IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached offering memorandum. In accessing the attached offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: In order to be eligible to view the attached offering memorandum or make an investment decision with respect to the securities, you must: (i) be a non-U.S. person (within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act")) and be outside the United States; or (ii) be a qualified institutional buyer ("QIB") (within the meaning of Rule 144A under the Securities Act). You have been sent the attached offering memorandum on the basis that you have confirmed to each of the initial purchasers set forth in the attached offering memorandum (collectively, the "Initial Purchasers"), being the sender or senders of the attached, that either: (A)(i) you and any customers you represent are not U.S. persons; and (ii) the electronic mail (or e-mail) address to which it has been delivered is not located in the United States of America, its territories and possessions, any state of the United States and the District of Columbia; "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; or (B) you and any customers you represent are QIBs and that you consent to delivery by electronic transmission. Prospective purchasers that are QIBs are hereby notified that sellers of the securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The attached offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, neither the Initial Purchasers, any person who controls any Initial Purchaser, the Issuer, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are reminded that the attached offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the offering memorandum to any other person. You will not transmit the attached offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person. Any forwarding, distribution or reproduction of the offering memorandum in whole or in part is unauthorized. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions. If you have gained access to this transmission contrary to any of the foregoing restrictions, you are not authorized and will not be able to purchase any of the securities described herein.

Restrictions: Nothing on this electronic transmission constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so. Recipients of the attached offering memorandum who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the attached offering memorandum. The securities have not been, and will not be registered under the Securities Act or the securities laws of any state of the United States or other jurisdiction, and the securities may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as such terms are defined in Regulation S under the Securities Act) unless pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act and applicable state of local securities laws.

The materials relating to the offering do not constitute, and may be not used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed brokered or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of us in such jurisdiction.

Under no circumstances shall the attached offering memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act ("SFA"): The Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Strictly Confidential

MELCO RESORTS FINANCE

Melco Resorts Finance Limited

(incorporated in the Cayman Islands with limited liability)

US$900,000,000
5.375% Senior Notes due 2029
Issue Price: 100.000% plus accrued interest from the issue date

Melco Resorts Finance Limited ("Melco Resorts Finance") is offering US$900,000,000 5.375% Senior Notes due 2029 (the "Notes").

We will pay interest on the Notes semi-annually in arrears on June 4 and December 4 of each year, beginning on June 4, 2020. The Notes will mature on December 4, 2029. The Notes will be senior obligations of Melco Resorts Finance, rank equally with all of Melco Resorts Finance's existing and future senior indebtedness, rank senior to all of Melco Resorts Finance's existing and future subordinated indebtedness and be 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 to the indebtedness of all of Melco Resorts Finance's subsidiaries. For a more detailed description of the Notes, see "Description of Notes" beginning on page 117 of this offering memorandum.

At any time on or after December 4, 2024, we may redeem some or all of the Notes at the redemption prices listed in "Description of Notes—Optional Redemption." Prior to December 4, 2024, we may redeem all or part of the Notes by paying a "make-whole" premium. Prior to December 4, 2024, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings. In addition, we may redeem the Notes in whole, but not in part, at any time at a price equal to their principal amount plus accrued and unpaid interest, in the event of certain changes in withholding tax laws. We may also redeem the Notes if any applicable gaming authority requires holders of the Notes to be licensed, qualified or found suitable under applicable law and such holder is not so licensed or qualified or is found unsuitable. Furthermore, upon the occurrence of a Change of Control Triggering Event (as defined herein) or a Special Put Option Triggering Event (as defined herein) which relates to certain events regarding our gaming license, we must offer to purchase the Notes at a price equal to 101% and 100%, respectively, of their principal amount plus accrued and unpaid interest and additional amounts, if any, to but excluding the date of the repurchase.

Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this offering memorandum. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Notes or our company.

See "Risk Factors" beginning on page 15 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

The Notes have not been, and will not be, registered under the Securities Act, and are being offered and sold only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of certain restrictions on offers, resales and transfers and distribution of this offering memorandum, see "Transfer Restrictions."

The initial purchasers of the Notes expect to deliver the Notes to purchasers on or about December 4, 2019, which is the fifth business day after the date of this offering memorandum (such settlement being referred to as "T+5"), solely in book-entry form through the facilities of The Depository Trust Company ("DTC"). See "Plan of Distribution."

Sole Global Coordinator
Deutsche Bank

Left Lead Bookrunner	***Joint Bookrunners***		
Deutsche Bank	**Morgan Stanley**	**ANZ**	**Bank of Communications Co., Ltd.**
	BOC International	**ICBC (Macau)**	**Mizuho Securities**

The date of this Offering Memorandum is November 26, 2019

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NOTICE TO INVESTORS

This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, SINGAPORE BRANCH, AS STABILIZING COORDINATOR, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF DEUTSCHE BANK AG, SINGAPORE BRANCH, AND NOT FOR OR ON BEHALF OF MELCO RESORTS FINANCE.

This offering memorandum is highly confidential and has been prepared by us solely for use in connection with the proposed offering of the Notes described in this offering memorandum. Deutsche Bank AG, Singapore Branch, Morgan Stanley & Co. LLC, Australia and New Zealand Banking Group Limited, Bank of Communications Co., Ltd. Macau Branch, BOCI Asia Limited, Industrial and Commercial Bank of China (Macau) Limited and Mizuho Securities Asia Limited (collectively, the "Initial Purchasers") and Melco Resorts Finance reserve the right to withdraw this Offering at any time before closing, to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the amount of the Notes offered by this offering memorandum.

Notwithstanding anything in this offering memorandum to the contrary, except as reasonably necessary to comply with applicable securities laws, you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the United States federal income tax treatment and tax structure of this Offering and all materials of any kind (including opinions or other tax analysis) that are provided to you relating to such tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to the United States federal income tax treatment of this Offering.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed "Transfer Restrictions" herein.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Initial Purchasers or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein or any other information supplied in connection with the Notes, and nothing contained in this offering memorandum or such other information is, or shall be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers have not independently verified any of such information and assume no responsibility for such information and assume no responsibility for its accuracy or completeness.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates or the Notes (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Notes are being offered and sold only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to certain non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act in transactions that are not subject to the registration requirements of the Securities Act.

Melco Resorts Finance is not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this offering memorandum, see the sections headed "Transfer Restrictions" and "Plan of Distribution" below.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

Melco Resorts Finance reserves the right to withdraw the offering of Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (THE "SFA")

In connection with Section 309B of the Securities and Futures Act and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the Securities and Futures Act), that the Notes are (A) prescribed capital markets products (as defined in the CMP Regulations 2018) and (B) Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD-LOOKING STATEMENTS

This offering memorandum 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. All statements other than statements of historical fact in this offering memorandum are forward-looking statements. 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 "Risk Factors" for a discussion of some risk factors that may affect our business and results of operations. These risks are not exhaustive. Other sections of this offering memorandum may include additional factors that could adversely impact our business and financial performance. 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, 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:

- compliance with conditions and covenants under the 2015 Credit Facilities;
- our ability to raise additional financing, if and when required;
- our future business development, results of operations and financial condition;
- growth of the gaming market in and visitation to Macau;
- 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;
- fluctuations in occupancy rates and average daily room rates in Macau;
- our ability to extend or renew our gaming subconcession beyond its current expiration date in 2022;
- 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. ("SJM"), Venetian Macau, S.A. ("Venetian Macau"), Wynn Resorts (Macau) S.A. ("Wynn Macau"), Galaxy Casino, S.A. ("Galaxy") and MGM Grand Paradise, S.A. ("MGM Grand Paradise");
- our entering into new development and construction projects and new ventures in or outside of Macau;
- 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;
- the completion of infrastructure projects in Macau;
- the outcome of any current and future litigation; and
- other factors described under "Risk Factors".

The forward-looking statements made in this offering memorandum relate only to events or information as of the date on which the statements are made in this offering memorandum. 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 offering memorandum completely and with the understanding that our actual future results may be materially different from what we expect.

AVAILABLE INFORMATION

For so long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and in any period during which Melco Resorts Finance is not a reporting company subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") nor exempt therefrom pursuant to Rule 12g3-2(b) of the Exchange Act, Melco Resorts Finance will furnish to any holder or beneficial owner of the Notes, securities analyst or prospective purchaser of the Notes, upon their request, the information specified in and meeting the requirements of Rule 144A(d)(4) under the Securities Act.

In addition, we will provide, without charge, to each person to whom this offering memorandum is delivered, upon that person's written or oral request, a copy of the indenture governing the Notes (the "Indenture").

ENFORCEMENT OF CIVIL LIABILITIES

Melco Resorts Finance is incorporated in the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company, such as:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and provides significantly less protection to investors; and
- Cayman Islands companies do not have standing to sue before the federal courts of the United States.

The constituent documents of Melco Resorts Finance do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between Melco Resorts Finance, its officers, directors and shareholders, be arbitrated.

Substantially all of our current operations, including our administrative and corporate operations, are conducted in Macau, and substantially all of our assets are located in Macau. A majority of our directors and officers are nationals or residents of jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a holder of the Notes or the trustee to effect service of process within the United States upon us or such persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

Melco Resorts Finance has appointed Law Debenture Corporate Services Inc. as its agent to receive service of process with respect to any action brought against Melco Resorts Finance in the United States District Court for the Southern District of New York under the federal securities laws of the United States or of any state in the United States or any action brought against Melco Resorts Finance in the Supreme Court of the State of New York in the County of New York under the securities laws of the State of New York.

Harney Westwood & Riegels, our counsel as to Cayman Islands law, and Manuela António—Lawyers and Notaries, our counsel as to Macau law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and Macau, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Harney Westwood & Riegels has further advised us that a judgment obtained in a foreign court will be recognized and enforced in the courts of the Cayman Islands without any re-examination of the merits (a) at common law, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, where the judgment is (i) final and conclusive and in respect of which the foreign court had jurisdiction over the defendant according to Cayman Islands conflict of law rules, (ii) either for a liquidated sum not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations or, in certain circumstances, for in personam non-money relief, and which was neither obtained in a manner, nor is of a kind enforcement of which is contrary to the principles of natural justice or the public policy of the Cayman Islands and in obtaining the judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the foreign court, or (b) by statute, by registration in the Grand Court of the Cayman Islands and execution as if it were a judgment of the Grand Court where the judgment is a judgment of a superior court of any state of the Commonwealth of Australia which is final and conclusive for a sum of money not in respect of taxes or other charges of a like nature or in respect of a fine, penalty or revenue obligation, has not been wholly satisfied and which could be enforced by execution in that jurisdiction and is not set aside on the grounds that the country of the original court had no jurisdiction or the judgment was obtained by fraud or the enforcement of the judgment would be contrary to the public policy of the Cayman Islands or on any other grounds.

Manuela António—Lawyers and Notaries has advised further that a final and conclusive monetary judgment for a definite sum obtained in a federal or state court in the United States would be treated by the courts of Macau as a cause of action in itself so that no retrial of the issues would be necessary, provided that: (1) such court had jurisdiction in the matter and the defendant either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process; (2) due process was observed by such court, with equal treatment given to both parties to the action, and the defendant had the opportunity to submit a defense; (3) the judgment given by such court was not in respect of penalties, taxes, fines or similar fiscal or tax revenue obligations; (4) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court; (5) recognition or enforcement of the judgment in Macau would not be contrary to public policy; (6) the proceedings pursuant to which judgment was obtained were not contrary to natural justice; and (7) any interest charged to the defendant does not exceed three times the official interest rate, which is currently 9.75% per annum, over the outstanding payment (whether of principal, interest fees or other amounts) due.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements were prepared in accordance with U.S. GAAP. Our reporting currency is U.S. dollars.

Certain numerical figures set out in this offering memorandum, including financial data presented in millions or thousands, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" are calculated using the numerical data in our consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this offering memorandum, as applicable, and not using the numerical data in the narrative description thereof.

This offering memorandum contains non-GAAP financial measures and ratios that are not required by, or presented in accordance with, U.S. GAAP, including Adjusted property EBITDA and Adjusted EBITDA. We present non-GAAP financial measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance. We use non-GAAP financial measures as measures of the operating performance of our properties and to compare the operating performance of our properties with those of our competitors. The non-GAAP financial measures may not be comparable to other similarly titled measures of other companies, since they are not uniformly defined, and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results reported under U.S. GAAP. Non-GAAP financial measures and ratios are not measurements of our performance under U.S. GAAP and should not be considered as alternatives to operating income or net profit or any other performance measures derived in accordance with U.S. GAAP or any other generally accepted accounting principles.

CERTAIN DEFINED TERMS RELATING TO THE COMPANY

In this offering memorandum, unless the context otherwise requires, the following expressions shall have the following meanings. Certain technical terms are explained in "Glossary" below.

- "2013 Notes" refers to Melco Resorts Finance's US$1.0 billion 5.00% Senior Notes due 2021 issued in February 2013 which were redeemed in full on June 14, 2017;
- "2015 Credit Facilities" refers to the HK$13.65 billion (equivalent to US$1.75 billion based on the exchange rate on the transaction date) senior secured credit facilities agreement entered into by Melco Resorts Macau, as borrower, comprising a Hong Kong dollar term loan facility of HK$3.90 billion (equivalent to US$500 million based on the exchange rate on the transaction date) with a term of six years and the 2015 Revolving Credit Facility;
- "2015 Revolving Credit Facility" refers to a multi-currency revolving credit facility of HK$9.75 billion (equivalent to US$1.25 billion based on the exchange rate on the transaction date) with a term of five years;
- "2017 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 ("First 2017 Notes") and US$350.0 million in aggregate principal amount was issued on July 3, 2017 ("Additional 2017 Notes");
- "2019 Notes due 2026" refers to Melco Resorts Finance's US$500 million 5.250% senior notes due 2026 issued in April 2019;
- "2019 Notes due 2027" refers to Melco Resorts Finance's US$600 million 5.625% senior notes due 2027 issued in July 2019;
- "AUD" refers to the legal currency of Australia;
- "China," "mainland China" and "PRC" refer to the People's Republic of China, excluding Hong Kong, Macau and Taiwan from a geographical point of view;
- "DICJ" refers to the Direcção de Inspecção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau), a department of the Public Administration of Macau;
- "Greater China" refers to mainland China, Hong Kong, Macau and Taiwan, collectively;
- "HIBOR" refers to Hong Kong Interbank Offered Rate;
- "HK$" and "H.K. dollars" refer to the legal currency of Hong Kong;
- "Hong Kong" refers to the Hong Kong Special Administration Region of the People's Republic of China;
- "Macau" and the "Macau SAR" refer to the Macau Special Administrative Region of the People's Republic of China;
- "Master Services Agreement" refers to the master services agreement entered into among Studio City International Holdings Limited and certain of its subsidiaries and Melco Resorts Macau and certain of its subsidiaries and affiliates, dated December 21, 2015;
- "Melco Resorts Finance" refers to Melco Resorts Finance Limited (formerly known as MCE Finance Limited), a Cayman Islands exempted company with limited liability, a wholly owned subsidiary of the Parent and the issuer of the Notes described in this offering memorandum;
- "Melco Resorts Macau" refers to our subsidiary, Melco Resorts (Macau) Limited, a Macau company and the holder of our gaming subconcession;
- "Melco International" refers to Melco International Development Limited, a Hong Kong listed company;
- "our subconcession" refers to the Macau gaming subconcession held by Melco Resorts Macau;
- "Parent" and "Melco" refer to Melco Resorts & Entertainment Limited (formerly known as Melco Crown Entertainment Limited), a Cayman Islands exempted company with limited liability;
- "Pataca" and "MOP" refer to the legal currency of Macau;
- "Renminbi" and "RMB" refer to the legal currency of China;

- "Services and Right to Use Agreement" refers to the agreement relating to the operation of Studio City Casino entered into among, inter alia, Melco Resorts Macau and Studio City Entertainment, dated May 11, 2007 and amended on June 15, 2012;
- "Services and Right to Use Arrangements" refers to the terms of the Services and Right to Use Agreement as amended on June 15, 2012, together with the reimbursement agreement of the same date and other agreements or arrangements entered into from time to time regarding the operation of Studio City Casino;
- "Studio City" refers to the cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau;
- "Studio City Casino" refers to the gaming areas being constructed or operated within Studio City;
- "Studio City Entertainment" refers to our affiliate, Studio City Entertainment Limited, a Macau company which is a subsidiary of the Parent;
- "US$" and "U.S. dollar" 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 company," "our" and the "Company" refer to Melco Resorts Finance and, as the context requires, its predecessor entities and its consolidated subsidiaries.

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" or "junket operators"	an individual or corporate entity who, for the purpose of promoting rolling chip and other gaming activities, arranges customer transportation and accommodation, provides credit in its sole discretion if authorized by a gaming operator and arranges food and beverage services and entertainment in exchange for commissions or other compensation from a gaming operator
"integrated resort"	a resort which provides customers with a combination of hotel accommodations, casinos or gaming areas, retail and dining facilities, MICE space, entertainment venues and spas
"junket player"	a player sourced by gaming promoters to play in the VIP gaming rooms or areas

"marker"	evidence of indebtedness by a player to the casino or gaming operator
"mass market patron"	a customer who plays in the mass market segment
"mass market segment"	consists of both table games and gaming machines played by mass market players primarily for cash stakes
"mass market table games drop"	the amount of table games drop in the mass market table games segment
"mass market table games hold percentage"	mass market table games win (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
"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. Table games win is 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
"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

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire offering memorandum, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

Overview

We are a developer, owner and, through our subsidiary Melco Resorts Macau, operator of casino gaming and entertainment casino resort facilities in Macau. Our subsidiary, Melco Resorts Macau, is one of six companies licensed, through concessions or subconcessions, to operate casinos in Macau.

All of our operations are currently located in Macau. We have two wholly owned casino based operations, namely, City of Dreams and Altira Macau, and non-casino based operations at our Mocha Clubs. Since the commencement of Studio City operations in October 2015, our subsidiary Melco Resorts Macau has been operating the Studio City Casino pursuant to the Services and Right to Use Arrangements. We also provide non-gaming services to Studio City pursuant to the Master Services Agreement and Work Agreements.

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.

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 two Forbes Travel Guide Five-Star hotels in Macau—Altira Macau and Nüwa—and received nine Forbes Travel Guide Five-Star and two Forbes Travel Guide Four-Star recognitions across our properties in 2019. We seek to attract patrons throughout Asia and, in particular, from Greater China.

Our current operating facilities are focused on the Macau gaming market. According to the DICJ, the Macau gaming market experienced a decline in gross gaming revenues in 2016 as compared to 2015, with gross gaming revenues in Macau declining by approximately 3.3% on a year-on-year basis. We believe such decline was 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. 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. According to the DICJ, gross gaming revenues in Macau declined by 1.8% on a year-on-year basis in the first ten months of 2019 as compared to the first ten months of 2018. We believe such year-on-year decline in the first ten months of 2019 was mainly driven by a decline in VIP gaming revenues in Macau and the slowdown in the Chinese economy.

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 Resorts Macau to operate 40 additional gaming tables at City of Dreams. During the nine months ended September 30, 2019, City of Dreams had an average of approximately 517 gaming tables and approximately 836 gaming machines. As of September 30, 2019, 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 26 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 provided 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 created 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.

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, 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. Morpheus was hailed as one of the World’s Greatest Places 2018 by TIME Magazine last year, just two months after its opening, and winning the Most Valuable Brand Gold Award in the 2018 Business Awards of Macau. In 2019, Morpheus was named Building of the Year 2019 by ArchDaily, the world’s most visited architecture website and won Best Hotel Architecture and Best New Hotel Construction & Design in Macau at the Asia Pacific Property Awards 2019. More recently, Morpheus became the first property in Macau to win the Prix Versailles Award for Central and Northeast Asia in the Hotels category and was the winner of the Design Den category in the Big Sleep Awards 2019 by National Geographic Traveller (UK).

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 has received the TripAdvisor 2019 Certificate of Excellence and was named in its 2019 Hall of Fame for the consistent achievement of high ratings from travelers. It was honored by the Global Gaming Expo (G2E) Asia Awards for Best Integrated Resorts Non-Gaming Attraction in 2019 and 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. During the nine months ended September 30, 2019, Altira Macau had an average of approximately 104 gaming tables and 173 gaming machines operated as a Mocha Club at Altira Macau.

In addition, Altira Macau had approximately 230 hotel rooms as of September 30, 2019 and features several fine dining and casual restaurants and recreation and leisure facilities.

We consider Altira hotel, located within the 38-storey 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 September 30, 2019. A number of restaurants and dining facilities are available at Altira Macau, including a leading Mediterranean cuisine restaurant, 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 Urban Escape" category at the 2019 World Luxury Spa Awards. It was also honored 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 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.

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). During the nine months ended September 30, 2019, Mocha Clubs had eight clubs with an average of approximately 1,471 gaming machines in operation (including an average of 173 gaming machines at Altira Macau). According to the DICJ, there were a total of 17,348 slot machines in the Macau market as of September 30, 2019. Mocha Clubs focus primarily 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.

Our Objective and Strategies

Our objective is to capitalize on our position as one of the leading gaming, leisure and entertainment providers in Asia by serving the rapidly developing and increasingly consumer-focused Asian middle class through our world-class properties in Macau, with the ultimate goal of delivering long term value to our stakeholders. To enable us to achieve our objectives, we have developed the following core business strategies:

Develop a balanced product portfolio and well-recognized branded experiences tailored for a broad spectrum of customer segments

We offer a balanced gaming and non-gaming product portfolio with an emphasis on both the mass and premium mass markets. Our gaming product portfolio includes a highly competitive rolling chip offering and we have created a service culture focusing on luxurious customer experience that appeals to an increasingly sophisticated and discerning customer base in both the mass and premium mass markets. We have incorporated design elements at our properties, including the VIP room and the theater for "The House of Dancing Water" show at City of Dreams, which we believe cater to a broad spectrum of customer segments. In 2019, we have received nine Forbes Travel Guide Five-Star and two Forbes Travel Guide Four-Star recognitions across our properties. Five of our signature restaurants have attained Michelin star awards by Michelin Guide Hong Kong Macau 2019, namely Jade Dragon (three stars), The Tasting Room (two stars), Alain Ducasse at Morpheus (2 stars), Shinji by Kanesaka (one star) and Ying (one star). City of Dreams has also been recognized at the International Gaming Awards as the "Casino VIP Room of the Year" in 2014 and "Integrated Resort of the Year" in 2013. We believe our ability to cater to both market segments will enhance our ability to adapt to the fast-growing and changing gaming market in Macau, and to achieve balanced and sustainable long-term growth in the future.

We also believe that building a strong, well-recognized brand is critical to our success, especially in the brand-conscious Asia market. Morpheus, the third phase of City of Dreams in Cotai, Macau, opened in June 2018 with our newly launched "Morpheus" luxury brand. Morpheus was hailed as one of the World's Greatest Places 2018 by TIME Magazine last year, just two months after its opening, and winning the Most Valuable Brand Gold Award in the 2018 Business Awards of Macau. In 2019, Morpheus was named Building of the Year 2019 by ArchDaily, the world's most visited architecture website and won Best Hotel Architecture and Best New Hotel Construction & Design in Macau at the Asia Pacific Property Awards 2019. More recently, Morpheus became the first property in Macau to win the Prix Versailles Award for Central and Northeast Asia in the Hotels category and was the winner of the Design Den category in the Big Sleep Awards 2019 by National Geographic Traveller (UK). Alain Ducasse at Morpheus has also been awarded with two Michelin stars, in less than six months after opening. Morpheus has strengthened City of Dreams' position as a leading premium-focused integrated resort in Macau. We intend to develop and further strengthen our brands by maintaining high-quality offerings at our properties that differentiate us from our competitors and providing customer experiences tailored to address the cultural preferences and expectations of Asian customers.

Deliver innovative and differentiated products and offerings, including world-class entertainment attractions, to target a broad spectrum of customers and enhance customer acquisition and repeat patronage

We differentiate ourselves in the Macau gaming market through our emphasis on entertainment and interactive attractions. "The House of Dancing Water" show at City of Dreams has attracted over 6 million spectators since commencing operation in September 2010. The show has received the TripAdvisor 2019 Certificate of Excellence and was named in its 2019 Hall of Fame for the consistent achievement of high ratings from travelers. It was honored by the Global Gaming Expo (G2E) Asia Awards for Best Integrated Resorts Non-Gaming Attraction in 2019 and was also recognized as the "Most Valuable Brand" by the 2015 Business Awards of Macau. We believe that the success of "The House of Dancing Water," as well as the Club Cubic nightclub at City of Dreams, illustrates a currently underserved strong demand for quality entertainment offerings in Macau.

We offer a diverse group of international restaurants, cafes and relaxed bars and lounges located throughout our properties. In addition, we will continue to enhance and optimize our mix of retail offerings in line with the preferences of our target customers. We believe our continued emphasis on non-gaming attractions will enable us to drive visitation and revenue growth.

Focus on higher margin mass-market customer segment to maintain a stable revenue stream, drive profitability and cater to the fast growing Asian middle-to-upper class

We focus on the mass market segment in Macau, which has historically shown strong operating margins and which we believe will continue to grow. We believe that our focus on acquiring and retaining the mass market customers will enable us to achieve stable growth of our diversified revenue streams. We also believe the growth of the Asian economies, including China, with their populations of over three billion people within a five-hour flight radius of Macau, will continue to drive mass market growth. We cater to mass-market customers by leveraging diversified entertainment attractions, strategic marketing and promotional campaigns that offer a unique and tiered customer loyalty program catering to a wide range of customers.

We are committed to maintaining stable and diversified sources of revenues from both gaming and non-gaming activities, and positioning ourselves to serve the mass and premium mass market patrons who participate in both types of activities. Our objective is to maintain stable and recurring sources of gaming revenues by continuing our focus on the mass and premium mass market gaming segments, which have proven more resilient to market fluctuations than the VIP gaming segment. In addition, we expect to continue enhancing our non-gaming offerings, including entertainment attractions, food and beverages, and luxury accommodations, which will enable us to further generate non-gaming revenues. We believe our commitment to maintaining stable revenue streams will provide us with the financial flexibility to pursue our business strategies.

Develop comprehensive marketing and customer loyalty programs

We seek to attract customers to our properties by leveraging our brands and utilizing our own marketing resources. By combining our brand recognition with our strengths in customer management techniques and programs, we focus on building a platform of repeat customers and loyalty club members.

We will seek to continue to grow and maintain our customer base by:

- creating a cross-platform sales and marketing department to promote all of our brands to potential customers throughout Asia in accordance with applicable laws; and
- utilizing special product offers, special events, tournaments and promotions to build and maintain relationships with our guests in order to increase repeat visits and help fill capacity during lower demand periods.

Utilize our subconcession to maximize our business and revenue potential in the markets in which we operate

We intend to leverage the economic benefits and opportunities we enjoy as a subconcessionaire in Macau to capitalize on the potential growth of the gaming market in Asia. Subject to government and other regulatory approvals, we will continually evaluate opportunities within Macau for maximizing the economic and strategic benefits of our subconcession.

Maintain a strong balance sheet and conservative capital structure to invest in growth opportunities

We believe that a strong balance sheet and a conservative capital structure are key tenets of our fundamental operating philosophy as a company. This approach helps us to maintain financial stability. It also forms the core foundation for our future growth strategy. We believe that a proactive management of our balance sheet and an efficient capital structure will enhance our ability and flexibility to pursue opportunistic growth in the future. Additionally, we believe that patience is an important attribute in monitoring the development of the market in which we operate and in identifying and executing future development in existing, as well as new markets.

Recent Developments

On October 22, 2019 and November 6, 2019, the sole director of our company declared dividends of US$83,194.68 per share and US$54,076.54 per share, respectively, totaling US$165.0 million to the Parent.

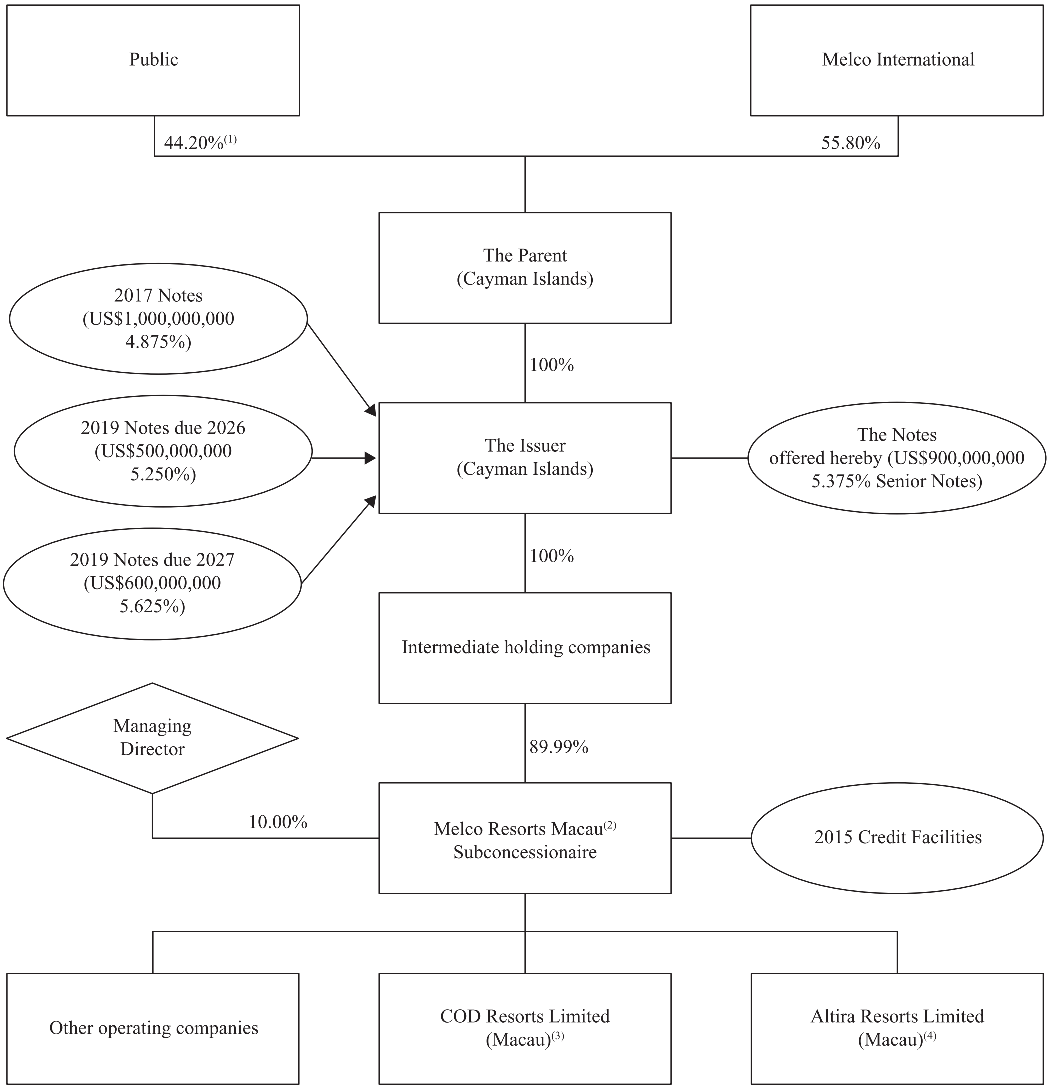
General Information

Melco Resorts Finance was incorporated in the Cayman Islands on June 7, 2006 as an exempted company with limited liability, with registered number 168872. Our registered offices are located at c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

Our website is www.melco-resorts.com. The information contained on our website does not form part of this offering memorandum.

Corporate Structure and Certain Financing Arrangements

The following chart shows our simplified corporate and financing structure as of the date of this offering memorandum.



(1) Based on 1,456,547,942 shares outstanding as of the date of this offering memorandum. It includes shares held by the public and shares held by the Parent's depositary bank to facilitate the administration and operation of the Parent's share incentive plans.

(2) The shares of Melco Resorts Macau are owned 89.99% by MCO Investments Limited (formerly known as MPEL Investments Limited), 10.00% by the Managing Director of Melco Resorts Macau, Mr. Lawrence Ho, and 0.01% by another intermediate holding company.

(3) Formerly known as Melco Crown (COD) Developments Limited and merged with, among others, COD Hotels Limited (formerly known as Melco Crown (COD) Hotels Limited) and is the entity through which we operate the hotels and other non-gaming businesses of, and hold the land and buildings for, City of Dreams.

(4) Formerly known as Altira Developments Limited and merged with Altira Hotels Limited and is the entity through which we hold the hotel and other non-gaming businesses of, and hold the land and building for, Altira Macau.

THE OFFERING

The following is a brief summary of the terms of this Offering and the Notes and is qualified in its entirety by the remainder of this offering memorandum. Terms used in this summary and not otherwise defined shall have the meanings given to them in the "*Description of Notes*."

Issuer	Melco Resorts Finance Limited ("Melco Resorts Finance").
Notes Offered	US$900,000,000 aggregate principal amount of 5.375% Senior Notes due 2029.
Issue Price	100.000% of the principal amount of the Notes, plus accrued interest, if any.
Issue Date	December 4, 2019.
Maturity Date	December 4, 2029.
Interest	The Notes will bear interest at a rate of 5.375% per annum, payable semi-annually in arrears on June 4 and December 4 of each year beginning on June 4, 2020.
Ranking of Notes	The Notes (1) will be general obligations of Melco Resorts Finance, (2) will be *pari passu* in right of payment to all existing and future senior indebtedness of Melco Resorts Finance, (3) will be senior in right of payment to any existing and future subordinated Indebtedness of Melco Resorts Finance, and (4) will be 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 to the indebtedness of Melco Resorts Finance's Subsidiaries.
Use of Proceeds	We intend to use the net proceeds of the offering of the Notes to make a full repayment of the principal amount outstanding under the 2015 Revolving Credit Facility and a partial prepayment of the principal amount outstanding under the 2015 Term Loan Facility.
Optional Redemption of the Notes	Prior to December 4, 2024, Melco Resorts Finance at its option may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable "make-whole" premium described in this offering memorandum plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the redemption date. See "Description of Notes—Optional Redemption." At any time after December 4, 2024, Melco Resorts Finance at its option may redeem the Notes, in whole or in part, at the redemption prices set forth in "Description of Notes—Optional Redemption" plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the redemption date. At any time prior to December 4, 2024, Melco Resorts Finance may redeem up to 35% of the principal amount of the Notes, with the net cash proceeds of one or more Equity Offerings at a redemption price of 105.375% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the redemption date. See "Description of Notes—Optional Redemption."

Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, Melco Resorts Finance may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to but excluding the date fixed by Melco Resorts Finance for redemption, if Melco Resorts Finance would become obliged to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of Notes—Redemption for Taxation Reasons."
Gaming Redemption	The Indenture will grant Melco Resorts Finance the power to redeem the Notes if the gaming authority of any jurisdiction in which the Melco Resorts Finance, any of its Subsidiaries or Melco International 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 and such holder or beneficial owner, as the case may be, fails to apply or become licensed or qualified within the required time period or is found unsuitable. See "Description of Notes—Gaming Redemption."
Repurchase of Notes upon a Change of Control Triggering Event	Upon the occurrence of certain events constituting a Change of Control Triggering Event, Melco Resorts Finance will be required to offer to repurchase the Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to but excluding the date of the purchase. See "Description of Notes—Repurchase at the Option of Holders—Change of Control."
Special Put Option	Upon the occurrence of (1) any event after which none of Melco Resorts Finance or any of its Subsidiaries has such licenses, concessions, subconcessions or other permits or authorizations as are necessary for Melco Resorts Finance and its Subsidiaries to own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner and scope as Melco Resorts Finance and its Subsidiaries are entitled to at the Issue Date, 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 Melco Resorts Finance 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 Melco Resorts Finance and its Subsidiaries, taken as a whole, each holder of the Notes will have the right to require Melco Resorts Finance to repurchase all or any part of such holder's 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. See "Description of Notes—Repurchase at the Option of Holders—Special Put Option."
Covenants	The Notes and the Indenture governing the Notes will include certain limitations on Melco Resorts Finance's ability to merge or consolidate with another company and require Melco Resorts Finance to provide certain information to the holders of Notes. These covenants are subject to a number of important exceptions and qualifications. See "Description of Notes—Certain Covenants" and the related definitions.

Transfer Restrictions	The Notes have not been registered under the Securities Act or under any state securities laws of the United States and will be subject to certain restrictions on transfer and resale. See "Transfer Restrictions." Melco Resorts Finance will not register the Notes for resale under the Securities Act or the securities laws of any other jurisdiction or offer to exchange the Notes for registered Notes under the Securities Act or the securities laws of any other jurisdiction.
Original Issue Discount	The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes. In such event, U.S. Holders (as such term is defined under "Taxation—Certain U.S. Federal Income Tax Considerations") will generally be required to include such OID in gross income (as ordinary income) on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. Holders will generally include any OID in income in advance of the cash attributable to such income. See "Taxation—Certain U.S. Federal Income Tax Considerations—Original Issue Discount".
Form, Denomination and Registration . .	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of The Depository Trust Company.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see "Description of Notes—Book-Entry, Delivery and Form."
Delivery of the Notes	Melco Resorts Finance expects to make delivery of the Notes against payment in same-day funds on or about December 4, 2019, which is the fifth business day after the date of this offering memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next three succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify alternative settlement arrangements to prevent a failed settlement. See "Plan of Distribution."
Trustee, Paying Agent, Transfer Agent and Registrar	Deutsche Bank Trust Company Americas.
Listing	Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this offering memorandum. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Notes or our company.

Governing Law for the Notes and the Indenture . . . . The Notes and the Indenture will be governed by, and will be construed in accordance with, the laws of the State of New York.

Security Codes . . . .

	Rule 144A Notes	**Regulation S Notes**
CUSIP:	58547D AD1	G5975L AE6
ISIN:	US58547DAD12	USG5975LAE68

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following summary historical consolidated statements of operations data for the years ended December 31, 2018 and 2017, and the summary historical consolidated balance sheets data as of December 31, 2018 and 2017 have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum. These consolidated financial statements have been prepared and presented in accordance with U.S. GAAP. We 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 following summary historical consolidated statements of operations data for the nine months ended September 30, 2019 and 2018 and the summary historical consolidated balance sheet data as of September 30, 2019 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this offering memorandum. Our unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2018, except for the adoption of Accounting Standards Codification 842, Leases (Topic 842) (the "New Leases Standard") on January 1, 2019 under the modified retrospective method. Amounts for the periods beginning on or after January 1, 2019 are presented under the New Leases Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis.

You should read this section in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and those financial statements and the notes to those statements included elsewhere in this offering memorandum. The historical results are not necessarily indicative of the results of operations to be expected in the future.

	Year ended December 31,		Nine months ended September 30,	
	2018	2017	2019[(2)]	2018
	(in thousands of US$)			
Consolidated Statements of Operations Data:				
Net revenues / Total operating revenues[(1)]	4,598,402	4,684,769	3,824,405	3,348,865
Total operating costs and expenses	(4,152,146)	(4,171,410)	(3,369,159)	(3,061,994)
Operating income	446,256	513,359	455,246	286,871
Net income	381,530	431,591	337,670	245,287

	As of December 31,		As of September 30,
	2018	2017	2019
	(in thousands of US$)		
Consolidated Balance Sheets Data:			
Cash and cash equivalents	882,989	837,305	724,172
Total assets[(5)]	6,163,399	5,020,715	6,657,733
Total current liabilities[(5)]	1,515,984	1,364,264	1,912,986
Total debts[(3)]	2,456,425	1,419,511	2,958,508
Total liabilities[(5)]	3,941,712	2,754,411	4,339,061
Total shareholder's equity[(4)]	2,221,687	2,266,304	2,318,672

(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 of accounting, net revenues for the year ended December 31, 2018 would have been US$4.92 billion.

(2) We adopted the New Leases Standard on January 1, 2019 under the modified retrospective method. There was no material impact on our results of operations for the nine months ended September 30, 2019 as a result of the adoption of the New Leases Standard.

(3) Total debts include current and non-current portion of long-term debt, net, and other long-term liabilities.

(4) We adopted the New Revenue Standard on January 1, 2018 under the modified retrospective method and recognized a decrease to the opening balance of retained earnings of US$8.4 million due to the cumulative effect of adopting the New Revenue Standard.

(5) We adopted the New Leases Standard on January 1, 2019 under the modified retrospective method and recognized operating lease right-of-use assets of US$58.9 million and operating lease liabilities of US$65.2 million as of January 1, 2019. Amounts for the periods beginning on or after January 1, 2019 are presented under the New Leases Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. As of September 30, 2019, operating lease right-of-use assets and operating lease liabilities were US$49.3 million and US$55.1 million, respectively.

Other Financial and Operational Data

	Year ended December 31,		Nine months ended September 30,	
	2018[4]	2017	2019[5]	2018
	(in thousands of US$)			
Adjusted property EBITDA[1][3]	857,989	867,312	779,656	595,213
Adjusted EBITDA[2]	788,462	781,401	723,239	543,531

The following table sets forth the Adjusted property EBITDA for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018 and 2017:

	Year ended December 31,		Nine months ended September 30,	
	2018[4]	2017	2019[5]	2018
	(in thousands of US$)			
Adjusted property EBITDA[1][3]				
Mocha Clubs	21,487	26,630	17,583	16,747
Altira Macau	55,507	20,502	37,767	35,380
City of Dreams	780,995	820,180	724,306	543,086
Total Adjusted property EBITDA	857,989	867,312	779,656	595,213

(1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, pre-opening costs, property charges and other, Corporate and Other expenses, and other non-operating income and expenses.

(2) "Adjusted EBITDA" is earnings before interest, taxes, depreciation, amortization, pre-opening costs, property charges and other, and other non-operating income and expenses.

(3) Management uses Adjusted property EBITDA to measure the operating performance of our Altira Macau, City of Dreams and Mocha Clubs business, and to compare the operating performance of our properties with those of our competitors because management believes that Adjusted property EBITDA is widely used to measure the performance and as a basis for valuation of gaming companies.

