

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

**FORM 20-F**

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2022  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Commission file number 001-38699

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

(Exact name of Registrant as specified in its charter)

Not applicable

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

71 Robinson Road #04-03, Singapore 068895 and 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong  
(Address of principal executive offices)

Company Secretary, Tel +852 2598 3600, Fax +852 2537 3618

38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
American depository shares each representing four Class A ordinary shares	MSC	The New York Stock Exchange

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

None.

(Title of Class)

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

None.

(Title of Class)

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

770,352,700 Class A ordinary shares and 72,511,760 Class B ordinary shares outstanding as of December 31, 2022

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

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

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

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

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

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## INTRODUCTION

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

- “2018 Project Facility” refers to the senior secured project facility, dated January 28, 2013 and as amended from time to time, entered into between, among others, Studio City Company, as borrower, and certain subsidiaries as guarantors, comprising a term loan facility of HK\$10,080,460,000 (approximately US\$1.3 billion) and revolving credit facility of HK\$775,420,000 (approximately US\$99 million), and which was amended, restated and extended by the 2021 Studio City Senior Secured Credit Facility;
- “2021 Studio City Company Notes” refers to the US\$850.0 million aggregate principal amount of 7.250% senior secured notes due 2021 issued by Studio City Company on November 30, 2016 and as to which no amount remains outstanding following the redemption of all remaining outstanding amounts in August 2020;
- “2021 Studio City Senior Secured Credit Facility” refers to the facility agreement dated November 23, 2016 with, among others, Bank of China Limited, Macau Branch, to amend, restate and extend the 2018 Project Facility to provide for senior secured credit facilities in an aggregate amount of HK\$234.0 million, which consist of a HK\$233.0 million (approximately US\$29.8 million) revolving credit facility and a HK\$1.0 million (approximately US\$128,000) term loan facility, and which has been amended, restated and extended by the 2028 Studio City Senior Secured Credit Facility;
- “2024 Notes” refers to the 7.25% senior notes due 2024 in an aggregate principal amount of US\$600,000,000 issued by Studio City Finance on February 11, 2019 and as to which no amount remains outstanding following the redemption of all remaining outstanding amounts in February 2021;
- “2024 Notes Tender Offer” refers to the conditional tender offer by Studio City Finance to purchase for cash any and all of the outstanding 2024 Notes, which commenced and settled in January 2021;
- “2025 Notes” refers to the 6.00% senior notes due 2025 in an aggregate principal amount of US\$500,000,000 issued by Studio City Finance on July 15, 2020;
- “2027 Notes” refers to the 7.00% senior secured notes due 2027 in an aggregate principal amount of US\$350,000,000 issued by Studio City Company on February 16, 2022;
- “2028 Notes” refers to the 6.50% senior notes due 2028 in an aggregate principal amount of US\$500,000,000 issued by Studio City Finance on July 15, 2020;
- “2028 Studio City Senior Secured Credit Facility” refers to the facility agreement dated March 15, 2021 with, among others, Bank of China Limited, Macau Branch, to amend, restate and extend the 2021 Studio City Senior Secured Credit Facility to provide for senior secured credit facilities in an aggregate amount of HK\$234.0 million, which consist of a HK\$233.0 million (approximately US\$29.8 million) revolving credit facility and a HK\$1.0 million (approximately US\$128,000) term loan facility;
- “2029 Notes” refers to the 5.00% senior notes due 2029 in an aggregate principal amount of US\$1,100,000,000 issued by Studio City Finance, of which US\$750,000,000 was issued on January 14, 2021 (the “First 2029 Notes”) and US\$350,000,000 was issued on May 20, 2021 (the “Additional 2029 Notes”);
- “ADSs” refers to our American depository shares, each of which represents four Class A ordinary shares;
- “Altira Macau” refers to an integrated resort located in Taipa, Macau;
- “board” and “board of directors” refer to the board of directors of our Company or a duly constituted committee thereof;

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- “China” and “PRC” refer to the People’s Republic of China, excluding the Hong Kong Special Administrative Region of the PRC (Hong Kong), the Macau Special Administrative Region of the PRC (Macau) and Taiwan from a geographical point of view;
- “City of Dreams” refers to an integrated resort located in Cotai, Macau, which currently features casino areas and four luxury hotels, including a collection of retail brands, a wet stage performance theater (temporarily closed since June 2020) and other entertainment venues;
- “Concession Contract” refers to the concession contract executed between the Macau Special Administrative Region and the Gaming Operator on December 16, 2022, that provides for the terms and conditions of the concession granted to the Gaming Operator;
- “DICJ” refers to the Direccção de Inspeção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau), a department of the Public Administration of Macau;
- “Greater China” refers to mainland China, Hong Kong and Macau, collectively;
- “HK\$” and “H.K. dollar(s)” refer to the legal currency of Hong Kong;
- “Management and Shared Services Arrangements” refer to, collectively, (i) the Master Services Agreement (the “Master Services Agreement”) entered into on December 21, 2015 by and between Studio City Entertainment, Studio City Hotels, Studio City Retail Services Limited, Studio City Developments, Studio City Ventures Limited, Studio City Services Limited and the Company (the “Studio City Entities,” each a “Studio City Entity”) and the Master Service Providers, and (ii) the individual work agreements (the “Work Agreements,” each a “Work Agreement”) which sets out the terms and conditions that apply to certain services to be provided thereunder and other arrangements for the provision of non-gaming services at Studio City by the Master Service Providers to the Studio City Entities and vice versa;
- “Master Service Providers” refer to certain of our affiliates with whom we entered into a master service agreement and a series of work agreements with respect to the non-gaming services at the properties in Macau, and that are also subsidiaries of Melco Resorts, including Melco Crown (COD) Developments Limited (now known as COD Resorts Limited), Altira Developments Limited (now known as Altira Resorts Limited), the Gaming Operator, MPEL Services Limited (now known as Melco Resorts Services Limited), Golden Future (Management Services) Limited, MPEL Properties (Macau) Limited, Melco Crown Security Services Limited (now known as Melco Resorts Security Services Limited), MCE Travel Limited (now known as Melco Resorts Travel Limited), MCE Transportation Limited and MCE Transportation Two Limited (now known as MCO Transportation Two Limited);
- “MCO Cotai” refers to MCO Cotai Investments Limited (formerly known as MCE Cotai Investments Limited), a subsidiary of Melco Resorts and a shareholder of our Company;
- “Melco International” refers to Melco International Development Limited, a Hong Kong-listed company;
- “Melco Resorts” refers to Melco Resorts & Entertainment Limited, a Cayman Islands company and with its American depositary shares listed on the Nasdaq Global Select Market;
- “Melco Resorts Macau” or the “Gaming Operator” refers to Melco Resorts (Macau) Limited, a company incorporated under the laws of Macau that is a subsidiary of Melco Resorts, the holder of a concession under the Concession Contract and the operator of Studio City Casino. The equity interest of the Gaming Operator is 85% owned by Melco Resorts and 15% owned by Mr. Lawrence Ho, the managing director of the Gaming Operator;
- “MOP” or “Pataca(s)” refers to the legal currency of Macau;
- “MSC Cotai” refers to our subsidiary, MSC Cotai Limited, which is a company incorporated in the British Virgin Islands with limited liability;

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- “New Cotai” refers to New Cotai, LLC, a Delaware limited liability company;
- “Renminbi” and “RMB” refer to the legal currency of the PRC;
- “Studio City” refers to a cinematically-themed integrated resort in Cotai, an area of reclaimed land located between the islands of Taipa and Coloane in Macau;
- “Studio City Casino” refers to the gaming areas being operated within Studio City;
- “Studio City Casino Agreement” (previously referred to as the Services and Right to Use Arrangements) refers to the agreement entered into among Melco Resorts Macau and Studio City Entertainment, dated May 11, 2007 and amended on June 15, 2012 and June 23, 2022 and any other agreements or arrangements entered into from time to time, which may amend, supplement or relate to the aforementioned agreements or arrangements;
- “Studio City Company” refers to our subsidiary, Studio City Company Limited, which is a company incorporated in the British Virgin Islands with limited liability;
- “Studio City Developments” refers to our subsidiary, Studio City Developments Limited, a Macau company;
- “Studio City Entertainment” refers to our subsidiary, Studio City Entertainment Limited, a Macau company;
- “Studio City Finance” refers to our subsidiary, Studio City Finance Limited, which is a company incorporated in the British Virgin Islands with limited liability;
- “Studio City Hotels” refers to our subsidiary, Studio City Hotels Limited, a Macau company;
- “Studio City Investments” refers to our subsidiary, Studio City Investments Limited, which is a company incorporated in the British Virgin Islands with limited liability;
- “US\$” and “U.S. dollar(s)” refer to the legal currency of the United States;
- “U.S. GAAP” refers to the U.S. generally accepted accounting principles; and
- “we,” “us,” “our,” “our Company” and “the Company” refer to Studio City International Holdings Limited and, as the context requires, its predecessor entities and its consolidated subsidiaries.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2022, 2021 and 2020 and as of December 31, 2022 and 2021.

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

## GLOSSARY

“average daily rate” or “ADR”	calculated by dividing total room revenues including complimentary rooms (less service charges, if any) by total rooms occupied, including complimentary rooms, i.e., average price of occupied rooms per day
“cage”	a secure room within a casino with a facility that allows patrons to carry out transactions required to participate in gaming activities, such as exchange of cash for chips and exchange of chips for cash or other chips
“chip”	round token that is used on casino gaming tables in lieu of cash
“concession”	a government grant for the operation of games of fortune and chance in casinos in Macau under an administrative contract pursuant to which a concessionaire, or the entity holding the concession, is authorized to operate games of fortune and chance in casinos in Macau
“dealer”	a casino employee who takes and pays out wagers or otherwise oversees a gaming table
“drop”	the amount of cash to purchase gaming chips and promotional vouchers that is deposited in a gaming table’s drop box, plus gaming chips purchased at the casino cage
“drop box”	a box or container that serves as a repository for cash, chip purchase vouchers, credit markers and forms used to record movements in the chip inventory on each table game
“electronic gaming table”	table with an electronic or computerized wagering and payment system that allow players to place bets from multiple-player gaming seats
“gaming machine”	slot machine and/or electronic gaming table
“gaming machine handle”	the total amount wagered in gaming machines
“gaming machine win rate”	gaming machine win (calculated before non-discretionary incentives (including the point-loyalty programs) as administered by the Gaming Operator and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) expressed as a percentage of gaming machine handle
“gaming promoter”	an individual or corporate entity who, for the purpose of promoting rolling chip and other gaming activities, arranges customer transportation and accommodation, provides credit in its sole discretion if authorized by a gaming operator and arranges food and beverage services and entertainment in exchange for commissions or other compensation from a gaming concessionaire or subconcessionaire
“integrated resort”	a resort which provides customers with a combination of hotel accommodations, casinos or gaming areas, retail and dining facilities, MICE space, entertainment venues and spas
“junket player”	a player sourced by gaming promoters to play in the VIP gaming rooms or areas
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“mass market patron”	a customer who plays in the mass market segment
“mass market segment”	consists of both table games and gaming machines played by mass market players primarily for cash stakes



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“mass market table games drop”	the amount of table games drop in the mass market table games segment
“mass market table games hold percentage”	mass market table games win (calculated before discounts, commissions, non-discretionary incentives (including the point-loyalty programs) as administered by the Gaming Operator 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 concessionaire and is attracted to the casino through marketing efforts of 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 the point-loyalty programs) as administered by the Gaming Operator 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

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“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 the point-loyalty programs) as administered by the Gaming Operator 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

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. See “Item 3. Key Information — D. Risk Factors” for a discussion of some risk factors that may affect our business and results of operations. Moreover, because we operate in a heavily regulated and evolving industry where the new gaming law was adopted and implemented by the Macau government, may become highly leveraged and operate in Macau, a 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:

- our goals and strategies;
- the impact of the global COVID-19 outbreak on our business, financial results and liquidity, which could worsen and persist for an unknown duration;
- the reduced access to our target markets due to travel restrictions, and the potential long-term impact on customer retention;
- the expected growth of the gaming and leisure market in Macau and visitation in Macau;
- restrictions or conditions on visitation by citizens of the PRC to Macau, including in connection with COVID-19, or the period of time required for tourism to return to pre-pandemic levels (if at all);
- the impact on the travel and leisure industry from factors such as an outbreak of an infectious disease, such as COVID-19 outbreaks, extreme weather patterns or natural disasters, military conflicts and any future security alerts and/or terrorist attacks or other acts of violence;
- general domestic or global political and economic conditions, including in the PRC and Hong Kong, which may impact levels of travel, leisure and consumer spending;
- our ability to successfully operate Studio City;
- our ability to obtain all required governmental approvals, authorizations and licenses for the Phase 2 project at Studio City;
- our compliance with conditions and covenants under the existing and future indebtedness;
- laws, rules and regulations which could bar the trading of the American depository shares of our Company in the United States, such as the Holding Foreign Companies Accountable Act and the rules promulgated thereunder;
- capital and credit market volatility;
- our ability to raise additional capital, if and when required;

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- increased competition from other casino hotel and resort projects in Macau and elsewhere in Asia, including the concessionaires in Macau;
- government policies, laws and regulations relating to the leisure and gaming industry in Macau, including the implementation of the new gaming law, and the legalization of gaming in other jurisdictions;
- 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;
- the liberalization of travel restrictions on PRC citizens and convertibility of the Renminbi;
- the tightened control of certain cross-border fund transfers from the PRC;
- significantly increased regulatory scrutiny on Macau gaming promoters' operations that has resulted in the cessation of business by many gaming promoters in Macau;
- the completion of infrastructure projects in Macau;
- our ability to retain and gain new customers;
- our ability to offer new services and attractions;
- our future business development, financial condition and results of operations;
- the expected growth, size of and trends in the market in Macau;
- expected changes in our revenues, costs or expenditures;
- our expectations regarding demand for and market acceptance of our brand and business;
- our ability to continue to develop new technologies and/or upgrade our existing technologies;
- cybersecurity risks including misappropriation of customer information or other breaches of information security;
- our ability to protect our intellectual property rights;
- growth of and trends of competition in the gaming and leisure market in Macau;
- general economic and business conditions globally and in Macau;
- our ability to comply with the New York Stock Exchange's ("NYSE") continued listing standards and maintain the listing of our ADSs on the New York Stock Exchange; and
- other factors described under "Item 3. Key Information — D. Risk Factors."

The forward-looking statements made in this annual report on Form 20-F relate only to events or information as of the date on which the statements are made in this annual report on Form 20-F. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report on Form 20-F and the documents that we referenced in this annual report on Form 20-F and have filed as exhibits with the U.S. Securities and Exchange Commission, or the SEC, completely and with the understanding that our actual future results may be materially different from what we expect.

### **EXCHANGE RATE INFORMATION**

Our reporting currency is the U.S. dollar and functional currencies are the U.S. dollar, Hong Kong dollar and Pataca . This annual report on Form 20-F contains translations of certain Pataca, Hong Kong dollar and Renminbi amounts into U.S. dollars for the convenience of the reader. Unless otherwise stated, all translations of Hong Kong dollar and Renminbi amounts into U.S. dollars in this annual report on Form 20-F were made at the rates of HK\$7.809510 to US\$1.00 and RMB6.923625 to US\$1.00, respectively.

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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 range 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 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 and Singapore dollars to U.S. dollars in this annual report on Form 20-F were made at the exchange rate of MOP8.043823 = US\$1.00 and SGD1.339479 to US\$1.00, respectively.

We make no representation that any Pataca, Hong Kong dollar, Renminbi, Singapore dollar or U.S. dollar amounts referred to in this annual report on Form 20-F could have been, or could be, converted into U.S. dollar, Pataca, Hong Kong dollar, Renminbi or Singapore dollar, as the case may be, at any particular rate or at all.

### **PART I**

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

Not applicable.

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

Not applicable.

**ITEM 3. KEY INFORMATION**

**A. [RESERVED]**

**B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

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

Not applicable.

## D. RISK FACTORS

Studio City International Holdings Limited is a company incorporated under the laws of the Cayman Islands. All of our current operations, and administrative and corporate functions are conducted in Macau, Hong Kong and Singapore. We conduct our operations in Macau and we do not have any assets or operations in the PRC. Our principal executive offices are located in Singapore and Hong Kong. We have no variable interest entities in our corporate structure.

We face various legal and operational risks and uncertainties as a company operating in Macau. Since we derive all of our revenues from our Macau business and a significant number of our customers come from, and are expected to continue to come from, the PRC, our results of operations and financial condition may be materially and adversely affected by significant regulatory developments in the PRC. Actions by the PRC government can also significantly affect our business by, for example, placing limits on the ability of PRC residents to travel or remit currency outside of the PRC or by restricting gaming-related marketing activities in China. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Conducting Business and Operating in Macau — Policies, campaigns and measures adopted by the PRC and/or Macau governments from time to time could materially and adversely affect our operations.”

The PRC may also intervene or influence our operations in Macau, Hong Kong or elsewhere at any time, or may exert more control over offerings conducted overseas and/or foreign investment in issuers in China, which could result in a material change in our operations and/or the value of our ordinary shares. Additionally, given recent statements by the Chinese government indicating an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers, any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or be worthless. There are risks and uncertainties which we cannot foresee for the time being, and rules and regulations in China can change quickly with little or no advance notice. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Conducting Business and Operating in Macau — Changes in law, regulations and policies in the PRC and uncertainties in the legal systems in the PRC may expose us to risks. In addition, rules and regulations in the PRC can change quickly with little advance notice” and “— The PRC government may influence our operations in Macau or elsewhere or intervene in our offerings conducted overseas or foreign investments in us. Its oversight and discretion over our business could result in material adverse changes in our operations and the value of our ordinary shares and ADSs.”

We also face risks associated with interpretations of or changes to gaming laws in Macau, including the interpretation of the recently amended gaming law in Macau, as well as the continued ability by the U.S. Public Company Accounting Oversight Board, or PCAOB, to inspect our auditors.

### **Permissions, Approvals, Licenses, Certificates and Permits Required from the PRC, Hong Kong and Macau Authorities for Our Operations and for the Offering of Our Securities to Foreign Investors**

As of the date of this annual report, we have obtained the requisite permissions, approvals, licenses, certificates and permits from the PRC, Hong Kong and Macau government authorities that are material for our business operations in those jurisdictions, and none have been denied. See “Item 4. Information on the Company — B. Business Overview — Regulations.”

Given the uncertainties of interpretation and implementation of relevant laws and regulations and enforcement practice by PRC government authorities, we may be required to obtain additional licenses, permits, filings or approvals for our business operations in the future, and may not be able to maintain or renew our current licenses, permits, filings or approvals. In addition, rules and regulations in China can change quickly with little advance notice. Uncertainties due to evolving laws and regulations could impede our ability to obtain or maintain certificates, permits or licenses required to conduct business in China. In the absence of required certificates, permits or licenses, governmental authorities could impose material sanctions or penalties on us.

Furthermore, in connection with our issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we do not believe we are currently required to obtain permissions from or complete any filing with the China Securities Regulatory Commission, or CSRC, or required to go through cybersecurity review by the Cyberspace Administration of China, or CAC. In addition, we have not been asked to obtain such permissions by any PRC authority or received any denial to do so. However, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment by issuers like us. There remains significant uncertainty as to the enactment, interpretation and implementation of regulatory requirements related to overseas securities offerings and other capital markets activities.

If (i) we inadvertently conclude that certain regulatory permissions and approvals are not required or (ii) applicable laws, regulations, or interpretations change in a way that requires us to complete such filings or obtain such approvals in the future, and (iii) we are required to obtain such permissions or approvals in the future, but fail to receive or maintain such permissions or approvals, we may face sanctions by the CSRC, the CAC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on us, limit our operations, limit our ability to pay dividends outside of China, limit our ability to list on stock exchanges outside of China or offer our securities to foreign investors or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of our securities.

### **Cash Flows Through Our Organization**

Cash from financings and operations is primarily retained by our operating subsidiaries for the purposes of funding our operating activities and capital expenditures. Cash within our group is primarily transferred between our subsidiaries through intercompany loan arrangements. Financing raised by Studio City International Holdings Limited has been transferred to our financing and operating subsidiaries through the use of equity capital contributions or intercompany loan arrangements. In 2022, excluding cash transferred for the purpose of the settlement of intragroup charges, no cash has been transferred to our holding company, Studio City International Holdings Limited, from its subsidiaries. See also “Item 4. Information on the Company — B. Business Overview — Taxation” and “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy.” There are no regulatory or foreign exchange restrictions or limitations on our ability to transfer cash within our corporate group or to declare dividends to holders of our ADSs, except that our subsidiaries incorporated in Macau are required to set aside a specified amount of the entity’s profit after tax as a legal reserve which is not distributable to the shareholders of such subsidiaries. See “Item 4. Information on the Company — B. Business Overview — Regulations — Restrictions on Distribution of Profits Regulations” and “Item 10. Additional Information — D. Exchange Controls.”

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. See “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy” and note 17 to the consolidated financial statements included elsewhere in this annual report.

You should carefully consider all of the information in this annual report before making an investment in the ADSs. The following summarizes some, but not all, of the risks provided below. Please carefully consider all of the information discussed in this Item 3.D. “Risk Factors” in this annual report for a more thorough description of these and other risks.

You should carefully consider the following risk factors in addition to the other information set forth in this annual report. Our business, financial condition and results of operations can be affected materially and adversely by any of the following risk factors.



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### **Risks Relating to Our Business**

- Risks relating to COVID-19 outbreaks and other epidemics and pandemics.
- Risks relating to our reliance on the operation of the Studio City Casino under the Studio City Casino Agreement.
- Risks relating to our short operating history.
- Risks relating to our sole operation of Studio City.
- Risks relating to our history of net losses.
- Risks relating to finalizing the licensing procedures and opening up of our Phase 2 project for Studio City.
- Risks relating to the inability to generate sufficient cash flow to meet our debt service obligations.
- Risks relating to our compliance with credit facility and debt instruments.
- Risks relating to our current and potential future indebtedness and our need for additional financing.
- Risks relating to depending on the continued efforts of our senior management and retaining qualified personnel.
- Risks relating to failure to comply with anti-corruption laws and anti-money laundering policies.
- Risks relating to failure to protect the integrity and security of data, including customer information.
- Risks relating to being based in or having all of our operations in Singapore, Hong Kong and Macau, uncertainties in the legal systems in the PRC, and policies, campaigns and measures adopted by the PRC and/or Macau governments from time to time.
- Risks relating to inadequate insurance coverage.

### **Risks Relating to Operating in the Gaming Industry in Macau**

- Risks relating to the Gaming Operator's Concession Contract.
- Risks relating to facing intense competition.
- Risks relating to interpretation of the newly adopted gaming law in Macau and its implementation by the Macau government.
- Risks relating to adverse changes or developments in gaming laws or regulations in Macau.

### **Risks Relating to Our Relationship with Melco Resorts**

- Risks relating to our dependence on our shareholder, Melco Resorts.

### **Risks Relating to Conducting Business and Operating in Macau**

- Risks relating to restrictions on export of Renminbi.

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

- Risks relating to compliance with the New York Stock Exchange requirements for continued listing.

## Risks Relating to Our Business

***COVID-19 outbreaks have had an adverse effect on our operations, which has had a significant negative effect over the past three years and may continue to materially impact our business, prospects, financial condition and results of operations.***

Uncertainty around COVID-19 outbreaks and related restrictions continue to have a material effect on our operations, financial position, and future prospects. In addition, the COVID-19 outbreak's negative impact on the global economy, disruption to global supply chains and creation of significant volatility and disruption of financial markets is still being experienced.

While pandemic prevention measures in Macau were eased in 2021, in response to a COVID-19 outbreak in Macau, on June 23, 2022, the Macau government issued a closure order for certain entertainment venues which did not include casinos. Effective from July 11, 2022, however, the Macau government issued a further order whereby from July 11 until July 18, 2022, all entities performing industrial and commercial activities, including gaming activities, were required to suspend operation, except for those in categories of activity deemed essential to the community and to the day-to-day lives of the members of the public. These restrictions were further extended until July 23, 2022 and, as a result, the Studio City Casino was closed for a total of 12 days in 2022. The Macau government continued to implement special prevention measures on operations until August 2, 2022, including the closure of certain outlets and limitations to capacity of operating outlets.

According to the DSEC, visitor arrivals to Macau decreased by 26.0% on a year-over-year basis in 2022 as compared to 2021 while, according to the DICJ, gross gaming revenues in Macau declined by 51.4% on a year-over-year basis in 2022. As we derive all of our revenues from our business and operations in Macau, our business has been materially and adversely affected by the COVID-19 pandemic.

While quarantine-free travel within Greater China has resumed and pandemic measures have eased significantly, the pace of our business recovery from COVID-19 is highly uncertain and will depend on the extent of any future COVID-19 outbreaks and government responses to such outbreaks, the efficacy of COVID-19 vaccines, including against any new strains of the coronavirus that causes COVID-19, the impact of potentially higher unemployment rates, declines in income levels and loss of personal wealth resulting from COVID-19 outbreaks. Moreover, even if COVID-19 outbreaks subside, there is no guarantee that travel and consumer sentiment will rebound quickly or at all. In addition, although travel restrictions have eased in Macau, we cannot be certain whether authorities in these jurisdictions, or the jurisdictions where many of our customers reside, will reintroduce any of the previously imposed restrictions or any new restrictions in response to COVID-19 or other health emergencies.

