
- (B) if no such plans exist, pro rated based on the respective number of tables at (or allocated to) the Studio City Casino and the other Melco Casinos.
- (c) In the event that, after initial allocation of gaming tables by the Macau government to the Studio City Casino, the number of gaming tables authorised by the Macau government to be utilized by the Subconcession is reduced, Melco and New Cotai shall discuss in good faith whether there is to be any reduction in the number of gaming tables at the Studio City Casino having regard to (among other things) a fair and appropriate allocation of gaming tables to all Melco Casinos and after taking into account any Macau government requirement and the capital expenditures of each of the Melco Casinos and, in any event, the number of gaming tables at the Studio City Casino shall not be disproportionately reduced relative to the reduction of gaming tables at other Melco Casinos (unless the Melco Shareholders and New Cotai agree otherwise).

## 5. OTHER ADMINISTRATIVE MATTERS

- 5.1 For so long as any Shareholder, holder of Upstream Securities in a Shareholder, or any of their respective Affiliates, is required to provide information to any Gaming Regulator in relation to their interest in the Company (including any information about another Shareholder or any holder of Upstream Securities in that Shareholder), the Company will and will procure that each Company Subsidiary will, to the extent permitted by law, cooperate in good faith to obtain and endeavour to provide that information where requested in writing by that person.
- 5.2 Despite clause 5.1(a), if reasonable to do so, the Company may limit the information provided to such information as is required by the Gaming Regulator or otherwise customarily provided to any such Gaming Regulator.
- 5.3 Any person to whom information is provided under clause 5.1(a) shall agree, as a condition of being provided with that information, to cooperate with the Company to seek to limit or protect the information required to be provided, if the Company determines (acting reasonably) that providing such information would:
  - (a) materially compromise the competitiveness of the Studio City Property; or
  - (b) be prohibited by applicable Laws or the listing or exchange rules of any stock exchange on which the Securities or Melco's equity securities are listed.
- 5.4 The parties agree to be bound by and comply with the provisions as set out in Annexures G and H of the Original Shareholders Agreement, which shall apply mutatis mutandis hereto, referring to Newco instead of the Company where applicable.

## **6. PRE-EMPTIVE RIGHTS**

### **6.1 Pro rata offer**

If the Company proposes to offer Equity Securities of the Company for subscription (other than issuances in connection with a public offering, under any Equity Plan or “assured entitlement” arrangements pursuant to the Listing Rules of The Stock Exchange of Hong Kong Limited (as it may be amended from time to time)), solely or primarily to Melco or any of its Affiliates, each Entitled Minority Shareholder is entitled to subscribe for up to its Respective Proportion of the Equity Securities proposed to be issued, and the Company shall give written notice to New Cotai of the proposed issuance, describing the type of Equity Securities, the cash price per Equity Security, the number of Equity Securities, and the general terms upon which the Company proposes to issue the same (**Offer**).

### **6.2 Offer Notice**

The Company shall make the Offer to each Entitled Minority Shareholder by giving a notice in writing (**Offer Notice**) to New Cotai specifying:

- (a) the total number of Equity Securities proposed to be issued to Melco and/or its Affiliates;
- (b) the number of Equity Securities each Entitled Minority Shareholder is entitled to subscribe for (up to its Respective Proportion of the aggregate of all Equity Securities to be issued to Melco and its Affiliates); and
- (c) the terms of issue of the Equity Securities (including the issue price which shall be the same price for all of the Equity Securities being offered).

The Company shall provide such Offer Notice as soon as reasonably practicable (but not less than fifteen (15) business days) prior to the date of the closing of the issue of the Equity Securities; provided that if the Company determines that such advance notice is not practical under the circumstances, the Company may provide notice as soon as practicable after such closing.

### **6.3 Response to Offer**

Within fifteen (15) business days after the date the Offer Notice is deemed given in accordance with **clause 10**, New Cotai shall give notice to the Company stating, with respect to each Entitled Minority Shareholder, whether such Entitled Minority Shareholder accepts all or any portion of the Equity Securities offered to it in the Offer Notice or it declines the Offer in full.

### **6.4 Failure to Respond**

If New Cotai does not give notice to the Company stating whether an Entitled Minority Shareholder accepts all or a portion of the Equity Securities offered to such Entitled Minority Shareholder in the Offer within the period stated in **clause 6.3**, any such Entitled Minority Shareholder shall be deemed to have declined all of the Equity Securities offered to it in the Offer.



## 6.5 Payment by Accepting Entitled Minority Shareholders

If an Entitled Minority Shareholder accepts all or any portion of the Equity Securities offered to such Entitled Minority Shareholder in the Offer, upon the closing of the issuance of the Equity Securities as specified in the Offer Notice, such Entitled Minority Shareholder shall pay to the Company an amount in cash (in U.S. dollars) equal to the aggregate purchase price for the number of Equity Securities specified in the notice of acceptance of such Entitled Minority Shareholder's Offer (the **Cash Purchase Price**) on the terms specified in the Offer Notice. If an Entitled Minority Shareholder fails to make a timely payment of the Cash Purchase Price in full in accordance with the terms specified in the Offer Notice, such Entitled Minority Shareholder shall be deemed to have declined all of the Equity Securities offered to it in the Offer.

## 6.6 Termination of Pre-Emptive Rights

**Clauses 6.1 through 6.5** shall terminate and be of no further force or effect (**Termination of Pre-Emptive Rights**) upon which time (a) the Participation Agreement is no longer in effect and (b) either (i) the combined value of the Exchange Shares held by all Minority Shareholders no longer equals at least US\$40,000,000 based on a 20-Day VWAP or (ii) the total sum of the number of Exchange Shares held by all Minority Shareholders is less than 1.00% of the outstanding Class A Ordinary Shares.

## 7. CONFIDENTIALITY AND DISCLOSURE

### 7.1 Disclosure by Directors

- (a) Each Director shall not disclose any Confidential Information except, to the extent not prohibited by Law:
  - (i) to any officer, manager, employee, director (or equivalent) or financial, legal or accounting adviser of or lender to a Shareholder or holder of Upstream Securities; and
  - (ii) in the case of a Director employed by an investment fund or a management company of an investment fund (as applicable) that holds, or has any Affiliates that hold, an Effective Interest in Securities, to any partner, officer, manager, employee or director (or equivalent) of that investment fund or management company.
- (b) Each Shareholder shall procure that the Director appointed by them complies with the Director's obligations under this **clause 7** (subject to such Director's fiduciary duties).