(4) We adopted the New Revenue Standard on January 1, 2018 under the modified retrospective method. There was no material impact on our Adjusted property EBITDA and Adjusted EBITDA as a result of the adoption of the New Revenue Standard.

(5) We adopted the New Leases Standard on January 1, 2019 under the modified retrospective method. There was no material impact on our Adjusted property EBITDA and Adjusted EBITDA as a result of the adoption of the New Leases Standard.

The following table reconciles our net income to our Adjusted property EBITDA and Adjusted EBITDA for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018 and 2017:

	Year ended December 31,		Nine months ended September 30,	
	2018[1]	2017	2019[2]	2018
	(in thousands of US$)			
Net income	381,530	431,591	337,670	245,287
Income tax expense (credit)	2,906	(2,071)	1,468	2,548
Interest and other non-operating expenses, net	61,820	83,839	116,108	39,036
Property charges and other	12,617	5,968	5,747	11,993
Depreciation and amortization	296,895	260,039	262,191	211,976
Pre-opening costs	32,694	2,035	55	32,691
Adjusted EBITDA	788,462	781,401	723,239	543,531
Corporate and Other expenses	69,527	85,911	56,417	51,682
Adjusted property EBITDA	857,989	867,312	779,656	595,213

(1) We adopted the New Revenue Standard on January 1, 2018 under the modified retrospective method. There was no material impact on our results of operations, Adjusted property EBITDA and Adjusted EBITDA as a result of the adoption of the New Revenue Standard.

(2) We adopted the New Leases Standard on January 1, 2019 under the modified retrospective method. There was no material impact on our results of operations, Adjusted property EBITDA and Adjusted EBITDA as a result of the adoption of the New Leases Standard.

The following table reconciles each property's operating income to its Adjusted property EBITDA for the nine months ended September 30, 2019 and 2018:

	Nine months ended September 30,							
	2019				2018			
	(in thousands of US$)							
	Altira Macau	Mocha Clubs	City of Dreams	Total	Altira Macau	Mocha Clubs	City of Dreams	Total
Operating income	20,189	12,302	524,832	557,323	20,470	10,947	353,646	385,063
Property charges and other	73	(328)	4,766	4,511	440	(432)	10,516	10,524
Depreciation and amortization	17,480	5,609	194,678	217,767	14,470	6,232	146,233	166,935
Pre-opening costs	25	—	30	55	—	—	32,691	32,691
Adjusted property EBITDA	37,767	17,583	724,306	779,656	35,380	16,747	543,086	595,213

The following table reconciles each property's operating income (loss) to its Adjusted property EBITDA for the years ended December 31, 2018 and 2017:

	Year ended December 31,							
	2018				2017			
	(in thousands of US$)							
	Altira Macau	Mocha Clubs	City of Dreams	Total	Altira Macau	Mocha Clubs	City of Dreams	Total
Operating income (loss)	35,137	13,052	528,619	576,808	(114)	18,222	644,141	662,249
Property charges and other	678	22	10,459	11,159	(357)	97	3,023	2,763
Depreciation and amortization	19,655	8,413	209,260	237,328	20,973	8,311	171,078	200,362
Pre-opening costs	37	—	32,657	32,694	—	—	1,938	1,938
Adjusted property EBITDA	55,507	21,487	780,995	857,989	20,502	26,630	820,180	867,312

The following table sets forth our consolidated statements of cash flows for the nine months ended September 30, 2019 and 2018 and for the years ended December 31, 2018 and 2017.

	Year ended December 31,		Nine months ended September 30,	
	2018	2017	2019	2018
	(in thousands of US$)			
Net cash provided by operating activities	799,749	953,633	290,096	515,824
Net cash used in investing activities	(1,412,476)	(390,324)	(725,799)	(689,444)
Net cash provided by (used in) financing activities	663,920	(838,839)	277,951	23,095
Effect of foreign exchange on cash and cash equivalents	(5,509)	—	(1,065)	—
Net increase (decrease) in cash and cash equivalents	45,684	(275,530)	(158,817)	(150,525)
Cash and cash equivalents at beginning of year/period	837,305	1,112,835	882,989	837,305
Cash and cash equivalents at end of year/period	882,989	837,305	724,172	686,780

The following table sets forth rolling chip volume for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018 and 2017:

	Year ended December 31,		Nine months ended September 30,	
	2018	2017	2019	2018
	(in billions of US$)			
Altira Macau	22.4	17.2	13.4	15.8
City of Dreams	45.4	47.4	42.3	33.9
Total rolling chip volume	67.8	64.6	55.7	49.7

The following table sets forth mass market table games drop for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018 and 2017:

	Year ended December 31,		Nine months ended September 30,	
	2018	2017	2019	2018
	(in millions of US$)			
Altira Macau	529.1	429.2	443.4	402.0
City of Dreams	5,010.1	4,504.0	4,096.3	3,702.1
Total mass market table games drop	5,539.2	4,933.2	4,539.7	4,104.1

The following table sets forth rolling chip win rate and mass market table games hold percentage for the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018 and 2017:

	Year ended December 31,		Nine months ended September 30,	
	2018	2017	2019	2018
Altira Macau				
Rolling chip win rate	3.03%	3.06%	3.47%	3.00%
Mass market table games hold percentage	19.3%	17.5%	22.2%	19.1%
City of Dreams				
Rolling chip win rate	2.88%	2.97%	3.03%	2.77%
Mass market table games hold percentage	30.3%	32.4%	32.1%	29.4%

You should carefully consider the risks described below and other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

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.

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 ten years ago, in June 2009 and Morpheus, the third phase of City of Dreams, opened in June 2018.

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 or successfully manage one or more of the risks, 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 substantially all of our cash flow from our properties in Macau and, as a result, we are subject to greater risks than a gaming company which operates in more geographical regions.

All of our operations are in Macau and our revenues may be materially affected by any disruption or downturns in the Macau gaming market. The dividends and distributions that our direct and indirect subsidiaries pay to us serve as our primary sources of cash and are derived from the earnings and cash flow generated by our operating properties in Macau.

While it had generally improved from the third quarter of 2016 to the last quarter of 2018, 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. According to the DICJ, gross gaming revenues in Macau declined by 1.8% on a year-on-year basis in the first ten months of 2019 as compared to the first ten months of 2018. We believe such year-on-year decline in the first ten months of 2019 was mainly driven by a decline in VIP gaming revenues in Macau and the slowdown in the Chinese economy.

Because all of our operations are and will be primarily conducted based on our principal properties in Macau, 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 limited diversification of businesses and sources of revenues;
- a decline in market, economic, competitive and political conditions in Macau, China or generally in Asia;
- inaccessibility to Macau due to inclement weather, road construction or closure of primary access routes;
- a decline in air, land or ferry passenger traffic to Macau due to fears concerning travel or otherwise, including as a result of recent events in Hong Kong;
- travel or visa restrictions to Macau 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 and/or Macau governments;
- changes in Macau and China 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;
- lower than expected rate of increase in the number of visitors to Macau;
- relaxation of regulations on gaming laws in other regional economies that could compete with the Macau market;
- 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.

Gaming is a highly regulated industry in Macau and adverse changes or developments in gaming laws or other regulations that affect our operations could be difficult to comply with or may significantly increase our costs, which could cause our projects to be unsuccessful.

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.

Our gaming business is subject to various laws, such as those relating to licensing, tax rates and anti-money laundering measures, among other things, which may change or become more stringent. Changes in laws may result in additional regulations being imposed on our gaming operations and our future projects. For example, the Macau government has passed anti-smoking legislation and rules restricting smoking. From time to time, the Macau government may take enforcement actions, such as imposing fines or other penalties, against patrons or gaming operators for any violation of anti-smoking regulations and rules. The implementation of such legislation, rules and regulations may deter potential gaming patrons who are smokers from frequenting casinos in Macau and disrupt the number of patrons visiting or the amount of time visiting patrons spend at our property, which could adversely affect our business, results of operations and financial condition. See "Regulation—Smoking Regulations."

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 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.

In addition, current laws and regulations in Macau concerning gaming and gaming concessions and licenses are, 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.

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

Under the terms of the Subconcession Contract (as defined below), 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

"Regulation—The Subconcession—The Subconcession Contract." 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.

Melco Resorts Macau's Subconcession Contract expires in 2022, prior to the maturity date of the Notes in 2029, 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 prior to the maturity date of the Notes in 2029. 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.

Certain events relating to the loss, termination, rescission, revocation or modification of our gaming license in Macau may result in a Special Put Option Triggering Event under the Notes. See "Description of Notes—Repurchase at the Option of Holders—Special Put Option" and also "—Risks Relating to Our Indebtedness and the Notes—We may not be able to repurchase the Notes upon a change of control triggering event or certain events relating to our gaming license that constitute a special put option triggering event."

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 September 30, 2019 was 6,756. 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. 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 MOP18.9 million (equivalent to 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.

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;
- 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 events 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. 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 and 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 or may be 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.

Inadequate transportation infrastructure in Macau may reduce tourism in Macau.

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 commencement of operation of the Macau Light Rapid Transit, which is expected to occur in December 2019, 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 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, social events 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.

All 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 and 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.

The subtropical climate and location of Macau renders it 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, our properties may be damaged, our operations may be materially 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, 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 and the effect of the prolonged process in the United Kingdom's planned exit from the European Union. 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 negatively affect 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 in Macau 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. Initiatives and campaigns undertaken by the Chinese government in recent years 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, 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.

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 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 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 and elsewhere.

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 is located. For example, Galaxy Casino, S.A., or Galaxy, opened Galaxy Macau Resort in Cotai in May 2011 and Phase 2 of the Galaxy Macau Resort in May 2015, while Phase 3 of the Galaxy Macau Resort is currently being developed and expected to be completed and operational in early 2021 and, Phase 4 is expected to be completed and operational in 2022. 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 the second half of 2020. See "Business—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 market. 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, Cambodia and the Philippines. 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 the Greater China area 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 and adversely affect our business, results of operations, financial condition, cash flows and prospects.

Our regional competitors also include casino resorts that Parent may develop elsewhere in Asia Pacific outside Macau or elsewhere in the world. Parent may develop different interests and strategies for projects in Asia or elsewhere in the world 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 government in Macau 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.

We have various transactions and contracts with Studio City, our affiliate and a subsidiary of our Parent, under which we operate the Studio City Casino and provide non-gaming services and may enter into additional transactions and contracts with our affiliates that may affect our business, financial condition and results of operations.

We have entered into various transaction and contracts, including the Services and Right to Use Arrangements, Master Services Agreement and Work Agreements, under which we operate the Studio City Casino and provide non-gaming services to Studio City, our affiliate and a subsidiary of our Parent. Furthermore, we may enter into additional transactions and contracts with Studio City or our other affiliates and such transactions and contracts may affect our business, financial condition and results of operations. See "—Risks Relating to Our Corporate Structure and Ownership—Our ultimate principal shareholder and our Parent will have a substantial influence over us and their interests in our business may be different from yours." As described in the "Related Party Transactions" section of this offering memorandum, we have obligations to operate the Studio City Casino and provide non-gaming services to Studio City and our right to terminate or modify the Services and Right to Use Arrangements, Master Services Agreement and Work Agreements is restricted under the relevant agreements. While we believe that our arrangements with Studio City are mutually beneficial for our respective businesses, we cannot assure you that such arrangements, and any other affiliate arrangements that we may enter into in the future, will not adversely affect our business, financial condition and results of operations. See "—Risks Relating to Our Indebtedness and the Notes—The limited covenants in the Indenture may not protect against developments that may impair our ability to repay the Notes or the trading price for the Notes."

In addition, VIP rolling chip operations at Studio City Casino, which were introduced in early November 2016 pursuant to the Services and Right to Use Arrangements, are expected to cease on January 15, 2020.

We may use our cash and other financial resources to engage in strategic transactions, including mergers, acquisitions, joint ventures and share repurchases, or to help support or otherwise fund the Parent in its strategic transactions.

We have engaged in, and may in the future engage in, strategic transactions, including mergers, acquisitions and joint ventures, and may use our cash and other financial resources to fund such transactions. The Parent also has engaged in, and may in the future engage in, strategic transactions, including mergers, acquisitions, joint ventures and share repurchases, for which it has received, and may receive in the future, cash and other financial resources from us to help support or otherwise fund such transactions.

For example, we made advances totaling AUD879.8 million (equivalent to US$608.2 million) in June 2019 to an affiliate (the "Crown Acquisition Affiliate") for its acquisition of approximately 9.99% ownership interest in Crown Resorts Limited ("Crown") from CPH Crown Holdings Pty Limited ("CPH"). The Crown Acquisition Affiliate is a subsidiary of our Parent, but not a subsidiary of ours. Neither the Company nor any of its subsidiaries is a party to the transaction agreements for this acquisition nor currently holds or is expected to hold any ownership interest in Crown as a result of this acquisition.

We funded these advances to the Crown Acquisition Affiliate with cash on hand and by using the proceeds of a HK$3.93 billion (equivalent to approximately US$500.1 million) drawdown of the 2015 Revolving Credit Facility. The definitive purchase agreement, as amended, executed by the Crown Acquisition Affiliate and CPH provides for an additional 9.99% ownership interest in Crown to be acquired by the Crown Acquisition Affiliate (the "Second Tranche Crown Acquisition") subject to certain terms and conditions. See "Related Party Transactions—Advances to Affiliate in connection with the Crown Acquisition." We may provide cash or other financial resources to the Crown Acquisition Affiliate, our Parent and/or other affiliates for the Second Tranche Crown Acquisition or other strategic transactions made by our Parent. See "—Risks Relating to Our Corporate Structure and Ownership—Our ultimate principal shareholder and our Parent will have a substantial influence over us and their interests in our business may be different from yours" and "—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."

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 market 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 our chief executive officer, 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. 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 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. 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 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 future works on our properties. 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.

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. 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. Certain events, such as typhoons and fires, may increase and have increased our premium costs. 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 our insurers in Macau 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") and certain other material agreements require a certain level of insurance to be maintained, which must be obtained in Macau, respectively, unless otherwise authorized by the respective counter-parties. Failure to maintain adequate coverage could be an event of default under our credit agreements or the Subconcession Contract 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 may, 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, including 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. 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 result in us incurring additional costs or 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 or the Pataca 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, and the H.K. dollar. In addition, a significant portion of our indebtedness, including the 2017 Notes, the 2019 Notes due 2026, the 2019 Notes due 2027 and the Notes being offered hereby, and certain expenses, are or will be 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 and the Pataca 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, or the Pataca 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 nine months ended September 30, 2019 and 2018 or 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. In addition, we have supported and may in the future support the Parent in its acquisitions, investments or strategic transactions. See ”—We may use our cash and other financial resources to engage in strategic transactions, including mergers, acquisitions, joint ventures and share repurchases, or to help support or otherwise fund the Parent in its strategic transactions.” From time to time, we and/or the Parent may engage in discussions and negotiations with companies regarding acquisitions or investments, which may be material or significant, in such companies or projects. We and/or the Parent 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, which may delay or materially impact the completion of such acquisitions or investments. For example, in light of the Australian regulatory processes relating to its acquisition of Crown shares, the Parent agreed with CPH to amend the timing of the Second Tranche Crown Acquisition to allow more time for the relevant Australian regulatory processes to be completed prior to such closing. See “Related Party Transaction—Advances to Affiliate in connection with the Crown Acquisition” for further details.

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.

In addition, any expansion of our operations and our entry into new markets through mergers, acquisitions, strategic transactions or investments 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 are or 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 or have interests 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, claims and proceedings against us may subject us to greater scrutiny from relevant regulatory authorities and require us to make further improvements to our existing systems, controls and business operations, 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 the Macau gaming market, 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 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 (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. 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, 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. For the year ended December 31, 2018 and the nine months ended September 30, 2019, approximately 27.0% and 22.0% of our casino revenues, respectively, were derived from customers sourced through our rolling chip gaming promoters. With the rise in casino operations in Macau, 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. Gaming promoters may also experience decreased liquidity, limiting their ability to grant credit to their patrons, resulting in decreased gaming volume in Macau. 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 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. As our Parent is a U.S. listed company, certain U.S. laws and regulations apply to our operations and compliance with those laws and regulations increases our cost of doing business. We also deal in significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations by us could have a negative effect on our 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.

Our Parent has registered and we have the right to use the trademarks "Morpheus", "Altira," "Mocha Club," "City of Dreams", "Nüwa", "The Countdown" and "Melco Resorts & Entertainment" in Macau and/or other jurisdictions. We have also registered in Macau and other jurisdictions certain other trademarks and service marks used in connection with the operations of our hotel casino projects in Macau. 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. As our Macau operations are subject to various reporting and anti-money laundering regulations, we have implemented anti-money laundering policies to address those requirements. Any further changes to anti-money laundering laws and regulations in Macau 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.

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 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. For more information regarding anti-money laundering regulations in Macau, see "Regulation—Anti-Money Laundering Regulations in Macau."

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.

Law no. 13/2019, the Cybersecurity Law, was enacted on June 24, 2019 and is intended to protect networks, systems and data of public and private operators of critical infra-structures, among which operators of games of fortune and chance or other games in casinos are included. This law will come into effect on December 21, 2019. See "Regulation—Cybersecurity Regulations."

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 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 us. 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 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.

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, a Chinese citizen traveling abroad is 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 (approximately US$14,544) is the aggregate amount that can be withdrawn overseas by any person 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$14,858) 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 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 "—Melco Resorts Macau's Subconcession Contract expires in 2022, prior to the maturity date of the Notes in 2029, 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."

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 "Regulation—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 "Regulation—Gaming Regulations."

Also, since 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 "Regulation—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.

Risks Relating to Our Corporate Structure and Ownership

Our ultimate principal shareholder and our Parent will have a substantial influence over us and their interests in our business may be different from yours.

The interests of our ultimate principal shareholder and our Parent may conflict with the interests of holders of the Notes. Melco Resorts Finance is 100% owned by the Parent.

As of the date of this offering memorandum, Melco International, our ultimate principal shareholder, had 55.80% beneficial interest in Melco Resorts Finance. Our chief executive officer, Lawrence Ho, is also the chairman and chief executive officer of each of the Parent and Melco International.

Melco International has the power, among other things, to elect or appoint all of the directors to our Parent's board, including our Parent's independent directors, appoint and change our Parent's management, affect our Parent's legal and capital structure and our Parent's day-to-day operations, approve material mergers, acquisitions, dispositions and other business combinations and approve any other material transactions and financings. In addition, such shareholding structure involves certain risks associated with the possibility that the Parent and Melco International may: (1) have economic or business interests or goals that are inconsistent with ours or that are inconsistent with the other's interests or goals, causing disagreement between them or between them and us, which may harm our business or prevent us from pursuing transactions beneficial to our business; or (2) take actions contrary to our objectives. For example, our Parent currently has a quarterly dividend policy which targets to distribute quarterly cash dividends of US$0.05504 per ordinary share of the Parent to its shareholders. The targeted quarterly dividend amount per ordinary share under the Parent's dividend policy has been regularly increased in recent years, from US$0.03 in January 2017 to US$0.045 in February 2018, US$0.04835 in July 2018, US$0.0517 in February 2019 and US$0.05504 in July 2019. Our Parent declared quarterly dividends (in the targeted amounts) according to its dividend policy in each quarter of the year 2018 and the first three quarters of 2019 and we funded each of the dividend payments made by the Parent to its shareholders. In the event that our Parent would continue its recent practice and declare a dividend for the fourth quarter of 2019 according to its dividend policy and/or increase the targeted quarterly dividend amount, we would fund such dividend payment to be made by the Parent to its shareholders. In addition, we have provided funding and support for our Parent's strategic transactions, such as its acquisition of ownership interest in Crown, and may provide additional funding and support in the future. See "Risks Relating to Our Business and Operations—We may use our cash and other financial resources to engage in strategic transactions, including mergers, acquisitions, joint ventures and share repurchases, or to help support or otherwise fund the Parent in its strategic transactions." Our provision of cash or other financial resources to our Parent for dividend payments, its strategic transactions or other matters may materially and adversely affect our prospects, financial condition, results of operations and cash flow.

Furthermore, there is no assurance that the laws and regulations relating to foreign investment in the respective governing jurisdictions in which the Parent and Melco International, are located will not be altered in such a manner as to result in a material adverse effect on our business and operating results. In addition, as of the date of this offering memorandum, our sole director is also a director of the Parent. Our sole director will make management decisions that affect our business, which may include entering into material transactions with affiliates and declaring dividends. See "Risks Relating to Our Business and Operations—We have various transactions and contracts with Studio City, our affiliate and a subsidiary of our Parent, under which we operate the Studio City Casino and provide non-gaming services and may enter into additional transactions and contracts with our affiliates that may affect our business, financial condition and results of operations."

The Parent and its principal shareholder currently have ownership interests in, and may further develop, other casino projects in Macau and other regions of the world, which may compete with our projects and could have material adverse consequences to us and your interests.

The Parent and its principal shareholder currently have ownership interests in, and may take action to further develop, other gaming projects located in Macau and other regions of the world, which may compete with our projects in Macau and could have adverse consequences to us and your interests. For example, the Parent controls and owns a majority interest in Studio City International Holdings Limited which, in October 2015, commenced operations of Studio City, a cinematically-themed entertainment, retail and gaming resort in Macau. The Parent also controls and owns approximately 97.9% of City of Dreams Manila, a casino, hotel, retail and entertainment resort in Manila which commenced operations in 2014. On July 31, 2019, the Parent announced its acquisition of 75% equity interest in ICR Cyprus Holdings Limited (together with its subsidiaries, the "Cyprus Affiliates"), the developer of the City of Dreams Mediterranean integrated destination resort project in Cyprus, from Melco International. Neither the Company nor any of its subsidiaries currently holds or is expected to hold any ownership interest in Studio City, City of Dreams Manila or City of Dreams Mediterranean.

We may face competition from these or other gaming projects undertaken by the Parent and/or its principal shareholder. In addition, any negative publicity involving the Parent's ownership interests in other gaming properties may adversely affect our brand and, by extension, the reputation and/or operations of our property and operations in Macau. Should the Parent or its principal shareholder decide to focus more attention on other casino gaming projects or properties rather than us, for strategic reasons or otherwise, the Parent or its principal shareholder may divert resources, cash and management attention to those other projects or properties, which could adversely affect our growth, business or operations. 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 the Parent and its principal shareholder will make strategic and other decisions which do not adversely affect our business and the trading price of the Notes.

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 our Parent 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 each of the 2017 Notes Indenture ("2017 Notes Indenture"), the 2019 Notes due 2026 Indenture ("2019 Notes due 2026 Indenture") and the 2019 Notes due 2027 Indenture ("2019 Notes due 2027 Indenture") also contain a change of control provision whereby the occurrence of a relevant change of control event, which is a change of control and a ratings decline in respect of the 2017 Notes, the 2019 Notes due 2026 and the 2019 Notes due 2027, as the case may be, or the Company, will require us to offer to repurchase the 2017 Notes, the 2019 Notes due 2026 or the 2019 Notes due 2027, as the case may be, 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 but excluding the date of repurchase except we will not be required to offer to repurchase any 2017 Notes, 2019 Notes due 2026 or 2019 Notes due 2027, as the case may be, subject to certain concurrent redemptions. The terms of the Indenture governing the Notes will contain similar provisions.

A change of control event, as defined in the 2015 Credit Facilities or the terms of the 2017 Notes, the 2019 Notes due 2026, the 2019 Notes due 2027 or the Notes, could be outside our control and could result in defaults and cross-defaults which cause the termination and acceleration of up to all of our credit facilities, the 2017 Notes, the 2019 Notes due 2026, the 2019 Notes due 2027 and/or the Notes and potential enforcement of remedies by our lenders, which would have a material adverse effect on our financial condition and results of operations.

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 2017 Notes, the 2019 Notes due 2026, the 2019 Notes due 2027 and/or the 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 Indebtedness and the Notes

We will have substantial amount of indebtedness, which could have important consequences for holders of the Notes and significant effects on our business and future operations.

We will have a substantial amount of debt in relation to our equity. Assuming we had completed this offering of the Notes and applied the net proceeds therefrom to make a full repayment of the principal amount outstanding under the 2015 Revolving Credit Facility and a partial prepayment of the principal amount outstanding under the 2015 Term Loan Facility as intended, we would have had total indebtedness of US$2.97 billion, comprising primarily the 2015 Credit Facilities, the 2017 Notes, the 2019 Notes due 2026, the 2019 Notes due 2027 and the Notes, which would require significant interest and principal payments. Our substantial indebtedness may make it more difficult for us to satisfy our obligations with respect to the Notes, 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 expenditure, acquisitions or general corporate purposes, 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 expense in the event of increases in interest rates to the extent a portion of our debt bears interest at variable rates, cause us to incur additional expenses by hedging interest rate exposures of our debt and exposure to hedging counterparties' failure to pay under such hedging arrangements, which would reduce the funds available for us for 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 our subsidiaries' assets, over which our lenders 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 debt obligations, including the Notes.

In addition, under the terms of the 2019 Notes due 2026 Indenture, 2019 Notes due 2027 Indenture, the 2017 Notes Indenture, our 2015 Credit Facilities and the Indenture, we are permitted to incur additional indebtedness, some of which may be senior secured indebtedness, including but not limited to further drawdowns under the 2015 Revolving Credit Facility. If we incur additional indebtedness, the risks described above will be exacerbated.

We may not be able to repurchase the Notes upon a change of control triggering event or certain events relating to our gaming license that constitute a special put option triggering event.

Upon the occurrence of specified change of control events and a ratings decline, we will be required to offer to purchase all the outstanding Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, and additional amounts, if any. See "Description of Notes—Repurchase at the Option of Holders—Change of Control." In addition, upon the occurrence of specified special put option triggering events (which relate to certain events of loss, termination, rescission, revocation or modification of our gaming license), we will be required to offer to purchase all the outstanding Notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, and additional amounts, if any. See "Description of Notes—Repurchase at the Option of Holders—Special Put Option." The source of funds for any such repurchase in the event of a change of control or special put option triggering event would be our available cash or third party financing. If a change of control triggering event or a special put option triggering event were to occur, we cannot assure you that we will have sufficient funds to pay the purchase price of the outstanding Notes or that we will be able to obtain financing on favorable terms, if at all. In addition, our other indebtedness, including the 2019 Notes due 2026, the 2019 Notes due 2027, the 2017 Notes and the 2015 Credit Facilities, may trigger repayment requirements or events of default with respect to certain events or transactions that could constitute a change of control triggering event or a special put option triggering event under the Indenture. Our failure to make an offer to purchase or purchase the outstanding Notes may constitute an event of default under the Notes. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods has lapsed. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of "change of control" for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of certain highly-leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes, and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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 2019 Notes due 2026, the 2019 Notes due 2027, the 2017 Notes and the 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 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 obligations under existing and projected indebtedness 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 2019 Notes due 2026, the 2019 Notes due 2027, the 2017 Notes and the 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 2019 Notes due 2026 Indenture, the 2019 Notes due 2027 Indenture, the 2017 Notes Indenture and the Indenture and the 2015 Credit Facilities. 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 obligations under existing and projected indebtedness or other liquidity needs, or to refinance our obligations on commercially acceptable terms or at all, could have a material adverse effect on our business, financial condition and results of operations.

Melco Resorts Finance is a holding company which will depend on payments from its subsidiaries to provide it with funds to meet its obligation under the Notes.

Melco Resorts Finance is a holding company with no material business operations of its own or significant assets. Melco Resorts Finance's material liabilities will be the Notes, the 2017 Notes, the 2019 Notes due 2026 and the 2019 Notes due 2027. As such, Melco Resorts Finance will be dependent upon payments from its subsidiaries (including payments from Melco Resorts Macau) to make any payments due on the Notes. Any future loan agreements could limit the ability of our subsidiaries to make dividends to us. Any failure by our subsidiaries to make payments to us in amounts necessary to service our obligations under the Notes could lead to a payment default under the Indenture.

The Notes will be structurally subordinated to the liabilities and preference shares (if any) of Melco Resorts Finance's subsidiaries.

None of Melco Resorts Finance's subsidiaries will be guarantors of the Notes and the indenture does not require our existing or future subsidiaries to guarantee the Notes.

Our subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors and preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Note. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of Melco Resorts Finance's subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of Melco Resorts Finance's subsidiaries, including but not limited to the obligors under the 2015 Credit Facilities. Furthermore, Melco Resorts Finance's subsidiaries may, in the future, obtain additional financing or refinancing with respect to the 2015 Credit Facilities or otherwise, and such additional indebtedness or refinancing will be structurally senior in right of payment to the Notes.

The limited covenants in the Indenture may not protect against developments that may impair our ability to repay the Notes or the trading price for the Notes.

The Indenture does not:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow, liquidity or leverage and, accordingly, does not protect holders of the Notes if we experience significant adverse changes in our financial condition or results of operations;
- limit our ability to incur indebtedness, including secured indebtedness, that is senior or equal in right of payment to the Notes;
- restrict our ability to make investments or to repurchase, or pay dividends or make other payments in respect of our shares or other securities ranking junior to the Notes; or
- limit us from entering into transactions with shareholders, including the Parent, or affiliates or selling our assets.

In the future, we may obtain additional financing or refinance any of our existing debt, including but not limited to the 2015 Credit Facilities, which will increase our level of indebtedness (including debt which is structurally senior to the Notes). An increase in the level of our indebtedness, or other events that could adversely affect our business, financial condition, results of operations or prospects, may cause rating agencies to downgrade any credit ratings on the Notes, which could adversely affect their trading price and liquidity, and downgrade our corporate rating generally, which could increase our cost of borrowing, limit our access to the capital markets and result in more restrictive covenants in future debt agreements.

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 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.

If we or our subsidiaries are unable to comply with the restrictions and covenants in our debt agreements (including those of our subsidiaries), there could be a default under the terms of those debt agreements, which could cause repayment of our debt to be accelerated.

If we or our subsidiaries are unable to comply with the restrictions and covenants in our current or future debt and other agreements (including those of our subsidiaries), such as the 2019 Notes due 2026 Indenture, the 2019 Notes due 2027 Indenture, the 2017 Notes Indenture, the Indenture and the 2015 Credit Facilities, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt 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, some of our debt agreements, including the 2019 Notes due 2026 Indenture, the 2019 Notes due 2027 Indenture, the 2017 Notes Indenture, the Indenture and the 2015 Credit Facilities, contain or will contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt or result in a default under our other debt agreements, including the 2019 Notes due 2026 Indenture, the 2019 Notes due 2027 Indenture, the 2017 Notes Indenture, the Indenture and the 2015 Credit Facilities. 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 could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

The terms of the 2015 Credit Facilities, under which our subsidiaries are obligors, may restrict our current and future operations and harm our ability to complete our projects and grow our business operations to compete successfully against our competitors.

The 2015 Credit Facilities and associated facility and security documents that Melco Resorts Macau has entered into also contain a number of restrictive covenants that impose significant operating and financial restrictions on Melco Resorts Macau and certain of our subsidiaries (the "2015 Loan Borrowing Group"), and therefore, effectively, on us. The covenants in the 2015 Credit Facilities restrict or limit, among other things, our and our subsidiaries' ability to:

- incur additional debt, including guarantees;
- create security or liens;
- sell, transfer or dispose of assets;
- make acquisitions or certain investments;
- 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;
- make payments for fees or goods and services to our controlling shareholders, unless on normal commercial terms;
- vary the Subconcession Contract or the 2015 Loan Borrowing Group's land concessions and certain other contracts;
- enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction; and
- extend loans or credit.

In addition, the restrictions under the 2015 Credit Facilities contain financial covenants, including requirements that we satisfy certain tests or ratios such as leverage, total leverage and interest cover, each as defined in the 2015 Credit Facilities.

Restrictions also provide that should a change of control, as defined in the 2015 Credit Facilities, occur, the facility will be cancelled and all amounts outstanding thereunder become immediately due and payable. These covenants may restrict our ability to operate and incur additional debt or other financing we may require, and impede our growth.

Claims of our secured creditors will have priority with respect to their security over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness.

Claims of our secured creditors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, the Notes will be effectively subordinated to any secured indebtedness and other secured obligations of Melco Resorts Finance and its subsidiaries to the extent of the value of the assets securing such indebtedness or other obligations. As of September 30, 2019, we had secured long-term debt of HK$6.99 billion (equivalent to US$891.7 million) outstanding under the 2015 Credit Facilities. The terms of the 2019 Notes due 2026 Indenture, the 2019 Notes due 2027 Indenture, the 2017 Notes Indenture do not, and the terms of the Indenture will not impose any limitations on our ability to incur additional indebtedness, including additional secured indebtedness. In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of Melco Resorts Finance or any of its subsidiaries that has secured obligations, holders of secured indebtedness will have prior claims to the assets of Melco Resorts Finance or such subsidiary that constitute their collateral.

The holders of the Notes will participate ratably with all holders of the unsecured indebtedness of Melco Resorts Finance and potentially with all of its other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of Melco Resorts Finance.

In the event that any of our secured indebtedness becomes due or the creditors thereunder proceed against the operating assets that secure such indebtedness, our assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Notes. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness of Melco Resorts Finance.

We may require external debt or equity financing to complete our future investment projects, which may not be available on satisfactory terms or at all.

We have in the past funded our capital investment projects through, among others, cash generated from our operations, credit facilities and the issuance of the 2019 Notes due 2026, the 2019 Notes due 2027 and 2017 Notes. We will require additional funding in the future for our capital investment projects, which we may raise through external financing. External debt or equity financing by us may require the approval of or communication to the Macau government, and may be subject to, among others, the terms of credit facilities, the 2019 Notes due 2026, the 2019 Notes due 2027, the 2017 Notes and the Notes. 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 ratings 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 funding from external sources as required on terms satisfactory to us, or at all, to finance future 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 may, in our discretion, require holders and beneficial owners of Notes to dispose of their Notes, or we may redeem the Notes, due to regulatory considerations.

The Indenture will grant us the power to redeem the Notes if the gaming authority of any jurisdiction in which Melco Resorts Finance, any of its subsidiaries or Melco International 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 and such holder or beneficial owner, as the case may be, fails to apply or become licensed or qualified within the required time period or is found unsuitable.

Under the foregoing circumstances, pursuant to the Indenture, if such person fails to apply or become licensed or qualified or is found unsuitable, we 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 our 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:
    1. 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, and additional amounts, if any, to but excluding the earlier of the redemption date or the date of the finding of unsuitability or failure to comply; or
    2. such other amount as may be required by applicable law or order of the applicable gaming authority.

Melco Resorts Finance shall not be responsible for any costs or expenses any holder of Notes may incur in connection with its application for a license, qualification or a finding of suitability. See "Description of Notes—Gaming Redemption."

The insolvency laws of the Cayman Islands, Macau and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar.

Because Melco Resorts Finance is incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to Melco Resorts Finance, even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law.

You may have difficulty enforcing judgments obtained against us.

Melco Resorts Finance is a Cayman Islands exempted company, while its subsidiaries are incorporated in either the Cayman Islands or Macau. Substantially all of our assets are located outside of the United States. In addition, all of our current operations and administrative and corporate functions are conducted in Macau. In addition, a majority 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 and Macau 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 or Macau would 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 or Macau courts would be competent to hear original actions brought in the Cayman Islands or Macau against us or such persons predicated upon the securities laws of the United States or any state.

A trading market for the Notes may not develop or, if a market develops, it may not be sustained; the liquidity and market price of the Notes following this Offering may be volatile.

Although the Initial Purchasers have advised us that they currently intend to make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice at their sole discretion. See "Plan of Distribution."

An active trading market for the Notes may not develop or be sustained. If an active trading market for the Notes does not develop or is not maintained, the Notes could trade at prices that may be higher or lower than the price at which the Notes have been issued. The price at which the Notes trade depends on many factors, including the following:

- prevailing interest rates and the markets for similar securities;
- our results of operations, financial condition, historical financial performance and future prospects;
- political and economic developments in and affecting Macau and other countries in which we conduct business now or in the future;
- general economic conditions locally, regionally and globally;
- changes in the credit ratings of the Notes or us; and
- the financial condition and stability of the Asian or global financial sector.

Furthermore, historically, the market for debt by Asian issuers has been subject to disruptions that have caused substantial volatility in the prices of such securities. The market for the Notes may be subject to similar volatility or disruptions, which may have an adverse effect on holders of the Notes.

Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. However, we cannot assure you that Melco Resorts Finance will be able to maintain such listing or that, if listed, a trading market will develop. Melco Resorts Finance does not intend to apply for listing of the Notes on any securities exchange other than the SGX-ST. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a holder's ability to dispose of the Notes.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through DTC and its participants, including Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Interests in the

Global Notes (as defined in "Description of Notes—Book-Entry, Delivery and Form") representing the Notes will trade in book-entry form only, and notes in definitive registered form, or definitive registered Notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The nominee for DTC will be the sole registered holder of the Global Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes will be made to the Paying Agent who will make payments to DTC. Thereafter, these payments will be credited to accounts of participants (including Euroclear and Clearstream) that hold book-entry interests in the Global Notes and credited by such participants to indirect participants. After payment to the custodian for DTC, Melco Resorts Finance will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, Euroclear and Clearstream, and if you are not a participant in DTC, Euroclear and Clearstream on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC, Euroclear and Clearstream. The procedures to be implemented through DTC, Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "Description of Notes—Book-Entry, Delivery and Form."

The ratings assigned to the Notes may be lowered or withdrawn in the future.

The Notes have been rated "Ba2" by Moody's Investors Service and "BB" by S&P Global Ratings.

The ratings address Melco Resorts Finance's ability to perform its obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. There can be no assurance that the ratings will be confirmed or they will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Melco Resorts Finance has no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchasers or our respective advisers.

Market data, industry forecast and gaming industry statistics in this offering memorandum are derived from public sources, including publicly available information and industry publications. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources and believe this information to be reliable, they have not been independently verified by us or the Initial Purchasers or our or their respective directors and advisers, and neither we, the Initial Purchasers nor our or their respective directors and advisers make any representation as to the accuracy or completeness of that information.

In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and gaming industry statistics.

We will follow the limited corporate disclosure standards for debt securities listed on the SGX-ST.

We will be subject to the limited reporting obligations in respect of debt securities listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

We do not intend to offer to register the Notes.

The Notes have not been registered under the Securities Act or any state securities laws of the United States and, unless so registered, may not be re-offered or re-sold except pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws. We do not intend to register the Notes under the Securities Act. As a result, for so long as the Notes remain outstanding, they may be transferred or resold only in transactions exempt from the securities registration requirements of federal and applicable state laws.

The Notes may be issued with original issue discount for U.S. federal income tax purposes.

The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes. If the Notes are issued with OID for U.S. federal income tax purposes, U.S. investors will generally be required to include amounts representing OID in their gross income as it accrues in advance of the receipt of cash payments attributable to such income using the constant yield method. See "Taxation—Certain U.S. Federal Income Tax Considerations—Original Issue Discount."

USE OF PROCEEDS

We estimate that the net proceeds from this Offering will be approximately US$890.5 million after deducting the Initial Purchasers' discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this Offering to make a full repayment of the principal amount outstanding under the 2015 Revolving Credit Facility and a partial prepayment of the principal amount outstanding under the 2015 Term Loan Facility.

EXCHANGE RATE INFORMATION

Exchange Rate Information

The majority of our current revenues are denominated in H.K. dollars, while our current expenses are denominated predominantly in Patacas and H.K. dollars and in connection with a portion of our indebtedness and certain expenses, in U.S. dollars. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars and from U.S. dollars to H.K. dollars in this offering memorandum (other than in the financial pages) were made at a rate of HK$7.8410 to US$1.00.

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

The noon buying rate on September 30, 2019 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$7.8401 to US$1.00. On November 15, 2019, the noon buying rate was HK$7.8261 to US$1.00. We make no representation that any H.K. dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or H.K. dollars, as the case may be, at any particular rate or at all.

The Pataca is pegged to the H.K. dollar at a rate of HK$1.00 = MOP1.03. All translations from Patacas to U.S. dollars in this offering memorandum (other than in the financial pages) were made at the exchange rate of MOP8.0762 = 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.

The following table sets forth the noon buying rate for U.S. dollars in The City of New York for cable transfers in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York.

	Noon Buying Rate			
	Period End	**Average[(1)]**	**High**	**Low**
	(Hong Kong dollar per US$1.00)			
November 2019 (through November 15, 2019)	7.8261	7.8296	7.8365	7.8256
October 2019	7.8376	7.8421	7.8454	7.8371
September 2019	7.8401	7.8350	7.8425	7.8177
August 2019	7.8403	7.8420	7.8469	7.8266
July 2019	7.8275	7.8133	7.8275	7.7956
June 2019	7.8103	7.8260	7.8430	7.8080
May 2019	7.8387	7.8478	7.8497	7.8387
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) Averages are calculated by averaging the daily rates during the relevant period.

CAPITALIZATION

The following table sets out the cash and cash equivalents, indebtedness and capitalization of Melco Resorts Finance and its subsidiaries as of September 30, 2019 on an actual basis and as adjusted to give effect to the following:

- the issuance of US$900 million aggregate principal amount of the Notes offered hereby;
- the application of the net proceeds of the Notes to make a full repayment of the principal amount outstanding under the 2015 Revolving Credit Facility and a partial prepayment of the principal amount outstanding under the 2015 Term Loan Facility; and
- the declaration of dividends of US$137,271.22 per share totaling US$165.0 million to the Parent. See "Summary—Recent Developments".

This table should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Use of Proceeds*," "*Summary—Recent Developments*" and our consolidated financial statements prepared in accordance with U.S. GAAP, the related notes and other financial information contained elsewhere in this offering memorandum.