The COVID-19 outbreak has also caused severe disruptions to the businesses of our tenants and other business partners, which has increased the risk of them defaulting on their contractual obligations with us, which may adversely affect our business, financial condition and results of operations, including causing increases in our bad debts.

The disruptions to our business caused by COVID-19 outbreaks have had an adverse effect on our operations. For the years ended December 31, 2022, 2021 and 2020, our total operating revenues generated amounted to US\$11.5 million, US\$106.9 million and US\$49.2 million, respectively.

Lower operating revenues since 2020 were mainly due to the effects of COVID-19. As such disruptions remain, they could materially impact our business, prospects, financial condition and results of operations.

***Because neither we nor any of our subsidiaries hold a gaming license in Macau, Studio City Casino is operated by the Gaming Operator through the Studio City Casino Agreement under the Gaming Operator's concession. Any failure by the Gaming Operator to comply with its obligations as a concessionaire or any failure by the Gaming Operator or us to comply with its or our respective obligations under the Studio City Casino Agreement, including any regulatory requirements thereunder, may have a material adverse effect on the operation of the Studio City Casino.***

The Gaming Operator and our subsidiary, Studio City Entertainment, have entered into the Studio City Casino Agreement under which the Gaming Operator has agreed to operate Studio City Casino since we do not hold a gaming license in Macau. Under the Studio City Casino Agreement, the Gaming Operator, among other things, manages the day-to-day operations at the Studio City Casino, including determining the number and mix of gaming tables and gaming machines operated at the Studio City Casino, and recruits all casino staff, including dealers, cashiers, security and surveillance personnel and managers. The Gaming Operator deducts gaming taxes and the costs incurred in connection with its on-going operations from Studio City Casino's gross gaming revenues and we receive the residual amount and recognize such residual amount as revenue from the Studio City Casino Agreement. While the Studio City Casino Agreement obligates the Gaming Operator to manage the day-to-day operations of the Studio City Casino in a manner intended to appeal to the VIP and mass gaming markets at a standard of quality of service set by the Gaming Operator in line with the overall development and operational strategy determined by the Company, the Studio City Casino Agreement does not require the Gaming Operator to operate a minimum number of gaming tables or gaming machines at the Studio City Casino or any specified mix of gaming tables and gaming machines. Accordingly, while 250 gaming tables, including 15 gaming tables for VIP rolling chip operations, and 552 gaming machines are currently available for operation at the Studio City Casino, there is no assurance that such number and mix of gaming tables and gaming machines will be maintained by the Gaming Operator and the number of gaming tables and/or gaming machines may be reduced or increased by the Gaming Operator as it may determine pursuant to the terms and conditions of the Studio City Casino Agreement.

The Studio City Casino Agreement was initially approved by the Macau government and was subject to the satisfaction of certain conditions imposed by the Macau government on the Gaming Operator and us in connection with granting its approval. Such conditions included but were not limited to Studio City Entertainment being subject to Macau government supervision applicable to gaming concessionaires. Upon the execution of the amendment to the Studio City Casino Agreement on June 23, 2022, such conditions ceased to apply. As a substantial part of our revenues and cash flows are generated from the Gaming Operator's operation of Studio City Casino, any failure by the Gaming Operator to comply with any statutory, contractual or any other duties imposed on it as a concessionaire, or any failure by the Gaming Operator or us to comply with its or our respective obligations under the Studio City Casino Agreement may have a material adverse effect on the operation of Studio City Casino including its suspension or cessation, and may cause the suspension or termination of the Gaming Operator's concession.

Any changes in Macau's gaming law or other requirements applicable to the concession granted to the Gaming Operator by the Macau government that necessitate amendments to, or termination of, the Studio City Casino Agreement, would have a material adverse effect on the operation of the Studio City Casino and, in turn, our financial condition and results of operations. If the Studio City Casino Agreement terminates, we may not be able to enter into a new similar agreement. In addition, any amended or replaced terms of the Studio City Casino Agreement may not be comparable to our current arrangements and may not be, totally or partially, acceptable to us. In addition, if the Gaming Operator's concession terminates, the Gaming Operator will discontinue operating the Studio City Casino and the Studio City Casino Agreement will terminate and we may not be able to enter into an arrangement for the operation of Studio City Casino with another concessionaire on terms that are comparable or acceptable to us or at all, and the Studio City Casino premises and gaming equipment will revert or be transferred to the Macau government without compensation. Furthermore, the Gaming Operator has exclusive access to the customer database of the gaming operations at Studio City Casino and in the event of termination of the arrangement under the Studio City Casino Agreement, we may not be able to gain access to such database.

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Any material dispute with the Gaming Operator or any failure by the Gaming Operator to comply with its obligations under its concession, or by the Gaming Operator or us to comply with its or our respective obligations under, or any termination of, the Studio City Casino Agreement may have a material adverse effect on the operation of Studio City Casino and in turn affect our financial condition and results of operations and may also result in a default under the terms of our existing and/or future indebtedness obligations and other agreements.

***We have a short operating history compared to many of our competitors and are therefore subject to significant risks and uncertainties. Our short operating history may not be indicative of our future operating results and prospects.***

We have a short business operating history compared to many of our competitors, and there is limited historical information available about us upon which you can base your evaluation of our business and prospects. Studio City commenced operations in October 2015 and the first stage of Phase 2 is expected to commence operations in the second quarter of 2023. As a result, you should consider our business and prospects in light of the risks, expenses, uncertainties and challenges that we may face given our short operating history in the intensely competitive market of the gaming business. The historical performance at the other casinos operated by the Gaming Operator should not be taken as an indication of Studio City Casino's future performance or the performance of our Phase 2 project once it commences operations.

We may encounter risks and difficulties frequently experienced by companies with early stage operations, and those risks and difficulties may be heightened by challenging market conditions of the gaming business in Macau and other challenges our business faces. Certain of these risks relate to our ability to:

- operate, support, expand and develop our operations and our facilities, including opening Phase 2 of Studio City;
- respond to economic uncertainties, including the social and economic disruptions caused by the coronavirus (COVID-19) pandemic;
- respond to competitive market conditions;
- fulfill conditions precedent to draw down or roll over funds from current and future credit facilities;
- comply with covenants under our existing and future debt issuances and credit facilities;
- respond to changing financial requirements and raise additional capital, as required;
- obtain the necessary authorizations, approvals and licenses from the relevant governmental authorities for our Phase 2 project for Studio City;
- attract and retain customers and qualified staff;
- 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 our business as well as regulatory compliance as a public company; and
- assure compliance with, and respond to changes in, the regulatory environment and government policies.

If we are unable to successfully manage one or more of such risks, we may be unable to operate our businesses in the manner we contemplate and generate revenues in the amounts and at the rate we anticipate. If any of these events were to occur, it may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

***We rely on services provided by subsidiaries of Melco Resorts, including hiring and training of personnel for Studio City.***

According to the Studio City Casino Agreement, the Gaming Operator, a subsidiary of Melco Resorts, is responsible for the operation of the Studio City Casino facilities, including hiring, employing, training and supervising casino personnel. The Gaming Operator deducts gaming taxes and the costs incurred in connection with its on-going operations, including staff costs from Studio City Casino's gross gaming revenues. We expect the Gaming Operator to continue managing all recruitment and training-related matters for staff that have been deployed at Studio City Casino.

In addition, under the Management and Shared Services Arrangements, we receive certain services from certain members of the Melco Resorts group. We rely on the Master Service Providers to recruit, allocate, train, manage and supervise a substantial majority of the staff who are all solely dedicated to our property to perform our corporate and administrative functions and carry out other non-gaming activities, including food and beverage management, retail management, hotel management, entertainment projects, mall development and sales and marketing activities, among others. In addition, pursuant to the Management and Shared Services Arrangements, certain shared services staff including certain senior management from the Master Service Providers are not solely dedicated to our property and may not devote all of their time and attention to the operation of Studio City. These shared services staff work for other properties owned by Melco Resorts, which may directly and indirectly compete with us. Any expansion of the business of Melco Resorts, whether effectuated through the Gaming Operator or other companies, could divert the attention and time of these shared services staff from the operations of Studio City and adversely affect us.

With the easing of COVID-19 travel restrictions in Macau and the increase in business volumes, Studio City will need more personnel to operate at full capacity as well as the opening of the Phase 2 project, with a significant portion of these vacancies expected to be filled by non-resident workers for which Macau government-issued quotas are required. If the Gaming Operator or the Master Service Providers are unable to attract and retain a sufficient number of qualified staff or to provide satisfactory services to us or the costs of qualified staff increase significantly, our business, financial condition and results of operations could be materially and adversely affected.

***The costs associated with the Studio City Casino Agreement and the Management and Shared Services Arrangements may not be indicative of the actual costs we could have incurred as an independent company.***

Under the Studio City Casino Agreement, the Gaming Operator deducts gaming taxes and the costs of operation of Studio City Casino. We receive the residual gross gaming revenues and recognize these amounts as our revenue from casino contract.

Under the Management and Shared Services Arrangements, certain of our corporate and administrative functions as well as operational activities are administered by staff employed by certain subsidiaries of Melco Resorts, including senior management services, centralized corporate functions and operational and venue support services. Payment arrangements for the services are provided for in the individual work agreements 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 us based on percentages of efforts on the services provided to us. Other costs in relation to shared office equipment are allocated based on a percentage of usage.

We believe the costs incurred under the Studio City Casino Agreement and the allocation methods under the Management and Shared Services Arrangements are reasonable and the consolidated financial statements reflect our cost of doing business. However, such allocations may not be indicative of the actual expenses we would have incurred had we operated as an independent company.

***We face concentration risk in relation to our sole operation of Studio City.***

We are dependent upon the operation of Studio City to generate our revenue and cash flows. Given that our operations are conducted only at Studio City in Macau, we are subject to greater risks than a company with several operating properties in several markets. These risks include, but are not limited to:

- changes in Macau governmental laws and regulations, including gaming laws and regulations, or interpretations thereof, as well as PRC travel and visa policies;
- dependence on the gaming, tourism and leisure market in Macau;
- limited diversification of our business and sources of revenue;
- a decline in air, land or ferry passenger traffic to Macau from the PRC or other areas or countries due to higher ticket costs, fears concerning travel, travel restrictions or otherwise, including as a result of the outbreak of widespread health epidemics or pandemics, such as the outbreak of COVID-19, or any social unrest in Hong Kong;
- a decline in economic and political conditions in Macau, the PRC or Asia, or an increase in competition within the gaming industry in Macau or generally in Asia;
- inaccessibility to Macau due to inclement weather, road construction or closure of primary access routes;
- austerity measures imposed now or in the future by the governments in the PRC or other countries in Asia;
- tightened control of cross-border fund transfers, foreign exchange and/or anti-money laundering regulations or policies effected by the PRC or Macau governments;
- any enforcement or legal measures taken by the PRC government to deter gaming activities and/or marketing thereof;
- lower than expected rate of increase or decrease in the number of visitors to Macau;
- natural and other disasters, including typhoons, outbreaks of infectious diseases, terrorism or violent criminal activities, affecting Macau;
- relaxation of regulations on gaming laws in other regional economies that could compete with the Macau market;
- government restrictions on growth of gaming markets, including policies on gaming table allocation and caps; and
- a decrease in gaming activities and other spending at Studio City Casino.

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

Furthermore, Macau is a limited gaming concession market nearing its land capacity for the development of integrated resorts and there are no opportunities to expand our operations.

***Studio City Casino's VIP rolling chip operations may cause volatility in our financial condition and results of operations due to changes in the economic and regulatory environments and Studio City Casino's ability to attract and retain VIP rolling chip players.***

Studio City Casino has and is expected to incur costs associated with the VIP rolling chip operations, while the expected revenues to be generated from the VIP rolling chip operations may be volatile primarily due to high bets and the resulting high winnings and losses. Gross win per VIP table per day were approximately

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US\$2,000, US\$2,400 and US\$3,700 in 2022, 2021 and 2020, respectively. VIP rolling chip operations are also more vulnerable to changes in the economic environment and therefore inherently more volatile than mass market operations. Moreover, VIP rolling chip operations may involve commissions to gaming promoters, if any are engaged to provide services to Studio City Casino, and, as a result, the margins associated with VIP rolling chip operations are usually lower than the margins for the mass market operations and may be volatile from period to period due to significant variances in winnings and losses. As a result, Studio City Casino's business, results of operations and cash flows may become more volatile, while VIP rolling chip operations continue, compared to that of other casinos with only mass market gaming operations.

Further, the VIP rolling chip players pool is limited and we cannot assure you that the existing VIP rolling chip players at Studio City Casino will be recurring players. If Studio City Casino loses its existing VIP rolling chip players or fails to attract new VIP rolling chip players, our revenues and cash flows from the revenue from casino contract could be materially and adversely affected. In addition, the VIP rolling chip segment may be particularly susceptible to certain changes in government policies, regulations and enforcement actions. For instance, the anti-corruption campaign of the PRC government has had a negative effect on the VIP rolling chip segment in Macau. In addition, in November 2021, the Court of Final Appeal in Macau issued a final unappealable decision that a gaming operator is jointly liable with a gaming promoter for the refund of funds deposited with such gaming promoter and the Macau authorities arrested executives from a gaming promoter for alleged illegal overseas gaming related activities. In January 2022, the Macau authorities also arrested an executive from another gaming promoter and certain related individuals and certain of these individuals were sentenced to jail terms in addition to the payment of monetary compensation to the Macau government in January 2023. Any further changes in government policies, regulations and enforcement actions may negatively affect the numbers of VIP rolling chip players in Macau and in turn, may materially and adversely affect our business.

### ***We have a history of net losses and may not achieve profitability in the future.***

Studio City may not be financially successful or generate the cash flows that we anticipate. We generated net income attributable to Studio City International Holdings Limited of US\$33.6 million for the year ended December 31, 2019 while we had net losses attributable to Studio City International Holdings Limited of US\$326.5 million, US\$252.6 million, US\$321.6 million, US\$21.6 million, US\$76.4 million and US\$242.8 million for the years ended December 31, 2022, 2021, 2020, 2018, 2017 and 2016, respectively, primarily because of the impact of the COVID-19 outbreaks in the case of the years ended December 31, 2022, 2021 and 2020 and also due to Studio City having commenced operations only in October 2015 and was ramping up operations. In addition, we incurred negative operating cash flows of US\$178.8 million, US\$136.8 million, US\$167.4 million and US\$113.1 million in 2022, 2021, 2020 and 2015, respectively.

We expect our costs and expenses to increase in absolute amounts due to the continued expansion of our operations, including in relation to the opening of Phase 2 of Studio City, which will cause us to incur increased costs and expenses associated with the operation of our businesses.

We also expect that we will continue to incur capital expenditures as we continue to expand our existing operations and open our Phase 2 project. These efforts may be more costly than we expect and our revenue may not increase sufficiently to offset these expenses. We may continue to take actions and make investments that do not generate optimal short-term financial results and may even result in increased operating losses in the short term with no assurance that we will eventually achieve the intended long-term benefits or profitability. These factors may adversely affect our ability to achieve profitability and service debt obligations and interest payments under any of our existing or future financing facilities.

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### ***We have a substantial amount of existing indebtedness and may incur additional indebtedness, which could have significant effects on our business and future operations.***

We have a substantial amount of existing indebtedness. As of December 31, 2022, we had total principal amount of outstanding indebtedness of US\$2.45 billion, representing the outstanding principal balances of our existing notes and credit facility. See “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Indebtedness.” Significant interest and principal payments are required to meet our obligations under the existing indebtedness. This substantial indebtedness could have important consequences for you and significant effects on our business and future operations. For example:

- if Studio City is not operating with certain minimum requirements as specified in the 2028 Studio City Senior Secured Credit Facility, or if we fail to meet our payment obligations or otherwise default under the agreements governing our existing indebtedness, including due to any termination or any substantial or adverse amendment of the terms of the Studio City Casino Agreement, the applicable lenders or note holders under our indebtedness will have the right to accelerate such indebtedness and exercise other rights and remedies against us;
- we may be limited in our ability to obtain additional financing, if needed, to fund our working capital requirements, capital expenditures, debt service, general corporate or other obligations, including our obligations with respect to the existing indebtedness;
- we are required to use all or a substantial portion of our cash flow from operations of Studio City to service our indebtedness, which will reduce the available cash flow to fund our operations, capital expenditures and other general corporate purposes;
- we may be limited in our ability to respond to changing business and economic conditions, including regulatory changes, and to withstand competitive pressures, which may affect our financial condition;
- under certain existing indebtedness, the interest rates we pay in respect of the indebtedness which we are not required to hedge will fluctuate with the current market rates and, accordingly, our interest expense will increase if market interest rates increase;
- we may be placed at a competitive disadvantage to our competitors who are not as highly leveraged; and
- in the event that we or one of our subsidiaries were to default, it may result in the loss of all or a substantial portion of our and/or our subsidiaries’ assets over which our creditors have taken or will take security.

Under the terms of the indentures governing our existing indebtedness, we will be permitted to incur additional indebtedness if certain conditions are met, some of which may be senior secured indebtedness. If we incur additional indebtedness, certain risks described above will be exacerbated.

If we are unable to comply with our existing and/or future indebtedness obligations and other agreements, including due to any termination or any substantial or adverse amendment to the terms of the Studio City Casino Agreement, there could be a default under those agreements. If that occurs, lenders could terminate their respective commitments to lend to us or terminate their respective agreements, and holders of our debt securities could accelerate repayment of debt and declare all outstanding amounts due and payable, as the case may be. Furthermore, existing agreements governing our indebtedness contain, and future agreements governing our indebtedness are likely to contain, cross-acceleration or cross-default provisions. As a result, our default under any such agreement may cause the acceleration of repayment of other indebtedness or result in a default under agreements governing our other indebtedness. If any of these events occur, our assets and cash flows may not be sufficient to repay in full all of our indebtedness and we may not be able to find alternative financing. Even if we are able to obtain alternative financing, it may not be on terms that are comparable or acceptable to us.



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### ***Certain covenants under our agreements governing our existing indebtedness restrict our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions.***

Certain covenants under our agreements governing our existing indebtedness impose operating and financial restrictions on us. The restrictions that are imposed under these debt instruments include, among other things, limitations on our ability to do some or all of the following:

- pay dividends or distributions on account of our equity interests;
- make specified restricted payments;
- incur additional debt;
- engage in other businesses or make investments;
- create liens on assets;
- enter into transactions with affiliates;
- merge or consolidate with another company;
- transfer and sell assets;
- issue preferred stock;
- create dividend and other payment restrictions affecting subsidiaries; and
- designate restricted and unrestricted subsidiaries.

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

As a result of these covenants and restrictions, we will be limited in how we conduct our business, and we may be unable to raise additional financing to compete effectively or to take advantage of new business opportunities. Future indebtedness or other contracts could contain financial or other covenants more restrictive than those contained in the agreements governing the existing indebtedness. In addition, general economic conditions, industry conditions and other events beyond our control may also affect our ability to comply with these provisions. If we fail to abide by such covenants, we may be unable to maintain our current financing arrangements, obtain suitable future financings or avoid an event of default which may adversely impact our cash flows, existing operations and future development.

### ***We generate a portion of our revenues from, and are subject to risks in operating, non-gaming offerings.***

We generate a portion of our revenues from non-gaming offerings and our financial performance in part depends on our ability to attract new and repeat customers to the non-gaming facilities at Studio City. Both visitation and the level of spending at our themed attractions, hotel, retail shops, restaurants and other leisure and entertainment facilities are key drivers of revenues and profitability, and reductions in either could have a material adverse effect on our business, prospects, results of operations and cash flows. We do not have a long track record in operating these non-gaming facilities and may not be able to attract new and recurring customers to our non-gaming facilities at Studio City. Our success in non-gaming offerings depends on, among others, the effectiveness of our advertising and marketing initiatives, the attractiveness and safety of our entertainment facilities as compared to other resorts in Macau, the compliance with legal and regulatory requirements for our retail, entertainment and food and beverage outlets and our continued cooperation with the popular retail brands and restaurants. Moreover, many of our attractions which draw in large numbers of visitors, such as the Golden

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Reel may become obsolete in terms of technology or otherwise fail to continue to attract sufficient number of visitors. We cannot assure you that we will be financially successful in our non-gaming offerings or be able to maintain the average daily rate, occupancy rate and REVPAR of Studio City hotel or visitation to Studio City in general, which may adversely affect our ability to generate the cash flows that we anticipate and impact our operations and financial condition.

***Studio City Casino's gaming operations could be impacted by the reputation and integrity of the parties engaged in business activities at Studio City Casino and we cannot assure you that these parties will always maintain high standards of conduct or suitability throughout the term of Studio City Casino's association with them. Failure to do so may potentially cause the Gaming Operator, us and our shareholders to suffer harm to our and our shareholders' reputation, as well as impaired relationships with, and possibly sanctions from, gaming regulators.***

The reputation and integrity of the parties who are or will be engaged in gaming activities at Studio City Casino are important to the continued operations of the casino in compliance with Gaming Operator's concession and our own reputation. For parties that engage in gaming related activities, where relevant, the gaming regulators are expected to undertake their own probity checks and will reach their own suitability findings in respect of the activities and parties with which Studio City Casino may be associated. In addition, we conduct, and we expect that the Gaming Operator will conduct, an internal due diligence and evaluation process prior to the engagement of such parties. However, notwithstanding such regulatory probity checks, the Gaming Operator's due diligence and our own due diligence, we cannot assure you that the parties with whom Studio City Casino is or will be associated will always maintain the high standards that gaming regulators, the Gaming Operator and we require or that such parties will maintain their suitability throughout the term of Studio City Casino's association with them. If Studio City Casino were to be associated with any party whose probity was in doubt, this may reflect negatively on the Gaming Operator. A party associated with Studio City Casino may fall below the gaming regulators' suitability standards.

In particular, the reputation of the gaming promoters that may operate in Studio City Casino from time to time is important to the Gaming Operator's ability to continue to operate in compliance with its concession and our own reputation. While we expect that the Gaming Operator endeavors to ensure high standards of probity and integrity in any such gaming promoters, we cannot assure you that such gaming promoters will always maintain such high standards. In addition, if the probity of any gaming promoter associated with Studio City Casino was in doubt or such promoter failed to operate in compliance with Macau laws consistently, this may be considered by regulators or investors to reflect negatively on the Gaming Operator's probity and compliance records. Such a gaming promoter may fall below the Gaming Operator's or our standards of probity, integrity and legal compliance. There can also be no assurance that any allegation against, or negative publicity relating to, the gaming promoters operating in Studio City Casino from time to time or the Gaming Operator's or our standards of probity, integrity and legal compliance will not have a material adverse impact on our reputation and business operations.

If any of the above were to occur, we, the Gaming Operator and our shareholders may suffer harm to our, the Gaming Operator's and our shareholders' reputation, as well as impaired relationships with, and possibly sanctions from, gaming regulators with authority over operations.

***As of March 30, 2023, we are finalizing the licensing procedures for the Phase 2 project for Studio City under the terms of a land concession which currently requires us to fully develop the land on which Studio City is located by June 30, 2023. Any extension of the development period is subject to Macau government review and approval at its discretion. In the event of any failure to complete certain licensing procedures by June 30, 2023, we could be forced to forfeit all or part of our investment in Studio City, along with our interest in the land on which Studio City is located and the building and structures on such land.***

Land concessions in Macau are issued by the Macau government and generally have terms of 25 years and are renewable for further consecutive periods of ten years. Land concessions further stipulate a period within

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which the development of the land must be completed. The land on which Studio City is located must be fully developed by June 30, 2023, including obtaining the necessary permits, authorizations, approvals and licenses from the relevant governmental authorities.

While we opened Studio City in October 2015 and the construction of Phase 2 has been completed, as of March 30, 2023, the licensing procedures for the Phase 2 project of Studio City are still ongoing. There is no guarantee that we will obtain the required regulatory approvals by the deadline. Any further extension under the land concession is subject to Macau government review and approval at its discretion. While the Macau government may grant extensions if we meet certain legal requirements, there can be no assurance that the Macau government will grant us any further extension of the development period or not exercise its rights to terminate the Studio City land concession. In the event that no further extension is granted or the Studio City land concession is terminated, we could lose all or substantially all of our investment in Studio City, including our interest in the land and building and may not be able to continue to operate Studio City as planned, which will materially and adversely affect our business and prospects, results of operations and financial condition.

### ***We may not be able to obtain adequate financing on satisfactory terms for our existing business, or at all.***

In the past, we have funded our capital investment projects primarily through credit facilities, issuance of debt securities and other debt and equity financings. We may require additional funding in the future for our existing business, which may be substantial and which we may raise through a combination of credit, debt and equity financings. We may be required to seek the approval or consent of or notify the relevant government authorities or third parties in order to obtain such financings. We cannot assure you that we would be able to obtain such required approval or consent from the relevant government authorities or third parties with respect to such financing in a timely manner or at all.