### 7.2 Restrictions on disclosure

A person (other than a Director) shall not disclose any Confidential Information except, to the extent not prohibited by Law:

- (a) in the case of a Shareholder or holder of Upstream Securities, where permitted under **clauses 7.3, 7.4, 7.5 or 7.6**; or
- (b) in any other case, where permitted under **clauses 7.4, 7.5 or 7.8**.

### 7.3 Disclosure by Shareholders and holders of Upstream Securities

Each Shareholder and holder of Upstream Securities, as applicable, may, subject to **clause 7.6**, disclose any Confidential Information to the extent not prohibited by Law:

- (a) (i) to Oaktree Capital Management, L.P., or any investment fund or account or entity managed by Oaktree Capital Management, L.P. that is a holder of Upstream Securities or  
(ii) to Silver Point Capital, L.P., or any investment fund or account or entity managed by Silver Point Capital, L.P. that is a holder of Upstream Securities, in the case of each of clauses (i) and (ii), so long as those persons own Effective Interests in Securities that correspond to a number of Securities equal to least 10% of the New Cotai Original Share Amount in aggregate; or
- (b) to any officer, manager, employee, representative, director (or equivalent) or financial, legal or accounting adviser of or lender to a Shareholder or holder of Upstream Securities or any of the other persons specified in the applicable paragraphs of this **clause 7.3**.

#### **7.4 Disclosure generally**

A person may disclose any Confidential Information received by it, to the extent not prohibited by Law:

- (a) in the case of a person that is an investment fund, to any partner in that fund;
- (b) to any officer, manager, employee, director (or equivalent) or financial, legal, valuation or accounting adviser of or lender to a Shareholder or holder of Upstream Securities or any of the other persons specified in this **clause 7.4**; and
- (c) to any Project Lender.

#### **7.5 Exceptions**

- (a) Despite any other provision of this clause to the contrary, but subject to **clause 7.5(b)**, a person may disclose Confidential Information to:
  - (i) any person to whom it is required to disclose the Confidential Information by Law;
  - (ii) any person to the extent necessary in connection with the exercise of any remedy hereunder;
  - (iii) any Governmental Agency where required by that agency; or
  - (iv) any stock exchange on which its securities, or the securities of any of its Affiliates, are listed if required by the listing or exchange rules of such stock exchange.
- (b) A party who is required to disclose Confidential Information under **clause 7.5(a)** shall use commercially reasonable endeavours to, and to the maximum extent permitted by Law to, limit the form and content of that disclosure.

#### **7.6 Conditions to disclosure**

Each Shareholder shall be responsible for ensuring that each holder of its Upstream Securities does not disclose Confidential Information that is not permitted to be disclosed under **clauses 7.3, 7.4 and 7.5** unless the Company, acting in its reasonable discretion at the request of a Shareholder, executes a Confidentiality Deed or other similar agreement with any particular holder of Upstream Securities.

## 7.7 Prospective Purchaser

- (a) A Shareholder (**Disclosing Shareholder**) shall not disclose, and shall procure that no holder of Upstream Securities discloses, any Confidential Information to a prospective purchaser of Securities or Upstream Securities (**Prospective Purchaser**) unless the Prospective Purchaser, prior to being provided with any such information, enters into a confidentiality agreement on terms no less onerous to the Prospective Purchaser than those set out in the Confidentiality Deed or otherwise reasonably acceptable to the Company.
- (b) The Disclosing Shareholder shall require that a Prospective Purchaser return or destroy any information provided by the Disclosing Shareholder to the Prospective Purchaser under **clause 7.2** (subject to customary exceptions) if the Prospective Purchaser has not purchased the Disclosing Shareholder's Securities or the Upstream Securities on or before the date six (6) months after the date of entry into the confidentiality agreement referred to in **clause 7.7(a)**.

## 7.8 Information to be held confidential

Each Shareholder shall procure that any person to whom information is disclosed by that Shareholder or any Director appointed by that Shareholder under **clauses 7.1** and **7.2** keeps that information confidential and, except as permitted by this **clause 7**, does not disclose the information to any other person.

## 7.9 Prohibition

A Shareholder shall not, and, subject to **clause 7.6**, shall procure that the holder of Upstream Securities in respect of such Shareholder does not, knowingly disclose any information to any Competitor or an Unsuitable Person, or any of their directors, officers or employees.

## 7.10 Disclosure document

The obligations of confidentiality in this **clause 7** do not apply to any information concerning the Group, its business or its assets in any document publicly available in connection with an underwritten public offering of the Company's Equity Securities, or American depositary shares representing the Company's Equity Securities.

## 8. DISPUTE

### 8.1 Dispute

- (a) If a dispute (**Dispute**) arises out of or relates to this document (including any dispute as to the existence, breach or termination of this document or as to any claim in tort, in equity or pursuant to any statute) a party to the document may only commence arbitration proceedings relating to the Dispute if the procedures set out in **clauses 8.1(b) to 8.1(h)** have been fulfilled.
- (b) A party to this document claiming the Dispute has arisen under or in relation to this document shall give written notice (**Dispute Notice**) to the other parties to the Dispute specifying the nature of the Dispute.

- (c) On receipt of the Dispute Notice by the other parties, all the parties to the Dispute (**Disputing Parties**) shall endeavour in good faith to resolve the Dispute expeditiously using informal dispute resolution techniques such as mediation, expert evaluation or determination or similar techniques agreed by them.
- (d) If the Disputing Parties do not resolve the Dispute within twenty (20) days of receipt of the Dispute Notice the Dispute shall be determined by way of arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce in force on the date when the notice of arbitration is submitted in accordance with these rules.
- (e) The number of arbitrators shall be three and the nationality or residence of the chairman of the arbitral tribunal shall not be the United States, Hong Kong or Macau.
- (f) The arbitral proceedings shall be conducted in the English language and the place of arbitration shall be Hong Kong.
- (g) By agreeing to arbitration pursuant to **clause 8.1(d)**, the parties do not intend to deprive any court of its jurisdiction to issue an interim injunction or other interim relief in aid of the arbitration proceedings, provided that the parties agree that they may seek only such relief as is consistent with their agreement to resolve the Dispute by way of arbitration. Without prejudice to such relief that may be granted by a national court, the arbitral tribunal shall have full authority to grant interim or provisional remedies or to order a party to seek modification or vacation of the relief granted by a national court. For purposes of this **clause 8.1(g)**, the parties irrevocably and unconditionally submit to the exclusive jurisdiction of the courts of Hong Kong and any courts which have jurisdiction to hear appeals from those courts and waive any right to object to any proceedings being brought in those courts.
- (h) Any dispute that arises under this document shall be resolved in accordance with this **clause 8**.