	As of September 30, 2019	
	Actual	**As Adjusted**
	(in thousands of U.S. dollars)	
Cash and cash equivalents	724,172	559,172
Indebtedness:		
2015 Credit Facilities, net(1)	888,679	1,193
2017 Notes, net(1)	979,390	979,390
2019 Notes due 2026, net(1)	493,856	493,856
2019 Notes due 2027, net(1)	592,511	592,511
The Notes offered hereby(2)	—	900,000
Advance from an affiliated company	2,074	2,074
Total indebtedness	2,956,510	2,969,024
Shareholder's Equity:		
Ordinary shares at US$0.01 par value per share	—	—
Additional paid-in capital	1,849,785	1,849,785
Accumulated other comprehensive losses	(20,847)	(20,847)
Retained earnings(3)(4)	489,734	312,220
Total shareholder's equity	2,318,672	2,141,158
Total capitalization	5,275,182	5,110,182

(1) As of September 30, 2019, the outstanding principal amounts under 2015 Credit Facilities, 2017 Notes, 2019 Notes due 2026 and 2019 Notes due 2027 were US$891.7 million, US$1,000 million, US$500 million and US$600 million, respectively. The amounts presented in the above table were net of unamortized deferring financing costs and original issue premiums.

(2) Reflects the principal amount of the Notes.

(3) Assumes the estimated fees and expenses related to this Offering, which may be capitalized as deferred financing costs under U.S. GAAP, are instead recognized as expenses in the consolidated statements of operations.

(4) Assumes the unamortized deferred financing costs related to the 2015 Term Loan Facility as of September 30, 2019 of US$3.0 million, part of which may remain capitalized as deferred financing costs under U.S. GAAP, are instead written off and recognized as expenses in the consolidated statements of operations upon the repayment of amounts outstanding under the 2015 Credit Facilities using the net proceeds from this Offering.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected historical consolidated statements of operations data for the years ended December 31, 2018 and 2017, and the selected historical consolidated balance sheets data as of December 31, 2018 and 2017 have been derived from our audited consolidated financial statements included elsewhere in this offering memorandum. These consolidated financial statements have been prepared and presented in accordance with U.S. GAAP. 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.

The following selected historical consolidated statements of operations data for the nine months ended September 30, 2019 and 2018 and the selected historical consolidated balance sheet data as of September 30, 2019 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this offering memorandum. Our unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2018, except for the adoption of the New Leases Standard on January 1, 2019 under the modified retrospective method. Amounts for the periods beginning on or after January 1, 2019 are presented under the New Leases Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis.

You should read this section in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and those financial statements and the notes to those statements included elsewhere in this offering memorandum. The historical results are not necessarily indicative of the results of operations to be expected in the future.

	Year ended December 31,		Nine months ended September 30,	
	2018	2017	2019[(2)]	2018
	(in thousands of US$)			
Consolidated Statements of Operations Data:				
Net revenues / Total operating revenues[(1)]	4,598,402	4,684,769	3,824,405	3,348,865
Total operating costs and expenses	(4,152,146)	(4,171,410)	(3,369,159)	(3,061,994)
Operating income	446,256	513,359	455,246	286,871
Net income	381,530	431,591	337,670	245,287

	As of December 31,		As of September 30,
	2018	2017	2019
	(in thousands of US$)		
Consolidated Balance Sheets Data:			
Cash and cash equivalents	882,989	837,305	724,172
Total assets[(5)]	6,163,399	5,020,715	6,657,733
Total current liabilities[(5)]	1,515,984	1,364,264	1,912,986
Total debts[(3)]	2,456,425	1,419,511	2,958,508
Total liabilities[(5)]	3,941,712	2,754,411	4,339,061
Total shareholder's equity[(4)]	2,221,687	2,266,304	2,318,672

(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 of accounting, net revenues for the year ended December 31, 2018 would have been US$4.92 billion.

(2) We adopted the New Leases Standard on January 1, 2019 under the modified retrospective method. There was no material impact on our results of operations for the nine months ended September 30, 2019 as a result of the adoption of the New Leases Standard.

(3) Total debts include current and non-current portion of long-term debt, net, and other long-term liabilities.

(4) We adopted the New Revenue Standard on January 1, 2018 under the modified retrospective method and recognized a decrease to the opening balance of retained earnings of US$8.4 million due to the cumulative effect of adopting the New Revenue Standard.

(5) We adopted the New Leases Standard on January 1, 2019 under the modified retrospective method and recognized operating lease right-of-use assets of US$58.9 million and operating lease liabilities of US$65.2 million as of January 1, 2019. Amounts for the periods beginning on or after January 1, 2019 are presented under the New Leases Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. As of September 30, 2019, operating lease right-of-use assets and operating lease liabilities were US$49.3 million and US$55.1 million, respectively.

The following table sets forth our consolidated statements of cash flows for the periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2018	2017	2019	2018
	(in thousands of US$)			
Net cash provided by operating activities	799,749	953,633	290,096	515,824
Net cash used in investing activities	(1,412,476)	(390,324)	(725,799)	(689,444)
Net cash provided by (used in) financing activities	663,920	(838,839)	277,951	23,095
Effect of foreign exchange on cash and cash equivalents	(5,509)	—	(1,065)	—
Net increase (decrease) in cash and cash equivalents	45,684	(275,530)	(158,817)	(150,525)
Cash and cash equivalents at beginning of year/period	837,305	1,112,835	882,989	837,305
Cash and cash equivalents at end of year/period	882,989	837,305	724,172	686,780

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with "Selected Consolidated Financial Information" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. See "Forward-Looking Statements" regarding these statements.

Overview

We are a developer, owner and, through our subsidiary Melco Resorts Macau, operator of casino gaming and entertainment casino resort facilities in Macau. Our subsidiary, Melco Resorts Macau, is one of six companies licensed, through concessions or subconcessions, to operate casinos in Macau.

All of our operations are currently located in Macau. We have two wholly owned casino based operations, namely, City of Dreams and Altira Macau, and non-casino based operations at our Mocha Clubs. In addition, our subsidiary Melco Resorts Macau operates the Studio City Casino pursuant to the Services and Right to Use Arrangements. We also provide non-gaming services to Studio City pursuant to the Master Services Agreement and Work Agreements.

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.

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 two Forbes Travel Guide Five-Star hotels in Macau—Altira Macau and Nüwa—and received nine Forbes Travel Guide Five-Star and two Forbes Travel Guide Four-Star recognitions across our properties in 2019. We seek to attract patrons throughout Asia and, in particular, from Greater China.

Our current operating facilities are focused on the Macau gaming market. According to the DICJ, the Macau gaming market experienced a decline in gross gaming revenues in 2016 as compared to 2015, with gross gaming revenues in Macau declining by approximately 3.3% on a year-on-year basis. We believe such decline was 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. 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. According to the DICJ, gross gaming revenues in Macau declined by 1.8% on a year-on-year basis in the first ten months of 2019 as compared to the first ten months of 2018. We believe such year-on-year decline in the first ten months of 2019 was mainly driven by a decline in VIP gaming revenues in Macau and the slowdown in the Chinese economy.

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 Resorts Macau to operate 40 additional gaming tables at City of Dreams. During the nine months ended September 30, 2019, City of Dreams had an average of approximately 517 gaming tables and approximately 836 gaming machines. As of September 30, 2019, 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 26 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 provided 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.

For the nine months ended September 30, 2019 and 2018, total operating revenues generated from City of Dreams amounted to US$2,376.5 million and US$1,905.8 million, representing 62.1% and 56.9% of our total operating revenues, respectively. For the years ended December 31, 2018 and 2017, net revenues generated from City of Dreams amounted to US$2,653.0 million and US$2,702.0 million, respectively, in each case representing 57.7% of our total net revenues.

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. During the nine months ended September 30, 2019, Altira Macau had an average of approximately 104 gaming tables and 173 gaming machines operated as a Mocha Club at Altira Macau. In addition, Altira Macau had approximately 230 hotel rooms as of September 30, 2019 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 nine months ended September 30, 2019 and 2018, total operating revenues generated from Altira Macau amounted to US$351.5 million and US$334.0 million, representing 9.2% and 10.0% of our total operating revenues, respectively. For the years ended December 31, 2018 and 2017, net revenues generated from Altira Macau amounted to US$471.6 million and US$446.5 million, representing 10.3% and 9.5% of our total net revenues, respectively.

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). During the nine months ended September 30, 2019, Mocha Clubs had eight clubs with an average of approximately 1,471 gaming machines in operation (including an average of 173 gaming machines at Altira Macau). For the nine months ended September 30, 2019 and 2018, total operating revenues generated from Mocha Clubs amounted to US$89.6 million and US$86.9 million, representing 2.3% and 2.6% of our total operating revenues, respectively. For the years ended December 31, 2018 and 2017, net revenues generated from Mocha Clubs amounted to US$113.5 million and US$121.3 million, representing 2.5% and 2.6% of our total net revenues, respectively. The source of revenues was substantially all from gaming machines. For the nine months ended September 30, 2019 and 2018, gaming machine revenues represented 97.0% and 97.6% of total operating revenues generated from Mocha Clubs, respectively. For the years ended December 31, 2018 and 2017, gaming machine revenues represented 97.7% and 97.3% of net revenues generated from Mocha Clubs, respectively.

Summary of Financial Results

For the nine months ended September 30, 2019, our total operating revenues were US$3.82 billion which represents an increase of 14.2% from US$3.35 billion of total operating revenues for the nine months ended September 30, 2018. The increase in total operating revenues was primarily attributable to increased casino revenues generated from City of Dreams and Altira Macau, as well as higher non-casino revenues as a result of the opening of Morpheus in June 2018, partially offset by decreased casino revenues generated from the operations of Studio City Casino by our subsidiary, Melco Resorts Macau, the gaming subconcessionaire. Net income for the nine months ended September 30, 2019 was US$337.7 million, as compared to net income of US$245.3 million for the nine months ended September 30, 2018. The increase in profitability was primarily attributable to better performance at City of Dreams and lower pre-opening costs in the nine months ended September 30, 2019, partially offset by higher depreciation and amortization expenses from the opening of Morpheus in June 2018, higher interest expenses from the additional drawdown of the 2015 Credit Facilities in the second half of 2018, the issuance of the 2019 Senior Notes due 2026 in April 2019 and the 2019 Senior Notes due 2027 in July 2019, the cessation of capitalized interest in June 2018 following the opening of Morpheus and higher net foreign exchange losses.

For the year ended December 31, 2018, our total net revenues were US$4.60 billion, which represents a slight decrease of 1.8% from US$4.68 billion of net revenues 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 our company's adoption of the New Revenue Standard, partially offset by higher gross gaming revenues in all gaming segments particularly in Altira Macau and Studio City Casino. Total net revenues for the year ended December 31, 2018 prepared under the previous basis of accounting were US$4.92 billion, representing an increase of US$0.24 billion, or 5.1%, from US$4.68 billion for the year ended December 31, 2017. Net income for the year ended December 31, 2018 was US$381.5 million, as compared to net income of US$431.6 million for the year ended December 31, 2017. The decline in profitability was primarily attributable to a one-time special gift granted to non-management employees, higher pre-opening costs related to the marketing and opening event of Morpheus, higher interest expenses, net of capitalization interest, as well as depreciation and amortization expenses after the opening of Morpheus in June 2018, partially offset by better performance in gaming operations for the year ended December 31, 2018 and the one-off loss on extinguishment of debt arising from the refinancing of the 2013 Notes in 2017.

The gaming revenues generated at Studio City Casino and the associated costs (such as gaming tax and other levies, commissions and gaming related payroll and administrative costs) are initially recorded in the accounts of our subsidiary and subconcessionaire, Melco Resorts Macau. Any net income of Melco Resorts Macau generated through the gaming operations at Studio City Casino is reimbursed to Studio City Entertainment pursuant to the Services and Right to Use Arrangements and such reimbursement is recorded as a general and administrative expense in our consolidated financial statements. For the nine months ended September 30, 2019 and 2018, the net income generated through the gaming operations at Studio City Casino and reimbursed to Studio City Entertainment was US$288.2 million and US$250.6 million, respectively. For the years ended December 31, 2018 and 2017, the net income generated through the gaming operations at Studio City Casino and reimbursed to Studio City Entertainment was US$339.9 million and US$295.6 million, respectively. The VIP rolling chip operations at Studio City Casino are expected to cease on January 15, 2020.

The revenues and costs from the provision of management services to affiliated companies, including those arising out of the Master Services Agreement and Work Agreements we have with Studio City, are reflected in entertainment, retail and other revenues and operating expenses, as applicable, in the consolidated statement of operations.

The following summarizes the results of our operations:

	Year ended December 31,		Nine months ended September 30,	
	2018	2017	2019[(2)]	2018
	(in thousands of US$)			
Consolidated Statements of Operations Data:				
Net revenues / Total operating revenues[(1)]	4,598,402	4,684,769	3,824,405	3,348,865
Total operating costs and expenses	(4,152,146)	(4,171,410)	(3,369,159)	(3,061,994)
Operating income	446,256	513,359	455,246	286,871
Net income	381,530	431,591	337,670	245,287

(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 of accounting, net revenues for the year ended December 31, 2018 would have been US$4.92 billion.

(2) We adopted the New Leases Standard on January 1, 2019 under the modified retrospective method. There was no material impact on our results of operations for the nine months ended September 30, 2019 as a result of the adoption of the New Leases Standard.

Factors Affecting Our Current and Future Results

Our results of operations are and will be affected most significantly by:

- 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 is developing and the competitive landscape is 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 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;

- 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 reputation; and
  - since we depend on gaming promoters for our VIP gaming revenue, difficulties in their operations may expose us to higher operational risk.
- Our 2015 Credit Facilities, which expose us to interest rate risk, as discussed under "—Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Risk"; and
- The currency of our operations, our indebtedness and presentation of our consolidated financial statements, which expose us to foreign exchange rate risk, as discussed under "—Quantitative and Qualitative Disclosures about Market Risk—Foreign Exchange Risk".

Our historical financial results may not be characteristic of our potential future results as we continue to expand and refine our service offerings at our properties and develop and open new properties.

Key Performance Indicators

We use the following Key Performance Indicators 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.
- *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. Table games win is 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.
- *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.

See "Summary Consolidated Financial and Other Data—Other Financial and Operational Data."

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 2.85% to 3.15%.

We use the following Key Performance Indicators 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 Key Performance Indicators. 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.

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.

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.

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.

Our total capital expenditures for the nine months ended September 30, 2019 and 2018 and for the years ended December 31, 2018 and 2017 were US$118.1 million, US$299.3 million, US$360.1 million and US$488.3 million, respectively, which were attributable to our development and construction projects, including Morpheus which opened in June 2018, and other enhancements to our integrated resort offerings at our properties. For further details of these capital expenditures, please refer to note 14 to our unaudited condensed consolidated financial statements for the nine months ended September 30, 2019 and 2018 and note 19 to our audited consolidated financial statements for the years ended December 31, 2018 and 2017, which are included elsewhere in this offering memorandum.

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 nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018 and 2017, impairment losses of US$nil, US$nil, US$nil and US$3.6 million, respectively, were recognized mainly due to reconfigurations and renovations of 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. As a result of these assessments, we determined that there were no impairment of goodwill and trademarks for the years ended December 31, 2018 and 2017. We determined that there were no events or changes in circumstances indicating that the carrying value of goodwill and trademarks may not be recoverable as of September 30, 2019, therefore there was no impairment of goodwill and trademarks for the nine months ended September 30, 2019.

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 one of our hotels, Grand Dragon Casino and Studio City Casino and concluded that we are the controlling entity and are the principal to these arrangements. For the operations of one of our hotels, we are the owner of the hotel property, and the hotel manager operates the hotel under a management agreement providing management services to us, and we receive all rewards and take substantial risks associated with the hotel's business; we are the principal and the transactions are, therefore, recognized on a gross basis. For the operations of Grand Dragon Casino and Studio City Casino, given we operate Grand Dragon Casino and Studio City Casino under a right to use agreement and a Services and Right to Use Arrangements, respectively, with the owners 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 retained earnings. 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 a decrease to the opening balance of retained earnings of US$8.4 million, with an increase in accrued expenses and other current liabilities of US$11.7 million and a decrease in amounts due to affiliated companies of US$3.3 million.

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, 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 nine months ended September 30, 2019 and 2018, and for the years ended December 31, 2018 and 2017, approximately 22.0%, 21.2%, 27.0% and 31.3% of our casino revenues were derived from customers sourced through our rolling chip gaming promoters, respectively.

As of September 30, 2019 and 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 September 30, 2019, 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$5.0 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 September 30, 2019, December 31, 2018 and 2017, we recorded valuation allowances of US$54.8 million, US$42.8 million and US$28.4 million, respectively; as management believes that 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 our consolidated financial statements included elsewhere in this offering memorandum for a discussion of recent changes in accounting standards.

Results of Operations

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Revenues

Our total operating revenues for the nine months ended September 30, 2019 were US$3.82 billion, an increase of US$475.5 million, or 14.2%, from US$3.35 billion for the nine months ended September 30, 2018. The increase in total operating revenues was primarily attributable to increased casino revenues generated from City of Dreams and Altira Macau, as well as higher non-casino revenues as a result of the opening of Morpheus in June 2018, partially offset by decreased casino revenues generated from the operations of Studio City Casino by our subsidiary, Melco Resorts Macau, the gaming subconcessionaire. Net income from Studio City Casino gaming operations are reimbursed to Studio City Entertainment pursuant to the Services and Right to Use Arrangements. Such reimbursement is included in general and administrative expenses. See "—Summary of Financial Results" for a discussion of the accounting treatment with respect to the revenue and net income generated through the gaming operations at Studio City Casino.

Our total operating revenues for the nine months ended September 30, 2019 consisted of US$3.37 billion of casino revenues, representing 88.0% of our total operating revenues, and US$459.3 million of non-casino revenues. Our total operating revenues for the nine months ended September 30, 2018 consisted of US$2.94 billion of casino revenues, representing 87.7% of our total operating revenues, and US$411.0 million of non-casino revenues.

Casino. Casino revenues for the nine months ended September 30, 2019 were US$3.37 billion, representing a US$427.2 million, or 14.5%, increase from casino revenues of US$2.94 billion for the nine months ended September 30, 2018, primarily attributable to higher mass market table games revenue at City of Dreams and Altira Macau, as well as higher rolling chip revenue at City of Dreams, partially offset by decreased casino revenues generated from the operations of Studio City Casino. Pursuant to the Services and Right to Use Arrangements, net income arisen from operating the Studio City Casino is reimbursed to Studio City Entertainment. Such reimbursement is included in general and administrative expenses.

Altira Macau. Altira Macau's rolling chip volume for the nine months ended September 30, 2019 was US$13.4 billion, representing a decrease of US$2.47 billion, or 15.6%, from US$15.8 billion for the nine months ended September 30, 2018. The rolling chip win rate was 3.47% for the nine months ended September 30, 2019, increasing from 3.00% for the nine months ended September 30, 2018. Our expected range was 2.85% to 3.15%. In the mass market table games segment, drop was US$443.4 million for the nine months ended September 30, 2019, compared to US$402.0 million for the nine months ended September 30, 2018. The mass market table games hold percentage was 22.2% for the nine months ended September 30, 2019, increasing from 19.1% for the nine months ended September 30, 2018. Average net win per gaming machine per day was US$214 for the nine months ended September 30, 2019, an increase of US$64, or 42.4%, from US$150 for the nine months ended September 30, 2018.

City of Dreams. City of Dreams' rolling chip volume for the nine months ended September 30, 2019 of US$42.3 billion represented an increase of US$8.38 billion, or 24.7%, from US$33.9 billion for the nine months ended September 30, 2018. The rolling chip win rate was 3.03% for the nine months ended September 30, 2019, increasing from 2.77% for the nine months ended September 30, 2018. Our expected range was 2.85% to 3.15%. In the mass market table games segment, drop was US$4.10 billion for the nine months ended September 30, 2019 which represented an increase of US$0.39 billion, or 10.6%, from US$3.70 billion for the nine months ended September 30, 2018. The mass market table games hold percentage was 32.1% for the nine months ended September 30, 2019, increasing from 29.4% for the nine months ended September 30, 2018. Average net win per gaming machine per day was US$511 for the nine months ended September 30, 2019, a decrease of US$296, or 36.7%, from US$807 for the nine months ended September 30, 2018.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the nine months ended September 30, 2019 was US$254, a decrease of US$7, or 2.7%, from US$261 for the nine months ended September 30, 2018.

Rooms. Room revenues (including complimentary rooms) were US$151.3 million for the nine months ended September 30, 2019, representing an increase of US$35.3 million, or 30.5%, from room revenues (including complimentary rooms) of US$115.9 million for the nine months ended September 30, 2018. The increase was primarily due to the increase in room revenues at City of Dreams as a result of the opening of Morpheus in June 2018. City of Dreams' average daily rate, occupancy rate and REVPAR were US$207, 98% and US$202, respectively, for the nine months ended September 30, 2019, as compared to US$208, 97% and US$202, respectively, for the nine months ended September 30, 2018. Altira Macau's average daily rate, occupancy rate and REVPAR were US$177, 99% and US$175, respectively, for the nine months ended September 30, 2019, as compared to US$190, 99% and US$188, respectively, for the nine months ended September 30, 2018.

Food and beverage. Food and beverage revenues (including complimentary food and beverage) were US$84.5 million for the nine months ended September 30, 2019, representing an increase of US$21.3 million, or 33.8%, from food and beverage revenues (including complimentary food and beverage) of US$63.2 million for the nine months ended September 30, 2018. The increase was primarily due to higher food and beverage revenues at City of Dreams as a result of the opening of new restaurants in Morpheus.

Entertainment, retail and other. Entertainment, retail and other revenues (including complimentary entertainment services) decreased by US$8.3 million, or 3.6%, to US$223.6 million for the nine months ended September 30, 2019 from US$231.9 million for the nine months ended September 30, 2018. The decrease was primarily due to the decrease in ticket sales of *The House of Dancing Water* as a result of the temporary suspension of performances of The House of Dancing Water for refurbishment and upgrade of the facilities during the nine months ended September 30, 2019.

Operating costs and expenses

Total operating costs and expenses were US$3.37 billion for the nine months ended September 30, 2019, compared to US$3.06 billion for the nine months ended September 30, 2018.

Casino. Casino expenses increased by US$219.8 million, or 10.7%, to US$2.28 billion for the nine months ended September 30, 2019 from US$2.06 billion for the nine months ended September 30, 2018 primarily due to the increase in gaming tax at City of Dreams and Altira Macau, which increased as a result of higher revenues, as well as higher provision for doubtful debt in City of Dreams and Altira Macau. The increase was offset in part by the decrease in casino expenses at a softer-performing Studio City Casino, which Melco Resorts Macau is reimbursed for pursuant to the Services and Right to Use Arrangements.

Rooms. Room expenses, which represent the costs of operating the hotel facilities at Altira Macau and City of Dreams, were US$44.0 million and US$33.7 million for the nine months ended September 30, 2019 and 2018, respectively. The increase was primarily due to the opening of Morpheus in June 2018.

Food and beverage. Food and beverage expenses were US$72.7 million and US$58.0 million for the nine months ended September 30, 2019 and 2018, respectively. The increase was primarily due to the increase in operating costs as a result of the opening of new restaurants in Morpheus.

Entertainment, retail and other. Entertainment, retail and other expenses were US$45.8 million and US$49.1 million for the nine months ended September 30, 2019 and 2018, respectively. The decrease was primarily due to lower show operating costs as a result of the temporary suspension of performances of The House of Dancing Water for refurbishment and upgrade of the facilities during the nine months ended September 30, 2019.

General and administrative. General and administrative expenses increased by US$54.2 million, or 9.0%, to US$655.7 million for the nine months ended September 30, 2019 from US$601.5 million for the nine months ended September 30, 2018. The increase was primarily due to an increase in payroll and other general and administrative expenses to support continuing and expanding operations, as well as an increase in reimbursements of the net income from Studio City Casino gaming operations to Studio City Entertainment pursuant to the Services and Right to Use Arrangements.

Pre-opening costs. Pre-opening costs were US$0.1 million and US$32.7 million for the nine months ended September 30, 2019 and 2018, 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 nine months ended September 30, 2018 was mainly related to the marketing and opening event of Morpheus, which opened in June 2018.

Amortization of gaming subconcession. Amortization expenses for our gaming subconcession continued to be recognized on a straight-line basis and were US$42.6 million and US$42.9 million for the nine months ended September 30, 2019 and 2018, 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$8.1 million for each of the nine months ended September 30, 2019 and 2018.

Depreciation and amortization. Depreciation and amortization expenses increased by US$50.6 million, or 31.4%, to US$211.5 million for the nine months ended September 30, 2019 from US$160.9 million for the nine months ended September 30, 2018. The increase was primarily due to the opening of Morpheus in June 2018.

Property charges and other. Property charges and other generally include costs related to the remodeling and rebranding of a property which might include the retirement, disposal or write-off of assets. Property charges and other amounted to US$5.7 million for the nine months ended September 30, 2019, compared to US$12.0 million for the nine months ended September 30, 2018.

Non-operating expenses, net

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, loan commitment fees and foreign exchange losses, net, as well as other non-operating income, net.

Interest expenses were US$95.1 million (nil capitalized interest) for the nine months ended September 30, 2019, compared to US$34.5 million (net of capitalized interest of US$21.0 million) for the nine months ended September 30, 2018. The increase in net interest expenses (net of interest capitalization) of US$60.6 million was primarily due to increased interest expenses arisen from the drawdown of the revolving credit facility under the 2015 Credit Facilities since the second half of 2018 and the issuance of the 2019 Notes due 2026 in April 2019 and the 2019 Notes due 2027 in July 2019, as well as the cessation of interest capitalization since the opening of Morpheus in June 2018.

Loan commitment fees amounted to US$1.4 million for the nine months ended September 30, 2019, compared to US$3.4 million for the nine months ended September 30, 2018. The decrease was primarily due to the drawdown of the revolving credit facility under the 2015 Credit Facilities since the second half of 2018.

Income tax expense

Income tax expense for the nine months ended September 30, 2019 was primarily attributable to a lump sum tax payable of US$1.8 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 nine months ended September 30, 2019 was 0.4%, as compared to 1.0% for the nine months ended September 30, 2018. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations being exempted from Macau Complementary Tax, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefit is receivable and the effect of income for which no income tax expense is payable for the nine months ended September 30, 2019 and 2018. Our management currently does not expect to realize significant income tax benefits associated with net operating losses carryforwards and other deferred tax assets generated by our Macau operations. However, to the extent that the financial results of our Macau 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

As a result of the foregoing, we had net income of US$337.7 million for the nine months ended September 30, 2019, compared to US$245.3 million for the nine months ended September 30, 2018.

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$4.60 billion, a slight decrease of US$86.4 million, or 1.8%, from US$4.68 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 our company's adoption of the New Revenue Standard, partially offset by higher gross gaming revenues in all gaming segments particularly in Altira Macau and Studio City Casino. Our company 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. Total net revenues for the year ended December 31, 2018 prepared under the previous basis of accounting were US$4.92 billion, representing an increase of US$0.24 billion, or 5.1%, from US$4.68 billion for the year ended December 31, 2017. Net income from Studio City Casino gaming operations are reimbursed to Studio City Entertainment pursuant to the Services and Right to Use Arrangements. Such reimbursement is included in general and administrative expenses.

Our total net revenues for the year ended December 31, 2018 consisted of US$4.04 billion of casino revenues, representing 87.9% of our total net revenues, and US$554.8 million of non-casino revenues. Our total net revenues for the year ended December 31, 2017 consisted of US$4.33 billion of casino revenues, representing 92.5% of our total net revenues, and US$351.2 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$4.04 billion, representing a US$0.29 billion, or 6.7%, decrease from casino revenues of US$4.33 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 our company's adoption of the New Revenue Standard, partially offset by higher gross gaming revenues in all gaming segments particularly in Altira Macau and Studio City Casino. Pursuant to the Services and Right to Use Arrangements, net income arisen from operating the Studio City Casino is reimbursed to Studio City Entertainment. Such reimbursement is included in general and administrative expenses.

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.

Rooms. Room revenues (including complimentary rooms) were US$169.6 million for the year ended December 31, 2018, representing an increase of US$39.4 million, or 30.2%, from room revenues (including complimentary rooms) of US$130.3 million for the year ended December 31, 2017. The increase was primarily due to the increase in room revenues at City of Dreams as a result of the opening of Morpheus in June 2018. City of Dreams' average daily rate, occupancy rate and REVPAR were US$212, 97% and US$206, respectively, for the year ended December 31, 2018, as compared to US$202, 97% and US$196, respectively, for the year ended December 31, 2017. Altira Macau's average daily rate, occupancy rate and REVPAR were US$189, 99% and US$188, respectively, for the year ended December 31, 2018, as compared to US$204, 96% and US$196, respectively, for the year ended December 31, 2017.

Food and beverage. Food and beverage revenues (including complimentary food and beverage) were US$90.4 million for the year ended December 31, 2018, representing an increase of US$12.6 million, or 16.2%, from food and beverage revenues (including complimentary food and beverage) of US$77.9 million for the year ended December 31, 2017. The increase was primarily due to higher food and beverage revenues at City of Dreams as a result of the opening of new restaurants in Morpheus.

Entertainment, retail and other. Entertainment, retail and other revenues (including complimentary entertainment services) slightly decreased by US$8.3 million, or 2.7%, to US$294.7 million for the year ended December 31, 2018 from US$303.0 million for the year ended December 31, 2017.

Operating costs and expenses

Total operating costs and expenses were US$4.15 billion for the year ended December 31, 2018, compared to US$4.17 billion for the year ended December 31, 2017.

Casino. Casino expenses decreased by US$265.1 million, or 8.6%, to US$2.82 billion for the year ended December 31, 2018 from US$3.08 billion for the year ended December 31, 2017 primarily due to the adoption of the New Revenue Standard, which required all commissions to be reported as a reduction of revenues, whereas the previous basis allowed for a portion of the commissions to be classified as casino expenses. Additionally, upon adoption of the New Revenue Standard, the costs of providing complimentary services were no longer included in casino expenses. These reductions were partially offset by an increase in gaming tax as a result of increased gaming volumes and associated higher revenues.

Rooms. Room expenses, which represent the costs of operating the hotel facilities at Altira Macau and City of Dreams, were US$49.0 million and US$15.0 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 as room expenses instead of casino expenses upon our company's adoption of the New Revenue Standard on January 1, 2018 under the modified retrospective method.

Food and beverage. Food and beverage expenses were US$82.3 million and US$24.3 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 which were included in food and beverage expenses instead of casino expenses upon our company's adoption of the New Revenue Standard on January 1, 2018 under the modified retrospective method.

Entertainment, retail and other. Entertainment, retail and other expenses were US$66.2 million and US$59.7 million for the years ended December 31, 2018 and 2017, respectively. The increase was primarily due to the costs of providing complimentary entertainment services which were included in entertainment, retail and other expenses instead of casino expenses upon our 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$73.3 million, or 10.2%, to US$794.2 million for the year ended December 31, 2018 from US$721.0 million for the year ended December 31, 2017, primarily due to an increase in reimbursements of the net income from Studio City Casino gaming operations to Studio City Entertainment pursuant to the Services and Right to Use Arrangements, a one-time special gift granted to non-management employees and an increase in other general and administrative expenses to support continuing and expanding operations in 2018.

Pre-opening costs. Pre-opening costs were US$32.7 million and US$2.0 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.

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$10.8 million and US$10.9 million for the years ended December 31, 2018 and 2017, respectively.

Depreciation and amortization. Depreciation and amortization expenses increased by US$37.4 million, or 19.5%, to US$229.3 million for the year ended December 31, 2018 from US$191.9 million for the year ended December 31, 2017. The increase was primarily due to the opening of Morpheus in June 2018.

Property charges and other. Property charges and other for the year ended December 31, 2018 were US$12.6 million, which primarily included repairs and maintenance costs incurred for our Macau properties as a result of Typhoon Hato and Typhoon Mangkhut, net of the insurance recoveries received in 2018. Property charges and other for the year ended December 31, 2017 were US$6.0 million, which primarily included US$5.2 million asset write-offs and impairment as a result of the remodel of gaming and non-gaming attractions at City of Dreams, 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$2.3 million termination costs as a result of departmental restructuring, partially offset by net gain of US$8.9 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 fees, foreign exchange (losses) gains, net, loss on extinguishment of debt and costs associated with debt modification, as well as other non-operating income, net.

Interest expenses were US$57.8 million (net of capitalized interest of US$20.8 million) for the year ended December 31, 2018, compared to US$38.0 million (net of capitalized interest of US$36.9 million) for the year ended December 31, 2017. The increase in net interest expenses (net of interest capitalization) of US$19.8 million was primarily due to lower interest capitalization of US$16.1 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 amortization of deferred financing costs.

Loan commitment fees amounted to US$3.9 million for the year ended December 31, 2018, compared to US$4.8 million for the year ended December 31, 2017. The decrease was primarily due to 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, 2017 was US$48.4 million, which represented a portion of the unamortized deferred financing costs and redemption costs of the 2013 Notes that were not eligible for capitalization as a result of refinancing. There was no loss on extinguishment of debt for the year ended December 31, 2018.

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

Income tax (expense) credit

Income tax expense for the year ended December 31, 2018 was primarily attributable to 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. The effective tax rate for the year ended December 31, 2018 was 0.8%, as compared to (0.5)% 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, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefits are receivable and the effect of income for which no income tax expense is payable 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 losses carryforwards and other deferred tax assets generated by our Macau operations. However, to the extent that the financial results of our Macau 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

As a result of the foregoing, we had net income of US$381.5 million for the year ended December 31, 2018, compared to US$431.6 million for the year ended December 31, 2017.

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 September 30, 2019, we held cash and cash equivalents of US$724.2 million, and the HK$5.52 billion (equivalent to US$703.7 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. See "—Indebtedness" for a discussion of major changes in indebtedness since September 30, 2019.

Cash Flows

The following table sets forth our consolidated statements of cash flows for the periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2018	2017	2019	2018
	(in thousands of US$)			
Net cash provided by operating activities	799,749	953,633	290,096	515,824
Net cash used in investing activities	(1,412,476)	(390,324)	(725,799)	(689,444)
Net cash provided by (used in) financing activities	663,920	(838,839)	277,951	23,095
Effect of foreign exchange on cash and cash equivalents	(5,509)	—	(1,065)	—
Net increase (decrease) in cash and cash equivalents	45,684	(275,530)	(158,817)	(150,525)
Cash and cash equivalents at beginning of year/period	837,305	1,112,835	882,989	837,305
Cash and cash equivalents at end of year/period	882,989	837,305	724,172	686,780

Operating Activities

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

Net cash provided by operating activities was US$290.1 million for the nine months ended September 30, 2019, compared to net cash provided by operating activities of US$515.8 million for the nine months ended September 30, 2018. The change was attributable to increased working capital needed for operations, partially offset by higher contribution of cash generated from operations.

Net cash provided by operating activities was US$799.7 million for the year ended December 31, 2018, compared to US$953.6 million for the year ended December 31, 2017. The decrease in net cash provided by operating activities was attributable to lower contribution of cash generated from operations and increased working capital for operations.

Investing Activities

Net cash used in investing activities was US$725.8 million for the nine months ended September 30, 2019, compared to net cash used in investing activities of US$689.4 million for the nine months ended September 30, 2018. The change was primarily due to an increase in advances to affiliated companies, partially offset by a decrease in capital expenditure payments, as well as cash inflows received from repayment of loan to an affiliated company and repayment of advance to an affiliated company during the nine months ended September 30, 2019.

Net cash used in investing activities for the nine months ended September 30, 2019 mainly included advances to affiliated companies of US$630.9 million (including the advances to the Crown Acquisition Affiliate in June 2019), capital expenditure payments of US$120.9 million and deposits for acquisition of property and equipment of US$18.3 million, partially offset by repayment of loan to an affiliated company of US$23.5 million and repayment of advance to an affiliated company of US$20.0 million.

Our total capital expenditure payments for the nine months ended September 30, 2019 and 2018 were US$120.9 million and US$270.0 million, respectively. Such capital expenditures for both periods were mainly associated with our development projects, including Morpheus which opened in June 2018, as well as enhancement to our integrated resort offerings.

Net cash used in investing activities was US$1,412.5 million for the year ended December 31, 2018, compared to net cash used in investing activities of US$390.3 million for the year ended December 31, 2017. The change was primarily due to advances to affiliated companies during the year ended December 31, 2018.

Net cash used in investing activities for the year ended December 31, 2018 mainly included advances to affiliated companies of US$1,019.2 million, capital expenditure payments of US$359.6 million and advance payments and deposits for acquisition of property and equipment of US$28.9 million.

Net cash used in investing activities for the year ended December 31, 2017 mainly included capital expenditure payments of US$413.2 million, loan to an affiliated company of US$91.7 million and advance payments and deposits for acquisition of property and equipment of US$25.5 million, partially offset by withdrawals of bank deposits with original maturities over three months of US$138.5 million.

Our total capital expenditure payments for the years ended December 31, 2018 and 2017 were US$359.6 million and US$413.2 million, respectively. Such capital expenditures for both years were mainly associated with our development projects, including Morpheus, as well as enhancement to our integrated resort offerings.

Financing Activities

Net cash provided by financing activities amounted to US$278.0 million for the nine months ended September 30, 2019, which primarily represented the proceeds from the drawdowns of the revolving credit facility under the 2015 Credit Facilities of US$550.2 million and the issuance of US$500.0 million in aggregate principal amount of the 2019 Notes due 2026 and the US$600.0 million in aggregate principal amount of the 2019 Notes due 2027, partially offset by the partial repayment of the revolving credit facility under the 2015 Credit Facilities of US$1,100.6 million, the scheduled repayment of the term loan under the 2015 Credit Facilities of US$33.6 million and dividend payments of US$235.0 million.

Net cash provided by financing activities amounted to US$23.1 million for the nine months ended September 30, 2018, which primarily represented the proceeds from the drawdown of the revolving credit facility under the 2015 Credit Facilities of US$390.9 million, partially offset by dividend payments of US$340.0 million and the scheduled repayment of the term loan under the 2015 Credit Facilities of US$33.8 million.

Net cash provided by financing activities amounted to US$663.9 million for the year ended December 31, 2018, which primarily represented proceeds of US$1,095.7 million from the drawdown of the revolving credit facility under the 2015 Credit Facilities and funds from an affiliated company of US$13.4 million, which were offset in part by dividend payments of US$400.0 million and the scheduled repayment of the term loan under the 2015 Credit Facilities of US$45.0 million.

Net cash used in financing activities amounted to US$838.8 million for the year ended December 31, 2017, which primarily represented dividend payments of US$765.8 million, the scheduled repayment of the term loan under the 2015 Credit Facilities of US$45.1 million, payments of refinancing costs and debt issuance costs of US$33.3 million associated with the refinancing of the 2013 Notes with the 2017 Notes, which were offset in part by the net proceeds of US$2.6 million from the refinancing of the 2013 Notes. The US$1.0 billion principal amount outstanding under the 2013 Notes was refinanced by the proceeds from the First 2017 Notes 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 Additional 2017 Notes, which priced at 100.75%.

Indebtedness

The following table presents a summary of our gross long-term debt as of September 30, 2019:

	As of September 30, 2019
	(in thousands of US$)
2019 Notes due 2027	600,000
2019 Notes due 2026	500,000
2017 Notes	1,000,000
2015 Credit Facilities	891,693
	2,991,693

Changes made in our gross long-term debt as of September 30, 2019 as compared to December 31, 2018 include, as further described below, the scheduled repayment of the term loan under the 2015 Credit Facilities during the first nine months of 2019, the issuance of 2019 Notes due 2026 and 2019 Notes due 2027 and the drawdowns and partial repayments made under the 2015 Revolving Credit Facility. As of September 30, 2019, HK$5.52 billion (equivalent to US$703.7 million) was available for future drawdowns from the 2015 Revolving Credit Facility, subject to satisfaction of certain conditions precedent.

On April 26, 2019, Melco Resorts Finance issued the 2019 Notes due 2026, comprising US$500 million in aggregate principal amount of 5.250% senior notes due 2026 at an issue price of 100% of the principal amount. On May 8, 2019, we repaid an aggregate principal amount of HK$3.98 billion (equivalent to US$507.8 million) outstanding under the 2015 Revolving Credit Facility, together with accrued interest and associated costs, using the net proceeds of the 2019 Notes due 2026 and cash on hand.

During the nine months ended September 30, 2019, we drew down HK$4.32 billion (equivalent to US$550.2 million) in aggregate principal amount under the 2015 Revolving Credit Facility, of which HK$3.93 billion (equivalent to US$500.1 million) was drawn down on June 4, 2019 to partly fund the advances to the Crown Acquisition Affiliate for its acquisition of approximately 9.99% ownership interest in Crown. See “Risk Factors—Risks Relating to Our Business and Operations—We may use our cash and other financial resources to engage in strategic transactions, including mergers, acquisitions, joint ventures and share repurchases, or to help support or otherwise fund the Parent in its strategic transactions” and “Related Party Transactions—Advances to Affiliate in connection with the Crown Acquisition” and for further details.

On July 17, 2019, Melco Resorts Finance issued the 2019 Notes due 2027, comprising US$600 million in aggregate principal amount of 5.625% senior notes due 2027, at an issue price of 100% of the principal amount.

On July 24, 2019, we repaid an aggregate principal amount of HK$4.64 billion (equivalent to US$592.8 million) outstanding under the 2015 Revolving Credit Facility, together with accrued interest and associated costs, using the net proceeds of the 2019 Notes due 2027 and cash on hand.

For further details of the above indebtedness, see “Description of Other Material Indebtedness” as well as note 6 to our unaudited condensed consolidated financial statements for the nine months ended September 30, 2019 and 2018, and note 10 to our audited consolidated financial statements for the years ended December 31, 2018 and 2017 included elsewhere in this offering memorandum, which include information regarding the type of debt facilities used and still available to us, the maturity profile of such debt facilities, 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 “—Long-term Indebtedness and Contractual Obligations” for details of the maturity profile of debt and “—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, our efforts to redevelop and rebrand The Countdown at City of Dreams in Cotai, Macau.