Any financing will also be subject to, among others, the terms of our existing and any future financings. In addition, our ability to obtain credit, debt or equity financing on acceptable terms depends on a variety of factors that are beyond our control, including market conditions such as the economic disruptions caused by the effect of the large-scale global COVID-19 outbreak, investors' and lenders' perceptions of, and demand for, bond, bank and equity securities of gaming companies 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. S&P placed Studio City Company on credit watch negative in February 2020, revised the outlook to negative in September 2020 and subsequently downgraded Studio City Company to B+ in October 2021. We are currently rated B1 by Moody's and B+ by S&P, with negative outlooks by both rating agencies. Central banks across the world have been increasing interest rates at an accelerated pace in 2022 which in turn could increase our borrowing costs. The sell-off in Chinese property bonds in 2022 also negatively impacted the market for high yield bonds of issuers in other sectors connected with the PRC, including those issued by Macau gaming operators and associated entities. As a result, we cannot assure you that we will be able to obtain sufficient funding on terms satisfactory to us, or at all, to finance our existing business. 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, from time to time, seek to obtain new financings or refinance our outstanding debt through the international markets. Any such financing or refinancing, and our evaluation thereof, will depend on the prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### ***Our results of operations are subject to seasonality and other fluctuations.***

We are subject to seasonality and other fluctuations in our business. Our revenue is also largely affected by promotional and marketing activities and revenue may increase as a result of these activities. Launch of new promotions or the timing of such promotions may further cause our quarterly results to fluctuate and differ from historical patterns. Our results of operations will likely fluctuate due to these and other factors, some of which are beyond our control, including but not limited to: (i) fluctuations in overall consumer demand for

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gaming and hospitality, leisure and resort during certain months and holidays; (ii) introduction of new policies or regulatory measures; and (iii) macro-economic conditions and their effect on discretionary consumer spending. Because of these and other factors as well as the short operating history of our business, it is difficult for us to accurately identify recurring seasonal trends in our business. In addition, our rapid growth has masked certain fluctuations that might otherwise be apparent in our results of operations. When our growth stabilizes, the seasonality in our business may become more pronounced. If we fail to accurately identify the seasonal trends in our business and match our customer services and supplies in an effective manner, it may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

### ***Macau's infrastructure may not adequately support the development of Macau's gaming and leisure industry, which may adversely affect our expected performance.***

Macau consists of a peninsula and two islands and is connected to the PRC by five border crossings. Macau has an international airport and connections to the PRC and Hong Kong by road and ferry. 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 expansion of 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 Studio City. 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 benefits from the Hong Kong-Zhuhai-Macau Bridge, which opened to traffic on October 23, 2018, may not fully materialize, and may not result in significantly increased traffic to Macau and to Studio City.

### ***Health and safety or food safety incidents at Studio City may lead to reputational damage and financial exposures.***

We provide goods and services to a significant number of customers on a daily basis at Studio City. In particular, with the number of attractions, entertainment and food and beverage offerings in Studio City, there are risks of health and safety incidents, personal injury or adverse food safety events, such as food poisoning, physical trauma, slip and fall accidents or surges in crowd flow at popular ingress and egress points. 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 Studio City.

### ***Our information technology and other systems are subject to cybersecurity risks, including misappropriation of customer information, other breaches of information security or other cybercrimes, 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 staff and information relating to our operations. The systems and processes we have implemented to protect customers, staff 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 failures, computer viruses, technical malfunctions, inadequate system capacities, power outages, natural disasters and inadvertent,

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negligent or intentional misuses, disclosure or dissemination of information or data by customers, company staff or employees of third-party vendors, ransomware attacks that encrypt, exfiltrate or otherwise render data unusable or unavailable or other forms of cybercrimes that include fraud or extortion. These risks can also be manifested in a variety of other ways, including through methods which may not yet be known to the cybersecurity community, and have become increasingly difficult to anticipate and prevent.

The steps we take to deter and mitigate these risks may not be successful or effective and our insurance coverage for protecting against cybersecurity 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 service 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 Studio City 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, other cybercrimes 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 cause reputational harm to us, expose us to legal proceedings and 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, suppliers and staff, expose us to risks of litigation, significant fines and penalties and liability, result in the deterioration of our customers', suppliers' and staff's 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 staff, customers, suppliers or website visitors could harm our reputation and credibility and reduce our ability to attract and retain staff, customers and suppliers. We are also subject to enactment of new laws or amendments to existing laws with more stringent requirements in relation to cybersecurity. For example, a new Cybersecurity Law was introduced in Macau in 2019 which also applies to our businesses in Macau. See "Item 4. Information on the Company — B. Business Overview — Regulations — Cybersecurity Regulations." As any of the above cybersecurity threats develop and grow and our obligations under cybersecurity regulations increase, 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 personnel.

***Failure to protect the integrity and security of company staff, supplier and customer information and comply with cybersecurity, data privacy, data protection or any other laws and regulations related to data may materially and adversely affect our business, financial condition and results of operations, and/or 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, suppliers and staff, and such personal

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data may be collected and/or used in, and transmitted to or from, multiple jurisdictions. We may be subject to a variety of cybersecurity, data privacy, data protection and other laws and regulations related to data, including those relating to the collection, use, sharing, retention, security, disclosure, and transfer of confidential and private information, such as personal information and other data. These laws and regulations apply not only to third-party transactions, but also to transfers of information within our organization. These laws and regulations may restrict our business activities and increase our compliance costs and efforts. Any breach or non-compliance may subject us to proceedings, damage our reputation, or result in penalties and other significant legal liabilities, and thus may materially and adversely affect our business, financial condition, and results of operations.

Our customers, suppliers and staff 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, or the GDPR, which became effective in May 2018, requires companies to meet new and more stringent requirements regarding the handling of personal data. The GDPR may also capture data processing by non-EU firms with no EU establishment if, for example, they conduct direct marketing that specifically targets individuals in the EU. As GDPR is a newly enacted law, there is limited precedence on the interpretation and application of GDPR.

In some jurisdictions, including the PRC where we do not currently have operations, the cybersecurity, data privacy, data protection, or other data-related laws and regulations are relatively new and evolving, and their interpretation and application may be uncertain. For example, the Cybersecurity Administration of China, or CAC, issued the New Measures for Cybersecurity Review, or the New Measures, on January 4, 2022, which amended the Measures for Cybersecurity Review (Draft Revision for Comments) released on July 10, 2021 and came into effect on February 15, 2022. The New Measures extend the scope of cybersecurity review to network platform operators engaging in data processing activities that affect or may affect national security, including overseas listings. Specifically, the New Measures provide that if a network platform operator who possesses personal information of more than one million users plans to be listed in foreign countries, it must apply for cybersecurity review and, in any event, the CAC has the authority to initiate a cybersecurity review if it considers the data processing activities in connection with a proposed listing will or may affect national security. The New Measures do not specify the types of public listings that will be subject to cybersecurity review and do not give sufficient guidance on the specific types of data processing activities that may be subject to cybersecurity review. The PRC government authorities may have wide discretion in the interpretation and enforcement of the applicable laws. As such, we cannot predict the impact of the New Measures on us, if any, at this stage, and we will closely monitor and assess the developments in the rule-making process. If the practical application of the New Measures results in mandated clearance of cybersecurity reviews and other specific actions to be completed by companies operating in Macau like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. As of the date of this annual report, we have not received any formal notice from any PRC cybersecurity regulator that we should apply for or otherwise be subject to a cybersecurity review, but we cannot be certain that such notifications will not occur in the future.

On November 14, 2021, the draft Regulations for the Administration of Cyber Data Security was published by the CAC for public comments, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) a merger, reorganization or division of online platform operators that have acquired a large number of data resources related to national security, economic development or public interests which affect or may affect national security; (ii) a listing abroad when the data processor processes over one million users' personal information; (iii) a listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. It also requires data processors processing important data or listed outside China to carry out a data security assessment annually by itself or through a third party data security service provider and submit an assessment report to the local agency of the CAC. As there are still uncertainties regarding the further enactment of new laws and regulations as well as the revision, interpretation and implementation of those existing laws and regulations, we cannot predict the impact of the Regulations for the Administration of Cyber Data Security on us, if any.

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We do not have any operations or maintain any office or personnel in mainland China. We have not collected, stored, or managed any personal information in mainland China. As such, we currently do not expect the draft measures by the CAC or other recent regulations to have an impact on our business or results of operations. However, we still face uncertainties regarding the interpretation and implementation of these laws and regulations in the future. Cybersecurity review could result in disruption in our operations, negative publicity with respect to our Company, and diversion of our managerial and financial resources. Therefore, potential cybersecurity review, if applicable to us, could materially and adversely affect our business, financial condition, and results of operations.

In addition, the PRC Data Security Law, which was promulgated by the Standing Committee of the National People's Congress on June 10, 2021 and took effect on September 1, 2021, requires data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data protection, data processing activities must be conducted based on data classification and hierarchical protection systems for data security. Furthermore, the recently issued Opinions on Strictly Cracking Down Illegal Securities Activities requires (i) speeding up the revision of the provisions on strengthening the confidentiality and archives management relating to overseas issuance and listing of securities and (ii) improving the laws and regulations relating to data security, cross-border data flow, and management of confidential information. The PRC Personal Information Protection Law, which was promulgated by the Standing Committee of the National People's Congress on August 20, 2021 and took effect on November 1, 2021, integrates the various rules with respect to personal information rights and privacy protection and applies to the processing of personal information within mainland China as well as certain personal information processing activities outside mainland China, including those for the provision of products and services to natural persons within the PRC or for the analysis and assessment of acts of natural persons within the PRC. Although we have not collected, stored or managed any personal information in mainland China, given that there remain uncertainties regarding the further interpretation and implementation of those laws and regulations, if they are deemed to be applicable to companies operating in Macau, like us, we cannot assure you that we will be compliant with such new regulations in all respects, and we may be ordered to rectify and terminate any actions that are deemed illegal by the government authorities and become subject to fines and other government sanctions, which may materially and adversely affect our business, financial condition, and results of operations. Furthermore, 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 laws, regulations and standards 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, regulations and standards 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 laws, regulations and standards 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, financial condition, prospects and strategies. 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 to take action against us or the Gaming Operator, including actions that could affect the ability or terms upon which the Gaming Operator holds



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its concession, its or our suitability to continue as a shareholder of certain subsidiaries and/or the suitability of key personnel to remain with the Gaming Operator. If any of these events were to occur, it could cause a material adverse effect on our business and prospects, financial condition and results of operations.

### ***If qualified management and personnel cannot be retained at Studio City, our business could be significantly harmed.***

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 who serve Studio City under the Studio City Casino Agreement and the Management and Shared Services Arrangements. We may experience changes in our key management in the future for reasons beyond our control. Loss of Mr. Lawrence Ho's services or the services of the other members of our board of directors or key management personnel could hinder our ability to effectively manage our business and implement our growth and development strategies. Finding suitable replacements for members of our board of directors or senior management 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.

Operation of Studio City also requires extensive operational management and staff. The supply of experienced skilled personnel in Macau is severely limited. Many of the personnel occupy sensitive positions requiring qualifications sufficient to meet gaming regulatory and other requirements or are required to possess other skills for which substantial training and experience may be needed. Competition to retain qualified personnel is likely to continue as competition in the Macau integrated resort market increases. In addition, concessionaires are not currently allowed under the Macau government's policy to hire non-Macau resident dealers and supervisors. We cannot assure you that a sufficient number of qualified individuals will be attracted and retained to operate Studio City or that costs to recruit and retain such personnel will not increase significantly. In addition, the Gaming Operator has previously been subject to certain labor demands. The inability to attract, retain and motivate qualified staff and to continuously optimize our workforce based on changing business demands by the Gaming Operator and Master Service Providers could have a material adverse effect on our business.

In addition, recruitment efforts for the operations of Studio City may be adversely impacted by Macau government's policies with respect to the approval and renewal of work permits for non-resident workers. In its policy address for 2017, the Macau government announced that it would continue to submit the applications for employment of non-resident workers to a rigorous exam and to stimulate the promotion of local workers to management positions in the gaming industry, signaling a tighter control on the employment of non-resident workers. Further, in its policy addresses for 2019 to 2023, the Macau government has continuously stressed that it will continue to monitor the proportion of management positions held by local workers in gaming operators and implement measures to ensure that such proportion is kept at a percentage not lower than 85% for senior and mid-management positions.

### ***Construction is subject to hazards that may cause personal injury or loss of life that expose us to liabilities and possible losses.***

The construction of large-scale properties 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. For example, in December 2021, there was a fatality at the construction site at the Phase 2 project and certain façade related works were suspended for approximately two weeks. We believe, and require that, 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. However, if accidents occur during construction at our property, there may be serious delays, including delays imposed by regulators, liabilities and



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possible losses which may not be covered by insurance, and our business, prospects and reputation may be materially and adversely affected.

### ***Our contractors may face difficulties in finding sufficient labor at an acceptable cost, which could cause delays and increase construction costs.***

The contractors we retain to construct our projects may face difficulties and competition in finding qualified construction labor and managers as more projects commence construction in Macau and as substantial construction activity continues in the PRC as well as due to the imposition of travel restrictions. Immigration and labor regulations as well as travel restrictions in Macau or the PRC may cause our contractors to be unable to recruit sufficient laborers from the PRC to make up for any shortage in available labor in Macau and to help reduce the costs of construction, which could cause delays and increase our construction costs.

### ***The possible infringement of key intellectual property used in our business, the dissemination of proprietary information used in our business or the infringement or alleged infringement of intellectual property rights belonging to third parties could adversely affect our business.***

As part of our branding strategy, we have applied for or registered a number of trademarks (including “Studio City” trademarks) in Macau, Hong Kong and other jurisdictions for use in connection with Studio City. Where possible, we intend to continue to register trademarks as we develop, review and implement our branding strategy for Studio City. We intend to take steps to safeguard our intellectual property from infringement by third parties, such as taking actions against trademark and copyright violations, if and when necessary, and our staff and/or staff of the Gaming Operator or its affiliates or its designees are subject to confidentiality provisions in their employment agreements. Despite such measures, we cannot assure you that we will be successful in defending against the infringement of intellectual property to be used in our business or that any proprietary information to be used in our business will not be disseminated to our competitors, which could have an adverse effect on our future results of operations. In addition, our current and any future trademarks are subject to expiration and we cannot guarantee that we will be able to renew all of them prior to expiration. Our inability to renew the registration of certain trademarks and the loss of such trademarks could have an adverse effect on our business, financial condition, results of operations and cash flows.

We face the potential risk of claims that we have infringed the intellectual property rights of third parties, which could be expensive and time-consuming to defend, cause us to cease using certain intellectual property rights or selling or providing certain products or services, result in us being required to pay significant damages or to 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 the operation of Studio City and harm our future prospects. Furthermore, if litigation were to result from such claims, our business could be interrupted.

### ***We may not have sufficient insurance coverage.***

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. Certain of these policies have been obtained by us and certain of these policies have been obtained by Melco Resorts. We cannot assure you that we or, in the case of policies obtained by Melco Resorts, Melco Resorts 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 insurance policies we deem necessary for the operation of our projects may not be obtainable on commercially practicable terms, or at all, or policy limits may need to be reduced or exclusions from our coverage expanded. Our cyber insurance may not cover all expenses and losses and, accordingly, such breaches or other compromises of our information security or that of its third-party service providers or business partners may have an adverse impact on our operating results and financial condition.

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We cannot assure you that any such insurance policies we or Melco Resorts obtained or may obtain will be adequate to protect us from material losses. Certain acts and events, including any pandemic, epidemic of infectious diseases, earthquakes, hurricanes and floods, terrorist acts, or cybersecurity attacks could expose us to significant uninsured losses that may be, or are, uninsurable or too expensive to justify obtaining insurance. As a result, we, or Melco Resorts, may not be successful in obtaining insurance without increases in cost or decreases in coverage levels. In addition, in the event of a substantial loss, the insurance coverage we carry or benefit from may not be sufficient to pay the full market value or replacement cost of our lost investment or in some cases could result in certain losses being totally uninsured. In addition to the damages caused directly by a casualty loss (such as fire or natural disasters), infectious disease outbreaks or terrorist acts, 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. As an example, COVID-19 outbreaks have resulted in many governments around the world, including in Macau, placing quarantines disallowing residents to travel into or outside of the quarantined area, enforcing business closures and other restrictions. 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 any losses that may result from such events.

There is limited available insurance in Macau and insurers in Macau may need to secure reinsurance in order to provide adequate cover for our property and development projects. Our credit agreements, the Gaming Operator's Concession Contract and certain other material agreements require a certain level of insurance to be maintained, which must be obtained in Macau, 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 Gaming Operator's Concession Contract and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

### ***Studio City Entertainment's tax exemption from complementary tax on income received from the Gaming Operator under the Studio City Casino Agreement expired in 2021.***

Companies in Macau are subject to complementary tax of 12% of taxable income, as defined in relevant tax laws. The Macau government granted to Studio City Entertainment, one of our subsidiaries, a Macau complementary tax exemption until 2021 on profits generated from income received from the Gaming Operator, to the extent that such income results from gaming operations within Studio City Casino and has been subject to gaming taxes. Studio City Entertainment has applied for the extension of the complementary tax exemption for 2022 and for the period from January 1, 2023 through December 31, 2027. However, we cannot assure you that the complementary tax exemption to Studio City Entertainment will be extended beyond its expiration date. If the tax exemption cannot be extended and we are held liable for complementary tax, it may have a material adverse effect on our financial condition.

### ***From time to time, we may be involved in legal and other proceedings arising out of our operations.***

We may be involved in disputes with various parties involved in the construction and operation of Studio City, including contractual disputes with contractors, consultants, suppliers, retailers, food and beverage operators and construction workers. See "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal and Administrative Proceedings." Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs, delays in our schedule and the diversion of resources and management's attention. In addition, we may be involved in a variety of litigation, regulatory proceedings and investigation arising out of our business, which are inherently unpredictable. Ultimate judgments or settlements for such proceedings could increase our costs and thereby lower our profitability or have a material adverse effect on our liquidity. We cannot assure you that we will be able to obtain the appropriate and sufficient types or levels of insurance for Studio City. We may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in penalties, suspension or restrictions on our operations, and/or delay the

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opening of our Phase 2 project at Studio City or closure of outlets at Studio City that are currently in operation. In such cases, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

In addition, claims and proceedings against us, including but not limited to any claims alleging that we received, misappropriated or misapplied funds, or violated any anti-corruption law or regulation, may result in our business operations being subject to greater scrutiny from relevant regulatory authorities and requiring us to make further improvements to our existing systems and 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.

***Any failure or alleged failure to comply with anti-corruption laws, including the U.S. Foreign Corrupt Practices Act (“FCPA”), could result in penalties, which could harm our reputation and have an adverse effect on our business, results of operations and financial condition.***

We are subject to various anti-corruption laws, including the FCPA. The FCPA prohibits companies and any individuals or entities acting on their behalf from offering or making improper payments or providing things of value to foreign officials for the purpose of obtaining or keeping business. The FCPA also requires companies to maintain accurate books and records and to devise and maintain a system of internal accounting controls. There has been a general increase in FCPA enforcement activities in recent years by the SEC and the U.S. Department of Justice. Both the number of FCPA cases and sanctions imposed have risen significantly.

While we and our affiliated companies have adopted and implemented an anti-corruption compliance program covering both commercial bribery and public corruption which includes internal policies, procedures and training aimed to prevent and detect anti-corruption compliance issues and risks, and procedures to take remedial action when compliance issues are identified, we cannot assure you that our employees, consultants, contractors and agents, and those of our affiliates, will adhere to the anti-corruption compliance program, or that any action taken to comply with, or address compliance issues, will be considered adequate by the regulatory bodies with jurisdiction over us and our affiliates. Any violation of our compliance program or applicable law by us or our affiliates could subject us or our affiliates to investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions, any of which may result in a material adverse effect on our reputation, cause us to lose customer relationships or lead to other adverse consequences on our business, prospects, results of operations and financial condition. In addition, as 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.

***Fluctuation in the value of the H.K. dollar, U.S. dollar, Pataca or RMB may adversely affect our indebtedness, expenses and profitability.***

Although the majority of the revenues from the operation of Studio City are denominated in H.K. dollars, we have certain expenses and revenues denominated in Patacas. In addition, a certain portion of our indebtedness and certain expenses are denominated in U.S. dollars, and the costs associated with repaying such debt and servicing interest payments are denominated in U.S. dollars. The value of the H.K. dollar and Patacas against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. Although the exchange rate between the H.K. dollar and the U.S. dollar has been pegged since 1983 and the Pataca is pegged to the H.K. dollar, we cannot assure you that the H.K. dollar will remain pegged to the U.S. dollar and that the Pataca will remain pegged to the H.K. dollar. In addition, the currency market for Patacas is relatively small and undeveloped and therefore our ability to convert large amounts of Patacas into U.S. dollars over a relatively short period of time may be limited. As a result, we may experience difficulty in converting Patacas into U.S. dollars, which could hinder our ability to service a portion of our

indebtedness and certain expenses denominated in U.S. dollars. On the other hand, to the extent that we are required to convert U.S. dollar financings into H.K. dollars or Patacas for our operations, fluctuations in the exchange rates between H.K. dollars or Patacas against the U.S. dollar could have an adverse effect on the amounts we receive from the conversion.

Furthermore, the depreciation of RMB against U.S. dollar or H.K. dollar will affect the purchasing power of visitors from the PRC, which in turn may affect the visitation and level of spending at Studio City. To date we have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations. Instead, we plan to maintain a certain amount of our operating funds in the same currencies in which we have obligations, thereby reducing our exposure to currency fluctuations. However, we may occasionally enter into foreign exchange transactions as part of financing transactions and capital expenditure. We will consider our overall policy on hedging for foreign exchange risk from time to time. Any significant fluctuations in the exchange rates mentioned above may have a material adverse effect on our revenues and financial condition.

Furthermore, the PRC has tightened currency exchange controls and restrictions on the export and conversion of the Renminbi, the currency of mainland China, in recent years. Restrictions on the export of the Renminbi, as well as the increased effectiveness of such restrictions, may impede the flow of patrons from mainland China to Macau, inhibit the growth of gaming in those markets and negatively impact our gaming operations.

***Economic or trade sanctions and a heightened trend towards trade and technology “de-coupling” could negatively affect the relationships and collaborations with our suppliers, service providers, technology partners and other business partners, which could materially and adversely affect our competitiveness and business operations.***

The United Nations and a number of countries and jurisdictions, including the PRC, the United States and the EU, have adopted various economic or trade sanction regimes. In particular, economic and trade sanctions have been threatened and/or imposed by the U.S. government on a number of PRC-based technology companies, including ZTE Corporation, Huawei Technologies Co., Ltd., or Huawei, Tencent Holdings Limited, certain of their respective affiliates, and other PRC-based technology companies. These PRC technology conglomerates manufacture and/or develop telecommunications and other equipment, software, mobile Apps and devices that are popular and widely used globally, including by us and by our customers, especially those in mainland China. The United States has also in certain circumstances threatened to impose further sanctions, trade embargoes, and other heightened regulatory requirements on the PRC and PRC-based companies. The U.S. government has brought enforcement actions against ZTE Corporation and Huawei and related persons, as well as companies who engaged in unauthorized transactions with Huawei.

These restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, though may not be directly applicable to us, may materially and adversely affect our suppliers, service providers, technology partners or other business partners' abilities to acquire technologies, systems, devices or components that may be critical to our relationships or collaborations with them. In addition, if any of our suppliers, service providers, technology partners or other business partners that have collaborative relationships with us or our affiliates were to become subject to sanctions or other restrictions, this might restrict or negatively impact our ongoing relationships or collaborations with them, which could materially and adversely affect our competitiveness and business operations. Media reports on alleged uses of the technologies, systems or innovations developed by business partners or other parties not affiliated with or controlled by us, even on matters not involving us, could nevertheless damage our reputation and lead to regulatory investigations, fines and penalties against us.

***Climate change, environmental, social and governance and sustainability related concerns could have a significant negative impact on our business and results of operations.***

Governments, regulatory authorities, investors, customers, employees and other stakeholders are increasingly focusing on environmental, social and governance, or ESG, and sustainability practices and disclosures, and expectations in this area are rapidly evolving and growing. There are also risks associated with the chronic and acute physical effects of climate change (including changes in sea levels, water shortages, droughts, typhoons and other extreme weather phenomena and natural disasters). Inability to maintain reliable energy supplies due to climate change disruptions may also impact our business continuity and an increase in frequency of extreme weather events could leave us vulnerable to increased insurance costs or limit our ability to obtain sufficient coverage. See “— Risks Relating to Conducting Business and Operating in Macau — Macau is susceptible to typhoons and heavy rainstorms that may damage our property and disrupt our operations.”

We are also subject to the changes in related laws and regulation and their compliance could be difficult and costly. The criteria by which our ESG and sustainability practices are assessed may also change due to the evolution of the sustainability landscape, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. We have potentially high exposure to net zero transition-related policies and carbon prices that could result in energy inflationary pressures. Implicit carbon costs could also affect us where investments are required to meet building efficiency requirements and emissions regulations that are introduced as part of net zero transition plans. In addition, we have exposure to potential commodity price increase pressures on energy intensive goods and construction materials procured as a result of net zero transition-related regulations. If we are unable to satisfy such new criteria, stakeholders may conclude our policies and/or actions with respect to ESG and sustainability matters are inadequate. In addition, we utilize a significant amount of energy and water and produce a substantial amount of waste in our operations and any failure in our efforts to use materials efficiently or reduce waste may not meet the expectations of our stakeholders and our own ESG objectives. Compliance with future climate-related legislation and regulation, and our efforts to achieve emissions reduction targets, could also be difficult and costly. Consumer travel and consumption preferences may also shift due to sustainability related concerns or costs. As a result of the foregoing, we may experience significant increased operating and compliance costs, operating disruptions or limitations, reduced demand, and constraints on our growth, all of which could adversely affect our profits.