## **8.2 Proper exercise of rights not a Dispute**

For the avoidance of doubt, the proper exercise by a Shareholder or Shareholder Group of its rights hereunder shall not constitute a Dispute merely because such exercise is contrary to the interests of the Company or another Shareholder or Shareholder Group.

## **9. TERMINATION**

### **9.1 Term**

Subject to **clause 9.2**, this document continues in full force and effect until:

- (a) terminated by written agreement between the parties; or
- (b) in the case of a Shareholder, that Shareholder ceases to hold any Securities.

### **9.2 Certain provisions continue**

The termination of this document with respect to a party does not affect:

- (a) any obligation of that party which accrued prior to that termination and which remains unsatisfied or which has been breached; and

- (b) any provision of this document which is expressed to come into effect on, or to continue in effect after, that termination, including those specified in **clause 13.10**.

## **10. NOTICES**

### **10.1 General**

A notice, demand, certification, process or other communication relating to this document shall be in writing in English and may be given by an agent of the sender.

### **10.2 How to give a communication**

A communication shall be given by being:

- (a) personally delivered;
- (b) left at the party's current delivery address for notices;
- (c) sent to the party's current postal address for notices by reputable international delivery service for delivery within five days; or
- (d) sent by fax to the party's current fax number for notices,

provided that any communication hereunder may also be sent by e-mail (which shall not constitute notice).

### **10.3 Particulars for delivery of notices**

- (a) The particulars for delivery of notices for each party, including such party's (i) delivery address for notices, (ii) postal address for notices (if different than delivery address), (iii) facsimile number for notices, (iv) e-mail address for notices, and (v) designated person or office to whom notices are to be addressed, are as initially set out below and in the Deed of Accession (as the case may be):

**Melco Resorts & Entertainment Limited**

36/F, The Centrium  
60 Wyndham Street, Central  
Hong Kong  
facsimile number: +852-2537-3618  
e-mail address: mco-comsec@melco-resorts.com  
attention: Company Secretary

with copy to (which copy will not constitute notice for the purposes of this **clause 10**):

**Latham & Watkins**

18th Floor, One Exchange Square  
8 Connaught Place, Central  
Hong Kong  
facsimile number: +852-2912-2600  
e-mail address: Helena.Kim@lw.com  
attention: Ji-Hyun Helena Kim

**MCE Cotai Investments Limited**

c/o Melco Resorts & Entertainment Limited at its address set out herein for delivery of notices facsimile number: +852-2537-3618

e-mail address: mco-comsec@melco-resorts.com

attention: Company Secretary

with copy to (which copy will not constitute notice for the purposes of this **clause 10**):

**Latham & Watkins**

18th Floor, One Exchange Square

8 Connaught Place, Central

Hong Kong

facsimile number: +852-2912-2600

e-mail address: Helena.Kim@lw.com

attention: Ji-Hyun Helena Kim

**New Cotai, LLC**

c/o New Cotai Holdings, LLC

Two Greenwich Plaza

Greenwich, Connecticut 06830

United States of America

facsimile number: +1-203-542-4133

e-mail address: dreganato@silverpointcapital.com

attention David Reganato

facsimile number: +1-203-542-4314

e-mail address: tlavelle@silverpointcapital.com

attention Timothy Lavelle

with copy to (which copy will not constitute notice for the purposes of this **clause 10**):

**Skadden, Arps, Slate, Meagher & Flom LLP**

300 South Grand Avenue, Suite 3400

Los Angeles, California 90071-3144

facsimile number: + 1-213-621-5288

email address: jeffrey.cohen@skadden.com

attention: Jeffrey H. Cohen

**Studio City International Holdings Limited**

36/F, The Centrium

60 Wyndham Street, Central

Hong Kong

facsimile number: +852-2537-3618

e-mail address: comsec@sc-macau.com

attention: Company Secretary

with copy to (which copy will not constitute notice for the purposes of this **clause 10**):

**Latham & Watkins**

18th Floor, One Exchange Square  
8 Connaught Place, Central  
Hong Kong  
facsimile number: +852-2912-2600  
e-mail address: Helena.Kim@lw.com  
attention: Ji-Hyun Helena Kim

(b) Each party may change its particulars for delivery of notices by notice to each other party.

**10.4 Communications by post**

Subject to **clause 10.6**, a communication is deemed given five days after being sent under **clause 10.2(c)**.

**10.5 Communications by fax**

Subject to **clause 10.6**, a communication is deemed given if sent by fax, when the sender's fax machine produces a report that the fax was sent in full to the addressee. That report is conclusive evidence that the addressee received the fax in full at the time indicated on that report.

**10.6 After hours communications**

If a communication is given:

- (a) after 5.00pm in the place of receipt; or
- (b) on a day which is a Saturday, Sunday or bank or public holiday in the place of receipt,

it is taken as having been given at 9.00am on the next day which is not a Saturday, Sunday or bank or public holiday or (in the case of Hong Kong) general holiday in that place.

**10.7 Receipt of notice**

A notice, demand, certification, process or other communication relating to this document shall be deemed received when it is deemed given hereunder.

**11. NOTICES UNDER NEWCO MEMORANDUM AND ARTICLES OF ASSOCIATION, COMPANY MEMORANDUM AND ARTICLES OF ASSOCIATION AND DEPOSIT AGREEMENT**

**11.1** The Company irrevocably covenants that it shall or shall cause Newco to, as applicable, promptly provide a person designated by New Cotai with a copy of any notice or other communication or document that Newco is required to deliver to the Company under the Newco Memorandum and Articles of Association in its capacity as a Shareholder (as such term is defined in the Newco Memorandum and Articles of Association) of Newco.

**11.2** The Company irrevocably covenants that it shall promptly provide a person designated by New Cotai with a copy of any notice or other communication that a holder of Equity Securities of the Company (other than Class B Ordinary Shares) or ADSs is entitled to receive under the Memorandum and Articles of Association or the Deposit Agreement; provided that this clause 11.2 shall not require a separate or duplicate notice to be provided to the extent that (a) New Cotai or any person designated by New Cotai is already entitled to receive a substantially similar notice under another agreement to which the Company is a party or (b) the information set out in such notice is publicly available.