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, purchasing or otherwise retiring existing debt, monetizing assets, sale-and-leaseback transactions or other similar activities. Any such activities will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors and the amounts involved may be material.

Any other future developments may be subject to further financing and a number of other factors, many of which are beyond our control.

As of September 30, 2019, we had capital commitments contracted for but not incurred mainly for the acquisition of property and equipment for City of Dreams totaling US$36.2 million. In addition, we have contingent liabilities arising in the ordinary course of business. For further details for our commitments and contingencies, see note 12 to our unaudited condensed consolidated financial statements for the nine months ended September 30, 2019 and 2018 included elsewhere in this offering memorandum.

Long-term Indebtedness and Contractual Obligations

Our total long-term indebtedness and other contractual obligations as of December 31, 2018 are summarized below. For details and summary of terms of our indebtedness, see "Description of Other Material Indebtedness."

	Payments Due by Period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(in millions of US$)				
Long-term debt obligations:					
2017 Notes	—	—	—	1,000.0	1,000.0
2015 Credit Facilities	44.8	1,431.1	—	—	1,475.9
Fixed interest payments	48.8	97.5	97.5	69.7	313.5
Variable interest payments	54.9	38.1	—	—	93.0
Operating lease obligations:					
Operating leases, including Mocha Clubs locations	8.2	16.1	3.7	—	28.0
Construction costs and property and equipment retention payables	16.3	—	—	—	16.3
Other contractual commitments:					
Government annual land use fees[(1)]	1.4	2.8	2.9	13.0	20.1
Construction costs and property and equipment acquisition commitments	29.1	—	—	—	29.1
Gaming subconcession premium[(2)]	27.8	55.7	13.5	—	97.0
Total contractual obligations	231.3	1,641.3	117.6	1,082.7	3,072.9

(1) The City of Dreams and Altira Macau 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 "Business" for further details of the land concession obligations.

(2) In accordance with our gaming subconcession, we are required to pay a fixed annual premium of MOP30.0 million (equivalent to 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.

Other than changes related to the adoption of the New Leases Standard as described in note 2(g) and note 11 to the unaudited condensed consolidated financial statements included elsewhere in this offering memorandum, and the issuances of 2019 Notes due 2026 and 2019 Notes due 2027 and drawdowns and repayments made under the 2015 Credit Facilities described herein, there were no material changes outside the ordinary course of business in contractual obligations during the nine months ended September 30, 2019.

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.

Distribution of Profits

All subsidiaries of our company incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after taxation 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 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 September 30, 2019, the aggregate balance of the reserves amounted to US$31.5 million.

During the nine months ended September 30, 2019 and 2018 and the years ended December 31, 2018 and 2017, the sole director of our company declared dividends of US$195,507.49, US$282,861.90, US$332,778.70 and US$1,128,756.93 per share to the Parent, respectively.

On October 22, 2019 and November 6, 2019, the sole director of our company declared dividends of US$83,194.68 per share and US$54,076.54 per share, respectively, totaling US$165.0 million to the Parent.

Restrictions on Distributions

Under the 2015 Credit Facilities, which apply on and from June 29, 2015, the payment of dividends to companies or persons who are not members of the relevant borrowing group, comprising Melco Resorts Macau and certain of our subsidiaries specified as guarantors (the "2015 Borrowing Group") remains restricted in certain circumstances, unless certain financial tests and conditions are satisfied and there is no continuing default under the 2015 Credit Facilities. See "Description of Other Material Indebtedness" for more details.

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 September 30, 2019, we are subject to fluctuations in HIBOR as a result of our 2015 Credit Facilities.

As of September 30, 2019, 70% of our total gross long-term debt was based on fixed rates. Based on September 30, 2019 long-term debt level, an assumed 100 basis point change in HIBOR would cause our annual interest cost to change by approximately US$8.9 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 consolidated 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 and H.K. dollar. In addition, a significant portion of our indebtedness, as a result of the 2017 Notes, the 2019 Notes due 2026, the 2019 Notes due 2027 and the 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.

The value of the H.K. dollar and Pataca 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 subjected to fluctuations. Any significant fluctuations in exchange rates between H.K. dollar or Pataca 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 September 30, 2019, in addition to H.K. dollar and Pataca, 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 nine months ended September 30, 2019 or during the year ended December 31, 2018. Instead, we maintained 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.

Major currencies in which our cash and bank balances held as of September 30, 2019 were U.S. dollar, H.K. dollar and Pataca. Based on the cash and bank balances as of September 30, 2019, 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$7.2 million for the nine months ended September 30, 2019.

Based on the balances of total gross long-term debt denominated in currencies other than U.S. dollars as of September 30, 2019, an assumed 1% change in the exchange rates between H.K. dollar against the U.S. dollar would cause a foreign transaction gain or loss of approximately US$8.9 million.

Credit Risk

We have conducted, and expect to continue to conduct, our table gaming activities at our casinos on a limited credit basis as well as a cash basis. As a common practice in Macau, we grant credit to gaming promoters and certain direct gaming customers. The gaming promoters bear the responsibility for issuing to and subsequently collecting credit from their players. We have established controls over the issuance of credit and aim to pursue aggressively overdue debt from gaming promoters and direct gaming customers. This collection activity includes as relevant frequent personal contact with the debtor, delinquency notices and litigation. We expect that most of our gaming credit play will be via gaming promoters, who will therefore bear the direct credit risk from their players. However, we may not be able to collect all of our gaming receivables from our credit customers and gaming promoters. We expect that we will be able to enforce our gaming receivables only in a limited number of jurisdictions, including Macau.

As most of our gaming customers are expected to be visitors from other jurisdictions, principally Hong Kong and the PRC, we may not have access to a forum in which we will be able to collect all of our gaming receivables. The collectability of receivables from international customers could be negatively affected by future business or economic trends or by significant events in the countries in which these customers reside.

We currently conduct and plan to continue to conduct credit evaluations of customers and generally do not require collateral or other security from our customers. We have established an allowance for doubtful receivables primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers. In the event a customer has been extended credit and has lost back to us the amount borrowed and the receivable from that customer is still deemed uncollectible, Macau gaming tax will still be payable.

Overview

We are a developer, owner and, through our subsidiary Melco Resorts Macau, operator of casino gaming and entertainment casino resort facilities in Macau. Our subsidiary, Melco Resorts Macau, is one of six companies licensed, through concessions or subconcessions, to operate casinos in Macau.

All of our operations are currently located in Macau. We have two wholly owned casino based operations, namely, City of Dreams and Altira Macau, and non-casino based operations at our Mocha Clubs. Since the commencement of Studio City operations in October 2015, our subsidiary Melco Resorts Macau has been operating the Studio City Casino pursuant to the Services and Right to Use Arrangements. We also provide non-gaming services to Studio City pursuant to the Master Services Agreement and Work Agreements.

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.

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 two Forbes Travel Guide Five-Star hotels in Macau—Altira Macau and Nüwa—and received nine Forbes Travel Guide Five-Star and two Forbes Travel Guide Four-Star recognitions across our properties in 2019. We seek to attract patrons throughout Asia and, in particular, from Greater China.

Our current operating facilities are focused on the Macau gaming market. According to the DICJ, the Macau gaming market experienced a decline in gross gaming revenues in 2016 as compared to 2015, with gross gaming revenues in Macau declining by approximately 3.3% on a year-on-year basis. We believe such decline was 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. 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. According to the DICJ, gross gaming revenues in Macau declined by 1.8% on a year-on-year basis in the first ten months of 2019 as compared to the first ten months of 2018. We believe such year-on-year decline in the first ten months of 2019 was mainly driven by a decline in VIP gaming revenues in Macau and the slowdown in the Chinese economy.

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 Resorts Macau to operate 40 additional gaming tables at City of Dreams. During the nine months ended September 30, 2019, City of Dreams had an average of approximately 517 gaming tables and approximately 836 gaming machines. As of September 30, 2019, 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 26 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 provided 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 created 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.

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, 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 was hailed as one of the World's Greatest Places 2018 by TIME Magazine last year, just two months after its opening, and winning the Most Valuable Brand Gold Award in the 2018 Business Awards of Macau. In 2019, Morpheus was named Building of the Year 2019 by ArchDaily, the world's most visited architecture website and won Best Hotel Architecture and Best New Hotel Construction & Design in Macau at the Asia Pacific Property Awards 2019. More recently, Morpheus became the first property in Macau to win the Prix Versailles Award for Central and Northeast Asia in the Hotels category and was the winner of the Design Den category in the Big Sleep Awards 2019 by National Geographic Traveller (UK).

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 has received the TripAdvisor 2019 Certificate of Excellence and was named in its 2019 Hall of Fame for the consistent achievement of high ratings from travelers. It was honored by the Global Gaming Expo (G2E) Asia Awards for Best Integrated Resorts Non-Gaming Attraction in 2019 and 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. During the nine months ended September 30, 2019, Altira Macau had an average of approximately 104 gaming tables and 173 gaming machines operated as a Mocha Club at Altira Macau. In addition, Altira Macau had approximately 230 hotel rooms as of September 30, 2019 and features several fine dining and casual restaurants and recreation and leisure facilities.

We consider Altira hotel, located within the 38-storey 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 September 30, 2019. A number of restaurants and dining facilities are available at Altira Macau, including a leading Mediterranean cuisine restaurant, 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 Urban Escape" category at the 2019 World Luxury Spa Awards. It was also honored 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 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.

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). During the nine months ended September 30, 2019, Mocha Clubs had eight clubs with an average of approximately 1,471 gaming machines in operation (including an average of 173 gaming machines at Altira Macau). According to the DICJ, there were a total of 17,348 slot machines in the Macau market as of September 30, 2019. Mocha Clubs focus primarily 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.

Our Objective and Strategies

Our objective is to capitalize on our position as one of the leading gaming, leisure and entertainment providers in Asia by serving the rapidly developing and increasingly consumer-focused Asian middle class through our world-class properties in Macau, with the ultimate goal of delivering long term value to our stakeholders. To enable us to achieve our objectives, we have developed the following core business strategies:

Develop a balanced product portfolio and well-recognized branded experiences tailored for a broad spectrum of customer segments

We offer a balanced gaming and non-gaming product portfolio with an emphasis on both the mass and premium mass markets. Our gaming product portfolio includes a highly competitive rolling chip offering and we have created a service culture focusing on luxurious customer experience that appeals to an increasingly sophisticated and discerning customer base in both the mass and premium mass markets. We have incorporated design elements at our properties, including the VIP room and the theater for "*The House of Dancing Water*" show at City of Dreams, which we believe cater to a broad spectrum of customer segments. In 2019, we have received nine Forbes Travel Guide Five-Star and two Forbes Travel Guide Four-Star recognitions across our properties. Five of our signature restaurants have attained Michelin star awards by Michelin Guide Hong Kong Macau 2019, namely Jade Dragon (three stars), The Tasting Room (two stars), Alain Ducasse at Morpheus (2 stars), Shinji by Kanesaka (one star) and Ying (one star). City of Dreams has also been recognized at the International Gaming Awards as the "Casino VIP Room of the Year" in 2014 and "Integrated Resort of the Year" in 2013. We believe our ability to cater to both market segments will enhance our ability to adapt to the fast-growing and changing gaming market in Macau, and to achieve balanced and sustainable long-term growth in the future.

We also believe that building a strong, well-recognized brand is critical to our success, especially in the brand-conscious Asia market. Morpheus, the third phase of City of Dreams in Cotai, Macau, opened in June 2018 with our newly launched "Morpheus" luxury brand. Morpheus was hailed as one of the World's Greatest Places 2018 by TIME Magazine last year, just two months after its opening, and winning the Most Valuable Brand Gold Award in the 2018 Business Awards of Macau. In 2019, Morpheus was named Building of the Year 2019 by ArchDaily, the world's most visited architecture website and won Best Hotel Architecture and Best New Hotel Construction & Design in Macau at the Asia Pacific Property Awards 2019. More recently, Morpheus became the first property in Macau to win the Prix Versailles Award for Central and Northeast Asia in the Hotels category and was the winner of the Design Den category in the Big Sleep Awards 2019 by National Geographic Traveller (UK). Alain Ducasse at Morpheus has also been awarded with two Michelin stars, in less than six months after opening. Morpheus has strengthened City of Dreams' position as a leading premium-focused integrated resort in Macau. We intend to develop and further strengthen our brands by maintaining high-quality offerings at our properties that differentiate us from our competitors and providing customer experiences tailored to address the cultural preferences and expectations of Asian customers.

Deliver innovative and differentiated products and offerings, including world-class entertainment attractions, to target a broad spectrum of customers and enhance customer acquisition and repeat patronage

We differentiate ourselves in the Macau gaming market through our emphasis on entertainment and interactive attractions. "*The House of Dancing Water*" show at City of Dreams has attracted over 6 million spectators since commencing operation in September 2010. The show has received the TripAdvisor 2019 Certificate of Excellence and was named in its 2019 Hall of Fame for the consistent achievement of high ratings from travelers. It was honored by the Global Gaming Expo (G2E) Asia Awards for Best Integrated Resorts Non-Gaming Attraction in 2019 and also recognized as the "Most Valuable Brand" by the 2015 Business Awards of Macau. We believe that the success of "*The House of Dancing Water*," as well as the Club Cubic nightclub at City of Dreams, illustrates a currently underserved strong demand for quality entertainment offerings in Macau.

We offer a diverse group of international restaurants, cafes and relaxed bars and lounges located throughout our properties. In addition, we will continue to enhance and optimize our mix of retail offerings in line with the preferences of our target customers. We believe our continued emphasis on non-gaming attractions will enable us to drive visitation and revenue growth.

Focus on higher margin mass-market customer segment to maintain a stable revenue stream, drive profitability and cater to the fast growing Asian middle-to-upper class

We focus on the mass market segment in Macau, which has historically shown strong operating margins and which we believe will continue to grow. We believe that our focus on acquiring and retaining the mass market customers will enable us to achieve stable growth of our diversified revenue streams. We also believe the growth of the Asian economies, including China, with their populations of over three billion people within a five-hour flight radius of Macau, will continue to drive mass market growth. We cater to mass-market customers by leveraging diversified entertainment attractions, strategic marketing and promotional campaigns that offer a unique and tiered customer loyalty program catering to a wide range of customers.

We are committed to maintaining stable and diversified sources of revenues from both gaming and non-gaming activities, and positioning ourselves to serve the mass and premium mass market patrons who participate in both types of activities. Our objective is to maintain stable and recurring sources of gaming revenues by continuing our focus on the mass and premium mass market gaming segments, which have proven more resilient to market fluctuations than the VIP gaming segment. In addition, we expect to continue enhancing our non-gaming offerings, including entertainment attractions, food and beverages, and luxury accommodations, which will enable us to further generate non-gaming revenues. We believe our commitment to maintaining stable revenue streams will provide us with the financial flexibility to pursue our business strategies.

Develop comprehensive marketing and customer loyalty programs

We seek to attract customers to our properties by leveraging our brands and utilizing our own marketing resources. By combining our brand recognition with our strengths in customer management techniques and programs, we focus on building a platform of repeat customers and loyalty club members.

We will seek to continue to grow and maintain our customer base by:

- creating a cross-platform sales and marketing department to promote all of our brands to potential customers throughout Asia in accordance with applicable laws; and
- utilizing special product offers, special events, tournaments and promotions to build and maintain relationships with our guests in order to increase repeat visits and help fill capacity during lower demand periods.

Utilize our subconcession to maximize our business and revenue potential in the markets in which we operate

We intend to leverage the economic benefits and opportunities we enjoy as a subconcessionaire in Macau to capitalize on the potential growth of the gaming market in Asia. Subject to government and other regulatory approvals, we will continually evaluate opportunities within Macau for maximizing the economic and strategic benefits of our subconcession.

Maintain a strong balance sheet and conservative capital structure to invest in growth opportunities

We believe that a strong balance sheet and a conservative capital structure are key tenets of our fundamental operating philosophy as a company. This approach helps us to maintain financial stability. It also forms the core foundation for our future growth strategy. We believe that a proactive management of our balance sheet and an efficient capital structure will enhance our ability and flexibility to pursue opportunistic growth in the future. Additionally, we believe that patience is an important attribute in monitoring the development of the market in which we operate and in identifying and executing future development in existing, as well as new markets.

Our Land and Premises

We operate our gaming business at our wholly-owned properties in Macau and also at Studio City, an integrated casino resort owned by our affiliate (a subsidiary of the Parent), in accordance with the terms and conditions of our gaming subconcession. Our existing operating properties in Macau are subject to the terms and conditions of land concession contracts. See "Regulation—Gaming Regulations" and "—Land Regulations."

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 Limited 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$160.5 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 MOP9.5 million (equivalent to US$1.2 million) and the annual government land use fees payable after completion of development are MOP9.9 million (equivalent to 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.

The equipment utilized by City of Dreams in the casino and hotel is owned by us and held for use for City of Dreams including the main gaming equipment and software to support its table games and gaming 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 Limited. 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 US$21 million) which was paid in full in 2013. According to the current terms of the revised land concession, the annual government land use fees payable are MOP1.5 million (equivalent to US$0.2 million). 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.

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 134,700 square feet at the following locations in Macau:

Mocha Club	Opening Month	Location	Total Floor Area (In square feet)
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	11,500
Total			**134,700**

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.

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, 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.

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, 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 experiences, 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.

Gaming Patrons

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

Mass market players are non-rolling chip players and we believe 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. 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 Macau, 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, 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. 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 for 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 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 the Macau gaming market, 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 debt 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 "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 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Accounts Receivable and Credit Risk."

Market and Competition

We believe that the gaming market in Macau is and will continue to be intensely competitive. Our competitors in Macau and elsewhere in Asia include all the current concession and subconcession 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. See "Industry" for further details.

Macau Gaming Market

In 2018 and 2017, Macau generated approximately US$37.5 billion and US$32.9 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.

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 1.8% 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. According to the DICJ, gross gaming revenues in Macau declined by 1.8% on a year-on-year basis in the first ten months of 2019 as compared to the first ten months of 2018. We believe such year-on-year decline in the first ten months of 2019 was mainly driven by a decline in VIP gaming revenues in Macau and the slowdown in the Chinese economy.

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 had experienced periods of improvement from the third quarter of 2016 to the last quarter of 2018, 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. For the twelve months ended September 30, 2019, visitors from mainland China and Hong Kong accounted for 70.9% and 18.3%, respectively, of visitations to Macau.

Gaming in Macau is administered through government-sanctioned concessions awarded to three different concessionaires: SJM, in which Mr. Lawrence Ho, our 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 Venetian Macau, 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 the second half of 2020.

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 early 2021.

Venetian Macau 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 in Cotai and has announced the rebranding and redevelopment of Sands Cotai Central into The Londoner Macau.

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 September 30, 2019 was 6,756. 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.

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.

We also face competition from the operators in the Philippine market which include hotels and resorts owned by both Philippine nationals and foreigners, including many of the largest gaming, hospitality, leisure and resort companies in the world. These include Travellers International Hotel Group, Inc., Bloomberry Resorts Corporation and Tiger Resorts Leisure and Entertainment Inc. together with Melco Resorts Leisure (PHP) Corporation, the manager and operator of City of Dreams Manila and an indirect subsidiary of the Parent, as well as Philippines Amusement and Gaming Corporation, an entity owned and controlled by the government of the Philippines, which operates certain gaming facilities across the Philippines.

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 experiences many peaks and seasonal effects. The “Golden Week” and “Chinese New Year” holidays in general are the key periods where business and visitation increase considerably in Macau.

Employees

We had 15,856, 15,495 and 14,577 employees as of September 30, 2019 and December 31, 2018, 2017, 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 September 30, 2019 and as of December 31, 2018 and 2017.

	December 31,				September 30,	
	2018		2017		2019	
	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
Mocha Clubs	745	4.8%	747	5.1%	695	4.4%
Altira Macau	1,668	10.8%	1,610	11.0%	1,685	10.6%
City of Dreams	8,312	53.6%	7,195	49.4%	8,652	54.6%
Corporate and Centralized services	396	2.6%	507	3.5%	410	2.6%
Studio City(1)	4,374	28.2%	4,518	31.0%	4,414	27.8%
Total	15,495	100.0%	14,577	100.0%	15,856	100.0%

(1) The number of employees categorized under Studio City represents the number of our employees allocated to work at Studio City pursuant to the Services and Right to Use Arrangements and the Master Services Agreement.

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.

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.

Intellectual Property

We have the right to use the trademarks "Morpheus", "Altira," "Mocha Club," "City of Dreams", "Nüwa", "The Countdown" and "Melco Resorts & Entertainment" in Macau and/or other jurisdictions. We have also applied for or registered in Macau 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.

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.

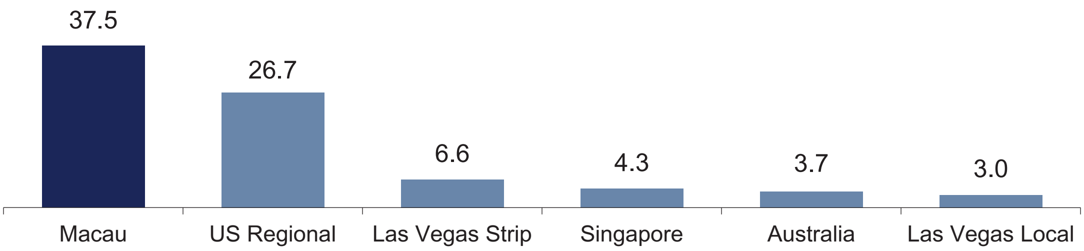
Certain information and statistics set out in this section and elsewhere in this offering memorandum relating to the economies of Macau and China and the industry in which we operate are derived from government agencies, including DSEC, DICJ and the National Bureau of Statistics of China, and various public database sources, such as the International Monetary Fund. None of the reports cited in this offering memorandum was commissioned by us, the Initial Purchasers, any of our or their respective directors, officers, agents, employees, advisors or representatives or any other person or party involved in this Offering.

No independent verification has been carried out on such information or statistics by us, the Initial Purchasers, any of our or their respective directors, officers, agents, employees, advisors or representatives or any other person or party involved in this Offering, and no representation is given as to the accuracy of such information or statistics.

Macau Gaming Market Overview

Macau has been the world's largest gaming destination in terms of gross gaming revenues since 2006. Macau's gross gaming revenues amounted to US$37.5 billion in 2018, which is approximately 5.7 times that of the Las Vegas Strip and approximately 8.7 times that of Singapore.

Gross Gaming Revenues of Selected Markets(1)



(1) The gross gaming revenues of the above selected markets are sourced from the latest available data from the sources as set out below. All data is for the 12 months ended December 31, 2018 except that the Australia data is from 2016 and 2017 for which the time period is unspecified by the Australian Gambling Statistics (34th edition) report. The Singapore figure is tourism receipts from Sightseeing, Entertainment & Gaming as gaming revenues were not provided as a standalone figure. US Regional includes the following states Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, and Mississippi. Las Vegas Local is calculated as gross casino gaming revenues for Nevada less Las Vegas Strip, Downtown Las Vegas, Reno/Sparks, and Boulder Strip.
The translations of Australian Dollars and Singapore Dollars into U.S. Dollars have been made at the noon buying rate on June 30, 2017 and December 31, 2018, respectively, in The City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York set forth in the H.10 statistical release of the U.S. Federal Reserve Board, which were AU$1.3028 to US$1.00 and SG$1.3623 to US$1.00.

Source: DICJ, American Gaming Association, Queensland Government Statistician's Office, Singapore Tourism Board

Macau is well-positioned and strategically important in the overall gaming market across the Asia Pacific region. The success of Macau as a gaming and entertainment destination has been recognized to have led to the legalization, regulation and proliferation of gaming across the Asia Pacific region, and supported local economies within the broader pan-Asian region through enhanced tourism, job creation, tax revenues and the influx of domestic and foreign capital and other resources. The expansion of the gaming industry has also spurred investment and employment activities in related non-gaming industries, including retail, dining, entertainment, conference and convention sectors. The driving factors of gaming industry's growth and success in Macau include gaming's particular appeal in Asian culture, the relatively low penetration in supply, an enormous population base, a fast urbanization rate and the emergence of an affluent, middle-class population with a proclivity towards leisure and entertainment.

Geography of Macau

Macau is a Special Administrative Region of the People's Republic of China located on the Pearl River Delta, and remains the closest place for the increasingly-affluent Chinese population to engage in gaming related activities near mainland China. It is located adjacent to the southern coastline of Guangdong Province, one of China's wealthiest and most urbanized provinces. It is an hour away via high-speed ferry from Hong Kong, an international tourism hub in the region and home to Greater China's only approved casino gaming region. Macau attracts visitors from Guangdong Province, which had a population of approximately 113 million as of

December 31, 2018 according to the Statistics Bureau of Guangdong Province, and from the rest of China, Hong Kong, Taiwan, Japan, South Korea, Thailand, Vietnam, Malaysia, Singapore, Indonesia, India and the Philippines, which are all within approximately five hours away by flight from Macau and together had a total population of approximately 3.4 billion in 2018, according to the International Monetary Fund.

The majority of the visitations to Macau are from mainland China and Hong Kong, accounting for 70.9% and 18.3%, respectively, of visitations in the twelve months ended September 30, 2019. Driven by the continued development and prosperity of mainland China, total and overnight visitations to Macau from mainland China grew at a compound annual growth rate, or CAGR, of 8.4% and 9.8%, respectively, from 2010 to 2018. For the twelve months ended September 30, 2019, total and overnight visitations from China continued to stay robust, growing by 17.1% and 5.2% year-on-year, respectively, according to Statistics and Census Service Macau SAR, or DSEC. The visitation mix from China has also improved since 2010, with a higher share of overnight versus same-day visitations as well as higher Individual Visit Scheme (IVS) / Non-package tour visitations. 2016 marked the first year in a decade with overnight visits exceeding day-visits, supported by increasing hotel capacity, and this trend continued during the first three quarters of 2018.

Trends and Development of the Macau Gaming Market

The Macau government initiated a bidding process to grant three new gaming concessions in late 2001 with the goal of improving the size, scope and quality of Macau's casinos and reinforcing its position as a gaming center. In 2002, SJM was awarded the first gaming concession, followed by Wynn Resorts Macau and Galaxy. A subsequent process allowed each concessionaire to grant one subconcession, and as a result, there are now six companies licensed to operate casinos in Macau. SJM, Wynn Resorts Macau and Galaxy entered into subconcession contracts with MGM Grand, Melco Resorts Macau and Venetian Macau, respectively. The increase in the number of full-service casino resorts has not only contributed to a more than six-fold increase in gross gaming revenues from 2005 through 2018, but has also helped broaden Macau's appeal to a larger audience by delivering a diverse range of non-gaming entertainment offerings, which were previously limited. The developers and operators of integrated resorts, which are able to attract new, premium-focused customers through premier gaming experiences and high-end retail, entertainment and leisure offerings, are expected to be the prime beneficiaries and are expected to experience significant growth during the evolution of the Macau gaming market.

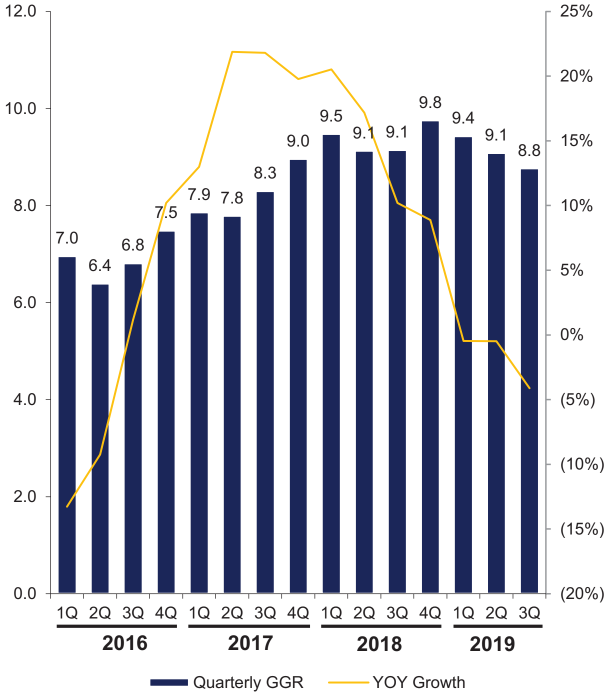
The Macau gaming market is geographically segregated into two main regions, the Macau Peninsula and Cotai. The Macau Peninsula spreads across 9.3 square kilometers and is geographically connected to Zhuhai, China. The casino operations in Macau are primarily concentrated on the Macau Peninsula along the belt between the Macau-Hong Kong Ferry Terminal and the Governador Nobre de Carvalho Bridge. Cotai is a 6.0 square kilometers area of reclaimed land between the islands of Taipa and Coloane, connected to Zhuhai through the Lotus Bridge. Taipa is directly connected to the Macau Peninsula by three bridges.

With the Macau government's support and growing popularity of gaming, the number of casinos and hotels in Macau has increased and developments in Cotai have grown to critical mass. Cotai has emerged as one of the prime locations for further growth and development in Macau as a result of its integrated resort offerings that appeal to both VIP rolling chip players and mass market players.

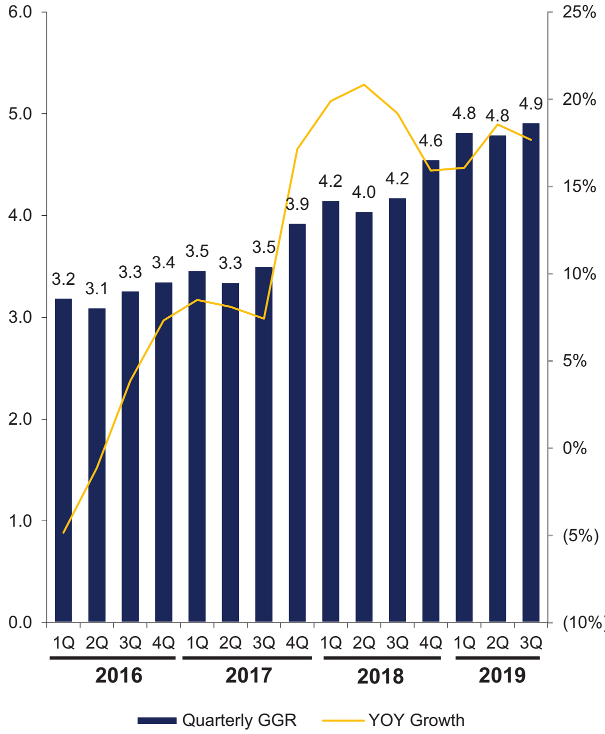
The entry of international gaming operators, supported by favorable regional economic trends, has led to strong growth in the overall gaming market. We expect the Macau product offerings to continue to develop as a result of capital investments in new casino resorts as well as expansion of existing resorts such as Studio City and enhancements in infrastructure.

Gross gaming revenues in Macau peaked in 2013 at US$44.7 billion. After a decline in performance, Macau gross gaming revenues have shown consistent improvement with 29 consecutive months of year-on-year growth between August 2016 and December 2018. Despite the fact that the growth streak ended with a decline in January 2019 and quarterly gross gaming revenues for the third quarter of 2019 declined by 4.1% year-over-year, gross gaming revenues for the twelve months ended September 30, 2019 increased by 0.9% as compared to the twelve months ended September 30, 2018. According to the DICJ, gross gaming revenues in Macau declined by 1.8% on a year-on-year basis in the first ten months of 2019 as compared to the first ten months of 2018, mainly driven by a decline in VIP gaming revenues and the slowdown in the Chinese economy. While industry trends in Macau had generally shown periods of improvement from the third quarter of 2016 to the last quarter of 2018, Macau continues to be impacted by a range of external factors, including the slowdown in the Chinese economy, uncertainties related to trade relations with the United States, foreign exchange market volatility, a potential crackdown by China against junket operators, and other government policies that may adversely affect the Macau gaming market.

Macau Quarterly Gross Gaming Revenues Trend (US $bn, year-on-year growth)



Macau Mass Gross Gaming Revenues Trend (US $bn, year-on-year growth)



Source: DICJ

The Macau gaming market consists of two primary segments: the mass market and the VIP rolling chip segments.

Mass Market Segment

The mass market segment consists of both mass market table games and gaming machines for primarily cash stakes. The mass market players are further classified into mainstream mass market players and premium mass market players. The premium mass market offers gaming players a variety of premium mass market amenities within private gaming areas that are not generally available to the mainstream mass market players. The mass market segment is generally considered to be a higher-margin gaming segment relative to the VIP rolling chip segment, the margins of which are typically impacted by junket operator commissions and higher player concessions. Mass market gaming revenues have grown significantly in recent years and according to the DICJ, mass market table and gaming machine operations revenues grew at a CAGR of 14.0% and 6.7% from

2010 to the twelve months ended September 30, 2019, respectively. Mass market table and gaming machine operations revenues accounted for approximately 46.5% and 5.1%, respectively, of total gross gaming revenues in Macau for the twelve months ended September 30, 2019, compared to 23.4% and 4.6% in 2010, respectively.

VIP Rolling Chip Segment

VIP rolling chip players in Macau typically play mostly in dedicated VIP rolling chip rooms for higher stakes. VIP rolling chip players are sourced either by gaming promoters or through direct relationships between the casinos and the players such as members of loyalty programs.

- In accordance with general industry practice, gaming promoters typically commit to certain casino-specified minimum VIP rolling chip purchases per VIP rolling chip room per month. In return for their services, the gaming promoter is typically paid a commission by the gaming operator, based on either gaming win or the VIP rolling chip volume generated, of which a significant proportion is paid to the player in the form of a rebate. Hence, although the VIP rolling chip segment accounts for a large portion of total gross gaming revenues, margins from the VIP rolling chip segment are less favorable than those from the mass market segment. In addition, VIP rolling chip players typically receive various forms of complimentary services, including transportation, accommodation and food and beverage services from the gaming promoters or concessionaires or subconcessionaires. These complimentary services also affect the margins associated with the VIP rolling chip segment of the business.
- Direct VIP rolling chip players are brought in through direct relationships between players and gaming operators or players' preference for a particular gaming operator or property. Due to savings from commissions paid to gaming promoters, gaming revenues generated from direct VIP rolling chip players generally have higher margins compared to those generated from VIP rolling chip players sourced through gaming promoters.
- In 2018, approximate gross win per table per day for the VIP rolling chip operations of Wynn Macau, Wynn Palace, MGM Macau, MGM Cotai, City of Dreams, Altira Macau and Studio City were US$39,000, US$45,000, US$27,000, US$22,000, US$25,000, US$28,000 and US$38,000, respectively, according to publicly available information.

The following table shows certain information about Macau's gaming market and gross gaming revenues by segment from 2010 to September 30, 2019. It is anticipated that the diversified range in gaming segments in the Macau gaming market will continue to be the key driver of growth in the near future.

(All revenues in US$ billions)	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD Q3 18	YTD Q3 19
Total gross gaming revenues	23.3	33.2	37.7	44.7	43.5	28.6	27.6	32.9	37.5	27.7	27.3
VIP rolling chip gross gaming revenues	16.8	24.3	26.1	29.5	26.3	15.8	14.7	18.7	20.6	15.4	12.7
Mass market gross gaming revenues(1)	6.5	8.9	11.6	15.1	17.2	12.8	12.9	14.2	16.9	12.4	14.5
—Mass market table gross revenues	5.5	7.5	9.9	13.4	15.4	11.3	11.5	12.6	15.1	11.0	13.1
—Gaming machine gaming Revenues	1.1	1.4	1.6	1.8	1.8	1.5	1.4	1.6	1.9	1.4	1.4
Number of gaming tables(2)	4,791	5,302	5,485	5,750	5,711	5,957	6,287	6,419	6,588	6,598	6,756
Number of gaming machines(2)	14,050	16,056	16,585	13,106	13,018	14,578	13,826	15,622	16,059	17,218	17,348

Note: Mass market table gross gaming revenues and VIP rolling chip gross gaming revenues are calculated from original source data from DICJ. Mass market gross gaming revenues are gross gaming revenues excluding VIP Baccarat.

(1) Includes mass market table and gaming machine gross gaming revenues.

(2) As of December 31 for 2010 to 2018, as of September 30 for Q3 2018 and Q3 2019.

Source: DICJ

Key Drivers for the Macau Gaming Market

We believe the development of the Macau gaming market has been driven by and will continue to be driven by a combination of factors, including:

- Close proximity to approximately 3.4 billion people in nearby regions in Asia and expansion of mainland China out-bound tourism to Macau;
- Continuing economic development and emergence of a wealthier demographic in China;
- Diversified range of gaming segments;
- Increased diversification in non-gaming offerings further enhancing visitation and game play;
- Further improvement of transportation and infrastructure driving visitation;
- Hengqin Island development initiatives; and
- China's continued focus on development and integration of the Greater Bay Area.

Details of these market drivers and initiatives are set out as follows:

Close Proximity to Approximately 3.4 Billion People in Nearby Regions in Asia and Expansion of Mainland China Out-bound Tourism to Macau

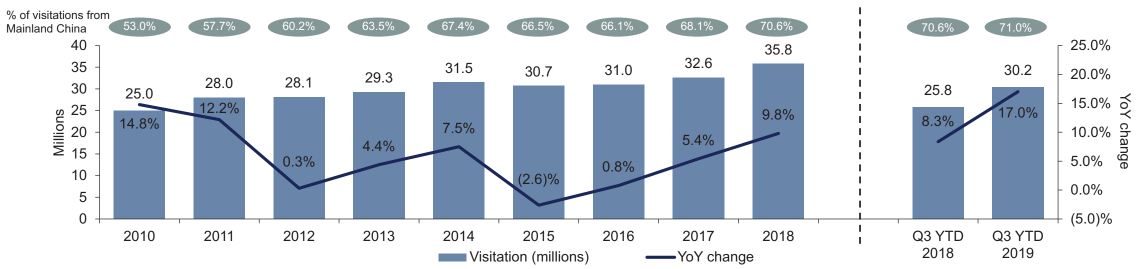
Macau shares a border with China's populous and wealthy Guangdong Province and is approximately one hour from Hong Kong via high-speed ferry. Approximately 3.4 billion people live within a five-hour flight of Macau. The relatively easy access from major population centers in Asia facilitates Macau's development as a popular gaming destination in the region. Demand for non-gaming services, including retail, leisure and entertainment services is also supported by the growth of personal disposable income and the growth of the middle class in China.

The following table shows the population of, and visitations to Macau from, countries and regions within a five-hour flight of Macau in 2018. According to the DSEC, Macau had 40.2 million visitations in the twelve months ended September 30, 2019. Visitations from China grew at a CAGR of 8.4% from 2010 to 2018 and accounted for approximately 70.9% of the visitations to Macau in the twelve months ended September 30, 2019.

	LTM Q3 2019 Visitations to Macau (millions) (A)	2018 Population (millions) (B)	Visitations as a % of Population (A÷B)
China	28.5	1,395.4	2.0%
Hong Kong	7.3	7.5	98.1%
Taiwan	1.1	23.6	4.5%
South Korea	0.8	51.7	1.6%
Philippines	0.4	106.6	0.4%
Japan	0.3	126.5	0.3%
Malaysia	0.2	32.4	0.7%
Thailand	0.2	67.8	0.3%
Indonesia	0.2	264.2	0.1%
India	0.1	1,334.2	<0.0%
Singapore	0.1	5.6	2.3%
Vietnam	<0.0	94.6	<0.0%

Source: Twelve months ended September 30, 2019 visitation figures from DSEC; 2018 population data from International Monetary Fund World Economic Outlook Database, April 2019.

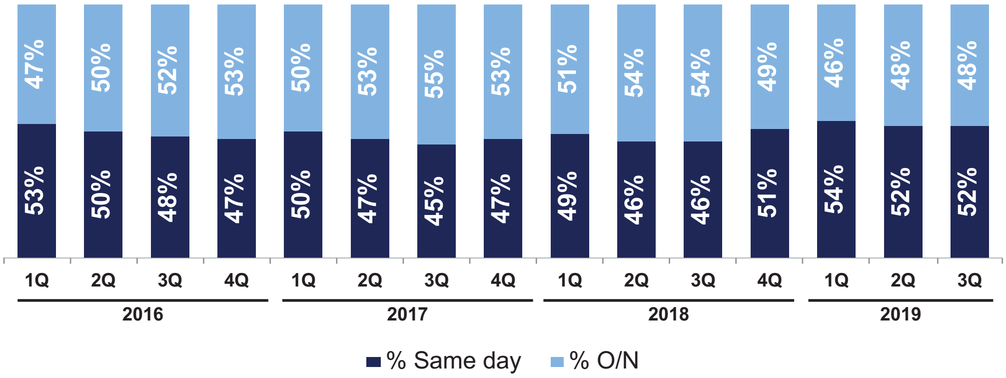
Macau overall visitation trend



Source: DSEC

In terms of same-day and overnight visitation, 2016 marked the first time in a decade with aggregate overnight visitation exceeding same-day visitation, and this trend continued into the first three quarters of 2018 until Q4 2018 when same-day visitation grew to 51%. In Q3 2019, same-day visitation reached 52%.

Quarterly overnight vs. same day visitation trend in Macau



Source: DSEC

Visitation growth from mainland China has been supported by the implementation of the IVS. Following its implementation in 2003, mainland Chinese citizens from selected large urban centers and economically developed regions were able to obtain permits to travel to Macau on their own without having to be part of a tour. According to the Hong Kong Tourism Commission as of August 2019, the IVS covers 49 cities and estimated over 300 million mainland Chinese citizens. However, it is estimated that less than 4.5% of the eligible citizens, or approximately 13.4 million, were IVS travelers in the twelve months ended September 30, 2019, indicating room for increased growth.