**Risks Relating to Operating in the Gaming Industry in Macau**

***The Macau government may terminate the concession under certain circumstances without compensation to the Gaming Operator and may, pursuant to the Gaming Operator’s concession, determine that Studio City Casino may not continue to operate under the Studio City Casino Agreement, which would prevent the operation of Studio City Casino.***

Under the Gaming Operator’s concession, the Macau government has the right to unilaterally terminate the concession in the event of non-compliance by the Gaming Operator with its basic obligations under the concession and applicable Macau laws. If such a termination were to occur, the Gaming Operator would be unable to operate gaming in Macau, including at Studio City Casino. Termination events include, among others, endangerment to the national security of the PRC or Macau; the operation of gaming without permission or operation of a business which does not fall within the business scope of the concession; abandonment of approved business or suspension of operations of its gaming business in Macau without reasonable grounds; transfer of all or part of the Gaming Operator’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; systematic non-compliance with the Macau Gaming Operations Law’s basic obligations; for reasons of public interest; and for failure to meet probity standards or failure to meet the investment amount and other criteria set in the Concession Contract within the period set by the Macau government. These events could lead to the termination of the Gaming Operator’s concession without compensation and the Gaming Operator would be unable to operate gaming in Macau, which may have a

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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 Studio City. In many of these instances, the Concession Contract does not provide a specific cure period within which any such events may be cured and, instead, the Gaming Operator would rely on consultations and negotiations with the Macau government to remedy any such violation.

Under the terms of the Studio City Casino Agreement to which Studio City Entertainment, one of our subsidiaries, is a party, the Gaming Operator has agreed to operate Studio City Casino. If, upon termination of the Gaming Operator's concession, or under the new gaming law, Studio City Entertainment were not able to continue the same arrangements or enter into similar arrangements, Studio City Casino may not be able to continue to operate in the same manner or at all, and the casino and gaming equipment operated by the Gaming Operator under its concession will revert or be transferred to the Macau government without compensation.

Under the Gaming Operator's concession, the Macau government is allowed to request various changes in its investment plans and to make various other decisions and determinations. The law amending the gaming law also grants the Macau government authority to require for changes and specifications to be made to properties operated by concessionaires, including the Gaming Operator. In addition, the Chief Executive of Macau has the right to require an increase of the Gaming Operator's share capital or that the Gaming Operator provides certain deposits or other guarantees of performance with respect to its obligations in any amount determined by the Macau government to be necessary. The Gaming Operator also needs to first obtain the approval of the Macau governmental authorities before raising certain financing and must notify the Macau government before taking certain financial decisions. The Gaming Operator's ability to incur indebtedness or raise equity may be further restricted by its existing and any future financings. As a result, we cannot assure you that the Gaming Operator 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 concession or the law amending the gaming law or other related regulations.

The Concession Contract also contains various covenants and other obligations as to which the determination of compliance is subjective, and any failure to comply with any such covenant or obligation could result in the termination of the concession. For example, requirements of compliance with general and special duties of cooperation and special duties of information may be subjective, and we cannot assure you that the Gaming Operator will always be able to operate gaming activities in a manner satisfactory to the Macau government. The law amending the Macau gaming law also contemplates various covenants and obligations the determination of which is discretionary or subjective. Accordingly, we will be impacted by the Gaming Operator's continuing communications and good faith negotiations with the Macau government to ensure that the Gaming Operator is performing its obligations under the concession and applicable law in a manner that would avoid any violations.

Furthermore, pursuant to the Concession Contract, the Gaming Operator is obligated to comply not only with the terms of that agreement, but also with laws, regulations, rulings and orders that the Macau government might issue or enact in the future. We cannot assure you that it will be able to comply with all such laws, regulations, rulings or orders or that any such laws, regulations, rulings or orders would not adversely affect its ability to operate the Studio City Casino. If any disagreement arises between the Gaming Operator and the Macau government regarding the interpretation of, or its compliance with, a provision of the Concession Contract or then applicable law, we will be relying on its consultation and negotiation process with the Macau government as described above. During any such consultation, however, the Gaming Operator will be obligated to comply with the terms of the Concession Contract or law, as interpreted by the Macau government.

Upon the expiration or termination of the Gaming Operator's concession by the Macau government, the Studio City Casino's gaming area and equipment will revert or be transferred to the Macau government without compensation to the Gaming Operator.

***Studio City Casino faces intense competition in the gaming industry of Macau and elsewhere in Asia, and it may not be able to compete successfully.***

The gaming industry in Macau and elsewhere in Asia is highly competitive. Our competitors include many of the largest gaming, hospitality, leisure and resort companies in the world. Some of these current and future competitors are larger than us 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 particular, in recent years, competitors have opened new properties, expanded operations and/or announced their intention for further expansion and developments in Cotai, where Studio City is located. For example, Galaxy Casino, S.A., or Galaxy, completed phase 3 of the Galaxy Macau Resort, which is expected to be progressively opened in the second quarter of 2023, while phase 4 is currently under development. MGM Cotai opened in February 2018. In addition, Sociedade de Jogos de Macau, S.A., or SJM, opened Grand Lisboa Palace in July 2021 and is expected to open two additional hotels in 2023, while Sands Cotai Central in Cotai has been rebranded and redeveloped into The Londoner Macau, which opened in February 2021.

Studio City Casino will also compete to some extent with casinos located in other countries, such as Singapore, the Philippines, Malaysia, South Korea, Vietnam, Cambodia, Australia, New Zealand, Japan and elsewhere in the world, including Las Vegas and Atlantic City in the United States. Certain other markets may in the future legalize casino gaming, including Taiwan and Thailand. Certain of these gaming markets may not be subject to as stringent regulations as the Macau market. Studio City Casino will also compete with both legal and illegal online gaming and sports-betting websites, cruise ships operating out of Hong Kong and other areas of Asia that offer gaming. The proliferation of gaming venues in Asia could significantly and adversely affect our business, results of operations, financial condition, cash flows and prospects.

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

Furthermore, Melco Resorts, as well as the Gaming Operator, may take action to construct and operate new gaming projects or invest in such projects, located in other countries in the Asia region (including new gaming projects in Macau) or outside the Asia region, which, along with their current operations, such as Altira Macau and City of Dreams, may increase the competition Studio City Casino will face. See “— Risks Relating to Our Relationship with Melco Resorts — We may have conflicts of interest with Melco Resorts and, because of Melco Resorts’ controlling ownership interest in our Company, we may not be able to resolve such conflicts on favorable terms for us.”

***Gaming is a highly regulated industry in Macau and adverse changes or developments in gaming laws or regulations could be difficult to comply with or significantly increase costs, which could cause Studio City Casino to be unsuccessful.***

Gaming is a highly regulated industry in Macau and is subject to the risk of changes in laws and policies. Current laws, 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 as well as increased audits and inspections by regulators, including the Studio City Casino. Any such adverse developments in the regulation of the gaming industry could be difficult to comply with and could significantly increase costs, which could cause Studio City Casino to be unsuccessful and adversely affect our financial performance.

While the Gaming Operator does not currently have gaming promoters arrangements at the Studio City Casino following their cessation in December 2021, if the Gaming Operator decides to enter into new



arrangements with gaming promoters in the future, such arrangements and related activities will be subject to the requirements under the applicable laws and regulations. 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 the Gaming Operator's ability to develop successful relationships with gaming promoters from time to time in the future and attract VIP rolling chip players, which in turn may adversely affect the financial performance of the VIP rolling chip operations at Studio City Casino. On June 22, 2022, Law no. 7/2022, which amends Law no. 16/2001, or the Macau Gaming Operations Law, was published and on December 19, 2022, Law no. 16/2022, the new Gaming Activities Law, which replaces Administrative Regulation no. 6/2022, or the Gaming Promoter Regulation was published. These laws set additional requirements applicable to the Studio City Casino. Any failure to comply with these regulations, as they may be applicable, may result in the imposition of liabilities, fines and other penalties and may materially and adversely affect the Gaming Operator's concession or the operation of the Studio City Casino. See "Item 4. Information on the Company — B. Business Overview — Regulations — Gaming Activities Regulations."

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

Also, 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. Studio City Casino currently has a number of segregated smoking lounges. We cannot assure you that the Macau government will not enact more stringent smoking control legislation. Such limitations imposed on smoking have and may deter potential gaming patrons who are smokers from visiting casinos in Macau, which could adversely affect our business, results of operations and financial condition. See "Item 4. Information on the Company — B. Business Overview — Regulations — Smoking Regulations."

Under the amended gaming law, the Macau government has set a cap on gaming tables and gaming machines that may be operated in Macau at 6,000 gaming tables and 12,000 gaming machines. In addition, gaming tables and gaming machines previously allocated to a concessionaire may also be revoked if the minimum average annual gross gaming revenue of MOP7 million (equivalent to approximately US\$870,233) for gaming tables and MOP300,000 (equivalent to approximately US\$37,296) for gaming machines are not met for two consecutive years or the tables or gaming machines are not fully utilized without reason within a certain period.

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. While we expect that the Gaming Operator will operate Studio City Casino in compliance in all material respects with all applicable laws and regulations of Macau, 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 or the Gaming Operator's interpretation, which could have a material adverse effect on the operation of Studio City Casino 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 and Studio City Casino are subject to the



administrative review and approval by the DICJ, Macau health department, Macau labor bureau, Macau construction works bureau, Macau fire department, Macau finance department and Macau government tourism office. We cannot assure you that we or the Gaming Operator 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.

***Studio City Casino is subject to operational risks commonly faced by other gaming facilities in Macau.***

Studio City Casino faces operational risks commonly experienced in the gaming industry in Macau. Such risks include, but are not limited to, the following:

- *Inability to Collect Gaming Receivables from Credit Customers.* The Gaming Operator may grant gaming credit directly to certain customers at Studio City Casino, which will often be unsecured. The Gaming Operator may not be able to collect all of its gaming receivables from, or fully realize the value of collateral posted by, its credit customers at Studio City Casino, and we expect that the Gaming Operator will be able to enforce its gaming receivables only in a limited number of jurisdictions, including Macau and under certain circumstances, Hong Kong. The Gaming Operator's inability to collect gaming receivables from credit customers may in turn affect our financial performance.
- *Limited Availability of Credit to Gaming Patrons.* The Gaming Operator conducts its table gaming activities at Studio City Casino partially on a credit basis. The Gaming Operator may extend credit to certain of its patrons and, if any are engaged to provide services to Studio City Casino, gaming promoters. Any general economic downturn and turmoil in the financial markets may result in broad limitations on the availability of credit from credit sources as well as lengthening the recovery cycle of extended credit. In particular, due to credit conditions in the PRC and the tightening of cross-border fund transfers by the PRC government to control capital outflows in recent years, the number of visitors to Macau from the PRC, as well as the amounts they are willing to spend in casinos, may decrease, which could have a material adverse effect on our business, financial condition and results of operations.
- *Inability to Control Win Rates.* The gaming industry is characterized by an element of chance. In addition to the element of chance, theoretical expected win rates will also be affected by the spread of table limits and factors that are beyond the operator's control, such as a player's skill and experience, the mix of games played, the financial resources of players, the volume and mix of bets played, the amount of time players spend on gambling and the number of players. As a result of the variability in these factors, the actual win rates at Studio City Casino may differ from the theoretical win rates anticipated and could result in less winnings than anticipated.
- *Risk of Fraud or Cheating of Gaming Patrons and Staff.* 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. Failure to discover such acts or schemes in a timely manner could result in losses in Studio City Casino operations and negative publicity for Studio City. In addition, gaming promoters, if any, or other persons could, without the knowledge of the Gaming Operator, enter into betting arrangements directly with patrons on the outcomes of games of chance, thus depriving Studio City Casino of revenues.
- *Risk of Counterfeiting.* All gaming activities at Studio City Casino's table games are conducted exclusively with gaming chips which are subject to the risk of alteration and counterfeiting. The Gaming Operator has incorporated 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 gaming chips and introduce, use and cash in altered or counterfeit gaming chips in Studio City's gaming areas. Any negative publicity arising from such incidents could result in losses in Studio City Casino operations and negative publicity for Studio City.

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- *Risk of Malfunction of Gaming Machines.* There is no assurance that the slot machines at Studio City will be functioning properly at all times. If any one or more gaming machines malfunction due to technical or other reasons, the win rates associated with the gaming machines may be affected in a way that adversely impact the revenue of Studio City Casino. In addition, Studio City Casino's reputation may be materially and adversely affected as a result of any incidents of malfunction.

Any of these risks has the potential to materially and adversely affect Studio City Casino and our business, financial condition, results of operations, cash flows and prospects.

***The Macau government could grant additional rights to conduct gaming in the future, which could significantly increase competition in Macau and cause Studio City Casino to lose or be unable to gain or maintain market share.***

Pursuant to the terms of Macau Law No. 16/2001, or the Macau Gaming Operations Law, as amended, the maximum number of gaming concessions is six. Concessionaires are prohibited from entering into a subconcession agreement. Notwithstanding, the policies and laws of the Macau government may change and could result in the grant of additional concessions or subconcessions, which could significantly increase competition in Macau and also cause Studio City Casino to lose or be unable to maintain or gain market share and, as a result, adversely affect our business.

***We cannot assure you that anti-money laundering policies that have been implemented at Studio City Casino and its compliance with applicable anti-money laundering laws will be effective to prevent Studio City Casino from being exploited for money laundering purposes.***

Macau's free port, offshore financial services and free movement of capital create an environment whereby Macau's casinos could be exploited for money laundering purposes. Melco Resorts' and the Gaming Operator's anti-money laundering policies, which we believe to be in compliance with all applicable anti-money laundering laws and regulations in Macau, are applied to the operation of Studio City Casino. However, we cannot assure you that the Gaming Operator, our contractors, agents or the staff performing services at Studio City Casino will continually adhere to such policies or any such policies will be effective in preventing Studio City Casino operations from being exploited for money laundering purposes, including from jurisdictions outside of Macau. We cannot assure you that we will not be subject to any accusation or investigation related to any possible money laundering activities despite the anti-money laundering measures we have adopted and undertaken or that we will adopt and undertake in the future.

The Gaming Operator also deals with significant amounts of cash in Studio City Casino's operations and is subject to various reporting and anti-money laundering regulations as well as audits and inspections by regulators. Any incidents of money laundering, accusations of money laundering or regulatory investigations into possible money laundering activities involving Studio City Casino, its staff, gaming promoters, if any, or customers or others with whom it is 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 concession held by the Gaming Operator. For more information regarding anti-money laundering regulations in Macau, see "Item 4. Information on the Company — B. Business Overview — Regulations — Anti-Money Laundering and Terrorism Financing Regulations."

### **Risks Relating to Our Relationship with Melco Resorts**

***We are heavily dependent on our shareholder, Melco Resorts, and expect to continue to be dependent on Melco Resorts.***

Melco Resorts is a developer, owner and operator of integrated resort facilities in Asia and Europe, and our business has benefited significantly from Melco Resorts' strong market position in Macau and its expertise in

both gaming and non-gaming businesses. We cannot assure you we will continue to receive the same level of support from Melco Resorts in the future.

Melco Resorts has provided us with substantially all of our financial, administrative, sales and marketing, human resources and legal services and has also provided us with the services of a number of its staff pursuant to the Management and Shared Services Arrangements. Other than our property general manager, all of the Studio City dedicated staff are employed by the Master Service Providers under such arrangements. See “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Management and Shared Services Arrangements.” We expect Melco Resorts to continue to provide us with such support services in the future. However, there is no assurance that employees of Master Service Providers, who also support our financial, management, administration and other corporate functions, will be able to carry out their responsibilities in the best interests of Studio City or provide sufficient support for us to operate as an independent public company in compliance with the relevant financial reporting, internal control and other legal and regulatory requirements. In addition, to the extent Melco Resorts does not continue to provide us with such support, we may need to create our own support systems and may encounter operational, administrative and strategic difficulties. Having to create our own support systems due to lack of support from Melco Resorts may cause us to react more slowly than our competitors to industry changes and may divert our management’s attention from running our business, increase our operating costs or otherwise harm our operations.

In addition, since we have only been a public company since October 2018, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and investor relations issues. Prior to our initial public offering, we were indirectly subject to requirements to maintain an effective internal control over financial reporting under Section 404 of the Sarbanes–Oxley Act of 2002 as a subsidiary of Melco Resorts. However, as a public company itself, our management will have to evaluate our internal control system independently with new thresholds of materiality and to implement necessary changes to our internal control system. We cannot guarantee that we will be able to do so in a timely and effective manner.

***Our business has benefited significantly from our relationship with Melco Resorts. Any negative development in Melco Resorts’ market position or brand recognition may materially and adversely affect our marketing efforts and the strength of our brand.***

We are a subsidiary of Melco Resorts and have benefited significantly from our relationship with Melco Resorts in marketing our brand. For example, we have benefited by providing services to Melco Resorts’ long-term customers. We also benefit from Melco Resorts’ strong brand recognition in Macau, which has provided us credibility and a broad marketing reach. If Melco Resorts loses its market position, the effectiveness of our marketing efforts through our association with Melco Resorts may be materially and adversely affected. In addition, any negative publicity associated with Melco Resorts will likely have an adverse impact on the effectiveness of our marketing as well as our reputation and our brand.

***We may have conflicts of interest with Melco Resorts and, because of Melco Resorts’ controlling ownership interest in our Company, we may not be able to resolve such conflicts on favorable terms for us.***

Conflicts of interest may arise between Melco Resorts and us in a number of areas relating to our past and ongoing relationships. Potential conflicts of interest include:

- ***Other Integrated Resorts in Macau.*** Melco Resorts owns other integrated resorts in Macau and the Gaming Operator, as a subsidiary of Melco Resorts, operates casinos and gaming areas at such resorts owned by Melco Resorts. The ownership and operation of City of Dreams and Altira Macau by Melco Resorts and the Gaming Operator may divert their attention and resources. Any strategic decisions made by Melco Resorts to focus on their other projects in Macau rather than us, could materially and adversely affect our financial condition and results of operations.

- *Allocation of Business Opportunities.* Melco Resorts, as well as the Gaming Operator, may take action to construct and operate new gaming projects or invest in such projects located in the Asian region (including new gaming projects in Macau) or elsewhere, which, along with their current operations, including City of Dreams and Altira Macau, may divert their attention and resources. For example, in 2015, Melco Resorts opened City of Dreams Manila, a casino, hotel, retail and entertainment resort in Manila, the Philippines. In 2019, Melco Resorts acquired from Melco International a 75% equity interest in the City of Dreams Mediterranean project, which is currently under development, as well as the temporary and satellite casinos opened prior to the official launch of the City of Dreams Mediterranean project. We could face competition from these other gaming projects. Due to the Management and Shared Services Arrangements we have with Melco Resorts, should Melco Resorts decide to focus more attention on gaming projects located in other areas, including in jurisdictions that may be expanding or commencing their gaming industries, or should economic conditions or other factors result in a significant decrease in gaming revenues and number of patrons in Macau, Melco Resorts may make strategic decisions to focus on their other projects rather than us, which could adversely affect our development and operation of Studio City and future growth.
- *Related Party Transactions.* We have entered into a number of related party transactions, including the Management and Shared Services Arrangements, that we believe allow us to leverage off the experience and scale of Melco Resorts. While these arrangements were entered into at pre-agreed rates that we believe are commercially reasonable, the determination of such commercial terms were subject to judgment and estimates and we may have obtained different terms for similar types of services had we entered into such arrangements with independent third parties or had we not been a subsidiary of Melco Resorts.
- *Our Board Members and Executive Officers May Have Conflicts of Interest.* Certain of our directors are also the directors and/or executive officers of Melco Resorts, our property general manager serves on Melco Resorts' executive committee and our chief financial officer is an executive officer of Melco Resorts. In addition, our senior management team (including staff of Melco Resorts designated to Studio City under the Management and Shared Services Arrangements) also has reporting obligations to Melco Resorts. Certain of our directors have also been appointed by New Cotai. These relationships could create, or appear to create, conflicts of interest when these persons are faced with decisions with potentially different implications for Melco Resorts or New Cotai, as the case may be, and us. See “— Risks Relating to Our Business — We rely on services provided by subsidiaries of Melco Resorts, including hiring and training of personnel for Studio City” and “— Risks Relating to Our Relationship with Melco Resorts — Certain of our directors and executive officers hold a substantial amount of share options, restricted shares and ordinary shares of Melco Resorts, which could create an appearance of potential conflicts of interests.” While we have appointed independent directors to our board of directors, and our audit and risk committee consists solely of independent directors, due to the nature of their role as independent directors, such directors may not have access to the same information, resources and support as directors who are also directors and/or executive officers of Melco Resorts, which may hinder their ability to eliminate all conflicts of interest presented by our relationships with Melco Resorts.
- *Developing Business Relationships with Melco Resorts' Competitors.* So long as Melco Resorts remains our controlling shareholder, we may be limited in our ability to do business with its competitors, such as other gaming operators in Macau. This may limit our ability to market our services for the best interests of our Company and our other shareholders.

We expect to operate, for as long as Melco Resorts is our controlling shareholder, as a subsidiary of Melco Resorts. Melco Resorts may from time to time make strategic decisions that it believes are in the best interests of its business as a whole, including our Company. These decisions may be different from the decisions that we would have made on our own. Melco Resorts' decisions with respect to us or our business may be resolved in ways that favor Melco Resorts and therefore Melco Resorts' own shareholders, which may not

coincide with the interests of our other shareholders. We may not be able to resolve any potential conflicts, and even if we do so, the resolution may be less favorable to us than if we were dealing with a non-controlling shareholder. Even if both parties seek to transact business on terms intended to approximate those that could have been achieved among unaffiliated parties, this may not succeed in practice.

***Certain of our directors and executive officers hold a substantial amount of share options, restricted shares and ordinary shares of Melco Resorts, which could create an appearance of potential conflicts of interests.***

Certain of our directors and executive officers hold a substantial amount of share options, restricted shares and ordinary shares of Melco Resorts, and the value of such share options and restricted shares are related to the value of the ordinary shares of Melco Resorts. In addition, our directors and executive officers are eligible to participate in the share incentive plan of Melco Resorts. See “Item 6. Directors, Senior Management and Employees — B. Compensation of Directors and Executive Officers — Share Incentive Plan.” The direct and indirect interests of our directors and executive officers in the ordinary shares of Melco Resorts and the presence of certain directors and executive officers of Melco Resorts on our board of directors or senior executive team could create, or appear to create, conflicts of interest with respect to matters involving both Melco Resorts and us that could have different implications for Melco Resorts and us. For example, potential conflicts of interest could arise in connection with the resolution of any dispute between Melco Resorts and us, or the affiliates of Melco Resorts and us, regarding the terms of the arrangements we have with Melco Resorts or its affiliates. These arrangements include the Studio City Casino Agreement, the Management and Shared Services Arrangements and any commercial agreements between Melco Resorts and us, or the affiliates of Melco Resorts and us. Potential conflicts of interest may also arise out of any commercial arrangements that Melco Resorts and us may enter into in the future. Similar potential conflicts may also arise related to the pursuit of certain opportunities, including growth opportunities in Macau or elsewhere.

***Changes in Melco Resorts’ share ownership, including a change of control of its subsidiaries’ shares, could result in our inability to draw loans or cause events of default under our indebtedness, or could require us 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 Melco Resorts’ obligations relating to the control and/or ownership of certain of its and our subsidiaries including their and our 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 in certain of Melco Resorts’ subsidiaries, including Studio City Holdings Five Limited, Studio City Finance and Studio City Investments, may result in an event of default and/or a cancellation of committed amounts as well as a requirement to prepay the credit facilities in relation to such indebtedness in full.

The terms of the agreement of certain indebtedness also contain change of control provisions whereby the occurrence of a relevant change of control event will require us to offer to repurchase the securities at a price equal to 101% of their principal amount, plus accrued and unpaid interest and, if any, additional amounts and other amounts specified under such indebtedness to the date of repurchase.

Any occurrence of these events could be outside our control and could result in events of default and cross-defaults which may cause the termination and acceleration of our credit facilities and other indebtedness 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 Conducting Business and Operating in Macau**

***Our business, financial condition and results of operations may be materially and adversely affected by any economic slowdown in Macau, the PRC and nearby Asia regions as well as globally.***

All of our operations are in Macau. Accordingly, our results of operations and financial condition may be materially adversely affected by significant political, social and economic developments in Macau and the

PRC. A slowdown in economic growth in the PRC could adversely impact the number of visitors from the PRC to Studio City as well as the amount they are willing to spend in our hotel, restaurants and other facilities as well as at Studio City Casino, which could have a material adverse effect on our results of the operations and financial condition. Various factors have recently negatively impacted economic growth in the PRC, including the government's efforts to cool the PRC's housing market and disruptions caused by COVID-19, leading to reduced consumer discretionary budget and ultimately affecting their spending on travel and leisure. Moreover, the PRC's common prosperity drive which started in 2021 aims to narrow the nation's wealth gap by reducing wealth inequality. Any changes in the income tax rate or government policy which discourages conspicuous consumption may affect the spending patterns of our patrons. All of these measures as well as a number of measures taken by the PRC government in recent years to control the rate of economic growth, including those designed to tighten credit and liquidity, may have contributed to a slowdown of the PRC's economy. According to preliminary estimates from the National Bureau of Statistics of China, the PRC's GDP growth rate was 3.0% in 2022, which was lower than the 8.4% in 2021. Any slowdown in the PRC'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 Studio City. 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 the PRC 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.