## 12. DUTIES, COSTS AND EXPENSES

### 12.1 Fees and costs

- (a) The Company shall pay the reasonable legal and other costs and expenses incurred by the parties in negotiating, preparing, executing, and registering this document and the other Transaction Documents and provided that receipts for such expenses are provided to the Company prior to such payment.
- (b) If a party other than the Company pays the reasonable legal and other costs and expenses incurred by it of negotiating, preparing, executing, and registering this document or any of the other Transaction Documents then the Company shall reimburse that amount to the paying party on demand.
- (c) Except as otherwise expressly stated in this document, each party shall pay its own legal and other costs and expenses of performing its obligations under this document and of any dispute that may arise in connection with any amendment to this document.

### 12.2 Duties

- (a) The Company, as between the parties, is liable for and shall pay all Duty (including any fine or penalty except where it arises from default by another party) on or relating to this document, any document executed under it or any dutiable transaction evidenced or effected by it except in respect of any Transfer of Securities, where unless otherwise agreed by the parties to such Transfer, Duty in respect of such Transfer will be borne by the transferee.
- (b) If a party other than the Company pays any Duty (including any fine or penalty) on or relating to this document, any document executed under it or any dutiable transaction evidenced or effected by it, the Company shall reimburse that amount to the paying party on demand provided that such costs and/or expenses are reasonable.

## 13. GENERAL

### 13.1 Amendment

No amendment to this document will be effective unless it is:

- (a) in writing; and
- (b) signed by each party;

provided that New Cotai may amend Schedule II, subject to the requirements of **clauses 2.2(f)** and representations and warranties set forth in **2.2(g)**, in its sole discretion without the consent of any other party in accordance with the definition of Minority Shareholders.

### 13.2 Counterparts

This document may consist of a number of counterparts and if so the counterparts taken together constitute one document.



### 13.3 Assignment

- (a) Except to the extent expressly permitted under this document, a party shall not Transfer any right under this document without the prior written consent of the other parties.
- (b) Any purported Transfer in breach of this **clause 13.3** is of no effect.
- (c) The Company may assign its rights, and the Shareholders may assign their rights, under this document to any Project Lender if required by that lender in connection with, providing any such financing.
- (d) For the avoidance of doubt, without limitation of the provisions governing the requirements applicable to a transferee to be a Minority Shareholder, this document does not restrict the transfer of Class A Ordinary Shares to a transferee.

### 13.4 Entire understanding

- (a) This document together with the other Transaction Documents constitutes the entire understanding between the parties as to the subject matter of this document.
- (b) All previous negotiations, understandings, representations, warranties, memoranda or commitments concerning the subject matter of this document are superseded by this document and are of no effect. No party is liable to any other party in respect of those matters.
- (c) No oral explanation or information provided by any party to another:
  - (i) affects the meaning or interpretation of this document; or
  - (ii) constitutes any collateral agreement, warranty or understanding between any of the parties.

### 13.5 Further steps

Each party shall promptly do whatever any other party reasonably requires of it to give effect to this document (including voting their Securities in favour of any resolution).

### 13.6 Attorneys

Each of the attorneys executing this document declares that the attorney has no notice of the revocation of the power of attorney under which the attorney executes this document.

### 13.7 Inconsistency with Memorandum and Articles of Association

- (a) If there is any inconsistency between this document and the Memorandum and Articles of Association, this document prevails as between the Shareholders only to the extent of that inconsistency. Each Shareholder and the Company (to the fullest extent permissible under applicable law) acknowledges and agrees that there is no inconsistency between **clause 13.7(d)** and the Memorandum and Articles of Association as of the date of this document and for so long as none of the rights attached to the Class B Ordinary Shares under Article 29 or Article 56 of the Memorandum and Articles of Association are amended or removed.

- (b) At the written request of any party, all parties shall take all necessary steps, including voting in favour of any resolution, to amend the Memorandum and Articles of Association to remove the inconsistency specified in **clause 13.7(a)**.
- (c) Each Shareholder and the Company acknowledges and agrees that the terms of this document (i) are enforceable between the Shareholders and the Company (and between the Shareholders inter se) and (ii) are not rendered invalid solely due to any inconsistency between this document and the Memorandum and Articles of Association.
- (d) So long as the Participation Agreement remains in effect and any Class B Ordinary Shares remain issued and outstanding, each of the Shareholders and the Company covenant (as separate independent covenants and in the case of the Company to the extent permissible under applicable law) not to amend or remove, including by passage of a Special Resolution (as defined in the Memorandum and Articles of Association), any of the rights attached to the Class B Ordinary Shares under Article 29 or Article 56 of the Memorandum and Articles of Association, unless the Company first obtains the approval of the holders of a majority of the issued Class B Ordinary Shares by way of the written consent of the holders of a majority of the issued Class B Ordinary Shares, or with the sanction of a resolution passed by at least a majority of the holders of issued Class B Ordinary Shares present in person or by proxy at a separate general meeting of the holders of the issued Class B Ordinary Shares.

### **13.8 Relationship of parties**

This document is not intended to create a partnership, joint venture, fiduciary or agency relationship between the parties.

### **13.9 Rights cumulative**

Except as otherwise expressly stated in this document, the rights of a party under this document are cumulative and are in addition to any other rights of that party.

### **13.10 Survival of obligations after termination**

**Clauses 1** (Interpretation), **2.8** (Fees and expenses of Directors), **2.9** (D&O Policy), **2.10** (Indemnity deed), **5.2** (Other Administrative Matters), **8** (Dispute), **9.2** (Certain provisions continue), **10** (Notices), **13.3** (Assignment), **13.7(a)**, **13.7(b)**, **13.7(c)**, **13.9** (Rights cumulative), **13.10** (Survival of obligations after termination), **13.11** (Waiver and exercise of rights), **13.12** (Consent), **13.13(b)** (Equitable relief), **13.14** (Governing law and jurisdiction) and **13.15** (No Third Party Rights) of this document will remain in full force and effect and survive the expiry or termination of this document.

### **13.11 Waiver and exercise of rights**

- (a) A single or partial exercise or waiver by a party of a right relating to this document does not prevent any other exercise of that right or the exercise of any other right.
- (b) A party is not liable for any loss, cost or expense of any other party caused or contributed to by the waiver, exercise, attempted exercise, failure to exercise or delay in the exercise of a right.

(c) A right relating to this document may only be waived in writing signed by the party or parties waiving the right.