The Chinese government has indicated its intention to maintain tourism development by opening the IVS to more mainland Chinese citizens to visit Macau. In March 2016, the Ministry of Public Security of China announced a new practice to make it easier for some mainland Chinese citizens to apply for the IVS visa. In the twelve months ended September 30, 2019, mainland Chinese IVS visitors accounted for 47.1% of total visitations from China, according to DSEC statistics. Non-package tour visitors are generally considered more valuable to gaming operators due to higher spending propensity as compared with package tour visitors.

The majority of visitations from mainland China are from nearby areas. In recent years, approximately 40-50% of the mainland Chinese visitations are from Guangdong province.

With continued economic development and favorable visa policies, further penetration of tourism by mainland Chinese residents is expected to increase growth opportunities for the Macau gaming market.

Macau Visitation by Province

Province	LTM Q3 2019 Total Visitors (mm) (A)	Total Population (mm) (B)	GDP per Capita (US$)	Est. Penetration (A/B)
Guangdong	12.3	113	12,568	10.8%
Hunan	1.3	69	7,701	1.8%
Fujian	1.0	39	13,264	2.5%
Hubei	1.0	59	9,689	1.7%
Guangxi	1.0	49	6,034	2.0%
Zhejiang	0.9	57	14,347	1.5%
Jiangsu	0.8	81	16,750	1.0%
Shanghai	0.8	24	19,632	3.1%
Henan	0.6	96	7,294	0.6%
Jiangxi	0.5	46	6,899	1.1%
Sichuan	0.6	83	7,110	0.7%
Beijing	0.4	22	20,393	1.9%
Liaoning	0.3	44	8,437	0.8%
Shandong	0.3	100	11,093	0.3%
Anhui	0.3	63	6,939	0.5%
Chongqing	0.3	31	9,590	1.1%
Hebei	0.3	76	6,948	0.4%
Shanxi	0.2	37	6,593	0.6%
Tianjin	0.1	16	17,557	0.9%
Other PRC	5.4	290	6,263	1.9%
Total	28.5	1,397	9,402	2.0%

Visitations from China to Macau for which no province could be identified are designated under the Province category of "Other PRC." Calculations assume each visitor going to Macau from Mainland China is unique.

Source: LTM Q3 2019 visitation figures from DSEC; 2018 population figures from China Statistical Yearbook 2019 as compiled by National Bureau of Statistics of China and 2018 GDP per capita figures from statistics bureaus of each respective province as complied by CEIC Data.

Continuing Economic Development and Emergence of a Wealthier Demographic in China

It is anticipated that Macau will directly benefit from China's expanding economy. According to the National Bureau of Statistics of China, China's GDP grew at a CAGR of 10.3% from 2010 to 2018, and China is currently the second largest economy in the world by GDP. According to The International Monetary Fund's World Economic Outlook (October 2019), China's real GDP growth is forecasted to reach approximately 6.1% for 2019. Long-term economic growth in China is expected to help sustain and fuel the development of Macau, which is the mass entertainment and leisure hub in the Pearl River Delta region.

The promotion of domestic demand is critical in sustaining long-term economic growth in China. The impact of the global recession on China's economic growth has provided an impetus for China's shift to increase domestic consumption in order to reduce dependence on exports and foreign investments. In order to strengthen domestic spending and consumption, the Chinese government is accelerating urbanization and providing an impetus for better education and jobs. At the end of 2018, approximately 59.6% of China's 1.40 billion population lived in urban areas, according to the National Bureau of Statistics of China. Rapid urbanization has historically spurred greater consumption and shifted the composition of retail spending in China from a heavy weighting towards food to a more balanced consumption model.

The following table sets out the growth of retail sales in China from 2010 to 2018, and the growth in per capita disposable income of urban households in China from 2013 to 2018:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2010-2018 CAGR
Retail sales in China (US$ billions)(1)	2,297	2,722	3,117	3,530	3,953	4,375	4,831	5,325	5,539	11.6%

	2013	2014	2015	2016	2017	2018	2013-2018 CAGR
Urban household per Capita disposable income (US$)(1)(2)	3,848	4,193	4,535	4,887	5,291	5,706	8.2%

Source: National Bureau of Statistics of China

Note:

(1) Exchange rate used 1 USD = 6.8785 RMB

(2) Urban household per Capita disposable income before 2013 is not available due to differences in statistical methods.

The outbound tourism industry in China is also becoming more sophisticated. According to the China National Tourism Administration, visits by Chinese out-bound tourists are estimated to reach 150 million in 2020 from 117 million in 2015.

The shift in China's consumption patterns towards more discretionary spending is expected to continue as incomes continue to increase. Given the higher propensity for gaming in this demographic, increasing spending patterns are expected to further support growth in Macau's gaming market.

Increased Diversification in Non-gaming Offerings Further Enhancing Visitation and Game Play

Macau also provides non-gaming amenities in the form of retail, hotel, conference and entertainment amenities, which are supported by the Macau government's infrastructure initiatives.

Although non-gaming revenues currently represent a small portion of total revenues in the Macau gaming market, the development of non-gaming attractions positions Macau as a comprehensive entertainment destination. As casino operators utilize their expertise to incorporate retail, food and beverage outlets and entertainment into their properties to offer an integrated resort experience, visitation to Macau, duration of stay and spending of visitors (excluding gaming expense and donations) have all increased.

Retail

In the past five years, casino operators have expanded retail space on the Macau Peninsula and in Cotai for upscale shopping. Retail sales in Macau grew at a CAGR of 12.2% from 2010 to 2018, according to statistics released by the DSEC. As mainland Chinese citizens constitute a majority of visitations to Macau, retail plays an important role in attracting Chinese customers to the region to purchase premium brands without paying a luxury goods tax which may be levied if the purchases were made in mainland China. During 2018, mainland Chinese visitors spent an average of US$149 per person on shopping, higher than visitors from any other region, according to the DSEC. The upcoming supply of retail space offered by entertainment resorts is expected to help further propel visitation and business to the casinos.

Entertainment

The newly integrated gaming resorts support the development of Macau's entertainment offerings to emulate Las Vegas' breadth of entertainment attractions. The new resorts offer a variety of leisure and entertainment attractions to help draw in a more diverse array of visitors.

Lodging

As of September 30, 2019, according to figures released by the DSEC, Macau had approximately 38,000 hotel rooms. By comparison, the Las Vegas Strip had approximately 149,000 hotel rooms as of the same date, according to figures released by the Las Vegas Convention and Visitors Authority. According to the Five-Year Development Plan of the Macao Special Administrative Region (2016-2020), from 2016 to 2020, the number of hotel rooms is expected to increase by 12,000, along with an increase of at least 14,400 job vacancies. It is anticipated that the introduction of additional high quality hotels, in combination with increasing retail and entertainment facilities and MICE space, will continue to enhance Macau's reputation as a world-class tourist and business destination and, ultimately, to contribute to increases in both visitation and the average length of stay in Macau.

The following table shows the timing and approximate supply of major new hotel room additions.

Property		Hotel Rooms
Wynn Palace	Opened	1,700
Parisian Macao	Opened	3,000
MGM Cotai	Opened	1,400
City of Dreams Phase 3[(1)]	Opened	770
Grand Lisboa Palace	Expected 2020	2,000

(1) Includes Morpheus Tower.

We believe there is significant long-term growth potential for Macau's non-gaming segment given the ongoing development of world class facilities and Macau's proximity to the growing MICE market in China. Macau visitors currently spend only a fraction of what their U.S. counterparts spend on non-casino activities. According to the DSEC, there were 1,506 MICE events held in various venues in Macau over the twelve months ended June 30, 2019 with an average duration of 1.5 days, attracting approximately 2.1 million participants and attendees, significantly lower than its Las Vegas counterparts which, according to Las Vegas Convention and Visitors Authority, has nearly 24,000 events each year which attracted 6.7 million attendees over the twelve month period ended September 30, 2019. According to the Five-Year Development Plan of the Macao Special Administrative Region (2016-2020), one of Macau's major targets is to increase the percentage of non-gaming revenue compared to total gaming revenue from 6.6% in 2014 to over 9% in 2020.

Further Improvement of Transportation and Infrastructure Driving Visitation

Macau is accessible by land, air and sea. During 2018, approximately 61.9% of visitations arrived in Macau via the Zhuhai border gate, Lotus Checkpoint and Checkpoint of Trans-border Industrial Park and Hong Kong-Zhuhai-Macau Bridge, approximately 28.9% arrived via ferry from Hong Kong and nearby cities in China and approximately 9.2% arrived via the Macau International Airport and heliport. Specifically, in-bound visitations into Cotai have been increasing as a percentage of total visitation over the last few years.

	In-bound visitations as % of total visitations									CAGR of In-bound visitations
	2010	2011	2012	2013	2014	2015	2016	2017	2018	'14-'18
In-bound visitations through Lotus Bridge, Cotai[(1)]	N/A	N/A	N/A	N/A	5.6%	6.5%	7.3%	7.7%	8.0%	12.6%
In-bound visitations through Cotai[(2)]	24.5%	22.2%	24.5%	25.4%	25.5%	26.6%	28.7%	29.4%	29.0%	6.6%
In-bound visitations not through Cotai	75.5%	77.8%	75.5%	74.6%	74.5%	73.4%	71.3%	70.6%	71.0%	2.0%

(1) Refers to visitations through the Lotus Checkpoint.

(2) Includes visitations through the Taipa Ferry Terminal, Macau International Airport, Lotus Checkpoint and Checkpoint of Trans-border Industrial Park for the period from 2010 to 2013 due to a lack of further breakdown between Lotus Checkpoint and Checkpoint of Trans-border Industrial Park. Includes visitations through the Taipa Ferry Terminal, Macau International Airport, and Lotus Checkpoint for 2014 and onwards.

Several airlines currently fly directly to Macau International Airport, operating direct routes to Macau from China and countries such as South Korea, Japan, Thailand, Malaysia, Singapore and the Philippines.

A number of infrastructure projects to facilitate travel have been recently completed or are in various stages of planning or development, most of which are expected to contribute to growth in visitation and an increase in gaming patrons:

New Taipa Ferry Terminal. The Pac On Ferry Terminal, a MOP3.8 billion project, opened on June 1, 2017, with a capacity to accommodate 30 million passengers annually. The new five-floor terminal is approximately 200,000 square meters, quadruple the size of the temporary Taipa ferry terminal. The new terminal is able to accommodate three ferry operators across its 16 berths.

Hong Kong-Zhuhai-Macau Bridge. The bridge linking the three areas will include a bridge with total length of approximately 55 kilometers, boundary crossing facilities, access roads and associated works. In January 2007, the local governments of Hong Kong, Zhuhai and Macau established the Hong Kong-Zhuhai-Macau Bridge Task Force to implement the project, and the main project was completed in February 2018. It opened to traffic on October 23, 2018 and is expected to contribute to a significant reduction in travel time from Hong Kong as well as throughout China to Macau.

Lotus Flower Checkpoint on Hengqin Island. As per Notice no. 39/2019 of the Macau Chief Executive published in the Macau Official Gazette on 18 November 2019, on 26 October 2019, the Standing Committee of the National People's Congress of the People's Republic of China approved a proposal to transfer jurisdiction of the Lotus Flower checkpoint on Hengqin Island to the Macau Special Administrative Region, aiming to further promote the development of the Guangdong-Hong Kong-Macau Greater Bay Area and strengthen Macau's infrastructure links with the Chinese mainland, also in addition to making the cross-border flow of passengers and goods more convenient.

Gongbei-Zhuhai Airport Railroad Transit and Guangzhou-Zhuhai Intercity Mass Rapid Transit. The Gongbei-Zhuhai Airport rail road transit project commenced in 2014 and Phase 1, connecting Gongbei and Hengqin Island, is expected to be completed by the end of 2019. Phase 1 of the project is the extension rail of the Guangzhou-Zhuhai Intercity Mass Rapid Transit, which will include direct connection facilities to the Macau Light Rapid Transit Line and will link the Pearl River Delta and mainland China with Macau. Phase 2 of the project, which connects Hengqin Island to Zhuhai Airport, has commenced construction and is expected to commence operation in 2023. The total length is expected to be approximately 39 kilometers and the top speed is expected to reach 160 kilometers per hour. When the project is completed and in operation, it is anticipated that it will only take half an hour to go from Gongbei to Zhuhai Airport, approximately half an hour less than the time currently needed.

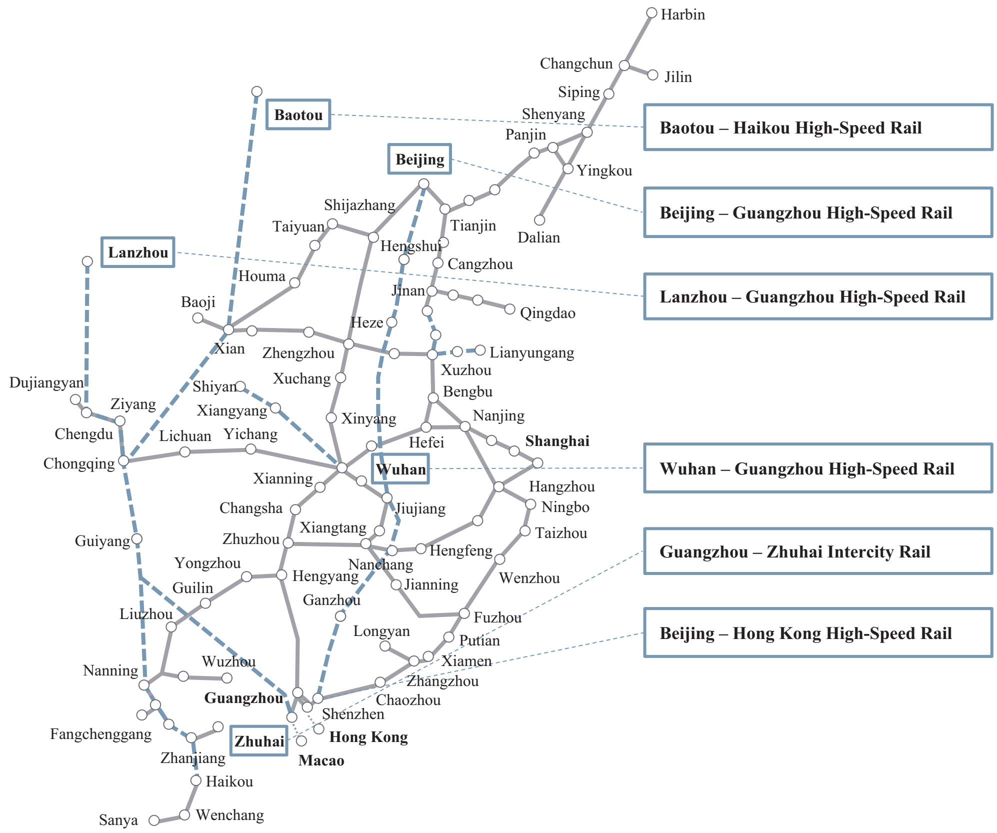
Airport Capacity Upgrade. The north extension of the passenger terminal building of the Macau International Airport, with a total area of 14,000 sq.m., was opened in February 2018, and is expected to enable the airport to receive up to 7.8 million passengers per year. The south extension project is currently under construction and is expected to increase the airport's receiving capacity to 10 million passengers per year when completed. The airport served approximately 9.2% of the annual incoming visitation traffic to Macau in 2018.

Macau Light Rapid Transit Line. The Taipa route of the Macau Light Rapid Transit Line is expected to commence operation in December 2019. The light rail system, with a total length of approximately 9.3 kilometers, will service the Macau Peninsula, Taipa and Cotai areas, and will have a total of 11 stations at major checkpoints such as the Macau International Airport, Outer Harbour Ferry Terminal, Taipa Ferry Terminal and the Lotus Checkpoint. In addition, upon the commencement of operation of the Macau Light Rapid Transit Line, an access way to level two of Studio City from the Lotus Bridge is expected to open to the public.

Upon completion of the above initiatives, it is expected that the improved transportation to and within Macau will contribute to growth in visitation.

In recent years, the rapid development of the high-speed rail network in mainland China has made Macau an easier destination to reach from inner cities in mainland China. Currently, the high speed rail connects Macau well with cities in central China, northern China, as well as various coastal cities. According to Mass Transit

Railway, with the completion of the high-speed rail routes, it is expected to take approximately nine hours from Beijing to Hong Kong by train. The following is a map of various current as well as planned high-speed rail routes that make traveling to Macau easier from cities in mainland China(1):



(1) The Baotou—Haikou, Lanzhou—Guangzhou, and Beijing—Hong Kong high-speed lines are under development while Beijing—Hong Kong high-speed railway opened in September 2018. These are shown with dotted lines.

Source: National Development and Reform Commission, China Railway Corporation

Chimelong International Ocean Resort. The Chimelong International Ocean Resort opened in January 2014 and according to the Hengqin government website, is expected to generate 50 million visits per year after completion of all phases. In December 2015, the Zhuhai municipal government and Chimelong Group signed a new investment agreement with a total investment of RMB50 billion.

University of Macau. The University of Macau built a MOP9.8 billion campus on Hengqin Island, with an aim to promote exchange and cooperation with other universities in Macau and the rest of China in the research and development of new technologies. The 1.09 square kilometer campus opened in 2014.

Continued developments on the island are expected to increase entry into Macau via the Lotus Bridge and facilitate Macau's growth as a tourism hub in Asia through increased visitor traffic and extended length of stays.

China's continued focus on development and integration of the Greater Bay Area

Macau is part of the Guangdong-Hong Kong-Macau Greater Bay Area ("Greater Bay Area") which comprises the two Special Administrative Regions of Hong Kong and Macau, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong province. With the Greater Bay Area's significance in China's innovation-driven development and commitment to reform, China has announced its aim to further deepen cooperation and integration to promote coordinated regional economic development.

On July 1, 2017, the National Development and Reform Commission and the governments of Guangdong, Hong Kong and Macau signed the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Greater Bay Area in Hong Kong. The framework sets out the goals and principles of cooperation and establishes the key cooperation areas in the development of the Greater Bay Area.

On February 18, 2019, the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area was promulgated with the Chinese government's announced focus on the following seven areas:

- Developing an international innovation and technology hub;
- Expediting infrastructural connectivity;
- Building a globally competitive modern industrial system;
- Taking forward ecological conservation;
- Developing a quality living circle for living, working and travelling;
- Strengthen cooperation and jointly participating in the Belt and Road Initiative; and
- Jointly developing Guangdong-Hong Kong-Macao cooperation platforms.

The development of the Greater Bay Area is believed to demonstrate China's continued focus on developing Macau into a world-class tourism and leisure center and a commerce and trade cooperation service platform between China and Lusophone countries, as well as a base for exchange and cooperation.

REGULATION

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 "—The Subconcession" 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 "—The Subconcession—The Subconcession Contract."
- 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 and 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 process performed by the DICJ, all of our gaming promoters undergo a thorough internal vetting procedures. 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$12,382) up to MOP500,000 (equivalent to approximately US$61,910)) on gaming operators that do not comply with the cap and other fines (ranging from MOP50,000 (equivalent to approximately US$6,191) up to MOP250,000 (equivalent to approximately US$30,955)) 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 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 (as amended pursuant to DICJ Instruction no. 1/2019) 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$991) in cases of occasional transactions and MOP120,000 (equivalent to approximately US$14,858) 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 (as amended pursuant to DICJ Instruction no. 1/2019), we are required to track and report transactions and granting of credit that are of MOP500,000 (equivalent to approximately US$61,910) 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$14,858) 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$61,910)). 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 "Risk Factors—Risks Relating to Our Business and 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."

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 "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) and, in the case of Melco Resorts Macau, any instructions issued by DICJ from time to time. The Office for Personal Data Protection, or GPDP, is the regulatory authority in Macau specially in charge of supervising and enforcing the Personal Data Protection Act. Breaches are subject to civil liability, administrative and criminal sanctions.

The legal framework and the instructions issued by DICJ require 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 and/or DICJ, as applicable, prior to processing personal data.

Cybersecurity Regulations

Law no. 13/2019, the Cybersecurity Law, was enacted on June 24, 2019 and is intended to protect networks, systems and data of public and private operators of critical infra-structures, among which operators of games of fortune and chance or other games in casinos are included. This law will come into effect on December 21, 2019.

The cybersecurity system will be composed of a Cybersecurity Commission, a Cybersecurity Alert and Response Incident Centre ("CARIC") and cybersecurity supervisory entities.

Amongst other duties, private infra-structures operators shall be required to appoint a suitable and experienced person to be responsible for handling its cybersecurity and to be permanently reachable by CARIC, create a cybersecurity department, implement adequate internal cybersecurity procedures, conduct evaluations of its networks' security and risks, submit annual reports to their supervisory entity and inform CARIC and the respective supervisory entity of any cybersecurity incidents.

It is expected that additional regulations will be enacted to further determine and detail how the above mentioned obligations are to be fulfilled.

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 and City of Dreams 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 Regulations

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 September 30, 2019, the aggregate balance of the reserves amounted to US$31.5 million.

The Subconcession

The Concession Regime

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 contracts 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 Venetian Macau, 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$37,146) per annum per VIP gaming table;
- MOP150,000 (equivalent to approximately US$18,573) 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

The Subconcession Contract 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 subconcession 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$495.3 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$495.3 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;
- 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 ninety 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 5% or more 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 5% or more 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 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 "Risk Factors—Risks Relating to our Business and Operations—Melco Resorts Macau's Subconcession Contract expires in 2022, prior to the maturity date of the Notes in 2029, 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."

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.

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.

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. 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 were actually distributed by Melco Resorts Macau, 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 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 Limited (formerly, Altira Hotel Limited), in 2007, and COD Resorts Limited (formerly, COD Hotels Limited), 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 such immovable property owned or 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 Limited and Altira Resorts Limited was requested on November 8, 2017 and was duly approved by the Macau government.

In addition, on May 10, 2019, COD Resorts Limited submitted an application to the Macau government requesting the declaration of utility purposes benefit in respect of Morpheus. Such application is currently under review by the Macau government.

Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax of 16.5% on any profits arising or derived from Hong Kong.

MANAGEMENT

Director and Executive Officers

The following table sets forth information regarding our director and executive officers as of the date of this offering memorandum.

Name	Age	Position/Title
Clarence Yuk Man Chung	56	Director
Lawrence Yau Lung Ho	42	Chief Executive Officer
Geoffrey Stuart Davis	51	Chief Financial Officer

Director

Mr. Clarence Yuk Man Chung is our director. Mr. Chung is a director of the Parent and he was appointed to his current role in November 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 Melco Resorts and Entertainment (Philippines) Corporation ("MRP") since December 2012, a director of Studio City International Holdings Limited ("SCI"), a company listed on The New York Stock Exchange, since October 2018 and has also been appointed as a director of certain of the Parent's 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.

Executive Officers

Mr. Lawrence Yau Lung Ho is our chief executive officer.

He was appointed as the Parent's executive director on December 20, 2004, and served as its 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 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 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 eighth time in 2019.

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. Geoffrey Stuart Davis is our chief financial officer. Mr. Davis is also the executive vice president and chief financial officer of the Parent and he was appointed to this role in April 2011. Prior to that, he served as the Parent’s deputy chief financial officer from August 2010 to March 2011 and the Parent’s senior vice president, corporate finance since 2007, when he joined the Parent. In addition, Mr. Davis has been the chief financial officer of Melco International since December 2017, the chief financial officer of SCI since June 2019, a director of MRP since January 2018 and a director of SCI since October 2018. Prior to joining the Parent, 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.

PRINCIPAL SHAREHOLDERS

The following table sets forth the beneficial ownership of our ordinary shares, which are held directly by the Parent, as of the date of this offering memorandum by all persons who are known to us to be the beneficial owners of 5% or more of our share capital.

	Ordinary shares beneficially owned	
	Number	**%**
The Parent(1), (2), (3)	1,202	100%

(1) Melco Leisure and Entertainment Group Limited, a direct wholly-owned subsidiary of Melco International Development Limited ("Melco International"), is a beneficial owner of 812,729,781 ordinary shares of the Parent (representing approximately 55.80% of the Parent's share capital). Our chief executive officer, Mr. Lawrence Ho is the chairman, chief executive officer and executive director of the Parent and Melco International. We believe that Mr. Ho beneficially owns an aggregate of 840,963,396 ordinary shares of Melco International, representing approximately 55.54% of Melco International's total issued shares, including beneficial interest, interest of his controlled corporations, interest of his spouse 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).

(2) Capital Research Global Investors is a beneficial owner of 101,338,368 ordinary shares of the Parent (representing approximately 7.23% of the Parent's share capital) 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 is Global Investors is 333 South Hope Street, Los Angeles, CA 90071.

(3) EuroPacific Growth Fund is a beneficial owner of 81,804,750 ordinary shares of the Parent (representing approximately 5.84% of the Parent's share capital) 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.

RELATED PARTY TRANSACTIONS

Advances to Affiliate in connection with the Crown Acquisition

In June 2019, we made advances totaling AUD879.8 million (equivalent to US$608.2 million) to the Crown Acquisition Affiliate in connection with its acquisition of ownership interest in Crown pursuant to a definitive purchase agreement made by the Crown Acquisition Affiliate and CPH (the "Crown Acquisition Agreement"). The Crown Acquisition Affiliate is a subsidiary of our Parent but not a subsidiary of ours. The Crown Acquisition Agreement provided for the first tranche of the acquisition, through which the Crown Acquisition Affiliate would acquire approximately 9.99% ownership interest in Crown, to close on June 6, 2019 and the Second Tranche Crown Acquisition (for the acquisition of an additional 9.99% ownership interest in Crown) to close on or prior to September 30, 2019. The Crown Acquisition Agreement has been amended as further described below. Neither the Company nor any of its subsidiaries is a party to the Crown Acquisition Agreement nor currently holds or is expected to hold any ownership interest in Crown as a result of the acquisition.

Our advances to the Crown Acquisition Affiliate in June 2019 were made in the form of an intercompany loan. The intercompany loan does not have a specified repayment date and is unsecured, non-interest bearing and repayable on demand or as otherwise agreed between lender and borrower. The Crown Acquisition Affiliate used the proceeds of the intercompany loan for the first tranche closing in June 2019 pursuant to the Crown Acquisition Agreement.

We funded our advances made to Crown Acquisition Affiliate in June 2019 with cash on hand and by using the proceeds of a HK$3.93 billion (equivalent to US$500.1 million) drawdown under the 2015 Revolving Credit Facility. In July 2019, we made a partial repayment of the principal amount outstanding under the 2015 Revolving Credit Facility with the net proceeds of the 2019 Notes due 2027 which were issued in July 2019. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness."

On August 28, 2019, our Parent announced that it had executed an amendment agreement (the "Crown Acquisition Amendment") to amend the Crown Acquisition Agreement to allow more time for the relevant Australian regulatory processes, including the inquiries made by the New South Wales Independent Liquor & Gaming Authority, to be completed prior to the closing of the Second Tranche Crown Acquisition. The Amendment provides, among other things, for the closing of the Second Tranche Crown Acquisition to take place up to 60 business days after the completion of the relevant Australian regulatory processes and sets the sunset date of May 31, 2020 (which may be extended by six months if requested by either our Parent or CPH) upon which either party may provide a termination notice. See "Risk Factors—Risks Relating to Our Business and Operations—We may use our cash and other financial resources to engage in strategic transactions, including mergers, acquisitions, joint ventures and share repurchases, or to help support or otherwise fund the Parent in its strategic transactions."

Summary of Significant Transactions with Our Affiliates

The following discussion is a summary of the significant transactions with our affiliates for the nine months ended September 30, 2019 and the years ended December 31, 2018 and 2017. We believe that each of these arrangements have been entered into on arm's length terms or on terms that we believe have been at least as favorable to us as similar transactions with non-related parties would have been. See note 13 to our unaudited condensed consolidated financial statements for the nine months ended September 30, 2019 and see note 18 to our audited consolidated financial statements for the years ended December 31, 2018 and 2017, which are included elsewhere in this offering memorandum.

During the nine months ended September 30, 2019 and during the years ended December 31, 2018 and 2017, we entered into the following significant related party transactions:

Related companies	Nature of transactions	Year ended December 31, 2018	Year ended December 31, 2017	Nine months ended September 30, 2019
		(in thousands of US$)		
Transactions with affiliated companies				
Melco International's subsidiaries	**Revenue and Income (services provided by us):**			
	Management fee and other service fee income	129,470	177,296	136,045
	Design and construction service fee income for Cyprus project(1)	2,625	—	848
	Loan interest income	1,905	121	1,165
	Costs and expenses (services provided to us):			
	Payment under Services and Right to Use Arrangements	339,924	295,638	288,225
	Management fee expense	135,598	175,748	149,855
	Purchase of goods and services	86,463	77,174	70,375
	Transportation service fee expense	22,277	21,643	15,104
	Sale and purchase of assets:			
	Transfer-out of economic benefits of property and equipment	15,246	2,584	6,564
	Sale of property and equipment	—	238	—
	Purchase of property and equipment	9,112	1,654	214
A subsidiary of MECOM Power and Construction Limited ("MECOM")(2)(3)	**Costs and expenses (services provided to us):**			
	Consultancy fee expense	8,845	1,651	5,229
	Purchase of assets:			
	Construction work performed and recognized as property and equipment	9,713	30,411	1,805

(1) The amount mainly represents management fee income for design and construction services provided by us to a subsidiary of Melco International for development of an integrated casino resort and up to four satellite casinos in Cyprus. See "—Management Services Arrangements with Cyprus Affiliates."

(2) MECOM is a company in which Mr. Lawrence Ho, Melco's Chief Executive Officer, has a shareholding interest of approximately 20%.

(3) In July 2018, we 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 us, 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 contract amount of HK$600,000,000 (equivalent to US$76.6 million). The amounts included the services provided by EHY Construction of US$7.0 million and US$18.6 million during the nine months ended September 30, 2019 and the year ended December 31, 2018, respectively.

Other Related Party Transaction

As at September 30, 2019, December 31, 2018 and 2017, an operating deposit of US$12.5 million was paid by Melco Resorts Macau to a subsidiary of the Parent for provision of transportation services and the amount was shown as prepaid expenses and other current assets in our consolidated balance sheets.

Commitments with Related Party

As of September 30, 2019, we had capital commitments contracted but not incurred with a subsidiary of MECOM totaling US$1.1 million.

Amounts Due From Affiliated Companies

The outstanding balances due from affiliated companies as of September 30, 2019, December 31, 2018 and 2017 were US$340.8 million, US$228.9 million and US$227.4 million, respectively, and were mainly arising from operating income or prepayment of operating expenses, and were unsecured, non-interest bearing and repayable on demand.

Amounts Due To Affiliated Companies

The current portion of outstanding balances due to affiliated companies as of September 30, 2019, December 31, 2018 and 2017 were US$71.2 million, US$74.8 million and US$73.3 million, respectively, and were mainly arising from construction work performed, operating expenses and expenses paid by affiliated companies on behalf of our Company, and were unsecured, non-interest bearing and repayable on demand.

The non-current portion of outstanding balances due to affiliated companies as of December 31, 2017 was US$0.9 million, and was arising from construction cost retentions payable and 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.

Loan to an Affiliated Company

The outstanding balances of loan to a Taiwan Branch of an affiliated company as of September 30, 2019, December 31, 2018 and 2017 were US$69.9 million, US$94.7 million and US$92.7 million, respectively, were unsecured, repayable on demand and interest bearing at an agreed rate not higher than 15% per annum. The agreed rate as of September 30, 2019, December 31, 2018 and 2017 is 2% per annum.

Advance To/From Affiliated Companies

As of September 30, 2019 and December 31, 2018, the outstanding balances of advances to affiliated companies, the Parent and its subsidiaries were US$1,613.6 million and US$1,019.2 million, respectively. The amounts mainly related to funds advance for working capital purposes.

As of September 30, 2019, December 31, 2018 and 2017, the outstanding balances of advance from an affiliated company, a subsidiary of the Parent, were US$2.1 million, US$2.0 million and US$1.9 million, respectively. The amounts mainly related to funds advance for working capital purposes.

The outstanding balances of advances to/from affiliated companies as mentioned above, were unsecured and non-interest bearing. As of September 30, 2019, December 31, 2018 and 2017, no part of the amounts will be repayable within the next twelve months from the balance sheet date and accordingly, the amounts were shown as non-current assets or non-current liabilities in the consolidated balance sheets.

Services and Right to Use Arrangements

On May 11, 2007, Melco Resorts Macau and, Studio City Entertainment, a subsidiary of the Parent, entered into the Services and Right to Use Arrangement pursuant to which Melco Resorts Macau operates Studio City Casino. These arrangements remain effective until June 26, 2022, and will be extended if Melco Resorts Macau obtains a gaming concession, subconcession or other right to legally operate gaming in Macau beyond June 26, 2022 and if the Macau government permits such extension.

The Services and Right to Use Arrangements set forth the terms and conditions for the operation of Studio City Casino by Melco Resorts Macau and the obligations of Studio City Entertainment in respect thereof.

Under the Services and Right to Use Arrangements, Studio City Entertainment allows Melco Resorts Macau to use and occupy Studio City Casino for purposes of managing all day-to-day operations, and Melco Resorts Macau provides the necessary security and develops and implements all systems and controls necessary for Studio City Casino. Melco Resorts Macau will deduct gaming tax and costs incurred in connection with its operation of Studio City Casino. Studio City Entertainment receives the residual gross gaming revenues and recognizes these amounts as Studio City's revenues from provision of gaming related services.

Studio City Entertainment has sole responsibility with respect to the design, construction and any refurbishments of Studio City Casino and shall be responsible for all costs. Melco Resorts Macau shall procure all necessary permits, authorizations and licenses necessary to operate Studio City Casino in accordance with Macau law.

The Services and Right to Use Arrangement is subject to customary events of default, including failure of Studio City Entertainment to make any payment required by the agreement or any action by Studio City Entertainment which causes or is likely to cause Melco Resorts Macau to be in breach of its subconcession. The parties may terminate the Services and Right to Use Arrangement in the event of a default under the Services and Right to Use Arrangement or, among others, as a result of regulatory review, except that as long as Studio City Entertainment is directly or indirectly under the control of Melco, Melco Resorts Macau may not terminate the Services and Right to Use Arrangement.

In November 2016, pursuant to a request that Studio City Entertainment made under the Services and Right to Use Arrangement, Melco Resorts Macau commenced the operation of VIP tables at Studio City Casino. In January 2019, Melco Resorts Macau informed Studio City that it will cease the operation of VIP rolling chip tables at the Studio City Casino on January 15, 2020.

Non-Gaming Service Arrangements with Studio City

Master Services Agreements

On December 21, 2015, Studio City International Holdings Limited and certain of its subsidiaries (the "Studio City Parties") and Melco Resorts Macau, Melco Resorts (COD) Hotels Limited, COD Resorts Limited, Altira Hotel Limited, COD Theatre Limited, Melco Resorts COD (GH) Hotel Limited, Melco Resorts (COD) Retail Services Limited, Altira Developments Limited, MPEL Services Limited, Golden Future (Management Services) Limited, MPEL Properties (Macau) Limited, Melco Resorts Hospitality and Services Limited, Melco Resorts Security Services Limited, Melco Resorts COD (HR) Hotel Limited, Melco Resorts COD (CT) Hotel Limited, MCE Travel Limited, MCE Transportation Limited and MCE Transportation Two Limited (the "Melco Parties") entered into the Master Services Agreement, which sets out the terms and conditions that apply to certain services to be provided under the individual work agreements (the "Work Agreements," each a "Work Agreement" and together with the Master Services Agreement and other arrangements for non-gaming services at the properties in Macau, the "Management and Shared Services Arrangements") by the Melco Parties to the Studio City Parties and vice versa.

Each type of service to be provided is to be set out in a separate Work Agreement between the relevant Studio City Parties and Melco Parties. As required by the parties, additional Work Agreements (conforming to the pre-agreed format) may be entered; new Melco Parties or Studio City Parties may also accede to existing Work Agreements as agreed between the parties. The parties to a Work Agreement may also agree to modify or add to the services covered by that Work Agreement.

The Master Services Agreement is effective from December 21, 2015 until June 26, 2022 unless terminated, extended or renewed by mutual agreement of the parties in writing. The Master Services Agreement may be terminated (a) by mutual agreement in writing, (b) automatically if the Services and Right to Use Agreement is terminated, (c) by any party upon a 30-day prior written notice if all Work Agreements have been terminated and are no longer in effect, (d) by the Melco Parties (i) when there is a material breach by a Studio City Party which remains uncured after 30 days of written notice provided by the Melco Parties of such breach, or (ii) upon a specified change of control event whereby Melco Resorts Macau does not directly or indirectly control SCI or any other entity that controls Studio City and the gaming areas in particular, or where relevant actions taken by any lenders lead to the foregoing results, and (e) by the Studio City Parties upon any material breach by a Melco Parties which remains uncured after 30 days of written notice by Studio City Parties of such breach. If the Master Services Agreement is terminated, all Work Agreements shall automatically terminate.

Specifically, in case of any breach by either party under the "provision of services" and "standard of care; quality" clauses under the Master Services Agreement, the exclusive remedy of the non-breaching party, subject to indemnification for third-party claims and certain limitations on liabilities regarding consequential and other damages as well as caps on a party's liability equal to the fees paid or charged under the relevant Work Agreement, is for the breaching party to (a) perform or re-perform the relevant services if reasonably determined by the non-breaching party that the performance of the relevant services is commercially practicable and/or (b) refund any fees paid if reasonably determined by the non-breaching parties that performance or re-performance is not commercially practicable or would not be sufficient compensation for the breach. Otherwise, parties of the Master Services Agreement may seek through arbitration or in a court of competent jurisdiction for specific performance, temporary, preliminary or permanent injunction relief and other interim measure to prevent breaches or threatened breaches.

In the event the Management and Shared Services Arrangements are terminated, all accrued unpaid fees for relevant services will be due and payable immediately. Between the notice of termination or six months prior to the expiration and the termination or expiration date, the parties to such agreements enter a period of transition. During the transition period, at the request of a service recipient, a service provider will cause its third-party vendors to assist and cooperate and work together with the service recipient to assist in the transition of the performance of such terminated services, including by (a) making available necessary information and materials as requested by the service recipient (excluding intellectual property), (b) complying with the termination or transition provisions of the applicable Work Agreement, (c) making available to the service recipient any personnel to answer questions that the service recipient may have regarding the terminated services or management and operation in relation thereto, and (d) assisting in development and installation of hardware and software systems as necessary to continue to manage and operate its business and properties relating to the terminated services. The transition period can be extended by up to 180 days, but cannot be extended beyond June 26, 2022.

The Master Services Agreement provides for a regular review process to ensure the quality of the services provided and for payments and charges made in accordance with the Work Agreements. Significant contested items and other disputes may, if unable to be resolved amicably, ultimately be referred to arbitral proceedings.

Work Agreements

We entered into eight Work Agreements on December 21, 2015, between certain of the Melco Parties and the Studio City Parties. The Work Agreements cover: (1) services related to the sale and purchase of certain property, plant and equipment and inventory and supplies; (2) corporate services; (3) certain pay-as-used charges; (4) operational and property sharing services; (5) limousine transportation services provided by the Melco Parties; (6) aviation services; (7) collection and payment services and (8) limousine transportation services provided by the Studio City Parties. The terms of the Work Agreements run concurrently with the Master Services Agreement.

Certain of the Work Agreements state that only the Melco Parties can provide certain services to the Studio City Parties, and not vice versa. This is because the Studio City Parties are not in a position to provide many of the services that they receive from the Melco Parties, such as corporate, provision of personnel, construction, development and aviation services. For other types of services, either the Melco Parties or the Studio City Parties may be service providers. These include intra-party sales of inventory and supplies, computer software and hardware services, limousine services and sales services in relation to attraction tickets.

Payment arrangements between the service provider and service recipient are provided for in the individual Work Agreement and may vary depending on the services provided. Corporate services are charged at pre-negotiated rates, subject to a base fee and cap. Senior management service fees and staff costs on operational services are allocated to Studio City based on a percentage of efforts on the services provided to Studio City. Other costs in relation to shared office equipment are allocated based on percentages of usage. Each of the Work Agreements also outlines the fees and reasonable documented out-of-pocket expenses that will be due from the service recipient to the service provider.

Services and Right to Use Direct Agreement

On November 26, 2013, Studio City Company Limited, Melco Resorts Macau, Studio City Holdings Five Limited and the security agent under the Studio City Credit Facilities (as defined below), entered into the Direct Agreement, which sets forth, among other things, certain restrictions on the rights of Melco Resorts Macau to (subject to necessary regulatory approvals being obtained) suspend the continued operation of the Studio City Casino and/or terminate the Services and Right to Use Arrangements. "Studio City Credit Facilities" refers to the senior secured project facility, dated January 28, 2013 and as amended from time to time, entered into between, among others, Studio City Company Limited (a subsidiary of the Parent) as borrower and certain of its subsidiaries as guarantors.

Management Services Arrangements with Cyprus Affiliates

We currently have two service contracts with certain Cyprus Affiliates pursuant to which we provide development and construction management services and pre-opening management and other pre-opening related services to the Cyprus Affiliates for the temporary and satellite casinos and the integrated casino resorts in Cyprus. These services arrangements were made in August 2018 and we received US$2.6 million in the year ended December 31, 2018 and approximately US$0.8 million during the nine months ended September 30, 2019 in connection with the services we provided pursuant to these arrangements.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

2015 Credit Facilities

Overview

On June 29, 2015, our subsidiary Melco Resorts Macau, as borrower, amended and restated a prior senior secured credit facilities agreement to a HK$13.65 billion (equivalent to US$1.75 billion based on the exchange rate on the transaction date) senior secured credit facilities agreement ("2015 Credit Facilities"). The 2015 Credit Facilities comprise a Hong Kong dollar term loan facility of HK$3.90 billion (equivalent to US$500 million based on the exchange rate on the transaction date) with a term of 6 years (the "2015 Term Loan Facility") and a multicurrency revolving credit facility of HK$9.75 billion (equivalent to US$1.25 billion based on the exchange rate on the transaction date) with a term of 5 years (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 US$1.3 billion (the "2015 Incremental Facility").