In addition, the global macroeconomic environment is facing significant challenges, including disruptions to global economic conditions as a result of the responses to the global COVID-19 outbreaks, and dampened business sentiment and outlook. These events have also caused significant declines as well as volatility in global equity and debt capital markets, further elevating the risk of an extended global economic downturn or even a global recession that could in turn trigger a severe contraction of liquidity in the global credit markets. Even prior to these events, the global economy was facing the end of quantitative easing by the U.S. Federal Reserve, the continuation 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. Even though it recently eased its "zero Covid" policy, the PRC government may re-impose lockdown or travel restriction measures in response to COVID-19 outbreaks or the outbreak of another contagious disease. Such measures, if re-imposed, may significantly affect visitations to our property and have a material adverse effect on our results of operations.

Tensions between the United States and China have continued to escalate since 2020 in connection with ongoing trade disputes as well as other political factors, including COVID-19 outbreaks and the status of Hong Kong. Continued rising political tensions globally could reduce levels of trade, investment, technological exchanges and other economic activities between these two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. The introduction of the National Security Law for Hong Kong and the U.S. Department of State's statements in reaction to it have resulted in a further deterioration in the Sino-U.S. bilateral relationship, which could negatively affect the Chinese economy and its demand for gaming and leisure activities.

Rising inflation rates globally and in places where we operate may not only weaken discretionary spending of our customers but also increase our operating costs due to possible hikes in salary payments for our staff or key expenditures in our business. Interest rate hikes from one or more central banks across the world to address inflation or other macroeconomic factors would increase the cost of credit throughout global economies, impacting cashflows for both businesses and consumers as they spend more on interest payments which, in turn, reduces the amount available for capital investments and for discretionary consumption. The sell-off in Chinese property bonds has also negatively impacted the market for high yield bonds of issuers in other sectors connected with the PRC, including those issued by Macau gaming operators and associated entities. Other factors affecting discretionary consumer spending, including amounts of disposable consumer income, fears of recession, lack of consumer confidence in the economy, change in consumer preferences, high energy, fuel and other commodity

costs and increased cost of travel may negatively impact our business. An extended period of reduced discretionary spending and/or disruptions or declines in airline travel have had and could materially adversely affect our business, results of operations and financial condition.

Considerable uncertainty remains 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 the PRC. There have been concerns over conflicts, unrest and terrorist threats in the Ukraine, Middle East, Europe and Africa, including the continuing military conflict between Russia and Ukraine has led to sanctions and export controls being imposed by the United States, the European Union, the United Kingdom and other countries targeting Russia, its financial system and major financial institutions and certain Russian entities and persons. Such sanctions and measures have had and may continue to have a negative impact on our business and our ability to accept certain customers. The conflict has also caused volatility in global financial markets as well as rising prices in oil, gas and other commodities. In addition, concerns over conflicts involving the United States and Iran and potential conflicts involving the Korean peninsula persist. 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.

***Studio City Casino's operations could be adversely affected by foreign exchange restrictions on the Renminbi.***

Gaming operators in Macau are currently prohibited from accepting wagers in Renminbi, the currency of the PRC. There are currently restrictions on the export of the Renminbi outside of the PRC, including to Macau. For example, a PRC citizen traveling abroad is only allowed to take a total of RMB20,000 (US\$2,889) plus the equivalent of up to US\$5,000 out of the PRC. Moreover, an annual limit of RMB100,000 (US\$14,443) on the aggregate amount that can be withdrawn overseas from PRC bank accounts was set by the PRC government, with effect on January 1, 2018. In addition, the PRC 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 PRC-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, the Macau government has launched identity card checks with respect to certain ATM users and recommended banks perform adequate due diligence and monitoring of merchants with respect to usage of point-of-sales machines, such as cash registers where a customer is charged for goods or services purchased. These measures may limit liquidity availability and curb capital outflows. In addition, 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\$14,918) as determined by the Chief Executive of Macau are required to declare such amount to the customs authorities. For further details, please refer to "Item 4. Information on the Company — B. Business Overview — Regulations — Control of Cross-border Transportation of Cash Regulations." The adoption of digital currency by the Chinese government may also cause more restrictions on the export of the Renminbi out of the PRC, which may impede the flow of customers from the PRC to Macau, inhibit the growth of gaming in Macau and negatively impact the operation of Studio City Casino.

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

Our operating results may be adversely affected by:

- tightening of travel restrictions to Macau or from the PRC, including due to the outbreak of infectious diseases, such as COVID-19 outbreaks;
- austerity measures which may be imposed by the PRC government;



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- changes in government policies, laws and regulations, or in the interpretation or enforcement of these policies, laws and regulations;
- changes in cross-border fund transfer and/or foreign exchange regulations or policies effected by the PRC and/or Macau governments;
- measures taken by the PRC government to deter marketing of gaming activities to mainland Chinese residents by offshore casinos;
- measures that may be introduced to control inflation, such as interest rate increases or bank account withdrawal controls; and
- changes in the rate or method of taxation by the Macau government.

A significant number of the customers of Studio City Casino come from, and are expected to continue to come from, the PRC. Any travel restrictions imposed by the PRC, such as the travel restrictions imposed due to COVID-19 outbreaks, could negatively affect the number of patrons visiting Studio City from the PRC. Since mid-2003, under the Individual Visit Scheme, or IVS, PRC citizens from certain cities have been able to travel to Macau individually instead of as part of a tour group. In mid-2008 through 2010, the PRC government adjusted its visa policy and limited the number of visits PRC citizens may make to Macau in a given time period. The PRC also banned “zero fare tours,” popular among visitors to Macau from the PRC, whereby travelers avail the services of tour guides at minimal or no cost if they agree to shop in designated areas in exchange. Further, in 2014, the PRC government and the Macau government tightened visa transit policies for mainland China residents. Starting on July 1, 2014, the Macau government has tightened transit visa rule implementation, limiting such travelers to a five-day stay, with documented proof that they were going to a third destination. From July 2015, Macau eased the restrictions and again allowed mainland Chinese passport holders who transit via the city to stay for up to seven days. While the PRC government has restricted and then loosened IVS travel frequently, it has recently indicated its intention to maintain tourism development by opening the IVS to more PRC cities to visit Macau. In March 2016, for instance, 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. It is unclear whether these and other measures will continue to be in effect or become more restrictive in the future. For instance, as a result of the COVID-19 outbreak, the PRC government suspended the issuance of group and individual travel visas from the PRC to Macau. The IVS program was resumed by the PRC government on September 23, 2020, with e-Visa applications being accepted from November 1, 2022. A decrease in the number of visitors from the PRC could adversely affect Studio City’s results of operations.

In addition, certain policies and campaigns implemented by the PRC government may lead to a decline in the number of patrons visiting Studio City and the amount of spending by such patrons. The strength and profitability of our 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 PRC government in recent years have resulted in an overall dampening effect on the behavior of PRC consumers and a decrease in their spending, particularly in luxury good sales and other discretionary spending. For example, the PRC government’s ongoing anti-corruption campaign has had an overall dampening effect on the behavior of PRC consumers and their spending patterns both domestically and abroad. In addition, the number of patrons visiting Studio City may be affected by the PRC government’s focus on deterring marketing of gaming to mainland Chinese citizens 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 PRC-issued ATM cardholders can withdraw in each withdrawal and impose a limit on the annual aggregate amount that may be withdrawn. For example, certain staff of a foreign casino were convicted in the PRC in connection with gaming-related promotional activities in the PRC which created regulatory uncertainty on marketing activities in the PRC. More recently, amendments to the PRC’s criminal laws, which provide that anyone that organizes trips for PRC citizens for the purpose of gambling outside of mainland China, including Macau, may be deemed to have conducted a criminal act, came into effect on March 1, 2021. Furthermore, in November 2021, the Court of Final Appeal in Macau issued a final unappealable decision that a gaming operator is jointly liable with a gaming



promoter for the refund of funds deposited with such gaming promoter and the Macau authorities arrested executives from a gaming promoter for alleged illegal overseas gaming related activities. In January 2022, the Macau authorities also arrested an executive from another gaming promoter and certain related individuals and certain of these individuals were sentenced to jail terms in addition to the payment of monetary compensation to the Macau government in January 2023. The PRC government has also developed its digital currency and has performed certain test trials in its application within mainland China. If a digital currency is adopted by the Macau government for gaming operations in Macau, there could be a material and adverse impact on Studio City Casino's VIP rolling chip operations if limitations on transactions per player are also introduced in conjunction with the adoption of the digital currency. A wide interpretation, application or enforcement of these laws and regulations by the PRC governmental authorities could have a material and adverse effect on our business and prospects, financial condition and results of operations.

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 amendments or different interpretations and implementation, thereby adversely affecting our profitability after tax. For example, the newly amended Macau gaming law requires the payment of a special premium if gross gaming revenue falls below the gross gaming revenue threshold set by the Macau government. As Studio City Entertainment is expected to fund such premium for the operation of Studio City Casino, increased premium could have a material adverse effect on the results of our operations and financial condition. Significantly increased regulatory scrutiny of gaming promoters in Macau has resulted, and may continue to result, in the cessation of business of many gaming promoters. In December 2021, the Gaming Operator terminated the arrangements with gaming promoters in Macau, including at Studio City Casino.

***Changes in law, regulations and policies in the PRC and uncertainties in the legal systems in the PRC may expose us to risks. In addition, rules and regulations in the PRC can change quickly with little advance notice.***

We are based in and have all of our operations in Hong Kong and Macau. In addition, as a significant number of our customers come from, and are expected to continue to come from, the PRC, our results of operations and financial condition may be materially and adversely affected by significant regulatory developments not only in Macau but also in the PRC. Gaming related activities in the PRC, including marketing activities, are strictly 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. Rules and regulations in the PRC can change quickly with little advance notice. 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 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, which affect gaming-related activities in the PRC could require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations and have a material and adverse effect on our business and prospects, financial condition and results of operations. We may incur penalties for any failure to comply with PRC laws and regulations.

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 and the level of legal protection we enjoy than in other legal systems. Any litigation or proceedings in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention. Any such litigation or proceedings could have a material adverse effect on our business, reputation, financial condition and results of operations.

***The PRC government may influence our operations in Macau or elsewhere or intervene in our offerings conducted overseas or foreign investments in us. Its oversight and discretion over our business could result in material adverse changes in our operations and the value of our ordinary shares and ADSs.***

The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. The PRC may also intervene or influence our operations in Macau or elsewhere at any time as the PRC government deems appropriate to further regulatory, political and societal goals, or may exert more control over offerings conducted overseas and/or foreign investment in PRC-based issuers, which could result in a material change in our operations and/or the value of our ordinary shares. Additionally, given recent statements by the Chinese government indicating an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers, any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or be worthless. See also “— Risks Relating to Our Business — Failure to protect the integrity and security of company staff, supplier and customer information and comply with cybersecurity, data privacy, data protection or any other laws and regulations related to data may materially and adversely affect our business, financial condition and results of operations, and/or result in damage to reputation and/or subject us to fines, penalties, lawsuits, restrictions on our use or transfer of data and other risks” for discussions relating to the PRC Data Security Law.

If (i) we inadvertently conclude that certain regulatory permissions and approvals are not required or (ii) applicable laws, regulations, or interpretations change in a way that requires us to complete such filings or obtain such approvals in the future, and (iii) we are required to obtain such permissions or approvals in the future, but fail to receive or maintain such permissions or approvals, we may face sanctions by the CSRC, the CAC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on us, limit our operations, limit our ability to pay dividends outside of China, limit our ability to list on stock exchanges outside of China or offer our securities to foreign investors or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of our securities.

***Terrorism, violent criminal acts, the uncertainty of war, widespread health epidemics or pandemics, political developments and other factors affecting discretionary consumer spending and leisure travel may reduce visitation to Macau and harm our operating results.***

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 in Europe, the United States, Southeast Asia and elsewhere, military conflicts between Russia and Ukraine, military conflicts in the Middle East, social events and natural disasters such as typhoons, tsunamis and earthquakes, and outbreaks of widespread health epidemics or pandemics, including COVID-19 outbreaks, among other things, have negatively affected travel and leisure expenditures. Terrorism, other criminal acts of violence or social events and widespread health epidemics or pandemics could have a negative impact on international travel and leisure expenditures, including lodging, gaming and tourism. We cannot predict the extent to which such acts may affect us, directly or indirectly, in the future. See also “— Risks Relating to Our Business — COVID-19 outbreaks have had an adverse effect on our operations, which has had a significant negative effect over the past three years and may continue to materially impact our business, prospects, financial condition and results of operations,” “— Risks Relating to Conducting Business and Operating in Macau — An outbreak of widespread health epidemics or pandemics, contagious disease or other outbreaks may have an adverse effect on the economies of affected countries or regions and may have a material adverse effect on our business, financial condition and results of operations” and “— Risks relating to Our Business — Economic or trade sanctions and a heightened trend towards trade and technology “de-coupling” could negatively affect the relationships and collaborations with our suppliers, service providers, technology partners and other business partners, which could materially and adversely affect our competitiveness and business operations.”

In addition, other factors affecting discretionary consumer spending, including amounts of disposable consumer income, fears of recession, lack of consumer confidence in the economy, change in consumer preferences, high energy, fuel and other commodity costs and increased cost of travel may negatively impact our business. An extended period of reduced discretionary spending and/or disruptions or declines in airline travel could materially adversely affect our business, results of operations and financial condition.

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

Our operations could be, and in certain cases, such as COVID-19 outbreaks, have been adversely affected by the outbreak of widespread health epidemics or pandemics, such as swine flu, avian influenza, severe acute respiratory syndrome (SARS), Middle East respiratory syndrome (MERS), Zika and Ebola. The occurrence of such health epidemics or pandemics, prolonged outbreak of an epidemic illness or other adverse public health developments in the PRC or elsewhere in the world could materially disrupt our business and operations. Such events could significantly impact our industry and cause severe travel restrictions between the PRC and Macau as well as temporary or prolonged closures of the facilities we use for our operations and disruptions to public transportation, which could severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Such events may also indirectly and materially adversely impact our operations by negatively impacting the outlook, growth or business sentiment in the global, regional or local economy. See also “— Risks Relating to Our Business — COVID-19 outbreaks have had an adverse effect on our operations, which has had a significant negative effect over the past three years and may continue to materially impact our business, prospects, financial condition and results of operations.”

Several countries, including Japan, South Korea and Vietnam, have registered cases of avian flu since the end of 2020. Fully effective avian flu vaccines have not been developed and there is evidence that the H5N1 virus is constantly evolving so we cannot assure you that an effective vaccine can be discovered or commercially manufactured in time to protect against the potential avian flu pandemic.

In addition to the ongoing outbreak of COVID-19, 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 facilities or employees or others involved in our operations were suspected of having COVID-19, 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 facilities 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 PRC or global economy in general.

***Macau is susceptible to typhoons and heavy rainstorms that may damage our property and disrupt our operations.***

Macau’s subtropical climate and location on the South China Sea renders it susceptible to typhoons, heavy rainstorms and other natural disasters. In the event of a major typhoon, such as Typhoon Hato in August 2017, Typhoon Mangkhut in September 2018 or other natural disaster in Macau, Studio City may be severely damaged, our operations may be materially and adversely affected and Studio City Casino may even be required to temporarily cease operations by regulatory authorities. Any flooding, unscheduled cessation of operations, 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 Studio City, including

operations at Studio City Casino. Although we benefit from certain insurance coverage with respect to these events, our coverage may not be sufficient to fully indemnify us against all direct and indirect costs, including loss of business, which could result from substantial damage to, or partial or complete destruction of, Studio City or other damages to the infrastructure or economy of Macau.

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

***We are a Cayman Islands holding company. Our sole material asset is our equity interest in MSC Cotai and we will be accordingly dependent upon distributions from MSC Cotai to pay dividends and cover our corporate and other expenses.***

We are a Cayman Islands holding company and have no material assets other than our equity interest in MSC Cotai. We have also undertaken that we will not own equity interests in any other entity other than MSC Cotai and that we will contribute to MSC Cotai all net proceeds received by us from sales of equity securities and sales of assets. Please see “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pre-IPO Organizational Transactions.” Because we will have no independent means of generating revenue, our ability to pay dividends, if any, and cover our corporate and other expenses is dependent on the ability of MSC Cotai to generate revenue to pay such dividends and expenses. This ability, in turn, may depend on the ability of MSC Cotai’s subsidiaries to make distributions to it. The ability of MSC Cotai and its subsidiaries to make such distributions will be subject to, among other things, (i) the applicable laws and regulations of the relevant jurisdictions that may limit the amount of funds available for distribution, (ii) restrictions in the Participation Agreement or relevant debt instruments issued by MSC Cotai or its subsidiaries in which it directly or indirectly holds an equity interest and (iii) the availability of funds to distribute. For example, if COVID-19 outbreaks continue to disrupt our operations or escalates, it may have a material adverse effect on the availability of funds for MSC Cotai and its subsidiaries to distribute. To the extent that we need funds and MSC Cotai or its subsidiaries are restricted from making such distributions or payments under applicable law or regulation or under the terms of any financing arrangements, or are otherwise unable to provide such funds, our liquidity and financial condition could be materially and adversely affected. In addition, we are not a Chinese operating company and investors may never directly hold equity interests in our operating subsidiaries. This organizational structure involves unique risks to investors, including the possibility of Chinese or Macau regulatory authorities disallowing our organizational structure, which would likely result in a material change in our operations and/or value of our ADSs making them significantly decline or worthless.

***Participation by certain of our principal shareholders in our equity offerings has reduced the available public float for our ADSs.***

MCO Cotai, our controlling shareholder, and certain funds managed by Silver Point Capital, L.P., one of our principal shareholders, participated in our initial public offering and were allocated 25,550,000 ADSs, or 77.3%, of the total amount of ADSs offered in our initial public offering at the initial public offering price. In addition, MCO Cotai, New Cotai and certain funds managed by Silver Point Capital, L.P. also participated in the series of private offers we announced in July 2020 and February 2022 and purchased 121,304,652 Class A shares and 369,645,292 Class A shares, respectively, or 94.4% and 92.4% of the total amount of Class A shares purchased in such offerings. See “Item 7. Major Shareholders and Related Party Transactions — A. Major Shareholders.”

Such purchases and ownership reduced the otherwise available public float for our ADSs and the liquidity of our ADSs relative to what it would have been had these ADSs been purchased by other investors and thereby may adversely impact the trading price of our ADSs.

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***We may be unable to remain in compliance with the New York Stock Exchange requirements for continued listing and as a result our ADSs may be delisted from trading on the New York Stock Exchange, which would have a material effect on us and the liquidity of our ADSs and Class A ordinary shares.***

On February 20, 2020, we announced that we received a notice from the New York Stock Exchange notifying us that we were not in compliance with Section 802.01A of the New York Stock Exchange Listed Company Manual, or the NYSE Manual, which requires the number of total shareholders of the Company's capital stock be no less than 400 shareholders, or the NYSE Notice. Pursuant to the NYSE Notice, the Company became subject to the procedures set forth in Sections 801 and 802 of the NYSE Manual and was requested to submit a business plan within 90 days of receipt of the NYSE Notice that demonstrated how we expected to return to compliance with the minimum total shareholder requirement within a maximum period of 18 months of receipt of the notice.

In accordance with the timing requirement under the NYSE Notice, we submitted a business plan in May 2020, or the NYSE Business Plan. On July 2, 2020, we were notified the NYSE Business Plan was accepted by the New York Stock Exchange. In such notification, the New York Stock Exchange also notified us that we were not in compliance with the requirement under Section 802.01A of the NYSE Manual which requires the number of total shareholders of the Company's capital stock to be no less than 1,200 shareholders if the average monthly volume of its ADSs is less than 100,000 for the most recent 12 months, or the Additional NYSE Non-Compliance, and subject to the procedures set forth in Sections 801 and 802 of the NYSE Manual for the Additional NYSE Non-Compliance. The NYSE Business Plan addressed both the non-compliance contained in the NYSE Notice and the Additional NYSE Non-Compliance.

On May 7, 2021, the NYSE notified the Company that it had regained compliance with the continued listing requirement contained in the initial NYSE Notice. Subsequently on July 30, 2021, the NYSE further notified the Company that it had regained compliance with the Additional NYSE Non-Compliance.

We cannot assure you that we can or will continually adhere to all of the continued listing requirements of the New York Stock Exchange, including those required to maintain our listing on the New York Stock Exchange, or that the New York Stock Exchange will not take any other action in the course of monitoring our compliance with the continued listing requirements of the New York Stock Exchange. If we are delisted from the New York Stock Exchange, our ADSs or ordinary shares may be eligible for trading on an over-the-counter market in the United States. In the event that we are not able to obtain a listing on another U.S. stock exchange or quotation service for our ADSs, it may be extremely difficult for holders of our ADSs and shareholders to sell their ADSs or ordinary shares. Moreover, if our ADSs are delisted from the New York Stock Exchange but listed elsewhere, it will likely be on a market with less liquidity and more price volatility than experienced on the New York Stock Exchange. Holders of our ADSs and our shareholders may not be able to sell their ADSs or ordinary shares on any such substitute market in the quantities, at the times or at the prices that could potentially be available on a more liquid trading market. In addition, following a delisting from the New York Stock Exchange, as direct or indirect holders of 5% or more of our shares are subject to suitability and financial capacity reviews by the DICJ, any direct or indirect sales of our ADSs or ordinary shares representing 5% or more of our outstanding share capital may require prior approval by the Macau government. See "Item 4. Information on the Company — B. Business Overview — Regulations — Gaming Operation Regulations" and "Item 4. Information on the Company — B. Business Overview — The Gaming Operator's Concession." As a result of these factors, if our ADSs are delisted from the New York Stock Exchange, the price and liquidity of our ADSs and ordinary shares may be materially and adversely affected.

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

The trading price of our ADSs has been and may continue to be subject to wide fluctuations. Since our listing on October 18, 2018 to March 24, 2023, the trading prices of our ADSs ranged from US\$1.52 to US\$28.59 per ADS and the closing sale price on March 24, 2023 was US\$6.19 per ADS. The trading price of our

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ADSs may be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in Macau or the PRC that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- limited public float of our ADSs;
- developments in the Macau market or other Asian gaming markets, including disruptions caused by widespread health epidemics or pandemics, such as COVID-19 outbreaks;
- uncertainties or delays relating to the opening of our Phase 2 project for Studio City;
- international political tensions, including between China and the U.S., and policies and/or legislation which may be proposed and/or enacted in relation to such tensions;
- general economic, political or other factors that may affect Macau, where Studio City is located and/or the macroeconomic environment, including COVID-19 outbreaks or any other global pandemic or crisis;
- changes in the economic performance or market valuations of the gaming and leisure industry companies;
- changes in the Gaming Operator's market share of the Macau gaming market;
- regulatory developments affecting us or our competitors;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- announcements of new investments, acquisitions, strategic partnerships, joint ventures or divestments by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, Studio City or our industries;
- additions or departures of key personnel;
- fluctuations in the exchange rates between the U.S. dollar, H.K. dollar, Pataca and Renminbi;
- release or expiration of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- sales or perceived sales of additional shares or ADSs or securities convertible or exchangeable or exercisable for shares or ADSs;
- potential litigation or regulatory investigations; and
- rumors related to any of the above, irrespective of their veracity.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. For example, in connection with COVID-19 outbreaks, securities markets across the globe have experienced significant volatility. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

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

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

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

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

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

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

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

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

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



carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to convene a shareholder meeting.

***Your rights to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement. In addition, parties to the Participation Agreement have agreed to resolve any disputes by arbitration.***

As a holder of our ADSs, you are a party to the deposit agreement under which our ADSs are issued. Under the deposit agreement, any action or proceeding against or involving the depositary arising out of or based upon the deposit agreement or the transactions contemplated thereby or by virtue of you owning the ADSs may only be instituted in a state or federal court in New York, New York. In addition, under the deposit agreement, you, as a holder of our ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding. The depositary may, however, in its sole discretion, require that any dispute or difference arising from the relationship created by the deposit agreement be referred to and finally settled by an arbitration proceeding to be conducted under the terms described in the deposit agreement, which may include claims arising under the U.S. federal securities laws and claims not in connection with our initial public offering, although the arbitration provisions do not preclude you from pursuing claims under the U.S. federal securities laws in federal courts. Furthermore, we may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the terms and subject to the conditions of the deposit agreement as amended.

In addition, the Participation Agreement, pursuant to which MSC Cotai granted the Participation Interest to New Cotai, provides that all disputes arising out of the Participation Agreement must be resolved through arbitration proceedings subject to certain limited exceptions and such provision will affect the manner by which New Cotai or any other parties to the Participation Agreement may pursue any claim or action arising out of the Participation Agreement. For more information, see “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pre-IPO Organizational Transactions — Participation Agreement.”

***ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.***

The deposit agreement governing the ADSs representing our Class A ordinary shares provides that, subject to the depositary’s right to require a claim to be submitted to arbitration, the federal or state courts in the City of New York have exclusive jurisdiction to hear and determine claims arising under the deposit agreement and in that regard, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with applicable state and federal law. The enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the U.S. federal securities laws has not been finally adjudicated by the United States Supreme Court. However, based on past court decisions, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before investing in the ADSs.