#### **13.12 Consent**

Unless this document expressly provides otherwise, a party may give conditionally or unconditionally or withhold its approval or consent in its absolute discretion.

#### **13.13 Equitable relief**

The parties acknowledge that:

- (a) damages or an account of profits may be an inadequate remedy to compensate a Shareholder for a breach of this document; and
- (b) a party is entitled to specific performance or injunctive relief (as appropriate) as a remedy for any breach or threatened breach by a party of this document, in addition to any other remedies available to them at law or in equity.

#### **13.14 Governing law and jurisdiction**

This document is governed by and is to be construed in accordance with the laws applicable in Hong Kong.

#### **13.15 No Third Party Rights**

A person who is not a party to this document shall have no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce any of its terms.

#### **13.16 New Cotai Ownership Determination**

In determining the number of Securities held by New Cotai at the relevant time for purposes of any threshold in this document, including for purposes of the New Cotai Original Share Amount, the Securities held by the Minority Shareholders as set out in Schedule II at such relevant time shall be deemed to be held by New Cotai.

#### **13.17 Effectiveness**

This document and the rights and obligations herein are not binding and effective until the consummation of an underwritten public offering of the Company's Equity Securities, or American depositary shares representing the Company's Equity Securities.

IN WITNESS WHEREOF, the parties have caused this document to be duly executed as a deed as of the date first above written.

**MCE Cotai Investments Limited**

/s/ Stephanie Cheung

**By:** Stephanie Cheung

**Position:** Director

**Date:** October 16, 2018

**In the presence of:**

**Signature:** /s/ Rachel Mak

**Name:** Rachel Mak

**Address:** 37 / F, The Centrium, 60 Wyndham Street,  
Central, Hong Kong

*[Signature Page – Shareholders' Agreement]*

**New Cotai, LLC (SEAL)**

**By:** /s/ David Reganato

**Name:** David Reganato

**Position:** Authorized Signatory

**Date:** October 16, 2018

**In the presence of:**

**Signature:** /s/ Brett Kulhawik

**Name:** Brett Kulhawik

**Address:** Two Greenwich Plaza  
Greenwich, CT 06830



*[Signature Page – Shareholders' Agreement]*

**Melco Resorts & Entertainment Limited**

**By:** /s/ Evan Andrew Winkler

Evan Andrew Winkler

**Position:** Director

**Date:** October 16, 2018

**In the presence of:**

**Signature:** /s/ Rachel Mak

**Name:** Rachel Mak

**Address:** 37/F, The Centrium, 60 Wyndham Street,  
Central, Hong Kong

*[Signature Page – Shareholders' Agreement]*

**Studio City International Holdings Limited**

**By:** /s/ Evan Andrew Winkler

Evan Andrew Winkler

**Position:** Director

**Date:** October 16, 2018

**In the presence of:**

**Signature:** /s/ Rachel Mak

**Name:** Rachel Mak

**Address:** 37/F, The Centrium, 60 Wyndham Street,  
Central, Hong Kong

*[Signature Page – Shareholders' Agreement]*

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**SCHEDULE I**

Melco Shareholders	108,767,640 Class A Ordinary Shares
New Cotai	72,511,760 Class B Ordinary Shares



**SCHEDULE II**

Minority Shareholders

Name of Minority Shareholder

New Cotai LLC

Class B Ordinary Shares

72,511,760

Exchange Shares

Nil

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Annexure A

Confidentiality Deed

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[Discloser]

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[Recipient]

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Confidentiality Deed

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**Date**

**Parties**

[•] of [•]; facsimile number: [•]; e-mail address: [•]; attention: [•] (**Discloser**)

[•] of [•]; facsimile number: [•]; e-mail address: [•]; attention: [•] (**Recipient**)

---

**Background**

- A The Discloser possesses Confidential Information.
  - B The Discloser proposes to disclose Confidential Information to the Recipient.
  - C The Recipient agrees to maintain the confidentiality of the Confidential Information that is disclosed to it, on the terms of this document.
- 

**Agreed terms**

**1 Interpretation**

**1.1 Definitions**

In this document, the following terms have the following meanings:

**Affiliate** has the meaning given to that term in the Shareholders' Agreement.

**Business Day** means a day which is not a Saturday, Sunday or bank or public holiday in Hong Kong or New York, nor a day on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted or remains hoisted in Hong Kong at any time between 9.00am and 5.00pm.

**Company** means Studio City International Holdings Limited, a company incorporated in the Cayman Islands.

**Competitor** has the meaning given to that term in the Shareholders' Agreement.

**Confidential Information** means any confidential, non-public or proprietary information relating to the business, assets or affairs of the Group; provided, however, that Confidential Information shall not include information that:

- (a) is or becomes generally available to the public other than as a result of disclosure in violation of this document;
- (b) is or becomes available to the receiving person on a non-confidential basis prior to its disclosure to such person;

- (c) is or has been independently developed or conceived by the receiving person without use of Confidential Information; or
- (d) becomes available to the receiving person on a non-confidential basis from a source other than the Discloser; provided that such source is not known by such person to be bound by a confidentiality agreement with the Discloser.

**Effective Interest in Securities** has the meaning given to that term in the Shareholders' Agreement.

**Governmental Agency** means:

- (a) a government, whether foreign, federal, state, territorial or local;
- (b) a department, office, or minister of a government acting in that capacity; or
- (c) a commission, delegate, instrumentality, agency, board or other governmental or semi-governmental, judicial, administrative, monetary, regulatory, fiscal or tax authority, whether statutory or not.

**Group** has the meaning given to that term in the Shareholders' Agreement.

**Law** means any law or legal requirement, including at common law, in equity, under any statute, regulation or by-law and any decision, directive, guidance, guideline or requirement of any Governmental Agency or the relevant stock exchange.

**MRE** means Melco Resorts & Entertainment Limited, a company incorporated in the Cayman Islands.

**New Cotai Original Share Amount** has the meaning given to that term in the Shareholders' Agreement.

**Permitted Transferee** has the meaning given to that term in the Shareholders' Agreement.

**Project Lender** has the meaning given to that term in the Shareholders' Agreement.

**Security** has the meaning given to that term in the Shareholders' Agreement.

**Shareholders' Agreement** means the Amended and Restated Shareholders' Agreement by and among MCE Cotai Investments Limited, New Cotai, LLC, MRE, and the Company dated October 16, 2018, as may be amended from time to time.