Maturity Date

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 Melco Resorts Macau and the lenders under the 2015 Credit Facilities and additional lenders, if any, upon drawdown on the 2015 Incremental Facility.

Drawdowns/Repayment

As of September 30, 2019, the outstanding principal balances under the 2015 Term Loan Facility and the 2015 Revolving Credit Facility were HK$2.76 billion (equivalent to US$351.9 million) and HK$4.23 billion (equivalent to US$539.8 million). The 2015 Revolving Credit Facility of HK$5.52 billion (equivalent to US$703.7 million) remains available for future drawdown as of September 30, 2019.

Drawdowns on the 2015 Term Loan Facility are subject to satisfaction of conditions precedent specified in the 2015 Credit Facilities and the 2015 Revolving Credit Facility is available on a fully revolving basis up to the date that is one month prior to the 2015 Revolving Credit Facility's final maturity date.

The 2015 Term Loan Facility is repayable in quarterly installments according to an amortization schedule commenced on September 29, 2016. 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. Melco Resorts Macau may make voluntary prepayments in respect of the 2015 Credit Facilities in a minimum amount of HK$160.0 million (equivalent to approximately US$20.4 million), plus the amount of any applicable break costs. Melco Resorts Macau 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 2015 Borrowing Group, the 2015 Credit Facilities are required to be repaid in full. In the event of a change of control, Melco Resorts Macau may be required, at the election of any lender under the 2015 Credit Facilities, to repay such lender in full. Under the terms of the 2015 Credit Facilities, the occurrence of certain change of control events, including a decline below certain thresholds in the aggregate direct or indirect shareholdings of Melco Resorts Macau or the Company by the Parent or/and Melco International, and liquidation or dissolution of the Company.

Interest and Fees

Borrowings under the 2015 Credit Facilities bear interest at 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. Melco Resorts Macau may select an interest period for borrowings under the 2015 Credit Facilities of one, two, three or six months or any other agreed period. Melco Resorts Macau is obligated to pay a commitment fee quarterly in arrears from July 13, 2015 on the undrawn amount of the 2015 Revolving Credit Facility until the end of the applicable availability period. A commitment fee is payable quarterly in arrears from June 29, 2015 until the date falling one month after on the undrawn amount of the 2015 Term Loan Facility. Loan commitment fees on the 2015 Credit Facilities amounting to US$1.4 million, US$3.4 million, US$3.9 million and US$4.8 million were recognized during the nine months ended September 30, 2019 and 2018, and years ended December 31, 2018 and 2017, respectively.

Security

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 bank accounts, buildings, fixtures and equipment of the 2015 Borrowing Group and certain other excluded assets and customary security.

Covenants

The 2015 Credit Facilities contain covenants customary for such financings, including, but not limited to, the limitations on (except as permitted under the 2015 Credit Facilities) (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 financial covenants under the 2015 Credit Facilities including a leverage ratio, total leverage ratio and interest cover ratio:

a. Leverage, as defined in the 2015 Credit Facilities, which cannot exceed 3.50 to 1.00 for the quarterly reporting periods ending September 30, 2015, onwards;

b. Total Leverage, as defined in the 2015 Credit Facilities, which cannot exceed 4.50 to 1.00 for the quarterly reporting periods ending September 30, 2015, onwards; and

c. Interest Cover, as defined in the 2015 Credit Facilities, which must be greater than or equal to 2.50 to 1.00 for the quarterly reporting periods ending September 30, 2015 onwards.

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, although the restrictions have been amended, and the payment of dividends is now permitted either:

a. among the 2015 Borrowing Group;

b. where arising from revenues derived from certain specified operations outside the 2015 Borrowing Group; or

c. (on the basis that no event of default is continuing or likely to occur as a result of such distribution) subject to compliance with the relevant financial covenants on a pro forma basis after giving effect to such payment or distribution.

As of September 30, 2019, 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 were satisfied.

Events of Default

The event of default regime under the 2015 Credit Facilities comprises events of default that are customary for a facility of this nature including, among others, subject to certain grace periods and exceptions: (i) the failure to make any payment when due; (ii) the breach of financial covenants; (iii) a cross-default triggered by any other event of default in the facility agreements or other documents forming the indebtedness of the borrower and/or guarantors and/or members of the Borrowing Group; the breach of the credit facility documents; (iv) certain events occurring which may give rise to a termination or rescission of Melco Resorts Macau's subconcession contract and land concessions; (vi) insolvency or bankruptcy events; and (vii) misrepresentations on the part of the borrower and guarantors in statements made in the loan documents delivered to the lenders.

2017 Notes

Overview

On June 6, 2017, Melco Resorts Finance issued the First 2017 Notes, comprising US$650 million in aggregate principal amount of 4.875% senior notes due 2025, at an issue price of 100% of the principal amount, and, on July 3, 2017, the Company issued Additional 2017 Notes, comprising US$350 million in aggregate principal amount of 4.875% senior notes due 2025, at an issue price of 100.75% of the principal amount.

Interest

The 2017 Notes bear interest at a rate of 4.875% per annum, payable semi-annually in arrears on June 6 and December 6 of each year.

Ranking and Priority

The 2017 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.

Maturity and Redemption

The 2017 Notes mature on June 6, 2025 and Melco Resorts Finance has the option to redeem all or a portion of the 2017 Notes at any time prior to June 6, 2020, at the applicable "make-whole" redemption price as described in the 2017 Notes Indenture. On or after June 6, 2020, Melco Resorts Finance has the option to redeem all or a portion of the 2017 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 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 2017 Notes Indenture, Melco Resorts Finance also has the option to redeem in whole, but not in part the 2017 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 2017 Notes Indenture, each holder of the 2017 Notes will have the right to require Melco Resorts Finance to repurchase all or any part of such holder's 2017 Notes at a fixed redemption price.

Covenants

The 2017 Notes Indenture 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.

Events of Default

The 2017 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2017 Notes, when such payments become due; default in payment of interest which continues for 30 days; breaches of covenants; defaults under other indebtedness; insolvency; termination or rescission of any gaming license required for our gaming business and other events of default specified in the 2017 Notes Indenture, in each case subject to thresholds and/or other qualifications specified therein. If an event of default occurs and is continuing under the 2017 Notes Indenture, the trustee under the 2017 Notes Indenture or the holders of at least 25% of the then outstanding 2017 Notes may declare the principal of the 2017 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

2019 Notes due 2026

Overview

On April 26, 2019, Melco Resorts Finance issued the 2019 Notes due 2026, comprising US$500 million in aggregate principal amount of 5.250% senior notes due 2026, at an issue price of 100% of the principal amount.

Interest

The 2019 Notes due 2026 bear interest at a rate of 5.250% per annum, payable semi-annually in arrears on April 26 and October 26 of each year.

Ranking and Priority

The 2019 Notes due 2026 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.

Maturity and Redemption

The 2019 Notes due 2026 mature on April 26, 2026 and Melco Resorts Finance has the option to redeem all or a portion of the 2019 Notes due 2026 at any time prior to April 26, 2022, at the applicable "make-whole" redemption price as described in the 2019 Notes due 2026 Indenture. On or after April 26, 2022, Melco Resorts Finance has the option to redeem all or a portion of the 2019 Notes due 2026 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 2019 Notes due 2026 with the net cash proceeds from one or more equity offerings at a fixed redemption price at any time prior to April 26, 2022. Further, under certain circumstances and subject to certain exceptions as more fully described in the 2019 Notes due 2026 Indenture, Melco Resorts Finance also has the option to redeem in whole, but not in part the 2019 Notes due 2026 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 2019 Notes due 2026 Indenture, each holder of the 2019 Notes due 2026 will have the right to require Melco Resorts Finance to repurchase all or any part of such holder's 2019 Notes due 2026 at a fixed redemption price.

Covenants

The 2019 Notes due 2026 Indenture 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.

Events of Default

The 2019 Notes due 2026 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2019 Notes due 2026, when such payments become due; default in payment of interest which continues for 30 days; breaches of covenants; defaults under other indebtedness; insolvency; termination or rescission of any gaming license required for our gaming business and other events of default specified in the 2019 Notes due 2026 Indenture, in each case subject to thresholds and/or other qualifications specified therein. If an event of default occurs and is continuing under the 2019 Notes due 2026 Indenture, the trustee under the 2019 Notes due 2026 Indenture or the holders of at least 25% of the then outstanding 2019 Notes due 2026 may declare the principal of the 2019 Notes due 2026 plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

2019 Notes due 2027

Overview

On July 17, 2019, Melco Resorts Finance issued the 2019 Notes due 2027, comprising US$600 million in aggregate principal amount of 5.625% senior notes due 2027, at an issue price of 100% of the principal amount.

Interest

The 2019 Notes due 2027 bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on January 17 and July 17 of each year beginning on January 17, 2020.

Ranking and Priority

The 2019 Notes due 2027 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.

Maturity and Redemption

The 2019 Notes due 2027 mature on July 17, 2027 and Melco Resorts Finance has the option to redeem all or a portion of the 2019 Notes due 2027 at any time prior to July 17, 2022, at the applicable "make-whole" redemption price as described in the 2019 Notes due 2027 Indenture. On or after July 17, 2022, Melco Resorts Finance has the option to redeem all or a portion of the 2019 Notes due 2027 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 2019 Notes due 2027 with the net cash proceeds from one or more equity offerings at a fixed redemption price at any time prior to July 17, 2022. Further, under certain circumstances and subject to certain exceptions as more fully described in the 2019 Notes due 2027 Indenture, Melco Resorts Finance also has the option to redeem in whole, but not in part the 2019 Notes due 2027 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 2019 Notes due 2027 Indenture, each holder of the 2019 Notes due 2027 will have the right to require Melco Resorts Finance to repurchase all or any part of such holder's 2019 Notes due 2027 at a fixed redemption price.

Covenants

The 2019 Notes due 2027 Indenture 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.

Events of Default

The 2019 Notes due 2027 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2019 Notes due 2027, when such payments become due; default in payment of interest which continues for 30 days; breaches of covenants; defaults under other indebtedness; insolvency; termination or rescission of any gaming license required for our gaming business and other events of default specified in the 2019 Notes due 2027 Indenture, in each case subject to thresholds and/or other qualifications specified therein. If an event of default occurs and is continuing under the 2019 Notes due 2027 Indenture, the trustee under the 2019 Notes due 2027 Indenture or the holders of at least 25% of the then outstanding 2019 Notes due 2027 may declare the principal of the 2019 Notes due 2027 plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Other Financing

We may obtain financing or refinancing 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 and other matters. The amounts may be material.

DESCRIPTION OF NOTES

You can find the definitions of certain terms used in this description under the subheading "Certain Definitions." In this description, the term the "Company" refers only to Melco Resorts Finance Limited and not to any of its Subsidiaries.

The Company will issue the Notes under an indenture dated as of the date of consummation of this offering between itself and Deutsche Bank Trust Company Americas as Trustee (the "*Indenture*"), in a private transaction that is not subject to the registration requirements of the Securities Act. Holders of Notes will not be entitled to any registration rights. See "Notice to Investors" and "Transfer Restrictions."

The following description is a summary of the material provisions of the Indenture. It does not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, define your rights as holders of the Notes. Copies of the Indenture are available as set forth below under "—Additional Information." Certain defined terms used in this description but not defined below under "—Certain Definitions" have the meanings assigned to them in the Indenture.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

The Indenture will not be qualified under, will not incorporate or include any of, by reference or otherwise, or be subject to, the provisions of the U.S. Trust Indenture Act of 1939, as amended.

Brief Description of the Notes

The Notes:

- will be general obligations of the Company;
- will be *pari passu* in right of payment to all existing and future senior Indebtedness of the Company;
- will be senior in right of payment to any existing and future subordinated Indebtedness of the Company; and
- will be effectively subordinated to all of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such debt and to all of the indebtedness of the Company's Subsidiaries.

None of the Company's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of the Company's Subsidiaries, the Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

Assuming the Company had completed this offering of Notes and applied the net proceeds to make a full repayment of the principal amount outstanding under the 2015 Revolving Credit Facility and a partial prepayment of the principal amount outstanding under the 2015 Term Loan Facility as intended, as of September 30, 2019, the Company and its consolidated subsidiaries would have had total indebtedness of US$2.97 billion, comprising primarily the amounts outstanding under the Senior Credit Agreement, the 2017 Notes, the 2019 Notes due 2026, the 2019 Notes due 2027 and the Notes.

Principal, Maturity and Interest

The Company will issue US$900,000,000 in aggregate principal amount of Notes in this offering. The Company may issue additional Notes (the "Additional Notes") under the Indenture from time to time after this offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture. The Notes and any Additional Notes subsequently issued under the 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* that, if any issuance of Additional Notes is not fungible with the Notes for U.S. federal income tax purposes, such Additional Notes shall have a different CUSIP number than any previously issued Notes but shall otherwise be treated as a single class with all other Notes issued under the Indenture. The Company will issue Notes in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes will mature on December 4, 2029.

Interest on the Notes will accrue at the rate of 5.375% per annum and will be payable semi-annually in arrears on June 4 and December 4, commencing on June 4, 2020. Interest on overdue principal and interest will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. The Company will make each interest payment to the holders of record on the immediately preceding May 20 and November 19, respectively.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Additional Amounts

All payments by or on behalf of the Company of principal of, and premium (if any) and interest on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("*Taxes*") imposed or levied by the Cayman Islands, Macau, any jurisdiction in which the Company is resident for tax purposes or any jurisdiction from or through which payments are made by or on behalf of the Company (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. In such event, the Company will make such withholding or deduction, make payment of the amount so withheld or deducted to the appropriate Governmental Authority as required by applicable law 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 with respect to any Note:

(1) for or on account of:

(a) any Taxes that would not have been imposed but for:

(i) the existence of any present or former connection between the holder or beneficial owner of such Note, 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, being or having been treated as a resident of such Relevant Jurisdiction, being or having been present or engaged in a trade or business in such Relevant Jurisdiction or having or having had a permanent establishment in such Relevant Jurisdiction, other than merely holding such Note or the receipt of payments thereunder;

(ii) the presentation of such Note (where presentation is required) more than 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;

(iii) the failure of the holder or beneficial owner of such Note to comply with a timely request of the Company (or other applicable withholding agent) addressed to such holder or beneficial owner to provide information concerning such holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Jurisdiction; or

(iv) 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;

(b) any estate, inheritance, gift, sale, transfer, excise, personal property, net income or similar Tax;

(c) 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 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;

(d) any Taxes that are payable other than (i) by withholding or deduction from payments of principal of, or premium (if any) or interest on the Note, or (ii) by direct payment by the Company in respect of claims made against the Company; or

(e) any combination of Taxes referred to in the preceding clauses (a), (b), (c) and (d); or

(2) with respect to any payment of the principal of, or premium (if any) or interest on, such Note to or for the account of a fiduciary, partnership or other fiscally transparent entity or any other person (other than the sole beneficial owner of such payment) to the extent that a beneficiary or settlor with respect to that fiduciary, or a partner or member of that partnership or fiscally transparent entity or a beneficial owner with respect to such other person, as the case may be, who would not have been entitled to such Additional Amounts had such beneficiary, settlor, partner, member or beneficial owner held directly the Note with respect to which such payment was made.

In addition to the foregoing, the Company 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 and interest) which are levied by any Relevant Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture 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. The Company 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 Trustee and the Paying Agent (as defined below). 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 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.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest, on any Note, such mention will be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Methods of Receiving Payments on the Notes

If a holder of Notes has given wire transfer instructions to the Company, the Company will pay all principal, interest and premium, if any, on that holder's Notes in accordance with those instructions and shall so notify the Trustee and the Paying Agent thereof. All other payments on the Notes will be made at the office or agency of the Paying Agent within the City and State of New York unless the Company elects to make interest payments by check mailed to holders of the Notes, at their address set forth in the register of holders.

Paying Agent and Registrar for the Notes

Deutsche Bank Trust Company Americas will initially act as paying agent (the "*Paying Agent*") and Deutsche Bank Trust Company Americas will initially act as registrar and transfer agent (the "*Registrar*" and the "*Transfer Agent*," respectively). The Company may change the Paying Agent. Transfer Agent or Registrar with prior notice to the Trustee but without prior notice to the holders of the Notes, and the Company or any of its Subsidiaries may act as Paying Agent, Transfer Agent or Registrar.

Transfer and Exchange

A holder may transfer or exchange the Notes in accordance with the provisions of the Indenture. The Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of the Notes. Holders will be required to pay all taxes due on transfer. The Company will not be required to transfer or exchange any Note selected for redemption. Also, the Company will not be required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

If and for so long as the Notes are listed on the SGX-ST, and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for Certificated Notes, the Company will appoint and maintain a paying agent in Singapore where the Certificated Notes may be presented or surrendered for payment or redemption. In the event that a Global Note is exchanged for Certificated Notes, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificated Notes, including details of the Singapore paying agent by way of an announcement to the SGX-ST, for so long as the Notes are listed on the SGX-ST.

Optional Redemption

At any time prior to December 4, 2024, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture at a redemption price of 105.375% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to but excluding the redemption 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 the 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 related Equity Offering.

At any time prior to December 4, 2024, 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 Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, and Additional Amounts, if any, to but excluding the date of redemption (the "*Redemption Date*"), subject to the rights of holders of Notes 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 the satisfaction of one or more conditions precedent.

Except pursuant to the preceding paragraphs and "—Gaming Redemption" and "—Redemption for Taxation Reasons", the Notes will not be redeemable at the Company's option prior to December 4, 2024.

On or after December 4, 2024, 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, and Additional Amounts, if any, on the Notes redeemed, to but excluding the applicable redemption date, if redeemed during the twelve-month period beginning on December 4 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
2024	102.688%
2025	101.792%
2026	100.896%
2027 and thereafter	100.000%

Any such redemption 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, in 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 or purchase 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 so 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.

Unless the Company defaults in the payment of the redemption price or fails to satisfy the conditions precedent to the redemption and thereby terminates the redemption, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

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, any of its Subsidiaries or the Sponsor 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:

  (i) the person's cost, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to but excluding the earlier of the redemption date or the date of the finding of unsuitability or failure to comply; and

  (ii) 100% of the principal amount thereof, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to but excluding 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 of Notes may incur in connection with the Company's application for a license, qualification or a finding of suitability.

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 the holders (which notice will be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to but excluding 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) or treaties 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, treaties, 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 the Indenture with respect to any payment due or to become due under the Notes or the Indenture, the Company is, or on the next interest payment date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the Company taking reasonable measures available to it; *provided* that for the avoidance of doubt changing the jurisdiction of the Company is not a reasonable measure for the purposes of this section; *provided*, *further*, that no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Company 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 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 Officers' Certificate and Opinion of Counsel 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 provision will be cancelled.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee, the Paying Agent or the Registrar (as applicable) will select Notes for redemption on a pro rata basis unless otherwise required by law or applicable clearing system or stock exchange requirements. DTC's current procedures dictate that selection of Notes for redemption will be by lot. None of the Trustee, the Paying Agent or the Registrar will be liable for any selections made by it under this paragraph.

No Notes of US$200,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes 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 and discharge of the Indenture or less than 30 days prior to a redemption date as provided under "—Gaming Redemption."

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note; *provided* that the unredeemed portion has a minimum denomination of US$200,000. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Repurchase at the Option of Holders

Change of Control

Upon the occurrence of a Change of Control 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 Change of Control Offer (as defined below) on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer to purchase the Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, 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 "—Optional Redemption" or "—Redemption for Taxation Reasons."

Within 20 days following any Change of Control 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 "—Optional Redemption," the Company shall mail a notice (a "*Change of Control Offer*") to each holder of the Notes with a copy to the Trustee stating:

(1) that a Change of Control 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 101% 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 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); and

(4) the instructions determined by the Company, consistent with this covenant, that a holder must follow in order to have its Notes purchased.

Notes repurchased by the Company pursuant to a Change of Control 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 the preceding paragraph will have the status of Notes issued and outstanding.

A Change of Control Offer may be made in advance of a Change of Control Triggering Event, and conditioned upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

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 covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, 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.

On the date of repurchase pursuant to a Change of Control Offer (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 repurchase price, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to but excluding the date of repurchase (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 Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The Paying Agent will promptly mail to each holder of Notes 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. 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.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control Triggering Event 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 the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given in accordance with the terms of the Indenture, as described above under the caption "—Optional Redemption" or "—Redemption for Taxation Reasons," 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.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

The agreements governing other Indebtedness of the Company and its Subsidiaries contain, and future agreements of the Company and its Subsidiaries may contain, prohibitions of certain events, including events that would constitute a Change of Control Triggering Event and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Change of Control Triggering Event may cause a default under these other agreements, even if the Change of Control Triggering Event itself does not. In the event a Change of Control Triggering Event occurs at a time when the Company is prohibited from purchasing Notes, the Company could seek the consent of its senior lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will remain prohibited from purchasing Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture which could, in turn, constitute a default under the other Indebtedness. Finally, the Company's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Company's then existing financial resources. See "Risk Factors—Risks Relating to Our Indebtedness and the Notes—We may not be able to repurchase the Notes upon a change of control triggering event or certain events relating to our gaming license that constitute a special put option triggering event."

Special Put Option

Upon a Special Put Option Triggering Event, each holder of the Notes 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 the Indenture. 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 "—Optional Redemption" or "—Redemption for Taxation Reasons."

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 "—Optional Redemption," the Company shall mail a notice (a "*Special Put Option Offer*") to each holder of the Notes 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 covenant, that a holder must follow in order to have its Notes repurchased.

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 the preceding paragraph will have the status of Notes issued and outstanding.

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 Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The Paying Agent will promptly mail to each holder of Notes properly tendered the Special Put Option 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.

The provisions described above 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 above with respect to a Special Put Option Triggering Event, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a termination, rescission or expiration of any gaming license held by the Company and its Subsidiaries.

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 the terms of the Indenture, as described above under the caption "—Optional Redemption" or "—Redemption for Taxation Reasons," 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.

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.

The agreements governing other Indebtedness of the Company and its Subsidiaries contain, and future agreements of the Company and its Subsidiaries may contain, prohibitions of certain events, including events that would constitute a Special Put Option Triggering Event and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Special Put Option Triggering Event may cause a default under these other agreements, even if the Special Put Option Triggering Event itself does not. In the event a Special Put Option Event occurs at a time when the Company is prohibited from purchasing Notes, the Company could seek the consent of its senior lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will remain prohibited from purchasing Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture which could, in turn, constitute a default under the other Indebtedness. Finally, the Company's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Company's then existing financial resources. See "Risk Factors—Risks Relating to Our Indebtedness and the Notes—We may not be able to repurchase the Notes upon a change of control triggering event or certain events relating to our gaming license that constitute a special put option triggering event."

Certain Covenants

Merger, Consolidation or Sale of Assets

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 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 corporation 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 the Indenture pursuant to supplemental indentures or other documents or agreements reasonably satisfactory to the Trustee; and

(2) immediately after such transaction, no Default or Event of Default exists.

Reports

The Company will furnish to the Trustee and the holders of Notes or, at the written request and the expense of the Company, cause the Trustee to furnish to the holders of Notes 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: information with a level of detail that is substantially comparable to the sections in the offering memorandum relating to the offering of the Notes entitled "Selected Consolidated Financial Information", "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) statement of operations and statement of cash flow for the two most recent fiscal years, in each case prepared in accordance with 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 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 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;

(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 operations 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 GAAP; (b) an operating and financial review of such periods for the Company and its 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 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 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 its Significant Subsidiaries, (b) any material acquisition or disposition, (c) any material event that the Company or any of its Subsidiaries announces publicly and (d) any information that the Company is required to make publicly available under the requirements of the Singapore Exchange Securities Trading Limited or such other exchanges on which the securities of the Company or its Subsidiaries are then listed.

The Company may satisfy the requirement to furnish reports or information as described in (1), (2) and (3) above by furnishing, or making available, such required report or information on the website of the SEC or SGX-ST; *provided* that the Trustee shall have no responsibility whatsoever to determine whether such report or information has been furnished or made available on such website.

In addition, the Company agrees that, for so long as any Notes remain outstanding, it will furnish to the holders of Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such reports, information and documents shall not constitute notice of any information contained therein, including the Company's compliance with any of the covenants hereunder (as to which the Trustee is entitled to rely exclusively on the Officers' Certificate).

Events of Default and Remedies

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest on the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Company to comply with its obligations under the provisions described under the captions "—Repurchase at the Option of Holders—Change of Control," "—Repurchase at the Option of Holders—Special Put Option," or "—Certain Covenants—Merger, Consolidation or Sale of Assets";

(4) failure by the Company 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 the Indenture;

(5) default under any mortgage, indenture or instrument (other than the Senior Credit Agreement) 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 Subsidiaries (or the payment of which is guaranteed by the Company or any of its Subsidiaries), whether such Indebtedness (or guarantee) now exists, or is created

after the date of the Indenture, if such default 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 the maturity of which has been so accelerated, aggregates US$50.0 million or more, if such acceleration is not annulled within 30 days after written notice as provided in the Indenture;

(6) default under the Senior Credit Agreement that results in the acceleration thereof prior to the final maturity thereof;

(7) failure by the Company or any of its Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary, 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$50.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; and

(8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any of its Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, any Subsidiary of the Company that is a Significant Subsidiary or any group of 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.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power; *provided* that the Trustee is indemnified and/or secured to its satisfaction. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium, if any, on the Notes and the Trustee shall not be liable to such holders for such withholding.

Subject to the provisions of the 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 the Indenture at the request or direction of any holders of Notes 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 on the Notes when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested 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) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium on, or the principal of, the Notes; *provided*, *however*, that 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.

The Company is required to deliver to the Trustee (i) annually and (ii) at any other time upon the written request from the Trustee, a statement regarding compliance with the Indenture. Within five business days of becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee a statement specifying such Default or Event of Default.

The Trustee shall not be deemed to have knowledge of a Default or Event of Default unless a Responsible Officer of the Trustee receives written notice thereof, stating it is a notice of default and referencing the applicable section of the Indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Company, as such, will have any liability for any Obligations of the Company under the Notes, the Indenture or for any claim based on, in respect of, or by reason of, such Obligations or their creation. Each holder of Notes 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 of the United States of America.

Legal Defeasance and 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 all of its Obligations discharged with respect to the outstanding Notes ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium on, such Notes when such payments are due from the trust referred to below;

(2) the Company's Obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, the Paying Agent, the Registrar and the Transfer Agent, and the Company's Obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the Obligations of the Company released with respect to certain covenants (including its obligation to make Change of Control Offers) that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "—Events of Default and Remedies" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, 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 Legal Defeasance, 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 the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to 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 Covenant Defeasance, 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 federal income tax purposes as a result of such Covenant Defeasance and will be subject to 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 is a party or by which the Company 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 the 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 stating that the deposit was not made by the Company with the intent of preferring the holders of Notes 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.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture or the Notes may be amended or supplemented with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding (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, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived 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, Notes).

Without the consent of holders of 90% of the aggregate principal amount then outstanding of Notes (including Additional Notes) affected, an amendment, supplement or waiver may not (with respect to any Notes (including any 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 or waive any provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption "—Repurchase at the Option of Holders—Change of Control");

(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 the Indenture relating to waivers of past Defaults or the rights of holders of Notes 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 one of the covenants described above under the caption "—Repurchase at the Option of Holders—Change of Control"); or

(8) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company and the Trustee may amend or supplement the Indenture or the Notes:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes; *provided* that such uncertificated Notes are in registered form for U.S. federal income tax purposes;

(3) to provide for the assumption of the Company's Obligations to holders of Notes in the case of a merger or consolidation or sale of all or substantially all of the Company's assets;

(4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder;

(5) to conform the text of the Indenture or the Notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture or the Notes; or

(6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the date of the Indenture.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, 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 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 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 but excluding the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the 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 is a party or by which the Company is bound;

(3) the Company has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under the 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 and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Concerning the Trustee

If the Trustee becomes a creditor of the Company, the Indenture limits the right of the Trustee 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.

The holders of a majority in aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

The Company will indemnify the Trustee for certain costs, liabilities and expenses incurred without gross negligence, willful misconduct or fraud on the Trustee's part, arising out of or in connection with its duties in its capacity as the Trustee.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Additional Information

Anyone who receives this offering memorandum may obtain a copy of the Indenture without charge by writing to Melco Resorts Finance Limited, 36th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, attention: Company Secretary.

Book-Entry, Delivery and Form

The Notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A ("*Rule 144A Notes*"). The Notes also may be offered and sold in offshore transactions in reliance on Regulation S ("*Regulation S Notes*"). Except as set forth below, the Notes will be issued in registered, global form in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the "*Rule 144A Global Notes*"). Regulation S Notes initially will be represented by one or more Notes in registered, global form without interest coupons (collectively, the "*Regulation S Global Notes*" and, together with the Rule 144A Global Notes, the "*Global Notes*"). The Global Notes will be deposited upon issuance with Deutsche Bank Trust Company Americas as custodian for The Depository Trust Company ("*DTC*"), in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "*Distribution Compliance Period*"), beneficial interests in the Regulation S Global Notes may be held only through Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking S.A. ("*Clearstream*") (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See "—Exchanges between Regulation S Notes and Rule 144A Notes."

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive Notes in registered certificated form ("*Certificated Notes*") except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of Notes in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Notice to Investors." Regulation S Notes will also bear the legend as described under "Notice to Investors." In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

None of the Trustee, the Paying Agent, the Registrar or the Transfer Agent, nor their respective agents will have any responsibility or be liable for any aspect of the records relating to Book-Entry Interests.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Company does not take responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised the Company that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "*Participants*") and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "*Indirect Participants*"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Company that, pursuant to procedures established by it:

(1) upon deposit of the Global Notes, DTC will credit the accounts of the Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and

(2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Investors in the Rule 144A Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants. Investors in the Regulation S Global Notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants. After the expiration of the Restricted Period (but not earlier), investors may also hold interests in the Regulation S Global Notes through Participants in the DTC system other than Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or "holders" thereof under the Indenture for any purpose.

Payments in respect of the principal of, and interest and premium, if any, on, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Company and the Trustee will treat the Persons in whose names the Notes, including the Global Notes, are registered as the owners of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the Trustee nor any agent of the Company or the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Company that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or the Company. None of the Company, the Trustee, the Paying Agent, the Registrar or the Transfer Agent will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the Notes, and the Company, the Trustee, the Paying Agent, the Registrar and the Transfer Agent may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Notice to Investors," transfers between the Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the Participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by their respective depositaries; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of the Company, the Trustee and any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

(1) DTC (a) notifies the Company that it is unwilling or unable to continue as depositary for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Company fails to appoint a successor depositary;

(2) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of the Certificated Notes; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

If there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for legended Notes in certificated form, and to distribute such Notes to its Participants. In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Indenture. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Notice to Investors," unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Notice to Investors."

Exchanges Between Regulation S Notes and Rule 144A Notes

Prior to the expiration of the Distribution Compliance Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if:

(1) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A; and

(2) the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the Notes are being transferred to a Person:

  (a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;

  (b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

  (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the Trustee through the DTC's Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Note prior to the expiration of the Distribution Compliance Period.

Same Day Settlement and Payment

The Company will make payments in respect of the Notes represented by the Global Notes (including principal, premium, if any, interest, if any) by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. The Company will make all payments of principal, interest and premium, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The Notes represented by the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Company expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a Business Day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Company that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day for Euroclear or Clearstream following DTC's settlement date.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*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.

"*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 December 4, 2024 (such redemption price being set forth in the table appearing above under the caption "—Optional Redemption") *plus* (ii) all required interest payments due on the Note through December 4, 2024 (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.

For the avoidance of doubt, the calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Paying Agent, the Registrar or the Transfer Agent.

"*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 Stock*" means:

(1) in the case of a corporation, corporate stock;

(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 interests (whether general or limited) or membership interests; 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.

"*Change of Control*" means the occurrence of any of the following:

(1) 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" (as that term is used in Section 13(d) of the Exchange Act) (other than a Sponsor or a Related Party of a Sponsor);

(2) the adoption of a plan relating to the liquidation or dissolution of the Company;

(3) either (i) the Sponsor ceases collectively to beneficially own, directly or indirectly, at least 30% of the outstanding Capital Stock of the Parent (including any and all agreements, warrants, rights or options to acquire any Capital Stock) (measured in each case, by both voting power and size of equity interests), or (ii) the Parent ceases to beneficially own, directly or indirectly, at least 51% of the outstanding Capital Stock of Melco Resorts Macau (including any and all agreements, warrants, rights or options to acquire any Capital Stock) (measured in each case, by both voting power and size of equity interests); or

(4) the first day on which Parent ceases to own, directly or indirectly, 100% of the outstanding Equity Interests of the Company.

"*Change of Control Offer*" has the meaning assigned to that term in the Indenture.

"*Change of Control Triggering Event*" means the occurrence of a Change of Control and a Ratings Decline.

"Corporate Trust Office of the Trustee" will be at the address of the Trustee specified in the Indenture or such other address as to which the Trustee may give notice to the Company.

"*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.

"*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.

"*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).

"*GAAP*" means United States 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.

"*Gaming Authorities*" means, in any jurisdiction in which the Company or any of its Subsidiaries or any Sponsor manages or conducts any casino, gaming business or activities, 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 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, treatises, 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 of Melco Resorts Macau (or any other operator of the casino including the Sponsor or any of its Affiliates) or the Company or any of its

Subsidiaries or the Sponsor in any jurisdiction, as in effect from time to time, including the policies, interpretations and administration thereof by the Gaming Authorities.

"*Gaming License*" means the license, concession, subconcession or other authorization from any Government Authority which authorizes, permits, concedes or allows the Company or any of its Subsidiaries, at the relevant time, to own or manage casino or gaming areas or operate casino games of fortune and chance.

"*Governmental Authority*" means the government of the Macau SAR or any other 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.

"*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 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 Subsidiary of the Company shall be deemed to be incurred at the time at which such Person becomes a 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 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 Shareholder Subordinated Debt (other than for purposes of the definition of "Shareholder Subordinated Debt"). In addition "Indebtedness" will not include:

(a) any capital commitments, deposits or advances from customers or any contingent obligations to refund payments (including deposits) to customers (or any guarantee thereof); or

(b) obligations of the Company or any of its Subsidiaries 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 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, 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

(c) any lease of property which would be considered an operating lease under GAAP and any guarantee given by the Company or any of its Subsidiaries in the ordinary course of business solely in connection with, or in respect of, the obligations of the Company and its Subsidiaries 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 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) 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.

"*Investment Grade*" means a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P), a rating of BBB- or better by Fitch (or its equivalent under any successor rating category of Fitch), a rating of Baa3 or better by Moody's (or its equivalent under any successor rating category of Moody's), and the equivalent ratings of any other "nationally recognized statistical rating organization" that is registered as such pursuant to Section 15E of the Exchange Act and Rule 17g thereunder selected by the Company as having been substituted as a Rating Agency for S&P, Fitch or Moody's, as the case may be.

"*Issue Date*" means the date on which the Notes (other than any Additional Notes) are originally issued.

"*Legal Holiday*" means a Saturday, a Sunday or a day on which banking institutions in the Cayman Islands, the City of New York, Hong Kong, Macau 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 Macau*" means Melco Resorts (Macau) Limited, formerly known as Melco Crown (Macau) Limited.

"*Moody's*" means Moody's Investors Service, Inc.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President, any Executive Vice President, Senior Vice President or Vice President, Treasurer or Secretary of the Company, or any Director of the Board of the Company 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 set forth in the Indenture.

"*Opinion of Counsel*" means a written opinion from legal counsel who is acceptable to the Trustee.

"*Parent*" means Melco Resorts & Entertainment Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Rating Agencies*" means any of (i) S&P, (ii) Moody's, (iii) Fitch or (iv) if any or all of them shall not make a rating of the Notes publicly available, any other "nationally recognized statistical rating organization" that is registered as such pursuant to Section 15E of the Exchange Act and Rule 17g thereunder selected by the Company as a replacement agency.

"*Rating Category*" means: (1) with respect to S&P, any of the following categories: "AAA," "AA," "A," "BBB," "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Aaa," "Aa," "A," "Baa," "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories "AAA," "AA," "A," "BBB," "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P and Fitch; "1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "B+" to "B-," will constitute a decrease of one gradation).

"*Rating Date*" means that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control.

"*Ratings Decline*" means the occurrence on, or within six months after, the date, or public notice of the occurrence of any of the events set forth in clauses (1) to (4) of the definition of Change of Control or the announcement by the Company or any other Person or Persons of the intention by the Company or such other Person or Persons to effect a Change of Control (which period will be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(1) in the event either the Notes or the Company is rated by two Rating Agencies on the Rating Date as Investment Grade, such rating of the Notes or the Company by either such Rating Agency shall be below Investment Grade;

(2) in the event either the Notes or the Company is rated by one, and only one, of the Rating Agencies on the Rating Date as Investment Grade, such rating of the Notes or the Company by such Rating Agency shall be below Investment Grade; or

(3) in the event either the Notes or the Company is rated below Investment Grade by any two Rating Agencies on the Rating Date, such rating of the Notes or the Company by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories);

provided that for a decline that occurs during the review period subsequent to the initial occurrence, public notice or notice of intention, such decline will only qualify as a Ratings Decline if (i) such Rating Agencies' published report refers to the Change of Control as a factor, or one of the factors in the downgrade, and (ii) such Rating Agencies have not previously affirmed their ratings following the initial occurrence, public notice or notice of intention.

"*Related Party*" means:

(1) any controlling stockholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of the Sponsor; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding an 80% or more controlling interest of which consist of the Sponsor 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 of the Trustee) who shall have direct responsibility for the administration of the Indenture 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.

"*S&P*" means Standard & Poor's Ratings Group.

"*SEC*" means the U.S. Securities and Exchange Commission.

"Senior Credit Agreement" means 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 (the "*2015 Term Loan Facility*") and a HK$9.75 billion (equivalent to approximately US$1.25 billion) revolving credit facility (the "*2015 Revolving Credit Facility*") and any incremental facilities thereunder, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, as such agreement may be further amended, modified or extended from time to time in compliance with the terms of the Indenture, and any refinancing thereof.

"*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 the Sponsor), 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 Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder 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 any of its Subsidiaries 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 and the Indenture; and

(7) 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 contributed at least (i) 10% of the total consolidated net income of the Company and its Subsidiaries for the most recently completed fiscal year, or (ii) 10% of the total consolidated assets of the Company and its Subsidiaries as of the end of the most recently completed fiscal year.

"*Special Put Option Triggering Event*" means:

(1) any event after which none of the Company or any Subsidiary of the Company has such licenses, concessions, subconcessions or other permits or authorizations as are necessary for the Company and its Subsidiaries to own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner and scope as the Company and its Subsidiaries are entitled to at the Issue Date, 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.

"*Sponsor*" means Melco International Development Limited.

"*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 date of the Indenture, 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.

"*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 (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) 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).

"*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 December 4, 2024; *provided*, *however*, that if the period from the redemption date to December 4, 2024, 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.

"*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.

"*Voting Stock*" of any specified 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.

TAXATION

Certain Macau Tax Considerations

It is not expected that the Notes will be subject to tax in Macau.

Certain Cayman Islands Tax Considerations

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently has no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands is not party to any double taxation treaties.

Melco Resorts Finance has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with Melco Resorts Finance:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to Melco Resorts Finance or its operations.
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of Melco Resorts Finance, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).
- These concessions shall be for a period of 20 years from June 20, 2006, being the date of the undertaking.

Certain U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes by U.S. Holders (defined below) pursuant to this Offering (except for the discussion of FATCA (as defined under "—Foreign Account Tax Compliance Act") which applies to all holders of Notes), but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state or local tax laws are not discussed. This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service ("IRS") in effect as of the date of this Offering. These authorities may change or be subject to differing interpretations. Any such change may be applied retroactively in a manner that could adversely affect a U.S. Holder. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position regarding the tax consequences of the purchase, ownership and disposition of the Notes.

This discussion is limited to U.S. Holders who hold the Notes as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this discussion is limited to persons purchasing the Notes for cash at original issuance at their "issue price" (the first price at which a substantial portion of the Notes is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). This discussion does not address all U.S. federal income tax consequences relevant to a Holder's particular circumstances, including the impact of the alternative minimum tax or the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to U.S. Holders subject to particular rules, including, without limitation:

- U.S. expatriates and certain former citizens or long-term residents of the United States;

- U.S. Holders (as defined below) whose functional currency is not the dollar;
- persons holding the Notes as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- real estate investment trusts or regulated investment companies;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- S corporations, partnerships, or other entities or arrangements treated as partnerships for U.S. federal income tax purposes;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an "applicable financial statement" (as defined in the Code);
- tax-exempt organizations or governmental organizations; and
- persons deemed to sell the Notes under the constructive sale provisions of the Code.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of a Note who is 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 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 tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more United States persons (within the meaning of Section 7701(a)(30) of the Code), or (2) has made a valid election under applicable Treasury Regulations to continue to be treated as a United States person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership generally will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding the Notes and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED AS TAX OR LEGAL ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Payments of Stated Interest

Stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be taxable to a U.S. Holder as ordinary income at the time such interest is received or accrued, in accordance with such U.S. Holder's method of tax accounting for U.S. federal income tax purposes.

Original Issue Discount

The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes. In such event, U.S. Holders of such Notes generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. Holders generally will include any OID in income in advance of the receipt of cash attributable to such income.

The Notes will be treated as issued with OID if the stated principal amount of the Notes exceeds their issue price (as defined above) by an amount equal to or greater than a statutorily defined *de minimis* amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

In the event that the Notes are issued with OID, the amount of OID with respect to a Note includible in income by a U.S. Holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. Holder holds such Note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity," determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

The rules governing OID instruments are complex and prospective purchasers should consult their tax advisors concerning the application of such rules to the Notes.