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If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under the U.S. federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and/or the depositary. If a lawsuit is brought against us and/or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not enforced, to the extent a court action proceeds, it would proceed under the terms of the deposit agreement as a jury trial.

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

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

In addition, the depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our Class A ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is unlawful, inequitable or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. Also, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property and you will not receive such distribution. Except as otherwise provided under the Registration Rights Agreement, we have no obligation to register under U.S. securities laws any ADSs, Class A ordinary shares, rights or other securities received through such distributions. See “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Registration Rights Agreement.” We also have no obligation to take any other action to permit the distribution of ADSs, Class A ordinary shares, rights or anything else to holders of ADSs.

***Substantial future sales or perceived potential sales of our ADSs, ordinary shares or other equity securities in the public market could cause the price of our ADSs to decline significantly.***

As of December 31, 2022, New Cotai owned 31,149,140 ADSs, representing approximately a 14.8% voting and economic interest in our Company, and 72,511,760 Class B ordinary shares, representing approximately a 8.6% voting, non-economic interest in our Company. New Cotai also has a Participation Interest, which entitles New Cotai to receive from MSC Cotai an amount equal to approximately 9.4% of the amount of any distribution, dividend or other consideration paid by MSC Cotai to us, subject to adjustments, exceptions and conditions. Under the Participation Agreement, New Cotai and its permitted transferees will be

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entitled to exchange its Participation Interest for Class A ordinary shares. We have granted registration rights with respect to the Class A ordinary shares delivered in exchange for Participation Interests. See “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pre-IPO Organizational Transactions” and “— Registration Rights Agreement.”

In addition, certain funds managed by Silver Point Capital, L.P., as of December 31, 2022, beneficially owned 114,020,172 Class A ordinary shares in the form of ADSs, representing 13.5% of our outstanding ordinary shares, while Melco International beneficially owned 463,095,592 Class A ordinary shares, representing 54.9%, of our outstanding ordinary shares. See “Item 7. Major Shareholders and Related Party Transactions — A. Major Shareholders.”

Sales of substantial amounts of our ADSs in the public market, including upon the exchange of all or part of the Participation Interest by New Cotai or its permitted transferees, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. We also cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sales will have on the market price of our ADSs. ADSs held by holders who are not affiliates of our Company will be freely tradeable without restriction or further registration under the Securities Act, and shares and ADSs held by our affiliates (in each case, to the extent such holders are deemed to be affiliates of the Company) may also be sold in the public market subject to the restrictions in Rule 144 and Rule 701 under the Securities Act and any applicable lock-up agreements. The ADSs represent interests in our Class A ordinary shares. We would, subject to market forces, expect there to be a close correlation in the price of our ADSs and the price of the Class A ordinary shares and any factors contributing to a decline in one market is likely to result to a similar decline in another.

***The depositary for our ADSs will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs if you do not vote at shareholders’ meetings, except in limited circumstances, which could adversely affect your interests.***

Under the deposit agreement for our ADSs, the depositary will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs at shareholders’ meetings if you do not give voting instructions to the depositary, unless:

- we have failed to timely provide the depositary with our notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- voting at the meeting is made on a show of hands.

The effect of this discretionary proxy is that, if you fail to give voting instructions to the depositary, you cannot prevent our Class A ordinary shares underlying your ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence our management. Holders of our Class A ordinary shares are not subject to this discretionary proxy.

***Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs for return on your investment.***

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the

foreseeable future. See “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy” and note 17 to the consolidated financial statements included elsewhere in this annual report. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of the laws of the Cayman Islands. Under the laws of the Cayman Islands, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

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

Your ADSs are transferable on the books of the depository. However, the depository may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depository may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depository are closed, or at any time if we deem or the depository deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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

We are a company incorporated under the laws of the Cayman Islands and substantially all of our assets are located outside the United States. All of our current operations are conducted in Macau. Due to the lack of reciprocity and treaties between the United States and some of these foreign jurisdictions, together with cost and time constraints, it may be difficult or impossible for you to bring an action against us in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. In particular, while none of our directors or officers spend a significant amount of time physically located in mainland China, all of our directors and officers, other than Ms. Mielle and Messrs. Sullivan, Dean, Reganato and Black, spend a significant amount of time physically located in Hong Kong and/or Macau, and it will be more difficult to enforce liabilities and enforce judgments on those individuals.

It may also be difficult for you to enforce in the Cayman Islands, Macau, Hong Kong and Singapore 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. For instance, judgments of United States courts may not be directly enforced in Hong Kong. There are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Hong Kong and the United States. However, the common law permits an action to be brought upon a foreign judgment. Similarly, the judgment of United States courts may not be directly enforced in Macau. There are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Macau and the United States. However, Macau’s civil procedure law permits an action to be brought to the Macau Second Instance Court for the recognition of a judgment obtained in a foreign jurisdiction. However, a separate legal action for enforcement of the foreign judgment must be

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commenced in Macau in order to recover a debt from the judgment debtor, in case the debtor does not make voluntary payment of its debt upon recognition of the foreign judgment by the Courts in Macau.

In addition, there is uncertainty as to whether the courts of the Cayman Islands, Macau, Hong Kong and Singapore would recognize or enforce judgments of U.S. courts against us or such individuals predicated upon the civil liability provisions of the securities laws of the United States or any state. It is also uncertain whether such Cayman Islands, Macau, Hong Kong and Singapore courts would be competent to hear original actions brought in the Cayman Islands, Macau, Hong Kong or Singapore against us or such individuals predicated upon the securities laws of the United States or any state.

***We are a foreign private issuer within the meaning of the rules under the Securities Exchange Act of 1934, or the Exchange Act, and as such we are exempt from certain provisions applicable to domestic public companies in the United States.***

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including: (i) the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC; (ii) the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act; (iii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iv) the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we currently publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases relating to financial results and material events will be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers.

As a foreign private issuer, we are subject to New York Stock Exchange corporate governance listing standards. However, the New York Stock Exchange rules permit a foreign private issuer like us to follow the corporate governance practices of its home country, including with respect to board and committee composition and shareholder approval requirements with respect to issuances of equity securities. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from New York Stock Exchange corporate governance listing standards. For instance, shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. In addition, we rely on this “home country practice” exception and do not have a majority of independent directors serving on our board and we are not required to obtain shareholder approval prior to issuances of ordinary shares or ADSs under New York Stock Exchange rules. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a “controlled company” within the meaning of the New York Stock Exchange corporate governance rules, we are eligible to, and, in the event we no longer qualify as a foreign private issuer, we intend to elect not to comply with certain of the New York Stock Exchange corporate governance standards, including the requirement that a majority of directors on our board of directors be independent directors.

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Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. To the extent we choose to follow home country practice with respect to corporate governance matters, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

### ***We incur increased costs as a result of being a public company.***

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the New York Stock Exchange, impose various requirements on the corporate governance practices of public companies. These rules and regulations have increased our legal and financial compliance costs and have made some corporate activities more time-consuming and costly. We have also incurred significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we have increased the number of independent directors and adopted policies regarding internal controls and disclosure controls and procedures. As a public company, it may be more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers.

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

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

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

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a U.S. public company. For a discussion of significant

differences between the provisions of the Companies Act (as amended) of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Item 10. Additional Information — B. Memorandum and Articles of Association — Differences in Corporate Law.”

***If we are a passive foreign investment company for United States federal income tax purposes for any taxable year, United States holders of our ADSs could be subject to adverse United States federal income tax consequences.***

A non-United States corporation will be a passive foreign investment company, or PFIC, for United States federal income tax purposes for any taxable year if either (i) at least 75% of its gross income for such taxable year is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values) during such year is attributable to assets that produce or are held for the production of passive income. Based on the value of our assets and the composition of our income and assets, we do not believe we were a PFIC for United States federal income tax purposes for our taxable year ended December 31, 2022. However, the determination of whether or not we are a PFIC according to the PFIC rules is made on an annual basis and will depend on the composition of our income and assets and the value of our assets from time to time. Therefore, changes in the composition of our income or assets or the value of our assets may cause us to become a PFIC. The determination of the value of our assets (including goodwill not reflected on our balance sheet) may be based, in part, on the quarterly market value of our ADSs, which is subject to change and may be volatile.

The classification of certain of our income as active or passive, and certain of our assets as producing active or passive income, and hence whether we are or will become a PFIC, depends on the interpretation of certain United States Treasury Regulations as well as certain IRS guidance relating to the classification of assets as producing active or passive income. Such regulations and guidance are potentially subject to different interpretations. If due to different interpretations of such regulations and guidance the percentage of our passive income or the percentage of our assets treated as producing passive income increases, we may be a PFIC in one or more taxable years.

If we are a PFIC for any taxable year during which a United States person holds ADSs, certain adverse United States federal income tax consequences could apply to such United States person. See “Item 10. Additional Information — E. Taxation — United States Federal Income Taxation — Passive Foreign Investment Company.”

***If a United States person is treated as owning at least 10% of our shares, such holder may be subject to adverse U.S. federal income tax consequences.***

If a United States person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our stock (including our ordinary shares and ADSs), such person may be treated as a “United States shareholder” with respect to us. A United States shareholder of a “controlled foreign corporation” may be required to report annually and include in its U.S. taxable income its pro rata share of “Subpart F income,” “global intangible low-taxed income” and investments in U.S. property by controlled foreign corporations, regardless of whether we make any distributions. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. Failure to comply with these reporting obligations may subject you to significant monetary penalties and may prevent the statute of limitations with respect to your U.S. federal income tax return for the year for which reporting was due from starting. We cannot provide any assurances that we will assist investors in determining whether we are a controlled foreign corporation or whether such investor is treated as a United States shareholder with respect to us or furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. A United States investor should consult its advisors regarding the potential application of these rules to an investment in the stock.

**ITEM 4. INFORMATION ON THE COMPANY**

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

We were established as an international business company, limited by shares, under the laws of the British Virgin Islands as CYBER ONE AGENTS LIMITED on August 2, 2000 and subsequently re-registered as a business company, limited by shares, under the British Virgin Islands Business Companies Act, 2004. New Cotai acquired a 40% equity interest in us on December 6, 2006. MCO Cotai acquired a 60% equity interest in us on July 27, 2011. Melco Resorts is an exempted company incorporated with limited liability under the Companies Act (as amended) of the Cayman Islands and its American Depositary Shares are listed on the Nasdaq Global Select Market in the United States. On January 17, 2012, our name was changed from CYBER ONE AGENTS LIMITED to STUDIO CITY INTERNATIONAL HOLDINGS LIMITED.

In October 2001, we were granted a land concession in Cotai by the Macau government for the development of Studio City, a cinematically-themed integrated resort. Studio City commenced operations on October 27, 2015. We conduct our principal activities through our subsidiaries, which are primarily located in Macau. We currently operate the non-gaming operations of Studio City. The Gaming Operator operates the Studio City Casino. See “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions.”

Prior to the completion of our initial public offering, we engaged in a series of organizational transactions, or the Organizational Transactions, through which substantially all of our assets and liabilities were contributed to our subsidiary, MSC Cotai, a business company limited by shares incorporated in the British Virgin Islands, in exchange for newly-issued shares of MSC Cotai. For more information on the Organizational Transactions, see “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pre-IPO Organizational Transactions.” In connection with such Organizational Transactions, we redomiciled by way of continuation as an exempted company incorporated with limited liability under the laws of the Cayman Islands on October 15, 2018.

In October 2018, we completed the initial public offering of our ADSs, each of which represents four Class A ordinary shares, and listed our ADSs on The New York Stock Exchange under the symbol “MSC.” For more information on our corporate structure, see “— C. Organizational Structure.”

On May 4, 2022, we were identified as a Commission-Identified Issuer under the Holding Foreign Companies Accountable Act (“HFCAA”) and the rules promulgated thereunder because our auditor at that time was Ernst & Young, located in Hong Kong, which was a PCAOB-Identified Firm as of May 4, 2022. On August 16, 2022, we changed our auditor from Ernst & Young, located in Hong Kong, to Ernst & Young LLP, located in Singapore, which is not a PCAOB-Identified Firm. In December 2022, the PCAOB announced that it secured complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. As a result, until such time as the PCAOB issues any new determination, we do not believe we are at risk of being a Commission-Identified Issuer for a second consecutive year and are no longer at risk of having our securities subject to a trading prohibition under the HFCAA.

Our principal executive offices are located at 71 Robinson Road, #04-03, Singapore 068895 and 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. Our telephone number is 852-2598-3600 and our fax number is 852-2537-3618. Our website is [www.studiocity-macau.com](http://www.studiocity-macau.com). The information contained on our website is not part of this annual report on Form 20-F.

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



## B. BUSINESS OVERVIEW

### Overview

Studio City is a world-class integrated resort located in Cotai, Macau and its principal operating activities are the provision of services pursuant to a casino contract and the hospitality business in Macau. The gaming operations of Studio City Casino are focused on the mass market and target all ranges of mass market patrons. The mass market focus of the Studio City Casino is currently complemented with VIP rolling chip operations. The Gaming Operator currently has 250 gaming tables, including 15 tables for VIP rolling chip operations, and 552 gaming machines available for operation at the Studio City Casino pursuant to the Studio City Casino Agreement. Excluding gaming tables and gaming machines that were not in operation due to government-mandated closures or social distancing measures in relation to COVID-19 outbreaks, the Gaming Operator operated an average of approximately 277 gaming tables and 700 gaming machines in 2022 at the Studio City Casino, compared to an average of approximately 290 gaming tables and 645 gaming machines in operation in 2021 and an average of approximately 282 gaming tables and 586 gaming machines in operation in 2020. Our cinematically-themed integrated resort is designed to attract a wide range of customers by providing highly differentiated non-gaming attractions, including the world's first figure-8 Ferris wheel, a deluxe night club and karaoke, a 5,000-seat live performance arena and an outdoor water park. Studio City features approximately 1,600 luxury hotel rooms, diverse food and beverage establishments and approximately 34,400 square meters of complementary retail space.

Studio City is strategically located in Cotai, as one of the few dedicated Cotai hotel-casino resort stops on the Macau Light Rapid Transit Line, with an access bridge leading to Studio City.

Studio City has delivered continuous earnings improvement since commencing operations in October 2015 through 2019. We have grown total operating revenues from US\$539.8 million in 2017 to US\$571.2 million in 2018 and further to US\$626.7 million in 2019. We generated net income attributable to Studio City International Holdings Limited of US\$33.6 million in 2019 and net losses attributable to Studio City International Holdings Limited of US\$76.4 million and US\$21.6 million in 2017 and 2018, respectively. We increased our Adjusted EBITDA from US\$279.1 million in 2017 to US\$314.8 million in 2018 and further to US\$361.0 million in 2019, and expanded our Adjusted EBITDA margin from 51.7% to 55.1% and further to 57.6%, respectively, for these periods. However, due to the temporary casino closure and enhanced quarantine and social distancing measures to contain the COVID-19 outbreak in 2020, our total operating revenues decreased from US\$626.7 million in 2019 to US\$49.2 million in 2020 and we generated net loss attributable to Studio City International Holdings Limited of US\$321.6 million in 2020 compared to a net income attributable to Studio City International Holdings Limited of US\$33.6 million in 2019. Due to the year-over-year increase in inbound tourism in 2021, total operating revenues increased to US\$106.9 million in 2021 from US\$49.2 million in 2020, and we generated net loss attributable to Studio City International Holdings Limited of US\$252.6 million in 2021 compared to US\$321.6 million in 2020. In 2022, total operating revenues decreased to US\$11.5 million and we generated net loss attributable to Studio City International Holdings Limited of US\$326.5 million due to the temporary casino closure and quarantine and social distancing measures to contain the COVID-19 outbreak in 2022.

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

We generated all of our revenues for each of the years ended December 31, 2022, 2021 and 2020 from our operations in Macau, the sole market in which we compete to operate. For further information on the Macau gaming market, see “— Market and Competition — Macau Gaming Market.”

### Gaming

Studio City Casino currently consists of mass market table gaming, gaming machine and VIP gaming areas, with a total operating gross floor area of 22,048 square meters, located on the ground and first floors of



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Studio City. Studio City Casino gaming customers currently include mass market and VIP rolling chip players. Studio City Casino catered exclusively to mass market players until it launched its VIP rolling chip operations in November 2016. For the years ended December 31, 2022, 2021 and 2020, Studio City Casino's gross gaming revenues was US\$171.2 million, US\$380.8 million and US\$264.4 million, respectively.

Excluding gaming tables and gaming machines that were not in operation due to government-mandated closures or social distancing measures in relation to the COVID-19 outbreak, Studio City Casino had an average of approximately 277 gaming tables and 700 gaming machines in operation in 2022, compared to an average of approximately 290 gaming tables and 645 gaming machines in operation in 2021. These gaming tables offer gaming patrons a variety of options including baccarat, three card baccarat, blackjack, craps, Caribbean stud poker, roulette, sic bo, fortune 3 card poker and other games. Studio City Casino also offers VIP rolling chip operations, with 15 tables authorized for such operations. We currently expect our business strategy going forward to continue to focus on cultivating further growth in the premium mass and mass market segments at the Studio City Casino and enhancing our differentiated non-gaming amenities to complement our gaming operations.

### *Mass Market Segment*

The mass market gaming area caters to mass market gaming patrons and offers a full range of games, 24 hours daily. The layout of the gaming floor is organized using the different market segments that Studio City Casino targets, namely the mainstream mass market and the premium mass market. The premium mass market gaming area has decorations and features distinctive from the mainstream mass market gaming area.

Studio City Casino's mass market table games drop and hold percentage were US\$0.46 billion and 28.5% in 2022, respectively, US\$1.13 billion and 27.7% in 2021, respectively, and US\$0.73 billion and 26.6% in 2020, respectively. As a result, Studio City Casino had gross gaming revenue from mass market table games of US\$131.3 million, US\$313.6 million and US\$193.8 million in 2022, 2021 and 2020, respectively. Studio City Casino's gaming machine handle and gaming machine win rate were US\$0.66 billion and 2.8% in 2022, respectively, US\$1.11 billion and 2.7% in 2021, respectively, and US\$0.74 billion and 2.8% in 2020, respectively. As a result, Studio City Casino had gross gaming revenue from gaming machine of US\$18.6 million, US\$30.4 million and US\$20.2 million in 2022, 2021 and 2020, respectively. Average net win per gaming machine per day in 2022, 2021 and 2020 was US\$75, US\$129 and US\$98, respectively.

Studio City Casino will continue to re-examine the mass market gaming areas to maximize table utilization, to innovate gaming products and to invest in technologies and analytical capability to enhance table productivity and customer retention.

### *VIP Rolling Chip Segment*

In November 2016, Studio City Casino introduced VIP rolling chip operations. The VIP rolling chip area is comprised of private gaming salons or areas that have restricted access to rolling chip patrons and offer more personalized and ultra-premium services than the mainstream and premium mass market gaming areas. It is also situated at a higher level than the mass market gaming areas with generally higher-end dining and beverage options and special decorations. Studio City Casino's VIP rolling chip volume, VIP rolling chip win rate and VIP rolling chip gross gaming revenue were US\$0.84 billion, 2.56% and US\$21.4 million, respectively, in 2022, US\$1.84 billion, 2.00% and US\$36.8 million, respectively, in 2021 and US\$2.21 billion, 2.28% and US\$50.4 million, respectively, in 2020.

### *Hotel*

Studio City includes self-managed luxury hotel facilities with approximately 1,600 hotel rooms, all elegantly furnished and complete with services and amenities to match. The hotel facilities include indoor and

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outdoor swimming pools, beauty salon, spa, fitness centers and other amenities. The Studio City hotel features two distinct towers, enabling it to provide a variety of accommodation selections to visitors. The premium all-suite Star Tower offers approximately 600 suites complete with lavish facilities and dedicated services for a luxury retreat. There are six types of suites which range in size from the Star Premier King Suite at 62 square meters to the Star Grand Deluxe Suite at 211 square meters which includes a living room, dining room and a separate bedroom. Personalized check-in, private indoor heated pool and health club can be enjoyed by all Star Tower guests. The Celebrity Tower with approximately 1,000 rooms brings a deluxe hotel experience to a board range of travelers, which includes access to all of the entertainment facilities offered by Studio City. It offers eleven different room packages ranging from the Celebrity King at 42 square meters to the Celebrity Deluxe Suite at 95 square meters. The following table sets forth certain data with respect to our hotel for the years indicated:

	For the Year Ended December 31,		
	2022	2021	2020
Average daily rate (US\$)	111	123	128
REVPAR (US\$)	31	62	36
Occupancy rate	28%	51%	28%

Studio City's Star Tower garnered the Forbes Travel Guide Five-Star recognition for the sixth consecutive year in 2023. It also achieved the Sharecare Health Security VERIFIED® with Forbes Travel Guide certification in 2020, recognizing its commitment to creating a culture of accountability and following global best practices to heighten health security.

### **Dining**

We believe that our selection of dining options that include restaurants, bars and lounges offering a diverse selection of local, regional and international cuisine attracts more visitors to Studio City. Studio City offers both high-end and casual dining restaurants, cafes, bars and lounges to cater to the tastes and preferences of our patrons. A wide range of food and beverage outlets are located throughout Studio City, including traditional Cantonese, northern Chinese, South East Asian, Japanese, Italian and other western and international cuisines as well as local Macau cuisine. Studio City offers gourmet dining with a range of signature restaurants including one Michelin-starred *Pearl Dragon*.

### **Retail**

Studio City has approximately 34,400 square meters of themed and innovative retail space at the lower levels of the property. The retail mall showcases a variety of shops and food and beverage offerings including a small portion of our self-operated retail outlets.

The Boulevard at Studio City provides a unique retail experience to visitors. The immersive retail entertainment environment at Studio City enables visitors to shop in a streetscape environment with featured streets and squares inspired by iconic shopping and entertainment locations, including New York's Times Square. Studio City's retail space offers a mix of fashion-forward labels and internationally-renowned brands.

### **Entertainment**

Macau is an increasingly popular tourist destination and in order to attract more tourists and locals, Studio City incorporated many entertainment themes and elements which appeal to the mainstream mass consumer. Our diverse, immersive and entertainment-driven experiences and innovative venues cater to a wide range of demographic groups, including young professionals and families with children. As a major tourist

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attraction in Macau, Studio City's premier entertainment offerings help to drive visitation to our property. Studio City's entertainment offerings include:

- *Golden Reel* — an iconic landmark of Macau, it is the world's first figure-8 and Asia's highest Ferris wheel. The Golden Reel rises approximately 130 meters high between Studio City's Art Deco-inspired twin hotel towers. The iconic landmark features 17 spacious Steampunk-themed cabins that can each accommodate up to ten passengers.
- *Studio City Event Center* — a 5,000-seat multi-purpose arena representing the centerpiece of Studio City's live entertainment offerings. The complex has a first-class premium seating level offering 16 private VIP suites, in addition to approximately 242 luxury club seats and a deluxe club lounge. Each VIP suite is spacious and elegantly designed, coming fully equipped with stylish furnishings and a flat-screen TV. Playing host to concerts, theatrical shows, sporting events, family shows, award ceremonies and more, the Studio City Event Center is the next generation in versatile, innovative, premier and live entertainment venues.
- *Studio City Water Park* — a water park featuring several high-thrill and family-focused attractions, including the High Point Twister, a 20-meter tall slide tower with waterslides for individuals and small families alike, and the Golden Bucket, a massive water play structure with a classic tipping bucket, four slides and over 60 water features. For small children, the Studio City Water Park includes the Little Lagoon with four slides for kids of all ages and their parents. Finally, the Studio City Water Park also includes Studio City's Riverscape, a jungle-themed action river that is over 450 meters long which offers three routes of differing lengths, three white-sand beaches and 16 water features throughout the guest's journey.
- *Legend Heroes PVRK* — a technology-based entertainment park which combines virtual technology with the physical world to deliver an immersive user experience. Legend Heroes PVRk features flight simulation, VR simulations, bowling alleys, a free arcade, trendy retail, and a high-tech café featuring Macau's only Robot Barista.
- *Studio 88 KTV* — a deluxe night club and karaoke.
- *Super Fun Zone* — covering 29,600 square feet, the four-level Super Fun Zone is capable of hosting up to 500 people. Divided into five zones—Mountain, Forest, Under the Sea, Outer Space and Space Station – it is a space for children of all ages to climb, jump and enjoy a wide range of experiences featuring more than ten attractions. Super Fun Zone also offers three party rooms, one retail store and one clubhouse diner.

### **Meetings, Incentives, Conventions and Exhibitions**

Studio City offers over 4,000 square meters of indoor event space with flexible configurations and customization options, which can accommodate a variety of events from an exclusive banquet to an international conference. The Grand Ballroom space of 1,820 square meters can be configured into three separate ballrooms with a banquet capacity of 1,200 seats or a cocktail reception for 1,500 people. Eight individual salons, together with the Grand Ballroom, provide a banquet seating capacity of up to 1,300 seats or meeting and break-out spaces with extensive pre-function areas for up to 1,800 people. Many of the salons offer views of the pool deck and have private outdoor terraces for coffee and lunch breaks.