**Subsidiary** has the meaning given to that term in the Shareholders' Agreement.

**Unsuitable Person** has the meaning given to that term in the Shareholders' Agreement.

**Upstream Securities** has the meaning given to that term in the Shareholders' Agreement.

## 1.2 Construction

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
- (b) any gender includes the other genders;
- (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (d) a party may give or withhold any consent to be given under this document in its absolute discretion and may impose any conditions on that consent;
- (e) “includes” means includes without limitation;
- (f) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause;
- (g) a reference to:
  - (i) a person includes a partnership, individual, limited liability company, trust, joint venture, unincorporated association, corporation and a Governmental Agency;
  - (ii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
  - (iii) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;
  - (iv) a right includes a benefit, remedy, discretion or power;
  - (v) this or any other document includes the document as novated, varied or replaced in accordance with the terms of this document or the other document and despite any change in the identity of the parties;
  - (vi) a clause, schedule or annexure is a reference to a clause, schedule or annexure, as the case may be, of this document;
  - (vii) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes fax transmissions; and
  - (viii) this document includes all schedules and annexures to it;
  - (ix) if the number of Securities the Effective Interest in Securities represents is required to be calculated, if the number is not a whole number, that number will be rounded up or down, as appropriate, with .5 or greater rounded up;
- (h) if the date on or by which any act must be done under this document is not a Business Day, the act must be done on or by the next Business Day; and

- (i) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded.

## 2 Confidential Information

### 2.1 Duty of confidentiality

- (a) The Recipient must keep the Confidential Information disclosed by the Discloser to the Recipient confidential and must not disclose any Confidential Information except:
  - (i) in the case where the Recipient is a holder of Upstream Securities, where permitted under **clause 2.2, 2.3, or 2.4**; or
  - (ii) in any other case, where permitted under **clause 2.3 or 2.4**.
- (b) The Recipient must not knowingly disclose any information to any Competitor or an Unsuitable Person, or any of their respective directors, officers, or employees.

### 2.2 Disclosure by holders of Upstream Securities

If the Recipient is a holder of Upstream Securities, the Recipient may disclose any Confidential Information to the extent not prohibited by Law:

- (a) (i) to Oaktree Capital Management, L.P., or any investment fund or account or entity managed by Oaktree Capital Management, L.P. that is a holder of Upstream Securities or (ii) to Silver Point Capital, L.P., or any investment fund or account or entity managed by Silver Point Capital, L.P. that is a holder of Upstream Securities, in the case of each of clauses (i) and (ii), so long as those persons own Effective Interests in Securities that correspond to a number of Securities equal to at least 10% of the New Cotai Original Share Amount in aggregate; or
- (b) to any officer, manager, employee, representative, director (or equivalent) or financial, legal or accounting adviser of or lender to the Recipient or any of the other persons specified in the applicable paragraphs of this **clause 2.2**.

### 2.3 Disclosure generally

The Recipient may disclose any Confidential Information received by it:

- (a) if the Recipient is an investment fund, to any partner in that fund;
- (b) to any officer, manager, employee, director (or equivalent) or financial, legal, valuation or accounting adviser of or lender to the Recipient or any of the other persons specified in this **clause 2.3**; and
- (c) to any Project Lender.

### 2.4 Exceptions

- (a) Despite any other provision of this clause to the contrary, but subject to **clause 2.4(b)**, the Recipient may disclose Confidential Information to:
  - (i) any person to whom it is required to disclose the information by Law;

- (ii) any person to the extent necessary in connection with the exercise of any remedy hereunder;
  - (iii) any Governmental Agency where required by that agency; or
  - (iv) any stock exchange on which its securities, or the securities of any of its Affiliates, are listed if required by the listing or exchange rules of such stock exchange.
- (b) If the Recipient is required to disclose information under **clause 2.4(a)**, the Recipient must use commercially reasonable endeavours to, and to the maximum extent permitted by Law to, limit the form and content of that disclosure.

### **2.5 Copies and extracts of Confidential Information**

- (a) The Recipient may only copy or extract any Confidential Information to the extent reasonably required by the Recipient.
- (b) Where the Recipient copies or extracts Confidential Information, the Recipient must comply with **clause 3** in respect of any copy or extract.

## **3 Return or destruction of Confidential Information**

### **3.1 Return or destruction**

Subject to **clause 3.2** and except as required by Law, the Recipient must within three Business Days of [**the Discloser requesting in writing<sup>1</sup>/the Recipient ceasing to be a holder of Upstream Securities<sup>2</sup>**] return to the Discloser (or if the Discloser requests, destroy) all material containing any Confidential Information that is in the possession or control of the Recipient (including any Confidential Information disclosed by that person under **clause 2.2** or **2.3**, as applicable) unless such Confidential Information is in electronic form, in which case the Recipient must use all reasonable endeavours to destroy such Confidential Information.

### **3.2 Retained papers**

The Recipient may retain board papers, board presentations, board minutes, and any reports containing Confidential Information but must ensure that such information is kept confidential and used only to the extent required by the Recipient.

### **3.3 Obligations to continue after materials returned**

The obligations of the Recipient under this document will, from the date of this document, continue and be enforceable at any time by the Discloser and its Affiliates, even if the materials containing the Confidential Information are returned to the Discloser or destroyed, pursuant to **clause 3.1**.

### **3.4 The Recipient must certify destruction of materials**

If the Discloser requests the Recipient to destroy any materials containing Confidential Information pursuant to **clause 3.1**:

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<sup>1</sup> This will apply in the case where the Recipient is a Prospective Purchaser.

<sup>2</sup> This will apply in all cases other than where the Recipient is a Prospective Purchaser.



- (a) without limiting **clause 3.1**, all electronic or computer data or programs containing Confidential Information must be permanently deleted from the magnetic or other storage media on which it is stored so that it cannot be recovered or reconstructed in any way; and
- (b) the Recipient must certify in writing to the Discloser within five Business Days that the Confidential Information has been permanently and irretrievably deleted.

#### **4 Indemnity**

##### **4.1 Indemnity**

- (a) The Recipient must indemnify and keep indemnified the Discloser from and against:
  - (i) any cost, expense, loss, liability or damage; and
  - (ii) any liability whatsoever in respect of any action, claim or proceeding brought or threatened to be brought (including all costs and expenses which the Discloser may suffer or incur in disputing any such action, claim or proceeding),  
in respect of or in connection with any breach of this document.
- (b) This indemnity survives termination of this document.