Foreign Tax Credit

Interest income (as well as OID) on the Notes generally will constitute income from sources outside the United States and generally will be categorized for U.S. foreign tax credit purposes as "passive category income." Any non-U.S. withholding tax paid by or on behalf of a U.S. Holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at-risk rules). The rules relating to U.S. foreign tax credits are very complex, and each U.S. Holder should consult its tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition

A U.S. Holder will generally recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a Note. The amount of such gain or loss will generally equal the difference between the amount received for the Note in cash or other property valued at fair market value (less amounts attributable to any accrued but unpaid interest, which will be taxable as interest to the extent not previously included in income) and the U.S. Holder's adjusted basis in the Note. A U.S. Holder's adjusted basis in a Note generally will be equal to the amount the U.S. Holder paid for the Note increased by any OID previously accrued by such U.S. holder with respect to such Note. Any gain or loss will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year. Otherwise, such gain or loss will be short-term capital gain or loss. Long-term capital gains recognized by certain non-corporate U.S. Holders, including individuals, generally will be taxable at a reduced rate. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

A U.S. Holder may be subject to information reporting and backup withholding when such holder receives payments on a Note (including the accrual of OID, if any) or receives proceeds from the sale or other disposition of a Note (including a redemption or retirement of a Note). A U.S. Holder will be subject to backup withholding if such U.S. Holder is not otherwise exempt and:

- fails to furnish its taxpayer identification number ("TIN"), which, for an individual, is ordinarily his or her social security number;
- furnishes an incorrect TIN;
- is notified by the IRS that it has failed properly to report payments of interest or dividends; or
- in certain circumstances, fails to certify, under penalties of perjury, that it has furnished a correct TIN and that the IRS has not notified the holder that it is subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS. Certain U.S. Holders are exempt from backup withholding, including corporations. U.S. Holders should consult their tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption.

Foreign Asset Reporting

Certain U.S. Holders who hold an interest in "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in certain accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, statement of Specified Foreign Financial Assets, with their tax return for each year in which they had an interest in the Notes. U.S. holders are urged to consult their tax advisors regarding information reporting requirements relating to their ownership and disposition of the Notes and the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA") and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final Treasury Regulations defining foreign passthru payments are filed generally would be "grandfathered" from FATCA unless "materially modified" (for U.S. federal income tax purposes) after such date. Such final regulations have not been published yet. Accordingly, if we are treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a material modification of the Notes for U.S. federal income tax purposes after expiration of the grandfathering period. Under recently proposed regulations, any withholding on foreign passthru payments on Notes that are not otherwise grandfathered would apply to foreign passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Non-U.S. governments have entered into agreements with the U.S. to implement FATCA in a manner that alters the rules described herein. Holders should consult their tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is required or advisable with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

PLAN OF DISTRIBUTION

The Issuer and the Initial Purchasers have entered into a purchase agreement dated November 26, 2019 (the "Purchase Agreement"), with respect to the Notes.

Subject to the terms and conditions set forth in the Purchase Agreement, the Issuer has agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed to purchase from the Issuer, the principal amounts of the Notes indicated in the following table:

Initial Purchaser	Principal Amount of Notes
	(US$)
Deutsche Bank AG, Singapore Branch	450,000,000
Morgan Stanley & Co. LLC	202,500,000
Australia and New Zealand Banking Group Limited	90,000,000
Bank of Communications Co., Ltd. Macau Branch	22,500,000
BOCI Asia Limited	67,500,000
Industrial and Commercial Bank of China (Macau) Limited	22,500,000
Mizuho Securities Asia Limited	45,000,000
Total:	900,000,000

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of the Notes.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Notes Are Not Being Registered

The Notes have not been and will not be registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes:

- within the United States, except to persons they reasonably believe to be QIBs (as defined in Rule 144A); or
- except pursuant to offers and sales outside of the United States to certain non-U.S. persons within the meaning of, and in accordance with, Regulation S under the Securities Act.

The Notes sold pursuant to Regulation S may not be offered or resold in the United States or to U.S. persons (as defined in Regulation S), except under an exemption from the registration requirements of the Securities Act or under a registration statement declared effective under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

New Issue of the Notes

The Notes are new issues of securities with no established trading market. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions." Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. However, we cannot assure you that such listing will be maintained; although we will be required under the indenture governing the Notes to use our commercially reasonable efforts to list and maintain the listing and quotation of the Notes on the SGX-ST or another comparable exchange. We have been advised by the Initial Purchasers that it presently intends to make a market in the Notes after completion of this Offering. However, the Initial Purchasers are under no obligation to do so and may discontinue any market-making activities at any time in their sole discretion without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

The Issuer expects to make delivery of the Notes against payment in same-day funds on or about December 4, 2019, which is the fifth business day after the date of this offering memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next three succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify alternative settlement arrangements to prevent a failed settlement.

No Sales of Similar Securities

The Issuer agree, pursuant to the Purchase Agreement, not to sell, offer to sell, contract to sell, grant any option to purchase, issue any instrument convertible into or exchangeable for, or otherwise transfer or dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition in the future of) any debt securities of the Issuer with terms substantially similar (including having equal rank) to the Notes for a period of 90 days after the date of the Purchase Agreement, without first obtaining the prior consent of Deutsche Bank AG, Singapore Branch.

Price Stabilization and Short Positions

In connection with the Offering, Deutsche Bank AG, Singapore Branch (the "Stabilization Manager") may engage in transactions that stabilize the market price of the Notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the Notes. If the Stabilization Manager creates a short position in the Notes in connection with the Offering by selling more Notes than are listed on the cover page of this offering memorandum, the Stabilization Manager may reduce that short position by purchasing the Notes in the open market. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor the Stabilization Manager make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Stabilization Manager make any representation that the Stabilization Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued in its sole discretion without notice.

Selling Restrictions

General

The Initial Purchasers have undertaken to us that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers the Notes or has in its possession or distributes this offering memorandum (in preliminary, proof or final form) or any other offering material related to the Notes.

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this Offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

Each Initial Purchaser has agreed that, except as permitted by the Purchase Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the Closing Date (the "distribution compliance period") within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the Closing Date, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the Offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made the acknowledgements, representations and agreements as described under "Transfer Restrictions."

The Purchase Agreement provides that each Initial Purchaser may directly or through its U.S. broker dealer affiliate arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

To the extent any Initial Purchaser intends to make any offers or sales of the Notes in the United States, or to nationals or residents of the United States, it will do so only through one or more registered broker-dealers in compliance with applicable securities laws and regulations, as well as with applicable laws of the various states.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each Initial Purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or "FSMA") received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

Each Initial Purchaser has represented and agreed that, in relation to each Member State of the European Economic Area (each, a "Relevant Member State"), it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may make an offer of the Notes to the public in the Relevant Member State at any time:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive or the purposes of this restriction, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each subscriber for or purchaser of the Notes in this Offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified an Initial Purchaser of such fact in writing may, with the consent of such Initial Purchaser, be permitted to subscribe for or purchase the Notes in this Offering.

Hong Kong

Each Initial Purchaser has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) (the "SFO") of Hong Kong and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Japan

Each Initial Purchaser has represented and agreed that the Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the "FIEA") and may not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Initial Purchaser has acknowledged, and each further purchaser appointed under the Offering will be required to acknowledge, that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (in the case of an accredited investor) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. pursuant to Section 276(7) of the SFA; or
5. pursuant to Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA: The Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "Corporations Act")) in relation to the Notes has been or will be lodged with the Australian Securities and Investments Commission ("ASIC"). Each Initial Purchaser has represented and agreed that it:

(a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this offering memorandum or any other offering material or advertisement relating to any Notes in Australia.

Any offer in Australia of the Notes under this document or otherwise may only be made to persons who are "sophisticated investors" (within the meaning of section 708(8) of the Australian Corporations Act), to "professional investors" (within the meaning of section 708(11) of the Australian Corporations Act) or otherwise pursuant to one or more exemptions under section 708 of the Australian Corporations Act so that it is lawful to offer the Notes in Australia without disclosure to investors under Part 6D.2 of the Australian Corporations Act.

Any offer for on-sale of the Notes (or any shares issued on conversion of the Notes) that is received in Australia within 12 months after their issue by the Issuer are likely to need prospectus disclosure to investors under Part 6D.2 of the Australian Corporations Act, unless such offer for on-sale in Australia is conducted in reliance on a prospectus disclosure exemption under section 708 of the Australian Corporations Act or otherwise. Any persons acquiring Notes (or any shares issued on conversion of Notes) should observe such Australian on-sale restrictions.

The Issuer is not licensed in Australia to provide financial product advice in relation to the Notes. Any advice contained in this document is general advice only. This document has been prepared without taking account of any investor's objectives, financial situation or needs, and before making an investment decision on the basis of this document, investors should consider the appropriateness of the information in this document, having regard to their own objectives, financial situation and needs. No cooling off period applies to an acquisition of the Notes.

Macau

The Notes may not be offered, sold or delivered to members of the public in Macau.

British Virgin Islands

The Notes may not be offered or sold in the British Virgin Islands.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

Other Relationships

The Initial Purchasers and certain of its affiliates have engaged in, and may in the future engage in, advisory and investment banking services and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, affiliates of certain Initial Purchasers act as coordinating lead arrangers, lenders and/or agent under the 2015 Credit Facilities, and global coordinators, joint lead managers and/or joint bookrunners with respect to the offering of the 2017 Notes, the 2019 Notes due 2026 and the 2019 Notes due 2027. An affiliate of Deutsche Bank AG, Singapore Branch is acting as the trustee with respect to the 2017 Notes, the 2019 Notes due 2026 and the 2019 Notes due 2027 and will act as the trustee with respect to the Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to (i) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in reliance on an exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act; or (ii) to persons other than U.S. persons (as defined in Rule 902 under the Securities Act) ("Foreign Purchasers") in offshore transactions in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the later of the commencement of this Offering and the closing date of this Offering an offer or sale of the Notes within the United States by a dealer (whether or not participating in this Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) You are not an "affiliate" (as defined in Rule 144A under the Securities Act) of the Issuer, you are not acting on behalf of the Issuer and you (A)(i) are a qualified institutional buyer, (ii) are aware that the sale to you is being made in reliance on Rule 144A, and (iii) are acquiring the Notes for your own account or for the account of a qualified institutional buyer or (B) are not a U.S. person (and are not purchasing the Notes for the account or benefit of a U.S. person) and are purchasing the Notes in an offshore transaction pursuant to Regulation S.

(2) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year (in the case of the Rule 144A Note) or 40 days (in the case of the Regulation S Note) after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer or any Subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act or (v) 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 Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(3) You acknowledge that none of the Issuer, the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than by the Group with respect to the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any persons representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to the indenture governing the Notes, the Notes and such financial and other information concerning the Issuer as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) You understand that the Notes will bear a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER FOR THE BENEFIT OF MELCO RESORTS FINANCE AND ANY OF ITS SUCCESSORS IN INTEREST (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION, (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY [RULE 144A] [REGULATION S] UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE DATE OF ORIGINAL ISSUE AND THE LAST DATE ON WHICH MELCO RESORTS FINANCE OR ANY AFFILIATE OF MELCO RESORTS FINANCE WAS THE OWNER OF THE NOTES (OR ANY PREDECESSOR THERETO) (THE "RESALE RESTRICTION TERMINATION DATE") RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR A BENEFICIAL INTEREST IN THIS NOTE EXCEPT (A) TO MELCO RESORTS FINANCE OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON THAT THE SELLER, AND ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION COMPLYING WITH RULE 144A UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. PROVIDED THAT MELCO RESORTS FINANCE, THE TRUSTEE AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (C) PRIOR TO THE END OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR PURSUANT TO CLAUSE (D) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THAT AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO MELCO RESORTS FINANCE, THE TRUSTEE AND THE REGISTRAR IS COMPLETED AND DELIVERED BY THE TRANSFEROR. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES," AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT;

If you purchase the Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(1) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth herein have been complied with.

(2) You acknowledge that:

(a) the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the Issuer and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.

(3) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

(4) If you are a person other than a Foreign Purchaser, you understand and agree that the Notes initially offered to qualified institutional buyers in reliance on Rule 144A will be represented by a Rule 144A Global Note, and that before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who is not a qualified institutional buyer, the transferee will be required to provide the trustee with a written certification (the form of which certification can be obtained from the trustee as to compliance with the transfer restriction referred to above).

(5) If you are a Foreign Purchaser in a sale that occurs outside the United States within the meaning of Regulation S under the Securities Act, you acknowledge that until the expiration of the "distribution compliance period" (as defined below), you shall not make any offer or sale of these Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act. The "distribution compliance period" means the 40 day period following the issue date for the Notes.

(6) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and under "Plan of Distribution."

LEGAL MATTERS

We are being represented by Latham & Watkins LLP with respect to legal matters of U.S. federal and New York law. Certain legal matters with respect to legal matters of U.S. federal and New York law in connection with this Offering will be passed upon for the Initial Purchasers by White & Case. Certain legal matters as to Cayman Islands law will be passed upon for us by Harney Westwood & Riegels. Certain legal matters as to Macau law will be passed upon for us by Manuela António—Lawyers and Notaries. Certain legal matters as to Cayman Islands law will be passed upon for the Initial Purchasers by Maples and Calder (Hong Kong) LLP. Certain legal matters as to Macau law will be passed upon for the Initial Purchasers by Henrique Saldanha—Advogados & Notários.

INDEPENDENT AUDITORS

The consolidated financial statements of Melco Resorts Finance Limited as of December 31, 2018 and 2017 and for the years then ended, included in the offering memorandum, have been audited by Ernst & Young, independent auditors, as stated in their reports appearing therein. The unaudited condensed consolidated financial statements for the nine months ended September 30, 2019 and 2018 have been reviewed by Ernst & Young, independent auditors.

The offices of Ernst & Young are located at 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.

MELCO RESORTS FINANCE LIMITED

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MELCO RESORTS FINANCE LIMITED

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data)

	September 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 724,172	$ 882,989
Accounts receivable, net	289,680	212,375
Amounts due from affiliated companies	340,830	228,933
Loan to an affiliated company	69,934	94,707
Inventories	26,447	25,042
Prepaid expenses and other current assets	52,524	46,108
Total current assets	1,503,587	1,490,154
PROPERTY AND EQUIPMENT, NET	2,875,062	2,973,673
GAMING SUBCONCESSION, NET	154,701	197,533
INTANGIBLE ASSETS	4,188	4,193
GOODWILL	81,278	81,376
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	62,015	74,691
ADVANCES TO AFFILIATED COMPANIES	1,613,550	1,019,246
OPERATING LEASE RIGHT-OF-USE ASSETS	49,294	—
LAND USE RIGHTS, NET	314,058	322,533
TOTAL ASSETS	$ 6,657,733	$ 6,163,399
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 17,395	$ 15,591
Accrued expenses and other current liabilities	1,220,691	1,377,916
Income tax payable	2,752	3,341
Operating lease liabilities, current	16,736	—
Current portion of long-term debt, net	584,173	44,304
Amounts due to affiliated companies	71,239	74,832
Total current liabilities	1,912,986	1,515,984
LONG-TERM DEBT, NET	2,370,263	2,404,258
OTHER LONG-TERM LIABILITIES	4,072	7,863
DEFERRED TAX LIABILITIES	11,351	11,654
OPERATING LEASE LIABILITIES, NON-CURRENT	38,315	—
ADVANCE FROM AN AFFILIATED COMPANY	2,074	1,953
TOTAL LIABILITIES	4,339,061	3,941,712
COMMITMENTS AND CONTINGENCIES (Note 12)		
SHAREHOLDER'S EQUITY		
Ordinary shares, par value $0.01; 5,000,000 shares authorized; 1,202 shares issued	—	—
Additional paid-in capital	1,849,785	1,849,785
Accumulated other comprehensive losses	(20,847)	(15,162)
Retained earnings	489,734	387,064
Total shareholder's equity	2,318,672	2,221,687
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 6,657,733	$ 6,163,399

The accompanying notes are an integral part of these condensed consolidated financial statements.

MELCO RESORTS FINANCE LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands of U.S. dollars)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
OPERATING REVENUES		
Casino	$ 3,365,097	$ 2,937,892
Rooms	151,261	115,917
Food and beverage	84,489	63,169
Entertainment, retail and other	223,558	231,887
Total operating revenues	3,824,405	3,348,865
OPERATING COSTS AND EXPENSES		
Casino	(2,282,871)	(2,063,051)
Rooms	(44,016)	(33,705)
Food and beverage	(72,732)	(57,985)
Entertainment, retail and other	(45,845)	(49,117)
General and administrative	(655,702)	(601,476)
Pre-opening costs	(55)	(32,691)
Amortization of gaming subconcession	(42,601)	(42,928)
Amortization of land use rights	(8,087)	(8,148)
Depreciation and amortization	(211,503)	(160,900)
Property charges and other	(5,747)	(11,993)
Total operating costs and expenses	(3,369,159)	(3,061,994)
OPERATING INCOME	455,246	286,871
NON-OPERATING INCOME (EXPENSES)		
Interest income	1,772	1,983
Interest expenses, net of capitalized interest	(95,145)	(34,505)
Loan commitment fees	(1,362)	(3,440)
Foreign exchange losses, net	(21,373)	(3,076)
Other income, net	—	2
Total non-operating expenses, net	(116,108)	(39,036)
INCOME BEFORE INCOME TAX	339,138	247,835
INCOME TAX EXPENSE	(1,468)	(2,548)
NET INCOME	$ 337,670	$ 245,287

The accompanying notes are an integral part of these condensed consolidated financial statements.

MELCO RESORTS FINANCE LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In thousands of U.S. dollars)

	Nine Months Ended September 30,	
	2019	2018
Net income	$ 337,670	$ 245,287
Other comprehensive loss:		
Foreign currency translation adjustments, before and after tax	(5,685)	—
Other comprehensive loss	(5,685)	—
Comprehensive income	$ 331,985	$ 245,287

The accompanying notes are an integral part of these condensed consolidated financial statements.

MELCO RESORTS FINANCE LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY (UNAUDITED)
(In thousands of U.S. dollars, except share and per share data)

	Ordinary Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Losses)	Retained Earnings	Total Shareholder's Equity
	Shares	Amount				
BALANCE AT JANUARY 1, 2018	1,202	$ —	$ 1,849,785	$ 2,635	$ 413,884	$ 2,266,304
Cumulative-effect adjustment upon adoption of New Revenue Standard	—	—	—	—	(8,350)	(8,350)
Net income for the period	—	—	—	—	245,287	245,287
Dividends declared	—	—	—	—	(340,000)	(340,000)
BALANCE AT SEPTEMBER 30, 2018	1,202	$ —	$ 1,849,785	$ 2,635	$ 310,821	$ 2,163,241
BALANCE AT JANUARY 1, 2019	1,202	$ —	$ 1,849,785	$ (15,162)	$ 387,064	$ 2,221,687
Foreign currency translation adjustments	—	—	—	(5,685)	—	(5,685)
Net income for the period	—	—	—	—	337,670	337,670
Dividends declared	—	—	—	—	(235,000)	(235,000)
BALANCE AT SEPTEMBER 30, 2019	1,202	$ —	$ 1,849,785	$ (20,847)	$ 489,734	$ 2,318,672

The accompanying notes are an integral part of these condensed consolidated financial statements.

MELCO RESORTS FINANCE LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands of U.S. dollars)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	$ 290,096	$ 515,824
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to affiliated companies	(630,923)	(390,875)
Payments for acquisition of property and equipment	(120,890)	(270,016)
Deposits for acquisition of property and equipment	(18,274)	(23,671)
Proceeds from sale of property and equipment	810	443
Repayment of advance to an affiliated company	20,000	—
Repayment of loan to an affiliated company	23,478	—
Loan to an affiliated company	—	(5,325)
Net cash used in investing activities	(725,799)	(689,444)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(1,134,169)	(33,836)
Dividends paid	(235,000)	(340,000)
Payments of deferred financing costs	(11,819)	—
Principal payments on finance lease liabilities	(46)	(71)
Funds from an affiliated company	8,819	6,127
Proceeds from long-term debt	1,650,166	390,875
Net cash provided by financing activities	277,951	23,095
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	(1,065)	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(158,817)	(150,525)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	882,989	837,305
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 724,172	$ 686,780
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Cash paid for interest, net of amounts capitalized	$ (57,879)	$ (10,248)
Cash paid for income taxes	(2,340)	—
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows from operating leases	(15,955)	—
Operating lease liabilities arising from obtaining operating lease right-of-use assets	4,109	—
Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment	23,210	49,154
Deferred financing costs included in accrued expenses and other current liabilities	2,287	—

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. COMPANY INFORMATION

Melco Resorts Finance Limited ("Melco Resorts Finance") was incorporated in the Cayman Islands. Melco Resorts Finance together with its subsidiaries (collectively referred to as the "Company") is a developer, owner and through its subsidiary, Melco Resorts (Macau) Limited ("Melco Resorts Macau" together with its remaining subsidiaries collectively hereafter referred to as the "Gaming Group"), operator of casino gaming and entertainment casino resort facilities in the Macau Special Administrative Region of the People's Republic of China ("Macau").

The Company currently operates Altira Macau, a casino hotel located at Taipa, Macau, City of Dreams, an integrated urban casino resort located at Cotai, Macau, Studio City Casino, a casino located at Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau developed by affiliated companies of the Company, Grand Dragon Casino, a casino located at Taipa, Macau, and Mocha Clubs, non-casino based operations of electronic gaming machines in Macau.

As of September 30, 2019 and December 31, 2018, Melco Resorts Finance's sole shareholder is Melco Resorts & Entertainment Limited ("Melco"), a company incorporated in the Cayman Islands. Melco's American depositary shares are listed on the NASDAQ Global Select Market in the United States of America. As of September 30, 2019 and December 31, 2018, 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 Melco.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles for interim financial reporting. The results of operations for the nine months ended September 30, 2019 and 2018 are not necessarily indicative of expected results for the full year. The financial information as of December 31, 2018 presented in these condensed consolidated financial statements is derived from the Company's consolidated financial statements as of December 31, 2018.

The accompanying condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments consisting only of normal recurring adjustments, which are necessary for a fair presentation of financial results of such periods.

The accompanying condensed consolidated financial statements include the accounts of Melco Resorts Finance and its subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation.

The accompanying condensed consolidated financial statements have been prepared using the same accounting policies as used in the preparation of the Company's consolidated financial statements for the year ended December 31, 2018, except as otherwise disclosed in Note 2(g).

(b) Accounts Receivable and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino receivables. The Company 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, which receivables can be offset against commissions payable and any other value items held by the Company to the respective customers and for which the Company intends to set off when required. As of September 30, 2019 and December 31, 2018, a substantial portion of the Company's markers were due from customers and gaming promoters residing in foreign countries. Business or economic

(In thousands of U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(b) Accounts Receivable and Credit Risk—continued

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 Company's receivables to 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 September 30, 2019 and December 31, 2018, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

(c) Revenue Recognition

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 Company 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:

	September 30, 2019	December 31, 2018	Increase (decrease)
Outstanding gaming chips and tokens	$ 519,656	$ 566,796	$ (47,140)
Loyalty program liabilities	34,875	42,810	(7,935)
Advance customer deposits and ticket sales	245,271	366,502	(121,231)
	$ 799,802	$ 976,108	$ (176,306)

(d) Gaming Taxes

The Company is subject to taxes based on gross gaming revenue and other metrics in Macau. The gaming taxes are determined mainly from an assessment of the Company's gaming revenue and are recognized as casino expense in the accompanying condensed consolidated statements of operations. These taxes totaled $1,762,477 and $1,605,261 for the nine months ended September 30, 2019 and 2018, respectively.

(e) Leases

On January 1, 2019, the Company adopted the Accounting Standard Codification 842, *Leases,* using the modified retrospective method. At the inception of the contract or upon modification, the Company

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(e) **Leases**—continued

will perform an assessment as to whether the contract is a lease or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. A lessee has control of an identified asset if it has both the right to direct the use of the asset and the right to receive substantially all of the economic benefits from the use of the asset.

Finance and operating lease right-of-use assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The initial measurement of the right-of-use assets also includes any prepaid lease payments and any initial direct costs incurred, and is reduced by any lease incentive received. For leases where the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The expected lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such option. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease term. Leases with an expected term of 12 months or less are not accounted for on the balance sheet and the related lease expense is recognized on a straight-line basis over the expected lease term.

The Company's lease contracts have lease and non-lease components. For contracts in which the Company is a lessee, the Company accounts for the lease components and non-lease components as a single lease component for all classes of underlying assets, except for real estate. For contracts in which the Company is a lessor, are all accounted for as operating leases, and the lease components and non-lease components are accounted for separately.

The major changes from the previous basis, as a result of the adoption of the new leases standard are summarized in Note 2(g).

(f) **Comprehensive Income and Accumulated Other Comprehensive Losses**

Comprehensive income includes net income and foreign currency translation adjustments and is reported in the accompanying condensed consolidated statements of comprehensive income.

As of September 30, 2019 and December 31, 2018, the Company's accumulated other comprehensive losses consisted solely of foreign currency translation adjustments.

(g) **Recent Changes in Accounting Standards**

Newly Adopted Accounting Pronouncements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update (as subsequently amended) on leases, which amends various aspects of existing accounting guidance for leases ("New Leases Standard"). 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 standard also requires more detailed disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases.

On January 1, 2019, the Company adopted the New Leases Standard using the modified retrospective method without restating comparative information. The Company has elected the package of practical expedients, which allows the Company 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. As a result of adoption, the Company recognized $58,874 of operating right-of-use assets and $65,158 of operating lease liabilities as of January 1, 2019. The adoption of this guidance did not have a material impact on net income or cash flows.

(In thousands of U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(g) **Recent Changes in Accounting Standards**—continued

Recent Accounting Pronouncements Not Yet Adopted:

In June 2016, the FASB issued an accounting standard update which replaces the incurred loss impairment methodology in current U.S. generally accepted accounting principles with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective for interim and fiscal years beginning after December 15, 2019, with early adoption permitted. The guidance should be applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date. While management is currently assessing the potential impact of adopting this guidance on the Company's condensed consolidated financial statements, management does not expect it will have a material impact.

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, 2020, with early adoption permitted. The guidance should be applied prospectively. Management is currently assessing the potential impact of adopting this guidance on the Company's condensed consolidated financial statements. The adoption of this guidance would only impact the Company's condensed consolidated financial statements in situations where an impairment of a reporting unit's assets is determined and the measurement of the impairment charge.

3. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable, net are as follows:

	September 30, 2019	December 31, 2018
Casino	$ 501,195	$ 404,076
Hotel	2,182	3,395
Other	993	4,506
Sub-total	504,370	411,977
Less: allowances for doubtful debts	(214,690)	(199,602)
	$ 289,680	$ 212,375

During the nine months ended September 30, 2019 and 2018, the Company has made additional (credit) provision for doubtful debts of $18,808 and $(17,533), respectively, and $4,626 and $1,149 were written off during the nine months ended September 30, 2019 and 2018, respectively.

4. PROPERTY AND EQUIPMENT, NET

	September 30, 2019	December 31, 2018
Cost	$ 5,034,548	$ 4,969,048
Less: accumulated depreciation and amortization	(2,159,486)	(1,995,375)
Property and equipment, net	$ 2,875,062	$ 2,973,673

(In thousands of U.S. dollars, except share and per share data)

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	September 30, 2019	December 31, 2018
Outstanding gaming chips and tokens	$ 519,656	$ 566,796
Advance customer deposits and ticket sales	245,271	366,502
Gaming tax accruals	205,176	190,732
Staff cost accruals	82,358	86,080
Operating expense and other accruals and liabilities	49,306	53,360
Property and equipment payables	36,390	47,609
Loyalty program liabilities	34,875	42,810
Interest expenses payable	33,354	4,891
Construction costs payables	14,305	19,136
	$ 1,220,691	$ 1,377,916

6. LONG-TERM DEBT, NET

Long-term debt, net consisted of the following:

	September 30, 2019	December 31, 2018
2015 Credit Facilities (net of unamortized deferred financing costs of $3,014 and $4,428, respectively)(1)	$ 888,679	$ 1,471,466
2017 Senior Notes, due 2025 (net of unamortized deferred financing costs and original issue premiums of $20,610 and $22,904, respectively)	979,390	977,096
2019 5.250% Senior Notes, due 2026 (net of unamortized deferred financing costs of $6,144)	493,856	—
2019 5.625% Senior Notes, due 2027 (net of unamortized deferred financing costs of $7,489)	592,511	—
	2,954,436	2,448,562
Current portion of long-term debt (net of unamortized deferred financing costs of $384 and $515, respectively)	(584,173)	(44,304)
	$ 2,370,263	$ 2,404,258

Note

As of September 30, 2019 and December 31, 2018, the unamortized deferred financing costs related to the 2015 Revolving Credit Facility of the 2015 Credit Facilities of $5,370 and nil are included in prepaid expenses and other current assets, and nil and $10,032 are included in long-term prepayments, deposits and other assets, in the accompanying condensed consolidated balance sheets, respectively.

2015 Credit Facilities

As of September 30, 2019, the 2015 Term Loan Facility had been fully drawn down with an outstanding principal amount of HK$2,759,250,000 (equivalent to $351,901).

During the nine months ended September 30, 2019, part of the 2015 Revolving Credit Facility of HK$4,317,500,000 (equivalent to $550,166) was drawn down. On April 26, 2019, Melco Resorts Finance completed the issuance of the 2019 5.250% Senior Notes in aggregate principal amount of $500,000 (priced at 100%) (as described below), of which the net proceeds together with cash on hand were used to repay part of the 2015 Revolving Credit Facility of HK$3,983,000,000 (equivalent to $507,777), together with accrued interest and associated costs on May 8, 2019. On July 17, 2019, Melco Resorts Finance completed the issuance of the 2019 5.625% Senior Notes in aggregate principal amount of $600,000 (priced at 100%) (as described below), of which the net proceeds together with cash on hand were used to repay part of the

6. LONG-TERM DEBT, NET—continued

2015 Credit Facilities—continued

2015 Revolving Credit Facility of HK$4,638,000,000 (equivalent to $592,792), together with accrued interest and associated costs on July 24, 2019. As of September 30, 2019, the outstanding principal amount under the 2015 Revolving Credit Facility was HK$4,232,500,000 (equivalent to $539,792). The 2015 Revolving Credit Facility of HK$5,517,500,000 (equivalent to $703,674) remains available for future drawdown as of September 30, 2019.

2019 5.250% Senior Notes

On April 26, 2019, Melco Resorts Finance issued $500,000 in aggregate principal amount of 5.250% senior notes due 2026 and priced at 100% (the "2019 5.250% Senior Notes"). The 2019 5.250% Senior Notes mature on April 26, 2026 and the interest on the 2019 5.250% Senior Notes is accrued at a rate of 5.250% per annum, payable semi-annually in arrears on April 26 and October 26 of each year, commenced on October 26, 2019. The 2019 5.250% 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, 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 to the indebtedness of Melco Resorts Finance's subsidiaries.

The Company used the net proceeds from the offering of the 2019 5.250% Senior Notes to fund the partial repayment of the 2015 Revolving Credit Facility on May 8, 2019 (as described above).

Melco Resorts Finance has the option to redeem all or a portion of the 2019 5.250% Senior Notes at any time prior to April 26, 2022, at a "make-whole" redemption price. On or after April 26, 2022, Melco Resorts Finance has the option to redeem all or a portion of the 2019 5.250% 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 2019 5.250% Senior Notes with the net cash proceeds from one or more equity offerings at a fixed redemption price at any time prior to April 26, 2022. 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 2019 5.250% 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 2019 5.250% Senior Notes will have the right to require Melco Resorts Finance to repurchase all or any part of such holder's 2019 5.250% Senior Notes at a fixed redemption price.

The indenture governing the 2019 5.250% 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 2019 5.250% Senior Notes also contains conditions and events of default customary for such financings.

2019 5.625% Senior Notes

On July 17, 2019, Melco Resorts Finance issued $600,000 in aggregate principal amount of 5.625% senior notes due 2027 and priced at 100% (the "2019 5.625% Senior Notes"). The 2019 5.625% Senior Notes mature on July 17, 2027 and the interest on the 2019 5.625% Senior Notes is accrued at a rate of 5.625% per annum, payable semi-annually in arrears on January 17 and July 17 of each year, commencing on January 17, 2020. The 2019 5.625% 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, 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 to the indebtedness of Melco Resorts Finance's subsidiaries.

The Company used the net proceeds from the offering of the 2019 5.625% Senior Notes to fund the partial repayment of the 2015 Revolving Credit Facility on July 24, 2019 (as described above).

6. LONG-TERM DEBT, NET—continued

2019 5.625% Senior Notes—continued

Melco Resorts Finance has the option to redeem all or a portion of the 2019 5.625% Senior Notes at any time prior to July 17, 2022, at a "make-whole" redemption price. On or after July 17, 2022, Melco Resorts Finance has the option to redeem all or a portion of the 2019 5.625% 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 2019 5.625% Senior Notes with the net cash proceeds from one or more equity offerings at a fixed redemption price at any time prior to July 17, 2022. 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 2019 5.625% 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 2019 5.625% Senior Notes will have the right to require Melco Resorts Finance to repurchase all or any part of such holder's 2019 5.625% Senior Notes at a fixed redemption price.

The indenture governing the 2019 5.625% 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 2019 5.625% Senior Notes also contains conditions and events of default customary for such financings.

During the nine months ended September 30, 2019, other than the above, there is no significant change to the long-term debt as disclosed in the Company's consolidated financial statements as of December 31, 2018.

7. FAIR VALUE MEASUREMENTS

The carrying values of cash and cash equivalents approximated fair value and were classified as level 1 in the fair value hierarchy. The 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 September 30, 2019 and December 31, 2018, which included the 2019 5.250% Senior Notes, 2019 5.625% Senior Notes, 2017 Senior Notes and the 2015 Credit Facilities, were approximately $3,031,417 and $2,391,874, respectively, as compared to its carrying value, excluding unamortized deferred financing costs and original issue premiums, of $2,991,693 and $2,475,894, respectively. Fair value was estimated using quoted market price and was classified as level 1 in the fair value hierarchy for the 2019 5.250% Senior Notes, 2019 5.625% Senior Notes and 2017 Senior Notes. Fair value for the 2015 Credit Facilities approximated the carrying value as the instruments carried variable interest rates approximated the market rate and was classified as level 2 in the fair value hierarchy. Additionally, the carrying value of loan to an affiliated company approximated fair value as the instruments carried variable interest rate approximated the market rate and was classified as level 2 in the fair value hierarchy.

As of September 30, 2019 and December 31, 2018, the Company did not have any non-financial assets or liabilities that were recognized or disclosed at fair value in the accompanying condensed consolidated financial statements.

8. CAPITAL STRUCTURE

As of September 30, 2019 and December 31, 2018, Melco Resorts Finance had authorized shares of 5,000,000 at par value of $0.01 per share and with 1,202 ordinary shares issued at par value of $0.01 per share.

(In thousands of U.S. dollars, except share and per share data)

9. INCOME TAXES

The income tax expense consisted of:

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Income tax expense—current:		
Macau Complementary Tax	$ —	$ 401
Lump sum in lieu of Macau Complementary Tax on dividends	1,756	1,769
Sub-total	1,756	2,170
Under provision of income taxes in prior years:		
Macau Complementary Tax	—	670
Income tax credit—deferred:		
Macau Complementary Tax	(288)	(292)
Total income tax expense	$ 1,468	$ 2,548

The effective tax rates for the nine months ended September 30, 2019 and 2018 were 0.4% and 1.0%, respectively. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations being exempted from Macau Complementary Tax, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefit is receivable and the effect of income for which no income tax expense is payable for the nine months ended September 30, 2019 and 2018.

As of September 30, 2019 and December 31, 2018, valuation allowances of $54,822 and $42,807 were provided, respectively, as management believes it is more likely than not that these deferred tax assets will not be realized.

As of September 30, 2019, other than the above, there was no significant change to the tax exposures as disclosed in the Company's consolidated financial statements as of December 31, 2018.

10. DIVIDENDS

During the nine months ended September 30, 2019 and 2018, the Sole Director of Melco Resorts Finance declared dividends of $195,507.49 per share totaling $235,000, and $282,861.90 per share totaling $340,000, respectively, and recorded such amount as distributions against retained earnings.

On October 22, 2019 and November 6, 2019, the Sole Director of Melco Resorts Finance declared dividends of $83,194.68 per share and $54,076.54 per share, respectively, totaling $165,000 and recorded such amount as distributions against retained earnings.

11. LEASES

Lessee Arrangements

The Company is the lessee under operating leases for equipment and real estate, including Mocha Clubs sites, office space, warehouses, staff quarters, and certain parcels of land in Macau on which Altira Macau and City of Dreams are located, and, to a lesser extent, is the lessee under finance leases. 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 Company and its lessor and in some cases contingent rental expenses stated as a percentage of turnover. Certain leases include options to extend the lease term and options to terminate the lease term. The land concession contracts in Macau have a term of 25 years, which is renewable for further consecutive period of 10 years, subject to applicable legislation in Macau. The estimated term related to the land concession contracts in Macau is 40 years.

(In thousands of U.S. dollars, except share and per share data)

11. LEASES—continued

Lessee Arrangements—continued

The components of lease cost are as follows:

	Nine Months Ended September 30, 2019
Operating lease cost:	
Amortization of land use rights	$ 8,087
Operating lease cost	15,432
Short-term lease cost	254
Variable lease cost	6,957
Total lease cost	$ 30,730

Other information related to lease term and discount rate is as follows:

	September 30, 2019
Weighted average remaining lease term	
Operating leases	17.1 years
Weighted average discount rate	
Operating leases	4.2%

Maturities of lease liabilities are as follows:

	Operating Leases
Year ending December 31:	
2019 (excluding the nine months ended September 30, 2019)	$ 7,277
2020	12,529
2021	12,294
2022	6,574
2023	1,410
Over 2023	35,336
Total future minimum lease payments	75,420
Less: amount representing interest	(20,369)
Present value of future minimum lease payments	55,051
Current portion	(16,736)
Non-current portion	$ 38,315

Lessor Arrangements

The Company is the lessor under non-cancellable operating leases mainly for mall spaces in the site of City of Dreams with various retailers that expire at various dates through October 2027. Certain of the operating leases include minimum base fees with contingent fee clauses based on a percentage of turnover.

During the nine months ended September 30, 2019, the Company earned minimum operating lease income of $25,535 and contingent operating lease income of $4,491.

(In thousands of U.S. dollars, except share and per share data)

11. LEASES—continued

Lessor Arrangements—continued

Future minimum fees, excluding the contingent fees to be received under non-cancellable operating leases were as follows:

Year ending December 31:	
2019 (excluding the nine months ended September 30, 2019)	$ 9,245
2020	36,824
2021	36,241
2022	36,453
2023	37,920
Over 2023	101,037
	$257,720

12. COMMITMENTS AND CONTINGENCIES

(a) **Capital Commitments**

As of September 30, 2019, the Company had capital commitments contracted for but not incurred mainly for the acquisition of property and equipment for City of Dreams totaling $36,197.

(b) **Other Commitments**

Other than changes related to the adoption of the New Leases Standard disclosed in Note 2(g) and Note 11, there was no significant change to other commitments as of September 30, 2019 as disclosed in the Company's consolidated financial statements as of December 31, 2018.

(c) **Guarantees**

As of September 30, 2019, there was no significant change to the guarantees as disclosed in the Company's consolidated financial statements as of December 31, 2018.

(d) **Pledged Assets**

As of September 30, 2019, there was no change to the pledged assets as disclosed in the Company's consolidated financial statements as of December 31, 2018.

(e) **Litigation**

As of September 30, 2019, the Company was a party to certain 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 Company's condensed consolidated financial statements as a whole.

(In thousands of U.S. dollars, except share and per share data)

13. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2019 and 2018, the Company entered into the following significant related party transactions:

Related companies	Nature of transactions	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Transactions with affiliated companies			
Melco International's subsidiaries	**Revenue and income (services provided by the Company):**		
	Management fee and other service fee income	$ 136,045	$ 105,264
	Design and construction service fee income for Cyprus Project(2)	848	1,588
	Loan interest income	1,165	1,441
	Costs and expenses (services provided to the Company)		
	Payment under Services and Right to Use Arrangements(1)	288,225	250,623
	Management fee expense	149,855	104,745
	Purchase of goods and services	70,375	63,989
	Transportation service fee expense	15,104	17,784
	Sale and purchase of assets:		
	Transfer-out of economic benefits of Studio City Gaming Assets	6,564	7,201
	Purchase of property and equipment	214	2,709
A subsidiary of MECOM Power and Construction Limited ("MECOM")(3)(4)	**Costs and expenses (services provided to the Company)**		
	Consultancy fee expense	5,229	6,435
	Purchase of assets:		
	Construction work performed and recognized as property and equipment	1,805	8,321

Notes

(1) Payment to an affiliated company for services and right to use arrangements performed pursuant to a services and right to use agreement dated May 11, 2007, as amended on June 15, 2012, together with related agreements entered into between Melco Resorts Macau and Studio City Entertainment Limited, an affiliated company of the Company which is majority-owned by Melco (the "Services and Right to Use Arrangements"), under which Melco Resorts Macau operates the Studio City Casino. Melco Resorts Macau deducts gaming tax and the costs incurred in connection with the operations of Studio City Casino pursuant to the Services and Right to Use Arrangements from Studio City Casino's gross gaming revenues. Melco Resorts Macau paid the residual gross gaming revenues and recognizes these amounts as payment to an affiliated company under the Services and Right to Use Arrangements.

(2) The amount mainly represents management fee income for design and construction services provided by the Company 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").

(3) A company in which Mr. Lawrence Yau Lung Ho, Melco's Chief Executive Officer, has a shareholding interest of approximately 20%.

(In thousands of U.S. dollars, except share and per share data)

13. RELATED PARTY TRANSACTIONS—continued

(4) In July 2018, the Company 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 Company, 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 contract amount of HK$600,000,000 (equivalent to $76,613). The amounts included the services provided by EHY Construction of $7,034 and $14,756 during the nine months ended September 30, 2019 and 2018, respectively.