MICE events typically take place on weekdays, thereby drawing traffic during the portion of the week when hotels and casinos in Macau normally experience lower demand relative to weekends and holidays when occupancy and room rates are typically at their peak due to leisure travel. Since its opening, events held at Studio City included live concerts from headline acts such as Madonna, four time Grammy Awards nominee FLO RIDA, Aaron Kwok (郭富城), Han Hong (韓紅), Kenny G, A-mei (張惠妹) and Jam Hsiao (蕭敬騰) as well as themed events such as a three-day Wedding Showcase (featuring dream wedding venue set-ups, tableware demonstrations, wedding gown catwalk shows and instrumental performances), a Chinese New Year's Promo, Shakemas Campaign for Christmas, Michelin Guide Street Food Festival and The Super 8 basketball tournament.

## **Customers**

We seek to cater to a broad range of customers with a focus on mass market players through the diverse gaming and non-gaming facilities and amenities at Studio City. The loyalty program, which is operated by the Gaming Operator jointly with other Gaming Operator casinos, at Studio City ensures that each customer segment is specifically recognized and incentivized in accordance with their revenue contribution. The loyalty program is segmented into several tiers. Members earn points for their gaming spending which may be redeemed for a range of retail gifts and complimentary vouchers to be used in our restaurants, bars, shows, hotel and Studio City Casino. Members also receive other benefits such as discounts, parking entitlement and invitations to member-only promotional events. Dedicated customer hosting programs provide service to our most valuable customers and these customers enjoy exclusive access to private luxury gaming salons. In addition, we utilize sophisticated analytical programs and capabilities to track the behavior and spending patterns of our patrons. We believe these tools will help deepen our understanding of our customers to optimize yields and make continued improvements to our Studio City property.

## **Gaming Patrons**

Gaming patrons currently include mass market players and VIP rolling chip players.

Mass market players are non-VIP rolling chip players that come to Studio City Casino for a variety of reasons, including our brand, the quality and comfort of the mass market gaming offerings. Mass market players are classified as mainstream mass market and premium mass market players. Our premium mass market players generally do not take advantage of our luxury amenities to the same degree as VIP rolling chip players, but they are offered a variety of premium mass market amenities and loyalty programs, such as reserved space on the regular gaming floor and various other services, that are generally unavailable to mainstream mass market players. Mass market players play table games and gaming machines for cash stakes that are typically lower than those of VIP rolling chip players.

VIP rolling chip players are patrons who participate in Studio City Casino's in-house rolling chip programs at the dedicated VIP gaming areas. These patrons include premium direct players sourced through the marketing efforts of the Gaming Operator. VIP rolling chip players can earn a variety of gaming related cash commissions and complimentary products and services, such as rooms, food and beverage and retail products provided by the Gaming Operator.

## **Non-Gaming Patrons**

We provide non-gaming patrons with a broad array of accommodations and leisure and entertainment offerings featured at Studio City, including interactive attractions, rides and attractive retail offerings and food and beverage selections.

We assess and evaluate our focus on different market segments from time to time and adjust our operations accordingly.

## **Gaming Promoters**

Gaming promoters in Macau are independent third parties that include both individuals and corporate entities, all of which are officially required to be licensed by the DICJ. The Gaming Operator has procedures to screen prospective gaming promoters prior to their engagement and conducts periodic checks that are designed to ensure that the gaming promoters with whom the Gaming Operator associates meet suitability standards.

The Gaming Operator typically enters into one-year term gaming promoter agreements that are automatically renewed in subsequent years unless otherwise terminated. The gaming promoters are compensated

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through commission arrangements that are calculated on a monthly or a per trip basis. Commission is calculated by reference to monthly rolling chip volume. The gaming promoters may also receive complimentary allowances for food and beverage, hotel accommodation and transportation.

While the Gaming Operator does not currently have gaming promoters arrangements at the Studio City Casino following the termination of such arrangements in December 2021, the Gaming Operator may engage and grant credit to gaming promoters in the future.

### **Advertising and Marketing**

The Gaming Operator holds various promotions and special events at Studio City and operates a loyalty program for patrons. In addition, Studio City participates in cross marketing and sales campaigns developed by the Gaming Operator. We believe this arrangement helps reduce marketing costs through scale synergies and enhances cross-revenue opportunities.

Moreover, we seek to attract customers to Studio City and to grow our customer base over time by undertaking a variety of advertising and marketing activities.

There are public relations and marketing and branding teams dedicated to Studio City that cultivate media relationships, promote Studio City's brands and directly liaise with customers within target Asian and other countries in order to explore media opportunities in various markets. Advertising activities at Studio City are rolled out through a variety of local and regional media platforms, including digital, social media, print, television, online, outdoor as well as collateral and direct mail pieces. We also engage celebrities for marketing activities. We believe that these marketing and incentive programs will increase our brand awareness and drive further visitation to Studio City.

### **Awards**

Studio City has received numerous awards, including:

- Studio City's Star Tower received the Forbes Travel Guide Five-Star recognition for the sixth consecutive year in 2023 and achieved the Sharecare Health Security VERIFIED® with Forbes Travel Guide certification in 2020, recognizing its commitment to creating a culture of accountability and following global best practices to heighten health security,
- Zensa Spa was awarded the Forbes Travel Guide Five-Star recognition for the fifth time in 2023,
- Its signature Cantonese restaurant Pearl Dragon received its fifth Forbes Travel Guide Five-Star recognition in 2023. It was honored Best Chinese Cuisine in Asia - Excellence Award winner by 2022 Haute Grandeur Global Restaurant Awards and was selected as a Regional Winner in the "Chinese Cuisine" category at the 2020 World Luxury Restaurant Award. It received one-Michelin-starred establishment rank for the sixth consecutive year in the Michelin Guide Hong Kong Macau 2022, and
- Studio City Phase 2 received the "Regional Award, Asia" at the 2021 BREEAM Awards which acknowledges the sustainability-related measures implemented during the project, as well as its contribution to the goals of carbon neutrality and zero waste.

### **Market and Competition**

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

Gaming in Macau is administered through concessions awarded by the Macau government to six different concessionaires: SJM, MGM Grand, Galaxy, Venetian Macau Limited, Wynn Resorts Macau and Melco Resorts Macau.

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SJM is a subsidiary of SJM Holdings Ltd., a company listed on the Hong Kong Stock Exchange in which family members of Mr. Lawrence Ho, the chairman of our Company and the chairman and chief executive officer of Melco Resorts, have shareholding interests. 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 opened Grand Lisboa Palace in Cotai in July 2021 and is expected to open two additional hotels in 2023.

MGM Grand Paradise S.A. or MGM Grand is a subsidiary of MGM China Holdings Limited, a company listed on the Hong Kong Stock Exchange. MGM Grand was originally formed as a joint venture by MGM-Mirage and Ms. Pansy Ho, sister of Mr. Lawrence Ho. MGM Grand opened MGM Macau on the Macau Peninsula in December 2007 and MGM Cotai in February 2018.

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 completed and is currently expected to be progressively opened in the second quarter of 2023, while phase 4 is currently under development.

Venetian Macau Limited is a subsidiary of Las Vegas Sands Corporation and Sands China Limited, which are listed on the New York Stock Exchange and the Hong Kong Stock Exchange, respectively. Las Vegas Sands Corporation is the developer of Sands Macao, The Venetian Macau, Sands Cotai Central and Parisian Macao. Venetian Macau Limited operates Sands Macao on the Macau peninsula, together with The Venetian Macau and the Plaza Casino at The Four Seasons Hotel Macao, which are located in Cotai. Venetian Macau Limited also operated Sands Cotai Central in Cotai, which has been rebranded and redeveloped into The Londoner Macau, which opened in February 2021. Sands China Ltd. opened the Parisian Macao in Cotai in September 2016.

Wynn Resorts Macau, is a subsidiary of Wynn Macau, Limited, which is listed on the Hong Kong Stock Exchange, and of Wynn Resorts Limited, which is listed on the Nasdaq Global Select Market. Wynn Resorts Macau opened Wynn Macau in September 2006 on the Macau Peninsula and an extension called Encore in 2010. In August 2016, Wynn Resorts Macau opened Wynn Palace, in Cotai.

Melco Resorts Macau, in addition to Studio City Casino, also operates Mocha Clubs, Altira Macau (located in Taipa Island), which opened in May 2007, and City of Dreams located in Cotai, which opened in June 2009. Phase 3 of City of Dreams, which includes the Morpheus Hotel, opened in June 2018.

In addition to facing competition from existing operations of these concessionaires, we will face increased competition when any of them constructs new, or renovates pre-existing, hotels and 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.

Under the amended gaming law, the Macau government has set a cap on gaming tables and gaming machines that may be operated in Macau at 6,000 gaming tables and 12,000 gaming machines. In addition, gaming tables and gaming machines previously allocated to a concessionaire may also be revoked if the minimum average annual gross gaming revenue of MOP7 million (equivalent to approximately US\$870,233) for gaming tables and MOP300,000 (equivalent to approximately US\$37,296) for gaming machines are not met for two consecutive years or the tables or gaming machines are not fully utilized without reason within a certain period.

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Law no. 7/2022 which amends the Macau Gaming Operations Law (Law no. 16/2001) came into force in June 2022. Principal changes under the recently amended law include, among others, the following:

- the number of gaming concessions that may be awarded by the Macau government is up to six;
- the term of the concessions may be up to ten years, subject to extension(s) of up to three years in total;
- the registered share capital of each concessionaire shall be at least MOP5 billion (US\$621.6 million);
- the managing director of each concessionaire must be a Macau permanent resident and hold at least 15% of the concessionaire's registered share capital;
- significant transactions should be notified by concessionaires to the Macau government in advance;
- an administrative sanctions regime is to be established;
- national security is one of the main objectives of the Macau gaming legal framework and a concession may be terminated without compensation in case it is considered a threat to national security;
- a per gaming table and per gaming machine special premium is due should gross gaming revenue fall below the gross gaming revenue threshold set by the Macau government;
- the Macau government sets the maximum number of gaming tables and gaming machines allocated to each concessionaire and the allocation of such gaming tables and gaming machines to a specific casino is subject to the approval of the Macau government;
- the Macau government may reduce the number of gaming tables or gaming machines in certain circumstances;
- the amount of gaming chips of each concessionaire in circulation is subject to Macau government approval; and
- the concessionaires are jointly and severally liable for administrative fines and civil liability arising from the exercise in their casinos of the authorized gaming promotion activity by gaming promoters, their directors and key employees, as well as their collaborators. Such joint and several liability may be excluded when it is proved that the concessionaire has responsibly fulfilled its supervision duty.

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

Studio City may also face competition from casinos and gaming resorts located in other Asian or European 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. Kangwon Land operates the only casino in the country that is open to Korean nationals. There are two major gaming facilities in Singapore located on Sentosa and at Marina Bay. There are also casinos in Vietnam and Cambodia, although they are relatively small compared to those in Macau.

In December 2016, a law which conceptually enables the development of integrated resorts in Japan took effect, with corresponding legislation providing a legislative framework for the development and implementation of integrated resorts in Japan taking effect in July 2018 and a proposed project in Osaka announced in September 2021. In addition, several other Asian countries are considering or are in the process of legalizing gambling and establishing casino-based entertainment complexes.

We may also face competition from hotels and resorts, including many of the largest gaming, hospitality, leisure and resort companies in the world. These include Travellers International Hotel Group, Inc., Bloomberry Resorts Corporation, Tiger Resorts Leisure and Entertainment Inc., Melco Resorts Leisure (PHP) Corporation as well as Philippine Amusement and Gaming Corporation.

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### **Seasonality**

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

### **Land and Properties**

#### ***Land Concession***

In October 2001, we entered into a land concession contract with the Macau government for the land on which Studio City is located. The contract was subsequently amended in 2012 and 2015.

The granted land is located in Cotai, Macau, with a total area of approximately 130,789 square meters. The gross construction area of our granted land is approximately 657,879.39 square meters, of which approximately 28,784.3 square meters, or 4.38%, comprises the gaming and gaming support area and is owned by the Macau SAR. Effective from January 1, 2023, the Macau government has transferred this area to the Gaming Operator for usage in its operations of the Studio City Casino during the duration of the concession for a fee of MOP750.00 (equivalent to approximately US\$93) per square meter for years 1 to 3 of the Concession Contract, subject to consumer price index increase in years 2 and 3 of the concession. The fee will increase to MOP2,500.00 (equivalent to approximately US\$311) per square meter for years 4 to 10 of the concession, subject to consumer price index increase in years 5 to 10 of the concession. The Gaming Operator deducts the fees paid by the Gaming Operator to the Macau government as costs of operation pursuant to the terms of the Studio City Casino Agreement.

The land concession contract has a term of 25 years commencing on October 2001 and is renewable for further consecutive periods of ten years, subject to applicable legislation in Macau. Under the land concession contract, the Macau government may exercise its termination rights under certain conditions.

Pursuant to our land concession contract and the extension granted by the Macau government, our granted land, including the Phase 2 project, must be fully developed by June 30, 2023. Land use fees of approximately MOP3.9 million (equivalent to approximately US\$490,000) per annum are payable to the Macau government during the development stage. The annual land use fees payable to the Macau government after completion of development will be MOP9.1 million (equivalent to approximately US\$1.1 million). The amounts may be adjusted every five years using the applicable rates in effect at the time of the rent adjustment. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business — As of March 30, 2023, we are finalizing the licensing procedures for the Phase 2 project for Studio City under the terms of a land concession which currently requires us to fully develop the land on which Studio City is located by June 30, 2023. Any extension of the development period is subject to Macau government review and approval at its discretion. In the event of any failure to complete certain licensing procedures by June 30, 2023, we could be forced to forfeit all or part of our investment in Studio City, along with our interest in the land on which Studio City is located and the building and structures on such land.”

#### ***Development of Our Phase 2 Project***

Construction of our Phase 2 project has been completed. The project consists of two hotel towers with 895 rooms, suites and villas. The project also contains a waterpark with indoor and outdoor areas. Other attractions expected to be part of the project include MICE space, retail and food and beverage outlets and a cineplex.

As of March 30, 2023, we are finalizing the licensing procedures of the Phase 2 project of Studio City. We currently anticipate opening the first stage of the Phase 2 project in the second quarter of 2023 and the second stage in the third quarter of 2023. The first stage of opening is expected to include one of the hotel towers and the indoor water park.



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In accordance with the Studio City land concession and the extension granted by the Macau government, the land on which Studio City is located must be fully developed by June 30, 2023. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business — As of March 30, 2023, we are finalizing the licensing procedures for the Phase 2 project for Studio City under the terms of a land concession which currently requires us to fully develop the land on which Studio City is located by June 30, 2023. Any extension of the development period is subject to Macau government review and approval at its discretion. In the event of any failure to complete certain licensing procedures by June 30, 2023, we could be forced to forfeit all or part of our investment in Studio City, along with our interest in the land on which Studio City is located and the building and structures on such land,” and “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business — We may not be able to obtain adequate financing on satisfactory terms for our existing business, or at all.”

### **Properties**

Apart from the property site for Studio City, we do not own or lease any other properties.

### **Intellectual Property**

As part of our branding strategy, we have applied for or registered a number of trademarks (including “Studio City” trademarks) in Macau, Hong Kong and other jurisdictions for use in connection with Studio City. Where possible, we intend to continue to register trademarks as we develop, review and implement our branding strategy for Studio City. However, our current and any future trademarks are subject to expiration and we cannot guarantee that we will be able to renew all of them upon expiration.

Our trademarks and other intellectual property rights distinguish our services and products from those of our competitors and contribute to our ability to compete in our target markets. To protect our intellectual property, we rely on a combination of trademark, copyright and trade secret laws. To protect our intellectual property rights, we monitor any infringement or misappropriation of our intellectual property rights, and staff working at Studio City are generally subject to confidentiality obligations. For our license agreements that are required for our operations, see “Item 5. Operating and Financial Review and Prospects — C. Research and Development, Patents and Licenses, etc.”

### **Insurance**

We maintain and benefit from, and expect to continue to maintain and benefit from, insurance of the types and in amounts that are customary in the industry and which we believe will reasonably protect our interests. This includes commercial general liability (including product liability and accidental pollution liability), automobile liability, workers compensation, property damage and machinery breakdown and business interruption insurances. We also require certain contractors who may perform work on Studio City, as well as other vendors, to maintain certain insurances. In each case, all such insurances are subject to various caps on liability, both on a per claim and aggregate basis, as well as certain deductibles and other terms and conditions. We do not maintain key-man life insurance. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business — We may not have sufficient insurance coverage.”

### **Environmental Matters**

We are committed to environmental awareness and have developed built-in innovative and energy saving green technologies for operations at Studio City. Currently, we are not aware of any material environmental complaints having been made against us.

## **Our Internal Control Policies**

We have adopted our own governance policies and internal control measures in order to achieve operations in a professional manner in compliance with its, and Melco Resorts', internal control requirements and applicable laws.

The Foreign Corrupt Practices Act, or the FCPA, and Macau laws prohibit us and the staff and agents participating in the operations in Studio City 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 government official. The Code of Business Conduct and Ethics, or the Code, includes provisions relating to compliance of all applicable anti-corruption laws including FCPA and the relevant Macau laws. The Ethical Business Practices Program covers corruption in both public and private sectors. It also covers the activities of our shareholders (to the extent they act or take actions on our behalf), directors, officers, employees and dedicated staff members performing services solely at Studio City.

Studio City Casino is managed and operated by the Gaming Operator guided by requirements under the Concession Contract and applicable laws and Melco Resorts' governance policies, including a set of anti-money laundering policies and procedures, or AML Policy, approved by the DICJ, addressing requirements issued by the DICJ and the DICJ's instructions on anti-money laundering, counter-terrorist financing and other applicable laws and regulations in Macau.

There are training programs in place with the aim that all relevant staff involved in gaming operations managed by the Gaming Operator understand such AML Policy and the related procedures. The Gaming Operator also uses an integrated IT system to track and automatically generate significant cash transaction reports and, if permitted by the DICJ and the Finance Information Bureau, has the capability to submit those reports electronically.

## **Regulations**

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

The ownership and operation of casino gaming facilities in Macau are subject to the general civil and commercial laws and specific gaming laws, in particular, Law no. 16/2001, as amended in June 2022 pursuant to Law no. 7/2022, or the Macau Gaming Operations Law. Macau's gaming operations are also subject to the grant of a concession by, and regulatory control of, the Macau government. See “— The Gaming Operator's Concession” 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;
- to investigate and monitor the continuing suitability and financial capacity requirements of concessionaires 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 Operations Law, including amended provisions, as supplemented by Administrative Regulation no. 26/2001 (as amended in July 2022 pursuant to Administrative Regulation no. 28/2022), that are currently applicable to our business.

- If the Gaming Operator breaches the Macau Gaming Operations Law, its Concession Contract could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory

procedures. In addition, the Gaming Operator, and the persons involved, could be subject to substantial fines for each separate breach of Macau Gaming Operations Law or of the Concession Contract at the discretion of the Macau government. Further, if the Gaming Operator terminates or suspends the operation of all or a part of its gaming operations without permission for reasons not due to *force majeure*, or in the event of serious disruptions or deficiencies in its organization and operation or in the general condition of its facilities and equipment which may affect the normal operation of our gaming business, the Macau government would be entitled to replace the Gaming Operator during such disruption and to ensure the continued operation of the gaming business. Under such circumstances, the Gaming Operator would bear the expenses required for maintaining the normal operation of the gaming business.

- The Macau government also has the power to supervise concessionaires in order to assure financial stability and capability. See “— The Gaming Operator’s Concession — The Concession Contract in Macau.”
- Any person who fails or refuses to apply for a finding of suitability after being ordered to do so by the Macau government may be found unsuitable. Any shareholder of a concessionaire holding shares equal to or in excess of 5% of such concessionaire’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. The Gaming Operator may be subject to administrative sanctions if, after it receives notice that a person is unsuitable to be a shareholder or to have any other relationship with it, the Gaming Operator:
  - 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 gaming equipment and utensils of a concession holder.
- 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 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, directors and key employees, to be investigated for suitability as part of the approval process of the transaction.
- The maximum number of gaming concessions is six.
- The term of a gaming concession is set in the concession contract and cannot exceed 10 years but the Chief Executive of Macau may exceptionally authorize, based on justified reasons, one or more extensions of the term of the concession up to the total period of three years.
- The concessionaires’ general contractual compliance is subject to review by the DICJ every three years. In the event that the results of the review reveal non-compliance or lack of proactiveness in complying with the concession contracts, concessionaires should improve compliance within the deadline determined by the Secretary for Economy and Finance.
- The concessionaires registered share capital shall not be less than MOP5 billion (equivalent to approximately US\$621.6 million) and during the term of the concession their net assets shall not be less than such amount. The concessionaires must mandatorily notify the Chief Executive of Macau prior to executing large financial initiatives, which are defined as those with a value greater than

MOP2.5 billion (equivalent to approximately US\$310.8 million) regarding the internal movement of funds and MOP500 million (equivalent to approximately US\$62.2 million) regarding salaries, remunerations, benefits of employees, and any other financial decisions.

- The main objectives of the gaming law are, amongst others, safeguarding of national and Macau security, adequate diversification and sustainable development of the Macau economy, assurance that the development and operation of games of chance in casinos are in line with Macau's policies and mechanisms in respect of combating the illegal flow of cross-border capital and preventing money laundering, and the scale, operation and practice of games of chance in casinos are subject to legal restrictions. A concession may be terminated if it poses a threat to national security or that of Macau.
- The operation of games of chance in casinos is limited to the locations and premises authorized by the Chief Executive of Macau with such authorization having to take into account, amongst others, Macau urban planning, its impact on the social community and the opinion of the Specialized Committee for the Games of Chance Sector.
- The concessionaires undertake to operate games of chance in self owned premises or premises leased or otherwise granted a right to use by the Macau government. Premises owned by a concessionaire will revert to the Macau government without compensation upon the concession expiration or earlier termination. The concessionaires may continue to operate games of chance in casinos by means of a contract in properties that are not owned by them for a period of three years from January 1, 2023 under authorization of the Chief Executive of Macau. After the end of such three-year transition period the concessionaires may only continue to operate games of chance in casino in properties that are not owned by them by engaging a managing company. If such locations are closed pursuant to the law or the concession contracts, new operation of games of chance in casino will not be permitted in such locations. The Macau government owns the Studio City Casino gaming and gaming support areas, and the Macau government has transferred these areas to the Gaming Operator for usage in its operations during the duration of the concession for a fee of MOP750.00 (equivalent to approximately US\$93) per square meter for years 1 to 3 of the Concession Contract, subject to consumer price index increase in years 2 and 3 of the concession. The fee will increase to MOP2,500.00 (equivalent to approximately US\$311) per square meter for years 4 to 10 of the concession, subject to consumer price index increase in years 5 to 10 of the concession.
- The concessionaires shall assume certain corporate social responsibilities, including support for the development of local small and medium-sized enterprises; support the diversification of local industries, guaranteeing labor rights and interests, namely those concerning the guarantee of labor credits, on-the-job training and professional advancement of local employees, as well as a pension scheme designed to protect employees; hiring disabled or rehabilitated individuals; support for public interest activities; support for activities of an educational, scientific and technological, environmental protection, cultural and sporting nature, among others.
- The concessionaires and the shareholders holding 5% or more of their registered share capital shall not hold directly any capital of another concessionaire for the operation of games of chance in casinos in Macau, and shall not hold indirectly 5% or more of its registered share capital.
- Management companies are entities that have management powers over all or some casinos from one concessionaire and are subject to suitability reviews at DICJ's discretion. The execution of a contract between a concessionaire and a managing company pursuant to which the company assumes or may assume management powers relating to the concessionaire is prohibited and any such contract will be deemed null and void. Notwithstanding, the Chief Executive of Macau may authorize and approve the engagement of a management company by a concessionaire provided that under such engagement, a concessionaire may only pay to the managing company management fees, with casino revenue sharing or payment of commissions not being permitted by any means. Members of the corporate bodies of a management company may not be members of a corporate body of a concessionaire or gaming promoter.