#### **5 Liability**

##### **5.1 Discloser does not warrant Confidential Information is accurate**

The Recipient acknowledges that:

- (a) the Discloser does not represent that the Confidential Information is accurate or complete; and
- (b) the Confidential Information may:
  - (i) have been prepared without any particular standard of care;
  - (ii) be speculative;
  - (iii) be forward looking and relatively uncertain;
  - (iv) be based on assumptions (stated or unstated) which may not be realised; and
  - (v) contain material which has not been audited or verified.

##### **5.2 Liability**

Subject to any written agreement between the parties to the contrary, the Discloser is not liable to the Recipient or any other person in relation to the use of the Confidential Information by the Recipient or any other person.

### 5.3 Release

Subject to any written agreement between the parties to the contrary, the Recipient releases the Discloser to the fullest extent permitted by law from any claim regarding any person's reliance on the Confidential Information.

## 6 Injunctive relief

The Recipient acknowledges that:

- (a) because of the nature of the Confidential Information, damages or an account of profit may be an inadequate remedy for the Discloser in the event of an unauthorised use or disclosure of the Confidential Information; and
- (b) the Discloser is entitled to seek an ex parte interlocutory or final injunction to restrain any actual or threatened unauthorised use or disclosure of the Confidential Information by the Recipient.

## 7 [Termination

- (a) **The Discloser may terminate this document at any time by giving written notice to the Recipient.**
- (b) **Any notice given to terminate this document will be taken to be a request to return or destroy all material containing any Confidential Information in accordance with clause 3.1.]<sup>3</sup>**

## 8 General

### 8.1 Severance

- (a) Subject to **clause 8.1(b)**, if a provision of this document is illegal or unenforceable in any relevant jurisdiction, it may be severed for the purposes of that jurisdiction without affecting the enforceability of the other provisions of this document.
- (b) **Clause 8.1(a)** does not apply if severing the provision:
  - (i) materially alters:
    - (A) the scope and nature of this document; or
    - (B) the relative commercial or financial positions of the parties; or
  - (ii) would be contrary to public policy.

### 8.2 Amendment

This document may only be varied or replaced by a document executed by the parties.

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<sup>3</sup> This will apply where the Recipient is a Prospective Purchaser only.

### **8.3 Waiver and exercise of rights**

- (a) A single or partial exercise or waiver of a right relating to this document does not prevent any other exercise of that right or the exercise of any other right.
- (b) A party is not liable for any loss, cost or expense of any other party caused or contributed to by the waiver, exercise, attempted exercise, failure to exercise or delay in the exercise of a right.

### **8.4 Governing law and jurisdiction**

This document is governed by and is to be construed in accordance with the laws applicable in Hong Kong.

### **8.5 Assignment**

Neither party may assign any right or obligation under this document without the other party's prior written consent. Any dealing in breach of this clause is of no effect.

### **8.6 Entire understanding**

This document and the Shareholders' Agreement (if applicable) contain the entire understanding between the parties as to the subject matter of this document.

### **8.7 Legal costs**

Except as expressly stated otherwise in this document, each party must pay its own legal and other costs and expenses of negotiating, preparing, executing and performing its obligations under this document.

### **8.8 Rights cumulative**

Except as expressly stated otherwise in this document, the rights of a party under this document are cumulative and are in addition to any other rights of that party.

### **8.9 Further steps**

Each party must promptly do whatever any other party reasonably requires of it to give effect to this document and to perform its obligations under it.

### **8.10 Counterparts and facsimile copies**

- (a) This document may consist of a number of counterparts and, if so, the counterparts taken together constitute one document.
- (b) This document may be entered into and becomes binding on the parties upon one party (**Sender**) signing the document and sending a facsimile copy of the signed document to the other party (**Receiver**) and the Receiver either:
  - (i) signing the document received by it and sending it by facsimile transmission to the Sender; or
  - (ii) signing a counterpart of the document received by it and sending it by facsimile transmission to the Sender.

### **8.11 Relationship of parties**

This document is not intended to create a partnership, joint venture or agency relationship between the parties.

### **8.12 Ownership thresholds**

In determining the number of Upstream Securities held by a person in an entity for the purposes of any threshold in this document, Upstream Securities held by an Affiliate of that person in that same entity shall be deemed to be held by that person.

## **9 Notices**

### **9.1 General**

A notice, demand, certification, process or other communication relating to this document must be in writing in English and may be given by an agent of the sender.

### **9.2 How to give a communication**

A communication must be given by being:

- (a) personally delivered;
- (b) left at the party's current delivery address for notices;
- (c) sent to the party's current postal address for notices by reputable international delivery service for delivery within three days; or
- (d) sent by fax to the party's current fax number for notices,

provided that any communication hereunder may also be sent by e-mail (which shall not constitute notice).

### **9.3 Particulars for delivery of notices**

- (a) The particulars for delivery of notices for each party, including such party's (i) delivery address for notices, (ii) postal address for notices (if different than delivery address), (iii) facsimile number for notices, (iv) e-mail address for notices, and (v) the person or office to whom notices are to be addressed, are initially as set out opposite such party's name at the commencement of this document.
- (b) Each party may change its particulars for delivery of notices by notice to each other party.

### **9.4 Communications by post**

Subject to **clause 9.6**, a communication is deemed given five days after being sent under **clause 9.2(c)**.

### **9.5 Communications by fax**

Subject to **clause 9.6**, a communication is deemed given if sent by fax, when the sender's fax machine produces a report that the fax was sent in full to the addressee. That report is conclusive evidence that the addressee received the fax in full at the time indicated on that report.

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**9.6 After hours communications**

If a communication is given:

(a) after 5.00pm in the place of receipt; or

(b) on a day which is a Saturday, Sunday or bank or public holiday in the place of receipt,

it is taken as having been given at 9.00am on the next day which is not a Saturday, Sunday or bank or public holiday or (in the case of Hong Kong) general holiday in that place.

**9.7 Receipt of notice**

A notice, demand, certification, process or other communication relating to this document shall be deemed received when it is deemed given hereunder.