Commitments with Related Party

As of September 30, 2019, the Company had capital commitments contracted but not incurred with a subsidiary of MECOM totaling $1,114.

(a) **Amounts Due from Affiliated Companies**

As of September 30, 2019 and December 31, 2018, the outstanding balances of amounts due from affiliated companies, Melco International and its subsidiaries, are $340,830 and $228,933, respectively, and are unsecured, non-interest bearing and repayable on demand.

(b) **Amounts Due to Affiliated Companies**

The outstanding balances of amounts due to affiliated companies as of September 30, 2019 and December 31, 2018, are unsecured, non-interest bearing and repayable on demand with details as follows:

	September 30, 2019	December 31, 2018
Melco International's subsidiaries	$ 67,639	$ 70,125
MECOM's subsidiaries	3,600	4,707
	$ 71,239	$ 74,832

(c) **Loan to An Affiliated Company**

As of September 30, 2019 and December 31, 2018, the outstanding balances of loan to a Taiwan Branch of an affiliated company of $69,934 and $94,707, respectively, for investment purposes, are unsecured, repayable on demand and interest bearing at an agreed rate not higher than 15% per annum. The agreed rate as of September 30, 2019 and December 31, 2018 is 2% per annum.

(d) **Advances to/from Affiliated Companies**

As of September 30, 2019 and December 31, 2018, the outstanding balances of advances to affiliated companies, Melco and its subsidiaries, are $1,613,550 and $1,019,246, respectively. The amounts mainly related to funds advance for working capital purposes.

As of September 30, 2019 and December 31, 2018, the outstanding balances of advance from an affiliated company, a subsidiary of Melco, are $2,074 and $1,953, respectively. The amounts mainly related to funds advance for working capital purposes.

The outstanding balances of advances to/from affiliated companies, as mentioned above, are unsecured and non-interest bearing. No part of the amounts will be repayable within the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current assets or non-current liabilities in the accompanying condensed consolidated balance sheets.

(In thousands of U.S. dollars, except share and per share data)

14. SEGMENT INFORMATION

The Company is principally engaged in the gaming and hospitality business. The Company monitors its operations and evaluates earnings by reviewing the assets and operations of Mocha Clubs, Altira Macau and City of Dreams. Studio City Casino and Grand Dragon Casino are included in the Corporate and Other category.

The Company's segment information for capital expenditures is as follows:

Capital Expenditures

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Macau:		
Mocha Clubs	$ 4,657	$ 6,463
Altira Macau	13,222	20,132
City of Dreams	93,705	265,431
Sub-total	111,584	292,026
Corporate and Other	6,478	7,237
Total capital expenditures	$ 118,062	$ 299,263

The Company's segment information and reconciliation to net income is as follows:

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
OPERATING REVENUES		
Macau:		
Mocha Clubs	$ 89,578	$ 86,935
Altira Macau	351,532	333,981
City of Dreams	2,376,459	1,905,812
Sub-total	2,817,569	2,326,728
Corporate and Other	1,006,836	1,022,137
Total operating revenues	$ 3,824,405	$ 3,348,865
ADJUSTED PROPERTY EBITDA[1]		
Macau:		
Mocha Clubs	$ 17,583	$ 16,747
Altira Macau	37,767	35,380
City of Dreams	724,306	543,086
Total adjusted property EBITDA	779,656	595,213
OPERATING COSTS AND EXPENSES		
Pre-opening costs	(55)	(32,691)
Amortization of gaming subconcession	(42,601)	(42,928)
Amortization of land use rights	(8,087)	(8,148)
Depreciation and amortization	(211,503)	(160,900)
Property charges and other	(5,747)	(11,993)
Corporate and Other expenses	(56,417)	(51,682)
Total operating costs and expenses	(324,410)	(308,342)
OPERATING INCOME	455,246	286,871

(In thousands of U.S. dollars, except share and per share data)

14. SEGMENT INFORMATION—continued

	Nine Months Ended September 30,	
	2019	2018
NON-OPERATING INCOME (EXPENSES)		
Interest income	1,772	1,983
Interest expenses, net of capitalized interest	(95,145)	(34,505)
Loan commitment fees	(1,362)	(3,440)
Foreign exchange losses, net	(21,373)	(3,076)
Other income, net	—	2
Total non-operating expenses, net	(116,108)	(39,036)
INCOME BEFORE INCOME TAX	339,138	247,835
INCOME TAX EXPENSE	(1,468)	(2,548)
NET INCOME	$ 337,670	$ 245,287

Note

(1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, pre-opening costs, property charges and other, Corporate and Other expenses, and other non-operating income and expenses. The Company uses Adjusted property EBITDA to measure the operating performance of Mocha Clubs, Altira Macau and City of Dreams and to compare the operating performance of its properties with those of its competitors.

15. SUBSEQUENT EVENTS

In preparing these condensed consolidated financial statements, the Company has evaluated events and transactions for potential recognition and disclosure through November 25, 2019, the date these condensed consolidated financial statements were available to be issued.

REPORT OF INDEPENDENT AUDITORS

To the Shareholder and the Sole Director of Melco Resorts Finance Limited:

We have audited the accompanying consolidated financial statements of Melco Resorts Finance Limited which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, shareholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Melco Resorts Finance Limited at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Standard

As discussed in Note 2(u) 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, effectively January 1, 2018, using the modified retrospective approach.

/s/ Ernst & Young
Hong Kong
April 16, 2019

MELCO RESORTS FINANCE LIMITED

CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data)

	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 882,989	$ 837,305
Accounts receivable, net	212,375	147,590
Amounts due from affiliated companies	228,933	227,354
Loan to an affiliated company	94,707	92,730
Inventories	25,042	18,283
Prepaid expenses and other current assets	46,108	52,492
Total current assets	1,490,154	1,375,754
PROPERTY AND EQUIPMENT, NET	2,973,673	2,870,952
GAMING SUBCONCESSION, NET	197,533	256,083
INTANGIBLE ASSETS	4,193	4,220
GOODWILL	81,376	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	74,691	96,256
ADVANCES TO AFFILIATED COMPANIES	1,019,246	—
LAND USE RIGHTS, NET	322,533	335,535
TOTAL ASSETS	$ 6,163,399	$ 5,020,715
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 15,591	$ 10,580
Accrued expenses and other current liabilities	1,377,869	1,235,844
Income tax payable	3,341	62
Capital lease obligations, due within one year	47	100
Current portion of long-term debt, net	44,304	44,396
Amounts due to affiliated companies	74,832	73,282
Total current liabilities	1,515,984	1,364,264
LONG-TERM DEBT, NET	2,404,258	1,356,475
OTHER LONG-TERM LIABILITIES	7,863	18,640
DEFERRED TAX LIABILITIES	11,654	12,120
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR	—	47
AMOUNTS DUE TO AFFILIATED COMPANIES	—	919
ADVANCE FROM AN AFFILIATED COMPANY	1,953	1,946
TOTAL LIABILITIES	3,941,712	2,754,411
COMMITMENTS AND CONTINGENCIES (Note 17)		
SHAREHOLDER'S EQUITY		
Ordinary shares, par value $0.01; 5,000,000 shares authorized; 1,202 shares issued	—	—
Additional paid-in capital	1,849,785	1,849,785
Accumulated other comprehensive (losses) income	(15,162)	2,635
Retained earnings	387,064	413,884
Total shareholder's equity	2,221,687	2,266,304
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 6,163,399	$ 5,020,715

The accompanying notes are an integral part of the consolidated financial statements.

MELCO RESORTS FINANCE LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
OPERATING REVENUES		
Casino	$ 4,043,641	$ 4,333,533
Rooms	169,648	130,267
Food and beverage	90,446	77,868
Entertainment, retail and other	294,667	302,998
Gross revenues	4,598,402	4,844,666
Less: promotional allowances	—	(159,897)
Net revenues	4,598,402	4,684,769
OPERATING COSTS AND EXPENSES		
Casino	(2,818,253)	(3,083,392)
Rooms	(49,027)	(15,005)
Food and beverage	(82,268)	(24,323)
Entertainment, retail and other	(66,173)	(59,692)
General and administrative	(794,219)	(720,956)
Pre-opening costs	(32,694)	(2,035)
Amortization of gaming subconcession	(56,809)	(57,237)
Amortization of land use rights	(10,785)	(10,867)
Depreciation and amortization	(229,301)	(191,935)
Property charges and other	(12,617)	(5,968)
Total operating costs and expenses	(4,152,146)	(4,171,410)
OPERATING INCOME	446,256	513,359
NON-OPERATING INCOME (EXPENSES)		
Interest income	2,478	574
Interest expenses, net of capitalized interest	(57,802)	(37,958)
Loan commitment fees	(3,870)	(4,819)
Foreign exchange (losses) gains, net	(2,628)	9,454
Other income, net	2	101
Loss on extinguishment of debt	—	(48,398)
Costs associated with debt modification	—	(2,793)
Total non-operating expenses, net	(61,820)	(83,839)
INCOME BEFORE INCOME TAX	384,436	429,520
INCOME TAX (EXPENSE) CREDIT	(2,906)	2,071
NET INCOME	$ 381,530	$ 431,591

The accompanying notes are an integral part of the consolidated financial statements.

MELCO RESORTS FINANCE LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)

	December 31,	
	2018	2017
Net income	$ 381,530	$ 431,591
Other comprehensive loss:		
Foreign currency translation adjustments, before and after tax	(17,797)	—
Other comprehensive loss	(17,797)	—
Comprehensive income	$ 363,733	$ 431,591

The accompanying notes are an integral part of the consolidated financial statements.

MELCO RESORTS FINANCE LIMITED

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(In thousands of U.S. dollars, except share and per share data)

	Ordinary Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Losses)	Retained Earnings	Total Shareholder's Equity
	Shares	Amount				
BALANCE AT JANUARY 1, 2017	1,202	$ —	$ 1,849,785	$ 2,635	$ 1,339,059	$ 3,191,479
Net income for the year	—	—	—	—	431,591	431,591
Dividends declared	—	—	—	—	(1,356,766)	(1,356,766)
BALANCE AT DECEMBER 31, 2017	1,202	—	1,849,785	2,635	413,884	2,266,304
Cumulative-effect adjustment upon adoption of New Revenue Standard (as disclosed in Note 2(u))	—	—	—	—	(8,350)	(8,350)
Foreign currency translation adjustment	—	—	—	(17,797)	—	(17,797)
Net income for the year	—	—	—	—	381,530	381,530
Dividends declared	—	—	—	—	(400,000)	(400,000)
BALANCE AT DECEMBER 31, 2018	1,202	$ —	$ 1,849,785	$ (15,162)	$ 387,064	$ 2,221,687

The accompanying notes are an integral part of the consolidated financial statements.

MELCO RESORTS FINANCE LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 381,530	$ 431,591
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	296,895	260,039
Amortization of deferred financing costs and original issue premiums	12,885	16,537
Net loss on disposal of property and equipment	379	1,226
Impairment loss recognized on property and equipment	—	3,618
Credit for doubtful debts provision	(7,348)	(4,821)
Loss on extinguishment of debt	—	48,398
Costs associated with debt modification	—	2,793
Changes in operating assets and liabilities:		
Accounts receivable	(54,510)	55,228
Amounts due from affiliated companies	(361)	10,367
Inventories and prepaid expenses and other	(986)	2,390
Long-term prepayments, deposits and other assets	973	(23,756)
Advance to an affiliated company	—	7,008
Accounts payable and accrued expenses and other	154,780	143,362
Amounts due to and advance from affiliated companies	15,353	6,394
Other long-term liabilities	159	(6,741)
Net cash provided by operating activities	799,749	953,633
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to affiliated companies	(1,019,246)	—
Payments for acquisition of property and equipment	(359,594)	(413,208)
Advance payments and deposits for acquisition of property and equipment	(28,851)	(25,531)
Loan to an affiliated company	(5,290)	(91,674)
Proceeds from sale of property and equipment	505	1,550
Withdrawals of bank deposits with original maturities over three months	—	138,539
Net cash used in investing activities	(1,412,476)	(390,324)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(400,000)	(765,800)
Principal payments on long-term debt	(45,042)	(745,116)
Principal payments on capital lease obligations	(107)	(120)
Funds from an affiliated company	13,355	2,839
Proceeds from long-term debt	1,095,714	702,625
Payments of deferred financing costs	—	(33,267)
Net cash provided by (used in) financing activities	663,920	(838,839)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	(5,509)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,684	(275,530)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	837,305	1,112,835
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 882,989	$ 837,305
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS		
Cash paid for interest, net of amounts capitalized	$ (42,139)	$ (32,518)
Cash paid for income taxes	(16)	(5,183)
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment	41,943	71,753
Change in amounts due from/to affiliated companies related to property and equipment	2,614	11,515
Settlement of dividends through offsetting with advance to an affiliated company	—	590,966

The accompanying notes are an integral part of the consolidated financial statements.

1. COMPANY INFORMATION

Melco Resorts Finance Limited (the "Company") was incorporated in the Cayman Islands. The Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and, through its subsidiary, Melco Resorts (Macau) Limited ("Melco Resorts Macau" together with its remaining subsidiaries collectively hereafter referred to as the "Gaming Group"), operator of casino gaming and entertainment casino resort facilities in the Macau Special Administrative Region of the People's Republic of China ("Macau").

The Group currently operates Altira Macau, a casino hotel located at Taipa, Macau, City of Dreams, an integrated urban casino resort located at Cotai, Macau, Studio City Casino, a casino located at Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau developed by affiliated companies of the Group, Grand Dragon Casino (formerly known as Taipa Square Casino), a casino located at Taipa, Macau, and Mocha Clubs, non-casino based operations of electronic gaming machines in Macau.

As of December 31, 2018 and 2017, the Company's sole shareholder is Melco Resorts & Entertainment Limited ("Melco"), a company incorporated in the Cayman Islands. Melco's American depositary shares are listed on the NASDAQ Global Select Market in the United States of America. 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 Melco.

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.

(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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(e) 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, 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 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.

(f) 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.

(g) 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:

Buildings	7 to 40 years
Leasehold improvements	3 to 10 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	2 to 10 years
Motor vehicles	5 years
Plant and gaming machinery	3 to 5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(h) 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 amounted to $78,640 and $74,888, of which $20,838 and $36,930 were capitalized during the years ended December 31, 2018 and 2017, respectively.

(i) 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, 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.

(j) 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 asset consists of the gaming subconcession. 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 not limited to, the results of the most recent quantitative impairment tests, operating results and projected operating results, and macro-economic and industry conditions.

As a result of these assessments, no impairment losses have been recognized during the years ended December 31, 2018 and 2017.

(k) 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(k) Impairment of Long-lived Assets (Other Than Goodwill)—continued

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 and 2017, impairment losses of nil and $3,618 were recognized, mainly due to reconfigurations and renovations at the Group’s operating properties, and included in the consolidated statements of operations.

(l) 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 facility 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.

(m) 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.

(n) 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 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 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(n) **Revenue Recognition**—continued

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 one of its hotels, Grand Dragon Casino and Studio City Casino and concluded that it is the controlling entity and is the principal to these arrangements. For the operations of one of its hotels, the Group is the owner of the hotel property, and the hotel manager operates the hotel under a management agreement providing management services to the Group, and the Group receives all rewards and takes substantial risks associated with the hotel's business; it is the principal and the transactions are, therefore, recognized on a gross basis. For the operations of Grand Dragon Casino and Studio City Casino, given the Group operates the Grand Dragon Casino and Studio City Casino under a right to use agreement and a Services and Right to Use Arrangements as defined in Note 18, respectively, with the owners 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.

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.

(In thousands of U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(n) Revenue Recognition—continued

Contract and Contract-Related Liabilities—continued

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	$ 566,796	$ 422,545	$ 144,251
Loyalty program liabilities	42,810	38,654	4,156
Advance customer deposits and ticket sales	366,502	407,518	(41,016)
	$ 976,108	$ 868,717	$ 107,391

The major changes from the previous basis, as a result of the adoption of the new revenue standard are summarized in Note 2(u).

(o) Gaming Taxes

The Group is subject to taxes based on gross gaming revenue and other metrics in Macau. The gaming taxes are determined mainly from an assessment of the Group's gaming revenue and are recognized as casino expense in the accompanying consolidated statements of operations. These taxes totaled $2,189,535 and $2,062,837 for the years ended December 31, 2018 and 2017, respectively.

(p) 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 and 2017, the Group incurred pre-opening costs primarily in connection with the development of further expansion to City of Dreams. The Group also incurs pre-opening costs on other one-off activities related to the marketing of new facilities and operations.

(q) 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 $64,698 and $43,180 for the years ended December 31, 2018 and 2017, respectively.

(r) 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$") or the Macau Pataca ("MOP"), 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).

(s) Income Tax

The Group is subject to income taxes in Macau and Hong Kong where it operates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(s) **Income Tax**—continued

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.

(t) **Comprehensive Income and Accumulated Other Comprehensive (Losses) Income**

Comprehensive income includes net income and foreign currency translation adjustments and is reported in the consolidated statements of comprehensive income.

As of December 31, 2018 and 2017, the Group's accumulated other comprehensive (losses) income consisted solely of foreign currency translation adjustment.

(u) **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 retained earnings. 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.

(In thousands of U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(u) **Recent Changes in Accounting Standards**—continued

Newly Adopted Accounting Pronouncements:—continued

(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 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 a decrease to the opening balance of retained earnings of $8,350, with an increase in accrued expenses and other current liabilities of $11,682 and a decrease in amounts due to affiliated companies of $3,332.

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		
Statement of Operations	**Balances under New Revenue Standard (As reported)**	**Balances under previous basis**	**Effect of change higher/ (lower)**
Operating Revenues			
Casino	$ 4,043,641	$ 4,557,884	$ (514,243)
Rooms	169,648	170,973	(1,325)
Food and beverage	90,446	91,755	(1,309)
Entertainment, retail and other	294,667	294,383	284
Promotional allowances	—	193,328	(193,328)
Operating costs and expenses			
Casino	$ 2,818,253	$ 3,222,762	$ (404,509)
Rooms	49,027	23,991	25,036
Food and beverage	82,268	30,020	52,248
Entertainment, retail and other	66,173	61,990	4,183
General and administrative	794,219	794,386	(167)
Net income	381,530	381,586	(56)
Comprehensive income	363,733	363,789	(56)

	As at December 31, 2018		
Balance Sheet	**Balances under New Revenue Standard (As reported)**	**Balances under previous basis**	**Effect of change higher/ (lower)**
Current Liabilities			
Accrued expenses and other current liabilities	$ 1,377,869	$ 1,365,964	$ 11,905
Amounts due to affiliated companies	74,832	78,331	(3,499)
Shareholders' Equity			
Retained earnings	$ 387,064	$ 395,470	$ (8,406)

(In thousands of U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(u) Recent Changes in Accounting Standards—continued

Newly Adopted Accounting Pronouncements:—continued

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.

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, 2020, 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.

3. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable, net are as follows:

	December 31, 2018	December 31, 2017
Casino	$ 404,076	$ 348,158
Hotel	3,395	2,313
Other	4,506	5,325
Sub-total	411,977	355,796
Less: allowances for doubtful debts	(199,602)	(208,206)
	$ 212,375	$ 147,590

(In thousands of U.S. dollars, except share and per share data)

3. ACCOUNTS RECEIVABLE, NET—continued

Movement in the allowances for doubtful debts were as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
At beginning of year	$ 208,206	$ 263,280
Credit for doubtful debts provision	(7,494)	(6,111)
Write-offs, net of recoveries	(2,045)	(57,596)
Reclassified from long-term receivables, net	2,314	8,633
Exchange adjustments	(1,379)	—
At end of year	$ 199,602	$ 208,206

4. PROPERTY AND EQUIPMENT, NET

	December 31, 2018	December 31, 2017
Cost		
Buildings	$ 3,708,594	$ 2,624,670
Furniture, fixtures and equipment	584,732	506,094
Leasehold improvements	542,434	443,512
Plant and gaming machinery	119,290	115,525
Motor vehicles	13,998	11,269
Construction in progress	—	1,008,981
Sub-total	4,969,048	4,710,051
Less: accumulated depreciation and amortization	(1,995,375)	(1,839,099)
Property and equipment, net	$ 2,973,673	$ 2,870,952

As of December 31, 2017, construction in progress in relation to City of Dreams included interest capitalized in accordance with applicable accounting standards and other direct incidental costs capitalized which, in the aggregate, amounted to $122,155.

The cost and accumulated depreciation and amortization of property and equipment held under capital lease arrangements were $558 and $529 as of December 31, 2018 and $562 and $460 as of December 31, 2017, respectively.

During the years ended December 31, 2018 and 2017, the Group transferred the future economic benefits of certain plant and equipment, for the operation of the Studio City Casino, to Studio City Entertainment Limited ("Studio City Entertainment"), an affiliated company of the Group which is majority-owned by Melco, pursuant to the Services and Right to Use Arrangements as defined in Note 18 ("Studio City Gaming Assets"). The legal ownerships of the Studio City Gaming Assets are retained by the Group. During the years ended December 31, 2018 and 2017, the future economic benefits of the Studio City Gaming Assets with aggregate carrying amounts of $15,246 and $2,584, were transferred to Studio City Entertainment at a total consideration of $15,246 and $2,584, respectively. The Company fully wrote down the carrying value of such Studio City Gaming Assets upon the transfer.

5. GAMING SUBCONCESSION, NET

	December 31, 2018	December 31, 2017
Deemed cost	$ 894,079	$ 900,000
Less: accumulated amortization	(696,546)	(643,917)
Gaming subconcession, net	$ 197,533	$ 256,083

(In thousands of U.S. dollars, except share and per share data)

5. GAMING SUBCONCESSION, NET—continued

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.

6. GOODWILL AND INTANGIBLE ASSETS

Goodwill relating to Mocha Clubs, a reporting unit, and other intangible assets with indefinite useful lives, representing trademarks of Mocha Clubs, are not amortized. The changes in carrying amounts of goodwill and trademarks represented the exchange differences arising from foreign currency translation at the balance sheet date.

7. 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 and other assets	53,307	56,575
Deferred financing costs, net	10,032	17,678
Long-term receivables, net	—	3,720
Long-term prepayments, deposits and other assets	$ 74,691	$ 96,256

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.

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 $6,009 and net amount of allowances for doubtful debts of $2,314, were reclassified to current. During the year ended December 31, 2017, net amount of long-term receivables of $10,464 and net amount of allowances for doubtful debts of $8,633, were reclassified to current. Reclassifications to current accounts receivable, net, are made when settlement of such balances are expected to occur within one year.

8. 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
	542,460	546,053
Less: accumulated amortization	(219,927)	(210,518)
Land use rights, net	$ 322,533	$ 335,535

(In thousands of U.S. dollars, except share and per share data)

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31, 2018	December 31, 2017
Outstanding gaming chips and tokens	$ 566,796	$ 422,545
Advance customer deposits and ticket sales	366,502	407,518
Gaming tax accruals	190,732	164,941
Staff cost accruals	86,080	83,380
Operating expense and other accruals and liabilities	53,313	49,520
Property and equipment payables	47,609	30,826
Loyalty program liabilities	42,810	26,972
Construction costs payables	19,136	46,631
Interest expenses payable	4,891	3,511
	$ 1,377,869	$ 1,235,844

10. LONG-TERM DEBT, NET

Long-term debt, net consisted of the following:

	December 31, 2018	December 31, 2017
2015 Credit Facilities (net of unamortized deferred financing costs of $4,428 and $6,919, respectively)	$ 1,471,466	$ 426,692
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
	2,448,562	1,400,871
Current portion of long-term debt (net of unamortized deferred financing costs of $515 and $720, respectively)	(44,304)	(44,396)
	$ 2,404,258	$ 1,356,475

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 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

10. LONG-TERM DEBT, NET—continued

2015 Credit Facilities—continued

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 the Company for the redemption of the 2013 Senior Notes (as described below) on June 14, 2017. On July 3, 2017, the Company 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 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 commitment fees on the 2015 Credit Facilities of $3,870 and $4,819 during the years ended December 31, 2018 and 2017, respectively.

2013 Senior Notes

On February 7, 2013, the Company 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, the Company 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, the Company 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

10. LONG-TERM DEBT, NET—continued

2013 Senior Notes—continued

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, the Company 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, the Company 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 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 the Company, rank equally in right of payment to all existing and future senior indebtedness of the Company and rank senior in right of payment to any existing and future subordinated indebtedness of the Company and effectively subordinated to all of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such debt and all of the indebtedness of the Company'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).

The Company 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, the Company 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, the Company 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, the Company 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 the Company 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 the Company 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.

Borrowing Rates and Scheduled Maturities of Long-term Debt

During the years ended December 31, 2018 and 2017, the Group's average borrowing rates were approximately 4.07% and 3.92% per annum, respectively.

(In thousands of U.S. dollars, except share and per share data)

10. LONG-TERM DEBT, NET—continued

Borrowing Rates and Scheduled Maturities of Long-term Debt—continued

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	$ 44,819
2020	1,134,773
2021	296,302
2022	—
2023	—
Over 2023	1,000,000
	$ 2,475,894

11. 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 approximated fair value and were classified as level 1 in the fair value hierarchy. The 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 2017 Senior Notes and the 2015 Credit Facilities, were approximately $2,391,874 and $1,445,481, respectively, as compared to its carrying value, excluding unamortized deferred financing costs and original issue premiums, of $2,475,894 and $1,433,611, respectively. Fair value was estimated using quoted market price and was classified as level 1 in the fair value hierarchy for the 2017 Senior Notes. Fair value for the 2015 Credit Facilities approximated the carrying value as the instruments carried variable interest rates approximated the market rate and was classified as level 2 in the fair value hierarchy. Additionally, the carrying value of loan to an affiliated company approximated fair value as the instruments carried variable interest rate approximately the market rate and was 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.

12. CAPITAL STRUCTURE

As of December 31, 2018 and 2017, the Company had authorized shares of 5,000,000 at par value of $0.01 per share and with 1,202 ordinary shares issued at par value of $0.01 per share.

(In thousands of U.S. dollars, except share and per share data)

13. INCOME TAXES

The income tax expense (credit) consisted of:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Income tax expense—current:		
Macau Complementary Tax	$ 284	$ 12
Lump sum in lieu of Macau Complementary Tax on dividends	2,341	2,359
Sub-total	2,625	2,371
Under (over) provision of income taxes in prior years:		
Macau Complementary Tax	668	(2,377)
Income tax credit—deferred:		
Macau Complementary Tax	(387)	(2,065)
Total income tax expense (credit)	$ 2,906	$ (2,071)

A reconciliation of the income tax expense (credit) from income before income tax per the consolidated statements of operations is as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Income before income tax	$ 384,436	$ 429,520
Macau Complementary Tax rate	12%	12%
Income tax expense at Macau Complementary Tax rate	46,132	51,542
Lump sum in lieu of Macau Complementary Tax on dividends	2,341	2,359
Under (over) provision in prior years	668	(2,377)
Effect of income for which no income tax expense is payable	(441)	(11,640)
Effect of expenses for which no income tax benefit is receivable	6,573	13,734
Effect of profits generated by gaming operations exempted	(69,154)	(58,419)
Changes in valuation allowances	16,787	2,730
Income tax expense (credit)	$ 2,906	$ (2,071)

The Company and certain of its subsidiaries are exempt from tax in the Cayman Islands, where they were incorporated. The Company's remaining subsidiaries incorporated in Macau and Hong Kong are subject to Macau Complementary Tax and Hong Kong Profits Tax during the years ended December 31, 2018 and 2017.

Macau Complementary Tax and Hong Kong Profits Tax have been provided at 12% and 16.5% on the estimated taxable income earned in or derived from Macau and Hong Kong, respectively, during the years ended December 31, 2018 and 2017, 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. Melco Resorts Macau's non-gaming profits remain subject to Macau Complementary Tax and its casino revenues remain subject to the Macau special gaming tax and other levies in accordance with its gaming subconcession agreement.

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

(In thousands of U.S. dollars, except share and per share data)

13. INCOME TAXES—continued

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 and 2017 were 0.8% and (0.5)%, 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, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefits are receivable and the effect of income for which no income tax expense is payable for the years ended December 31, 2018 and 2017.

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	$ 17,106	$ 6,004
Depreciation and amortization	25,701	22,367
Sub-total	42,807	28,371
Valuation allowances	(42,807)	(28,371)
Total deferred tax assets	—	—
Deferred tax liabilities		
Land use rights	(11,151)	(11,615)
Intangible assets	(503)	(505)
Total deferred tax liabilities	(11,654)	(12,120)
Deferred tax liabilities, net	$ (11,654)	$ (12,120)

As of December 31, 2018 and 2017, valuation allowances of $42,807 and $28,371 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") were 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, amounting to $16,804, $13,583 and $112,149 will expire in 2019, 2020 and 2021, respectively. Adjusted operating tax losses carried forward of $21,852 has 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.

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 and 2017 and there are no material

13. INCOME TAXES—continued

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.

Income tax returns of the Company's subsidiaries remain open and subject to examination by the tax authorities of Macau and Hong Kong until the statute of limitations expire in each corresponding jurisdiction. The statute of limitations in Macau and Hong Kong are five years and six years, respectively.

14. EMPLOYEE BENEFIT PLANS

The Group provides defined contribution plans for its employees in Macau. Certain executive officers of the Group are members of defined contribution plan in Hong Kong operated by Melco. During the years ended December 31, 2018 and 2017, the Group's contributions into these plans were $18,459 and $18,315, respectively.

15. 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 balance of the reserve amounted to $31,510 and $31,198, respectively.

The 2015 Credit Facilities, subject to certain exceptions and conditions, contain certain restrictions on paying dividends and other distributions, as defined in the credit facility agreement, details of which are disclosed in Note 10.

16. DIVIDENDS

During the year ended December 31, 2018, the Sole Director of the Company declared dividends of $332,778.7 per share totaling $400,000 and recorded such amount as a distribution against retained earnings.

On May 15, 2017, the Sole Director of the Company declared a dividend of $529,089.37 per share totaling $635,966. A portion of the dividend amounting to $45,000 was paid in cash and the remaining amount of $590,966 was settled by offsetting majority of the advance to an affiliated company, Melco. Other than the dividend declared on May 15, 2017 of $635,966, during the year ended December 31, 2017, the Sole Director of the Company declared additional dividends of $599,667.56 per share totaling $720,800. The Sole Director of the Company declared total dividends of $1,356,766 during the year ended December 31, 2017 and recorded such amount as a distribution against retained earnings.

17. 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 City of Dreams totaling $29,088.

(b) Operating Lease and Other Arrangements Commitments

Lessee Arrangements

The Group leased 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

(In thousands of U.S. dollars, except share and per share data)

17. COMMITMENTS AND CONTINGENCIES—continued

(b) **Operating Lease and Other Arrangements Commitments**—continued

Lessee Arrangements—continued

June 2022. 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 and 2017, the Group incurred rental and right to use expenses amounting to $26,200 and $24,210, respectively, which consisted of minimum rental and right to use expenses of $10,280 and $9,399 and contingent rental and right to use expenses of $15,920 and $14,811, 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	$ 8,203
2020	7,810
2021	8,308
2022	3,688
	$ 28,009

Lessor Arrangements

The Group entered into non-cancellable operating leases and right to use agreements mainly for mall spaces in the site of City of Dreams with various retailers that expire at various dates through May 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	$ 34,292
2020	34,174
2021	34,329
2022	35,330
2023	37,097
Over 2023	97,237
	$ 272,459

The total future minimum fees do not include the escalated contingent fee clauses. During the years ended December 31, 2018 and 2017, the Group earned contingent fees of $3,087 and $17,036, 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).

17. COMMITMENTS AND CONTINGENCIES—continued

(c) **Other Commitments**—continued

Gaming Subconcession—continued

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.

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 180th 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 17(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 and City of Dreams 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 MOP1,488,380 (equivalent to $185) 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.

17. COMMITMENTS AND CONTINGENCIES—continued

(c) **Other Commitments**—continued

Land Concession Contracts—continued

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. According to the revised land amendment, the government land use fees were MOP9,493,230 (equivalent to $1,177) per annum during the development period of an additional hotel at City of Dreams; and MOP9,898,960 (equivalent to $1,227) 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.

(d) **Guarantees**

Except as disclosed in Note 10 and 17(c), the Group has made the following significant guarantee 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.

(e) **Pledged Assets**

Except as disclosed in Note 10, the Group has the following pledged assets as of December 31, 2018:

- On November 30, 2016, Studio City Company Limited ("Studio City Company"), an affiliated company of the Group which is majority-owned by Melco, amended and restated its 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 and a HK$233,000,000 (equivalent to $29,948) revolving credit facility. All bank accounts of Melco Resorts Macau related solely to the operations of the Studio City gaming area are pledged as security for the 2016 Studio City Credit Facilities and related finance documents.

- 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"). All bank accounts of Melco Resorts Macau related solely to the operations of the Studio City gaming area are pledged as security for the 2016 Studio City Secured Notes and related finance documents.

(f) **Litigation**

As of December 31, 2018, the Group is a party to certain 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.

(In thousands of U.S. dollars, except share and per share data)

18. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2018 and 2017, the Group entered into the following significant related party transactions:

Related companies	Nature of transactions	Year Ended December 31, 2018	Year Ended December 31, 2017
Transactions with affiliated companies			
Melco and its subsidiaries	Management fee expense	$ 135,598	$ 175,748
	Payment under Services and Right to Use Arrangements[1]	339,924	295,638
	Transportation service fee expense	22,277	21,643
	Purchase of goods and services	86,463	77,174
	Management fee and other service fee income	129,470	177,296
	Design and construction service fee income for Cyprus Project[2]	2,625	—
	Loan interest income	1,905	121
	Purchase of property and equipment	9,112	1,654
	Transfer-out of economic benefits of Studio City Gaming Assets (Note 4)	15,246	2,584
A subsidiary of MECOM Power and Construction Limited (“MECOM”)[3][4]	Construction work performed and recognized as property and equipment	9,713	30,411
	Consultancy fee expense	8,845	1,651

Notes

(1) Payment to an affiliated company for services and right to use arrangements performed pursuant to a services and right to use agreement dated May 11, 2007, as amended on June 15, 2012, together with related agreements entered into between Melco Resorts Macau and Studio City Entertainment (the “Services and Right to Use Arrangements”), under which Melco Resorts Macau operates the Studio City Casino. Melco Resorts Macau deducts gaming tax and the costs incurred in connection with the operations of Studio City Casino pursuant to the Services and Right to Use Arrangements from Studio City Casino’s gross gaming revenues. Melco Resorts Macau paid the residual gross gaming revenues and recognizes these amounts as payment to an affiliated company under the Services and Right to Use Arrangements.

(2) 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”).

(3) A company in which Mr. Lawrence Yau Lung Ho, Melco’s Chief Executive Officer, has a shareholding interest of approximately 20%.

(4) 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 contract amount of HK$600,000,000 (equivalent to $76,613). The amounts included the services provided by EHY Construction of $18,558 during the year ended December 31, 2018.

Other Related Party Transaction

As at December 31, 2018 and 2017, an operating deposit of $12,500 was paid by Melco Resorts Macau to a subsidiary of Melco for provision of transportation services and the amount is shown as prepaid expenses and other current assets in the consolidated balance sheets.

(In thousands of U.S. dollars, except share and per share data)

18. RELATED PARTY TRANSACTIONS—continued

(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	December 31, 2017
Melco International's subsidiaries	$228,933	$227,354

(b) Amounts Due to Affiliated Companies

The current portion of amounts due to affiliated companies mainly arising from construction 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	December 31, 2017
Melco International's subsidiaries	$ 70,125	$ 60,908
MECOM's subsidiaries	4,707	12,374
	$ 74,832	$ 73,282

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.

(c) Loan to An Affiliated Company

As of December 31, 2018 and 2017, the outstanding balances of loan to a Taiwan Branch of an affiliated company of $94,707 and $92,730, respectively, for investment purposes, are unsecured, repayable on demand and interest bearing at 2% per annum.

(d) Advances to/from Affiliated Companies

As of December 31, 2018, the outstanding balances of advances to affiliated companies, Melco and its subsidiaries, are $1,019,246. The amounts mainly related to funds advance for working capital purposes.

As of December 31, 2018 and 2017, the outstanding balances of advance from an affiliated company, a subsidiary of Melco, are $1,953 and $1,946, respectively. The amounts mainly related to funds advance for working capital purposes.

The outstanding balances of advances to/from affiliated companies as mentioned above, are unsecured and non-interest bearing. No part of the amounts will be repayable within the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current assets or non-current liabilities in the consolidated balance sheets.

19. SEGMENT INFORMATION

The Group is principally engaged in the gaming and hospitality business. The Group monitors its operations and evaluates earnings by reviewing the assets and operations of Mocha Clubs, Altira Macau and City of Dreams. Studio City Casino and Grand Dragon Casino are included in the Corporate and Other category.

(In thousands of U.S. dollars, except share and per share data)

19. SEGMENT INFORMATION—continued

The Group's segment information for total assets and capital expenditures is as follows:

Total Assets

	December 31, 2018	December 31, 2017
Macau:		
Mocha Clubs	$ 118,365	$ 119,864
Altira Macau	378,242	409,056
City of Dreams	3,785,449	3,604,901
Sub-total	4,282,056	4,133,821
Corporate and Other	1,881,343	886,894
Total consolidated assets	$ 6,163,399	$ 5,020,715

Capital Expenditures

	Year Ended December 31, 2018	Year Ended December 31, 2017
Macau:		
Mocha Clubs	$ 8,977	$ 4,858
Altira Macau	24,450	5,829
City of Dreams	311,280	467,956
Sub-total	344,707	478,643
Corporate and Other	15,379	9,687
Total capital expenditures	$ 360,086	$ 488,330

(In thousands of U.S. dollars, except share and per share data)

19. SEGMENT INFORMATION—continued

The Group's segment information and reconciliation to net income is as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
NET REVENUES		
Macau:		
Mocha Clubs	$ 113,453	$ 121,254
Altira Macau	471,647	446,451
City of Dreams	2,653,031	2,702,011
Sub-total	3,238,131	3,269,716
Corporate and Other	1,360,271	1,415,053
Total net revenues	$ 4,598,402	$ 4,684,769
ADJUSTED PROPERTY EBITDA[1]		
Macau:		
Mocha Clubs	$ 21,487	$ 26,630
Altira Macau	55,507	20,502
City of Dreams	780,995	820,180
Total adjusted property EBITDA	857,989	867,312
OPERATING COSTS AND EXPENSES		
Pre-opening costs	(32,694)	(2,035)
Amortization of gaming subconcession	(56,809)	(57,237)
Amortization of land use rights	(10,785)	(10,867)
Depreciation and amortization	(229,301)	(191,935)
Property charges and other	(12,617)	(5,968)
Corporate and Other expenses	(69,527)	(85,911)
Total operating costs and expenses	(411,733)	(353,953)
OPERATING INCOME	446,256	513,359
NON-OPERATING INCOME (EXPENSES)		
Interest income	2,478	574
Interest expenses, net of capitalized interest	(57,802)	(37,958)
Loan commitment fees	(3,870)	(4,819)
Foreign exchange (losses) gains, net	(2,628)	9,454
Other income, net	2	101
Loss on extinguishment of debt	—	(48,398)
Costs associated with debt modification	—	(2,793)
Total non-operating expenses, net	(61,820)	(83,839)
INCOME BEFORE INCOME TAX	384,436	429,520
INCOME TAX (EXPENSE) CREDIT	(2,906)	2,071
NET INCOME	$ 381,530	$ 431,591

Note

(1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, pre-opening costs, property charges and other, 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 and City of Dreams and to compare the operating performance of its properties with those of its competitors.

(In thousands of U.S. dollars, except share and per share data)

19. SEGMENT INFORMATION—continued

The Group's geographic information for long-lived assets is as follows:

Long-lived Assets

	December 31,	
	2018	2017
Macau	$ 3,579,308	$ 3,548,705
Total long-lived assets	$ 3,579,308	$ 3,548,705

20. SUBSEQUENT EVENT

In preparing the consolidated financial statements, the Group has evaluated events and transactions for potential recognition and disclosure through April 16, 2019, the date the consolidated financial statements were available to be issued.

REGISTERED OFFICE OF THE ISSUER

Melco Resorts Finance Limited
c/o Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue, George Town
Grand Cayman KY1-9005
Cayman Islands

LEGAL ADVISORS TO THE ISSUER

As to U.S. Law

Latham & Watkins LLP
18th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

As to Macau Law

Manuela António—Lawyers and Notaries
Alameda Dr. Carlos
D'Assumpção, nos. 411-417
Dynasty Plaza, 15th floor D-H Macau

As to Cayman Islands Law

Harney Westwood & Riegels
3501 The Center
99 Queen's Road Central
Hong Kong

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. Law

White & Case
9th Floor, Central Tower
28 Queen's Road Central
Hong Kong

As to Macau law

Henrique Saldanha—Advogados & Notários
Av. da Praia Grande
n° 429, 25° andar
Macau

As to Cayman Islands Law

Maples and Calder (Hong Kong) LLP
53rd Floor The Center
99 Queen's Road Central
Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
22/F, CITIC Tower, 1 Tim Mei
Avenue, Central, Hong Kong

TRUSTEE, REGISTRAR, TRANSFER AND PAYING AGENT

Deutsche Bank Trust Company Americas
60 Wall Street
24th Floor
MS: NYC60-2407
New York, NY 10005
United States of America

LEGAL ADVISORS TO THE TRUSTEE

As to New York Law

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

SINGAPORE LISTING AGENT

Latham & Watkins LLP
9 Raffles Place # 42 – 02
Republic Plaza
Singapore 048619

US$900,000,000

Melco Resorts Finance Limited

5.375% Senior Notes due 2029

MELCO RESORTS FINANCE

OFFERING MEMORANDUM

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