Deed of Accession

**Deed poll dated**

By

[  
of [

]  
(Acceding Party)

Background

- A This document is supplemental to an Amended and Restated Shareholders Agreement dated October 16, 2018 (**Agreement**) by and among MCE Cotai Investments Limited, a company incorporated in the Cayman Islands, c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1 - 9005, Cayman Islands, New Cotai, LLC, a limited liability company formed in Delaware, United States of America, c/o New Cotai Holdings, LLC, of Two Greenwich Plaza, Greenwich, Connecticut 06830, United States of America, Melco Resorts & Entertainment Limited, a company incorporated in the Cayman Islands, c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1 - 9005, Cayman Islands, and Studio City International Holdings Limited, a company incorporated in the Cayman Islands, with its registered office at Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

Declarations

- 1 Acceding party to be bound

The Acceding Party covenants with all parties to the Agreement from time to time (whether original or by accession) (**Parties**) to observe, perform and be bound by all the terms of the Agreement in so far as they remain to be observed and performed, as if the Acceding Party had been an original party to the Agreement as [**Shareholder**].

2 Copy of the Deed

The Acceding Party confirms that it has been supplied with a copy of the Agreement.

3 Representations and warranties

The Acceding Party represents and warrants to the Parties that:

- (a) **(registration)**: it is a corporation, partnership, limited liability company, or other organization, as applicable, duly incorporated, formed, or organized, as applicable, and validly existing under the laws of the country of its registration, formation, or organization, as applicable;
- (b) **(corporate power)**: it has the corporate, partnership, limited liability company, or other organizational, as applicable, power to enter into and perform its obligations under this document and to carry out the transactions contemplated by the Agreement.
- (c) **(corporate action)**: it has taken all necessary corporate, partnership, limited liability company, or other organizational, as applicable, action to authorise the entry into and performance of this document and to carry out the transactions contemplated by the Agreement;
- (d) **(binding obligation)**: the obligations in this document are valid and binding obligations of the Acceding Party.

This deed poll is governed by the laws applicable in Hong Kong.

**Executed** as a deed.



**Melco Resorts & Entertainment Limited**  
**List of Significant Subsidiaries**  
**As of December 31, 2018**

1. COD Resorts Limited, incorporated in the Macau Special Administrative Region of the People's Republic of China
2. MCO Cotai Investments Limited (formerly known as MCE Cotai Investments Limited), incorporated in the Cayman Islands
3. MCO (Philippines) Investments Limited, incorporated in the British Virgin Islands
4. MCO Holdings Limited, incorporated in the Cayman Islands
5. MCO International Limited, incorporated in the Cayman Islands
6. MCO Investments Limited, incorporated in the Cayman Islands
7. MCO Nominee One Limited, incorporated in the Cayman Islands
8. Melco Resorts (Macau) Limited, incorporated in the Macau Special Administrative Region of the People's Republic of China
9. Melco Resorts and Entertainment (Philippines) Corporation, incorporated in the Philippines
10. Melco Resorts Finance Limited, incorporated in the Cayman Islands
11. Melco Resorts Leisure (PHP) Corporation, incorporated in the Philippines
12. MPHIL Holdings No. 1 Corporation, incorporated in the Philippines
13. MPHIL Holdings No. 2 Corporation, incorporated in the Philippines
14. MSC Cotai Limited, incorporated in the British Virgin Islands
15. SCP Holdings Limited, incorporated in the British Virgin Islands
16. SCP One Limited, incorporated in the British Virgin Islands
17. SCP Two Limited, incorporated in the British Virgin Islands
18. Studio City Company Limited, incorporated in the British Virgin Islands
19. Studio City Developments Limited, incorporated in the Macau Special Administrative Region of the People's Republic of China
20. Studio City Entertainment Limited, incorporated in the Macau Special Administrative Region of the People's Republic of China
21. Studio City Finance Limited, incorporated in the British Virgin Islands
22. Studio City Holdings Limited, incorporated in the British Virgin Islands
23. Studio City Holdings Three Limited, incorporated in the British Virgin Islands
24. Studio City Holdings Two Limited, incorporated in the British Virgin Islands
25. Studio City International Holdings Limited, incorporated in the Cayman Islands
26. Studio City Investments Limited, incorporated in the British Virgin Islands



**Certification by the Chief Financial Officer**

I, Geoffrey Stuart Davis, certify that:

1. I have reviewed this annual report on Form 20-F of Melco Resorts & Entertainment Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 29, 2019

By: /s/ Geoffrey Stuart Davis  
Name: Geoffrey Stuart Davis  
Title: Chief Financial Officer



**Certification by the Chief Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Melco Resorts & Entertainment Limited (the "Company") on Form 20-F for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Geoffrey Stuart Davis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2019

By: /s/ Geoffrey Stuart Davis  
Name: Geoffrey Stuart Davis  
Title: Chief Financial Officer

29 March 2019

Our Ref: DW/JT/AH/M4237-H01577

The Board of Directors  
Melco Resorts & Entertainment Limited  
36th Floor  
The Centrium  
60 Wyndham Street  
Central  
Hong Kong

Dear Sirs

**FORM 20-F**

We consent to the reference to our firm under the heading “Board Practices”, the heading “Documents on Display” and the heading “Corporate Governance” in the Annual Report on Form 20-F of Melco Resorts & Entertainment Limited for the year ended 31 December 2018, which will be filed with the U.S. Securities and Exchange Commission (the “**Commission**”) on 29 March 2019 under the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under the Exchange Act, or the Rules and Regulations of the Commission thereunder.

Yours faithfully

/s/ WALKERS

**WALKERS (HONG KONG)**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-143866) pertaining to the 2006 Share Incentive Plan of Melco Resorts & Entertainment Limited,
2. Registration Statement (Form S-8 No. 333-185477) pertaining to the 2011 Share Incentive Plan of Melco Resorts & Entertainment Limited, and
3. Registration Statement (Form F-3 No. 333-215100) of Melco Resorts & Entertainment Limited;

of our reports dated March 29, 2019, with respect to the consolidated financial statements of Melco Resorts & Entertainment Limited and the effectiveness of internal control over financial reporting of Melco Resorts & Entertainment Limited included in this Annual Report (Form 20-F) of Melco Resorts & Entertainment Limited for the year ended December 31, 2018.

/s/ Ernst & Young  
Hong Kong  
March 29, 2019

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements Nos. 333-185477 and 333-143866 on Form S-8 and No. 333-215100 on Form F-3 of our report dated April 11, 2017, relating to the 2016 consolidated financial statements (before retrospective adjustments to the consolidated financial statements) of Melco Resorts & Entertainment Limited and its subsidiaries (the "Company") (not presented herein), appearing in this Annual Report on Form 20-F of the Company for the year ended December 31, 2018.

/s/ Deloitte Touche Tohmatsu  
Hong Kong  
March 29, 2019