- The concessionaires must have a managing-director who is a Macau permanent resident and holds at least 15% of the registered share capital of the concessionaire.
- The concessionaires are subject to the payment of an annual premium established in the concession contracts, which varies depending on the number of casinos that each concessionaire is authorized to operate, the number of authorized gaming tables and gaming machines, the type of games of chance operated, the location of the casinos, and other relevant criteria set by the Macau government.
- If the average gross gaming revenue of the gaming tables or gaming machines does not reach a set minimum limit, the concessionaire must pay a special premium, in an amount equal to the difference between the amount of the special tax on gaming, calculated according to the average gross gaming revenue, and such minimum limit. The average gross revenue is calculated according to the maximum number of gaming tables and gaming machines authorized for the concessionaire in the year to which it relates, with the exception of the number of gaming tables and gaming machines authorized to operate provisionally during the period designated for such purpose. The annual minimum limit of the gross gaming revenue of each gaming table and each gaming machine, as well as the period designated for the provisional operation of gaming tables and gaming machines, are determined by dispatch from the Chief Executive of Macau. The annual minimum limit of the gross gaming revenue must be set out in view of the past gross gaming revenue of Macau and the current situation of the economic development of Macau, and may be adjusted exceptionally in case of extraordinary, unpredictable or force majeure incidents, and is currently in the amount of MOP7 million (equivalent to approximately US\$870,233) annual gross gaming revenue for gaming tables and MOP300,000 (equivalent to approximately US\$37,296) annual gross gaming revenue for gaming machines.
- With respect to the gaming promotion activities, the concessionaires must inform the DICJ of any facts that may affect the solvency of gaming promoters, including the fact that they have been named as defendants in civil proceedings or have entered into loan or financing agreements that exceed their solvency, within a period of five days counted from the date of occurrence of the respective facts or the concessionaires' knowledge thereof; inform the DICJ of facts that indicate the practice, by gaming promoters, of crimes and administrative offenses provided for in the law, within five days from the date of the concessionaires' knowledge thereof, without prejudice to duties provided in other laws; supervise the activity of the gaming promoters, including their fulfillment of the duties provided in gaming laws and regulations; and adopt appropriate measures to prevent gaming promoters from conducting illegal activities in the casinos of the concessionaires.
- Each gaming promoter can only conduct gaming promotion activities with one concessionaire and may only receive a commission, not being a gaming promoter permitted to share with the concessionaires, in any form whatsoever, the casino revenue.
- The concessionaires are jointly and severally liable for administrative fines and civil liability arising from the exercise in their casinos of the authorized gaming promotion activity by gaming promoters, their directors and key employees, as well as their collaborators. Such joint and several liability may be excluded when it is proved that the concessionaire has responsibly fulfilled its supervision duty.
- The maximum number of gaming tables and gaming machines that may be operated by the concessionaires is determined by dispatch from the Chief Executive of Macau and the gaming tables and gaming machines to be installed, added or reduced in each casino by the concessionaires is subject to authorization of the Secretary for Economy and Finance. The Secretary for Economy and Finance may reduce the number of gaming tables or gaming machines if the gross gaming revenue from gaming tables or gaming machines fails, for two consecutive years, to reach the minimum limit of the annual gross revenue determined by dispatch from the Chief Executive of Macau or if the authorized gaming tables or gaming machines are not fully utilized without just cause, by the concessionaires, within the deadline set out by the Secretary for Economy and Finance. Currently the maximum number of gaming tables that may be operated in Macau is 6,000 and the maximum number of gaming machines is 12,000 and the Gaming Operator has been authorized to operate 750 gaming tables and 2,100 gaming machines.

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- The circulation of chips is subject to authorization from the Secretary for Economy and Finance, which may establish the maximum limit of the total amount of chips in circulation.
- The concessionaires can only disseminate information or activities related to gaming in the zones for games of changes of the casinos, under the applicable laws and regulations.
- The concessionaires and the companies of which they are dominant shareholders cannot be admitted to listing on stock exchanges.
- An administrative sanctions regime is established with fines ranging from MOP100,000 (equivalent to approximately US\$12,432) and MOP5,000,000 (equivalent to approximately US\$621,595) and, depending on the seriousness of the offense, damages, fault, benefits obtained, economic situation and previous conduct, a supplemental penalty of total or partial closure of gaming areas for periods ranging from one month to one year.
- In the event of dissolution of a current concessionaire for failing to obtain a new concession in the next tender, the shareholders of the concessionaire holding 5% or more of the concessionaire's share capital as of the date of termination of the concession contract or the date of termination of the concession are jointly and severally liable for the concessionaire's outstanding chips.

Non-compliance with these obligations could lead to the revocation of the Gaming Operator's Concession Contract and could materially and adversely affect gaming operations at the Studio City Casino.

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, location requirements for sites with gaming machine lounges, supply and requirements of gaming machines, equipment and systems, instructions on promoting responsible gaming, restrictions on the reallocation of gaming tables between properties and other matters. In addition, the Macau government may consider enacting new regulations that may adversely affect the gaming operations at the Studio City Casino. The Gaming Operator's inability to address the requirements or restrictions imposed by the Macau government under such legislation or rules could adversely affect the gaming operations at the Studio City Casino.

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

Macau Law no. 16/2022 regulates, among other things, the exercise of the gaming promotion activity. Such activity is subject to a gaming promoter license. Licenses are subject to annual renewal and a list of licensed gaming promoters is published in the DICJ's website and is subject to regular updates. The issuance, renewal and cancellation of gaming promoter licenses are the responsibility of the Secretary for Economy and Finance, who also determines the maximum annual number of gaming promoters which each concessionaire may engage as published on the DICJ's website.

The granting or renewal of a gaming promoter license may be requested by a commercial company that fulfills certain cumulative requirements, such as having its registered office in Macau, being a limited liability company by shares with the activity of gaming promotion as its exclusive business purpose, having a registered capital of not less than MOP10 million (equivalent to approximately US\$1.2 million) fully paid up in cash, and net assets of not less than such amount during the license period, having as shareholders individuals only, having 50% or more of its registered capital being held by permanent residents of Macau who have completed 21 years of age, having agreed with one concessionaire the provision of gaming promotion services to the same, having provided a security deposit, not having any debts or fines imposed for breach of legal provisions relating to gaming under tax enforcement proceedings, having adequate financial capacity, not having the company and its shareholders, directors and key employees been declared insolvent or bankrupt, nor being responsible for debts arising from the insolvency or bankruptcy of third parties, and the company and its shareholders, directors and key employees being deemed suitable.

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Each gaming promoter can only conduct the gaming promotion activity with one concessionaire, and only for a commission. Gaming promoters are prohibited from resorting to the support of entities that are not their directors, employees or collaborators, in the exercise of the gaming promotion activity; from sharing, by any means, the revenues from the casinos with the concessionaire; from making, through the sharing of revenues from the casinos, the payment of commissions to any entity with which it cooperates; from cooperating with those who are prohibited from carrying out the activity of gaming promotion or of collaborator; and from depositing, by themselves or through third parties, chips or funds from third parties. The DICJ and the Macau Financial Services Bureau monitor 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 are jointly and severally liable for administrative fines and civil liability arising from the exercise in their casinos of the authorized gaming promotion activity by gaming promoters, their directors and key employees, as well as their collaborators. Such joint and several liability may be excluded when it is proved that the concessionaire has responsibly fulfilled its supervision duty. Law no. 16/2022 also clarified that under Macau Administrative Regulation no. 6/2002 concessionaires may only be jointly and severally liable for the acceptance, in their casinos, of the deposit of funds or chips from third parties, by gaming promoters, their directors and their collaborators, as well as by the employees of the gaming promoters who exercise duties in the casinos, if such funds or chips were used in games of chance in their casino or were earned in these games. When assessing whether the funds or chips deposited were used in games of chance in casino or were earned in these games, the law provides that it shall be taken into account, in particular, the concessionaire's records.

Furthermore, gaming promoters, including their shareholders, directors, and key employees, are subject to verification of suitability based on criteria such as reputation, tendency to take on excessive risks in view of how they usually conduct business or the nature of their professional activities, their economic and financial situation, existence of well-founded suspicions on the legality of the origin of the funds to be used in the gaming promotion activity or regarding the true identity of the holder of such funds, existence of improper transactions with criminal groups, and indictment or conviction for crime punishable by imprisonment of three years or more.

In addition to the licensing and suitability assessment process performed by the DICJ, all of the Gaming Operator's gaming promoters (if any) undergo thorough vetting procedures by the Gaming Operator. The Gaming Operator conducts background checks and also conducts periodic reviews of the activities of each gaming promoter (if any), 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 are required to report periodically on commissions paid to their gaming promoters. A 5% tax must be withheld on commissions paid by a concessionaire to its gaming promoters. Under Law no. 16/2022 and in accordance with the Secretary for Economy and Finance Dispatch no. 90/2022, a commission cap of 1.25% of net rolling has been in effect. Any advantages or liberalities offered or provided, in Macau or abroad, directly or indirectly, to the gaming promoter by the concessionaire, a company in which the concessionaire holds participation, or others with which the concessionaire is in a group relationship, shall be considered and calculated as commission and be within such commission cap. The commission cap regulations impose fines, ranging from MOP2,000,000 (equivalent to approximately US\$248,638) up to MOP5,000,000 (equivalent to approximately US\$621,595) on concessionaires that do not comply with the cap and other fines, ranging from MOP600,000 (equivalent to approximately US\$74,591) up to MOP1,500,000 (equivalent to approximately US\$186,478) on concessionaires that do not comply with their reporting obligations regarding commission payments. If breached by the concessionaire, the legislation on commission caps has a sanction enabling the relevant government authority to determine the closure, in whole or in part, of the areas for games of chance, for a period of one month to one year, and/or to make public a government decision imposing a fine on a concessionaire, by publishing such decision on the DICJ website and in two Macau newspapers (in Chinese and

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Portuguese respectively). We believe the Gaming Operator has implemented the necessary internal control systems to ensure compliance with the commission cap and reporting obligations in accordance with applicable rules and regulations.

The exercise of the activity of collaborators and managing companies is also governed under Macau Law no. 16/2022. Collaborators, managing companies, as well as managing companies' shareholders holding an amount equal to or greater than 5% of their registered capital, directors, and key employees are subject to suitability assessment process performed by the DICJ.

The issuance and renewal of the authorization of collaborator are the responsibility of the DICJ and may be requested by those who fulfill certain requirements, including having completed 21 years of age, being deemed suitable, having agreed to collaborate with, at least, one gaming promoter, and having provided a security deposit. The maximum annual total number of collaborators is set out by the DICJ and published on its website. Collaborators shall not perform operations of credit concession for gaming or betting in casino, on behalf of any person, and shall be prohibited from depositing, by itself or through third parties, chips or funds from third parties.

A concessionaire that intends to engage a managing company to provide casino management services must obtain authorization from the Chief Executive of Macau and submit the draft management agreement for approval. The business purpose of the managing company is limited to the management of the concessionaires' casinos. A managing company can only enter into a managing agreement with one concessionaire, and can only receive management fees from the concessionaire, with casino revenue sharing or payment of commissions not being permitted. Managing companies are prohibited from managing the financial activities of casinos, including in matters of accounting or settlement of chips and gaming funds, as well as from depositing, by themselves or through third parties, chips or funds from third parties.

Macau Law no. 16/2022 further established the crime of unlawful deposit and the crime of disobedience. The crime of unlawful deposit is applicable to concessionaires, gaming promoters or managing companies, their directors or representatives, or persons under their authority, in the exercise of their duties, or collaborators, in the exercise of their activity, who deposit funds from third parties not intended for gaming, and is punishable by imprisonment from 2 to 5 years in case of individuals, or fines up to MOP18 million (equivalent to approximately US\$2.2 million) or judicial dissolution in case of legal persons. The crime of disobedience is applicable to whoever refuses to fulfill the access and presence of the DICJ and Macau Financial Services Bureau supervisory personnel in the areas subject to supervision until the conclusion of the supervisory action, or the presentation or provision of the documents, data and assets required under the terms of the law by the supervisory personnel, or to whoever does not comply with the measure of preventive suspension of activity, with individuals being subject to imprisonment from 1 to 2 years and legal persons being punishable by fines up to MOP9 million (equivalent to approximately US\$1.1 million) or judicial dissolution. In addition to such penalties, certain accessory penalties may be applied, including closure of gaming areas, prohibition of the exercise of the activity of gaming promotion, collaborator or management of casinos, for a period of 1 month to 2 years, interdiction on applying for a gaming promoter license or collaborator authorization for a period of 1 to 2 years, judicial injunction or publication of the decision in two Macau newspapers (in Chinese and Portuguese, respectively) and through public notice.

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

Macau Law no. 5/2004 has legalized the extension of gaming credit to patrons or gaming promoters by concessionaires. Gaming promoters may also extend credit to patrons upon obtaining an authorization by a concessionaire 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 courts in Macau.



### ***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 concessionaires 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, 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 and Terrorism Financing Regulations***

In conjunction with current gaming laws and regulations, the Gaming Operator is required to comply with the laws and regulations relating to anti-money laundering activities in Macau. Law no. 2/2006 (as amended pursuant to Law no. 3/2017), the Administrative Regulation no. 7/2006 (as amended pursuant to Administrative Regulation no. 17/2017) and the DICJ Instruction no. 1/2016 in effect from May 13, 2016 (as amended pursuant to DICJ Instruction no. 1/2019), govern the Gaming Operator's compliance requirements with respect to identifying, reporting and preventing anti-money laundering and terrorism financing crimes at its casinos in Macau. Under these laws and regulations, the Gaming Operator is 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 the Gaming Operator, 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 customers who fail to provide any information requested by the Gaming Operator;
- 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\$995) in cases of occasional transactions and MOP120,000 (equivalent to approximately US\$14,918) in cases of transactions that arose in the context of a continuous business relationship;
- notify the Macau 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 no. 7/2006 (as amended pursuant to Administrative Regulation no. 17/2017) and the DICJ Instruction no. 1/2016 (as amended pursuant to DICJ Instruction

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no.1/2019), the Gaming Operator is required to track and report transactions and granting of credit that are of MOP500,000 (equivalent to approximately US\$62,159) or above. Pursuant to the legal requirements above, if the customer provides all required information, after submitting the reports, the Gaming Operator may continue to deal with those customers that were reported to the DICJ and, in case of suspicious transactions, to the Macau Finance Information Bureau.

The Gaming Operator employs internal controls and procedures designed to help ensure that its 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 Concession Contract.

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

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

On October 18, 2019, the DICJ issued Instruction no. 4/2019, which came into effect on December 27, 2019, setting out measures for the implementation of responsible gaming principles. Under this instruction, concessionaires 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; self-exclusion and exclusion at third party request procedures, off-duty gaming related employees entry restriction procedures, physical entry requirements, preventive measures for restricted access by persons under 21 years of age; public exhibition of time; creation and training of teams and a coordinator responsible for promoting responsible gambling.

Law no. 16/2001, as amended in June 2022 pursuant to Law no. 7/2022, or the Macau Gaming Operations Law, also sets out responsible gaming obligations, including the obligation of the concessionaires to prepare a plan for the promotion of responsible gaming, as well as to adopt measures that allow the public, including tourists, to have sufficient information to assume a responsible, moderate and controlled posture towards gaming. These measures include providing players with information about responsible gaming behaviors, as well as about gaming dependency and addiction issues, including the information on responsible gaming; adequate measures to ensure the prohibition of entry into casinos of those to whom access is prohibited; information on the dissemination of the measure of interdiction of entry in casino upon request, as well as the means of submitting such request; creation of a specialized gaming group to provide adequate assistance and counseling services to those in need; and training and recycling actions on responsible gaming aimed at employees, as well as counselling services. Furthermore, the concessionaires must annually submit to the DICJ a report on the execution of the plan for the promotion of responsible gaming of such year, as well as a plan for the promotion of responsible gaming for the subsequent year.

### ***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\$14,918) 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\$62,159)). In the event the relevant customs authorities find that the cash or negotiable instrument to the bearer carried by an individual while entering or exiting Macau may be associated with or result from any criminal activity, such incident shall be notified to the relevant criminal authorities and the relevant amounts shall be seized pending investigation. See “Item 3. Key Information — D. Risk Factors — Risks relating to Conducting Business and Operating in Macau — Studio City Casino’s operations could be adversely affected by foreign exchange restrictions on 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, concessionaires 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***

Concessionaires 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 and Technological Development Bureau of the Macau government.

The applicable regime in Macau with regard to intellectual property rights is defined by two main laws. The Industrial Property Code (Decree-Law no. 97/99/M, as amended pursuant to Law no. 11/2001), covers (i) inventions meeting the patentability requirements; (ii) semiconductor topography products; (iii) trademarks; (iv) designations of origin and geographical indications; and (v) awards. The Regime of Copyright and Related Rights (Decree-Law no. 43/99/M, as amended by Law no. 5/2012), protects intellectual works and creations in the literary, scientific and artistic fields, by copyright and related rights. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business — The possible infringement of key intellectual property used in our business, the dissemination of proprietary information used in our business or the infringement or alleged infringement of intellectual property rights belonging to third parties could adversely affect our business.”

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### ***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), 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 came into effect on December 21, 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 chance in casino are included.

The cybersecurity system is composed of a Cybersecurity Commission, a Cybersecurity Alert and Response Incident Centre (“CARIC”) and cybersecurity supervisory entities.

Among other duties, private infrastructure operators are 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.

Additional regulations have been 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 the PRC 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. Melco Resorts has, through its subsidiaries, two main groups of labor quotas in Macau, one to import non-skilled workers from the PRC and the other to import non-skilled workers from all other countries. The Gaming Operator is not currently allowed to hire non-Macau resident dealers and supervisors under the 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 illnesses for all employees.

### ***Minimum Salary Regulations***

On April 27, 2020, Law no. 5/2020, with respect to minimum salary, was enacted. Such law came into effect on November 1, 2020. In accordance with such law, the monthly minimum salary in Macau is MOP6,656 (equivalent to approximately US\$827) per month (excluding overtime, night and shift allowances and regular bonus related payments). The minimum salary requirement applies to all workers in Macau, except domestic helpers and special needs workers.

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### ***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 subsidiary has entered into a land concession contract for the land on which the Studio City property is located. The 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 of our subsidiaries incorporated in Macau are required to set aside a minimum of 25% of the entity's profit after tax to the legal reserve until the balance of the legal reserve reaches a level equivalent 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 shareholders of the relevant subsidiaries.

As of December 31, 2022, the balance of the reserve amounted to US\$6,000.

### ***FCPA***

The FCPA prohibits us and our staff 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 includes specific FCPA-related provisions. See “— Our Internal Control Policies.”

### ***The Gaming Operator's Concession***

#### ***The Concession Regime***

The Macau government conducted an international tender process for gaming concessions in Macau in 2022, and granted six gaming concessions to SJM, MGM Grand, Galaxy, Venetian Macau Limited (“VML”), Wynn Macau and Melco Resorts Macau, respectively. Subconcessions are prohibited. Though there are no restrictions on the number of casinos or gaming areas that may be operated under each concession, Macau government approval is required for the commencement of operations of any casino or gaming area. Prior to the tendering process in 2022, the subconcessionaires that entered into subconcession contracts with Wynn Macau, SJM and Galaxy were Melco Resorts Macau, MGM Grand Paradise and VML, respectively. The Gaming Operator executed the Subconcession Contract with Wynn Macau on September 8, 2006, which was extended until December 31, 2022 pursuant to the execution of an Amendment Agreement to the Subconcession Contract dated June 23, 2022, with Wynn Macau continuing to develop and run hotel operations and casino projects independent of the Gaming Operator. Upon the completion of the tender process for new concessions, the Gaming Operator was granted with a new gaming concession by the Macau government for a period of 10 years, effective from January 1, 2023 until December 31, 2032, and entered into the respective Concession Contract on December 16, 2022.

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

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All concessionaires 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\$37,296) per annum per VIP gaming table;
- MOP150,000 (equivalent to approximately US\$18,648) per annum per mass market gaming table; and
- MOP1,000 (equivalent to approximately US\$124) per annum per electric or mechanical gaming

subject to a minimum annual payment of an amount required for the operation of 500 gaming tables and 1,000 electronic gaming machines.

A special premium may be due by the Gaming Operator in the event the average gross gaming revenue of the Gaming Operator's gaming tables does not reach the annual minimum of MOP7,000,000 (equivalent to approximately US\$870,233) and the average gross gaming revenue of the gaming machines does not reach the annual minimum of MOP300,000 (equivalent to approximately US\$37,296). The amount of the special premium is equivalent to the difference between the amount of the special gaming tax paid by the Gaming Operator and the amount that would be paid under the annual minimum set average gross gaming revenue for gaming tables and gaming machines.

### ***The Concession Contract in Macau***

The Concession Contract in Macau provides for the terms and conditions of the concession granted to the Gaming Operator with expiration on December 31, 2032. The Gaming Operator, pursuant to a legal restriction applicable to all concessionaires, does not have the right to grant a subconcession or transfer the operation to third parties.

On December 16, 2022, the Gaming Operator was granted the right to operate games of chance in casinos in Macau under a new gaming concession effective from January 1, 2023 until the expiration of the concession on December 31, 2032.

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

***Gaming and Non-Gaming Investment Obligations.*** The Concession Contract requires the Gaming Operator to make a minimum investment in Macau of MOP11,823,700,000 (equivalent to approximately US\$1.5 billion). The investment plan includes gaming and non-gaming related projects in the expansion of foreign market patrons, conventions and exhibitions, entertainment shows, sports events, art and culture, health and well-being, thematic entertainment, gastronomy, community and maritime tourism and others. Of the total investment amount referred to above, MOP10,008,000,000 (equivalent to approximately US\$1.2 billion) will be applied to non-gaming related projects, with the balance applied to gaming related projects. The Gaming Operator has undertaken to carry out incremental additional non-gaming investment in the amount of approximately 20% of its initial non-gaming investment, or MOP2,003,000,000 (equivalent to approximately US\$249.0 million), in the event Macau's annual gross gaming revenue reaches MOP180,000,000,000 (equivalent to approximately US\$22.4 billion) ("Incremental Investment Trigger"). This incremental investment amount is reduced to 16%, 12%, 8%, 4% of the initial non-gaming investment amount or nil, if the Incremental Investment Trigger occurs in year 6, year 7, year 8, year 9 or year 10 of the Concession, respectively.

If, after the completion of the execution of the investment plan under the Concession Contract, the total amount of expenses made by the concessionaire, directly or, with approval from the Macau government, indirectly, is lower than the global amount and the amount committed at the time of activation of the Incremental Investment Trigger, the concessionaire undertakes to use the remaining amount on projects correlated to its activity to be designated by the concessionaire and accepted by the Macau government and/or on projects that are designated by the Macau government with significant public benefit to Macau.

During the implementation of the investment plan under the Concession Contract, the Macau government may request the concessionaire to provide any document or to amend the implementation of projects contained in the investment plans to ensure compliance with current technical norms or rules and the required quality standard. However, the Macau government shall not impose any amendment that may result in an increase of the global investment amount and the amount committed at the time of activation of the Incremental Investment Trigger.

The execution of the investment plan under the Concession Contract is subject to the supervision of the Macau government, with the concessionaire being required to submit to the Macau government's approval on an annual basis the proposal for the execution of specific projects that it intends to execute in the subsequent year, which shall contain, at least, the content of such projects, the amount of the investment, and the deadline for execution. Furthermore, the concessionaire must submit to the Macau government on an annual basis a report on the execution, in the previous year, of the investment plan under the Concession Contract and of the approved proposal for the execution of the specific investment projects, which must contain, at least, an update on the execution of the specific investment projects, the invested amount, the deadline and the results of its execution. The concessionaire must also submit any other additional information as requested by the Macau government.

*Payments.* Concession 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, the Gaming Operator is also required to contribute to the Macau government an annual amount equivalent to 2% of the gross gaming revenues to a public fund that has as purposes the promotion, development or study of cultural, social, economic, educational, scientific, academic and philanthropic actions. Furthermore, the Gaming Operator is also obligated to contribute to Macau an amount equivalent to 3% of the gross gaming revenues for urban development, tourism promotion and the social security of Macau. The Gaming Operator is 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 to unilaterally terminate the Gaming Operator's concession in the event of non-compliance by us with our basic obligations under the concession and applicable Macau laws. Upon termination, all of the Gaming Operator's casino premises and gaming equipment, would revert or be transferred to the Macau government automatically without compensation to the Gaming Operator and the Gaming Operator would cease to generate any revenues from these operations. In many of these instances, the Concession Contract does not provide a specific cure period within which any such events may be cured and, instead, the Gaming Operator may be dependent on consultations and negotiations with the Macau government to give it an opportunity to remedy any such default. The Gaming Operator is not granted with explicit rights of veto, or of prior consultation. The Macau government may be able to unilaterally rescind the Concession 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 concession;
- abandonment of approved business or suspension of operations of our gaming business in Macau without reasonable grounds;
- transfer of all or part of the Gaming Operator's operation in Macau in violation of the relevant laws and administrative regulations governing the operation of games of chance in casino 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;

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- 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 the Gaming Operator;
- failure to provide or supplement the guarantee deposit or the guarantees specified in the concession within the prescribed period;
- bankruptcy or insolvency of the Gaming Operator;
- fraudulent activity harming public interest;
- serious and repeated violation of the applicable rules for carrying out games of chance in casino or damage to the fairness of games of chance in casino;
- systematic non-compliance with the Macau Gaming Operations Law's or Concession Contract's obligations; or
- non-compliance with the investment amount and the respective criteria provided for in the Concession Contract, within the deadline set out by the Secretary for Economy and Finance.

In addition, the Macau government may, from the eighth year of the Concession, redeem the Concession by notice to the Gaming Operator at least one year in advance. Pursuant to such redemption, the Macau government would assume all rights and obligations of the Gaming Operator resulting from business legally and validly conducted by the Gaming Operator before the date of the redemption notice and the Gaming Operator would have a right to obtain reasonable and fair compensation under applicable Macau law.

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

- the registered share capital and net asset value of the Gaming Operator cannot be less than MOP5,000,000,000 (equivalent to approximately US\$621,595,000) and, to guarantee its performance of certain of its legal and contractual obligations, including labor obligations, the Gaming Operator must maintain a guarantee issued by a Macau SAR bank in favor of the Macau SAR in the amount of MOP1,000,000,000 (equivalent to approximately US\$124,319,000) until 180 days after the earlier of the expiration or termination of the Concession;
- the managing director of the Gaming Operator must be a permanent resident of the Macau SAR and must hold at least 15% of the registered share capital of the Gaming Operator;
- any person who directly acquires voting rights in the Gaming Operator will be subject to authorization from the Macau government;
- the Gaming Operator will be required to take the necessary measures to ensure that any person who directly or indirectly acquires more than 5% of the shares in the Gaming Operator would be subject to authorization from the Macau government, except when such acquisition is wholly made through the shares of publicly-listed companies tradable at a stock exchange;
- any person who directly or indirectly acquires more than 5% of the shares in the Gaming Operator 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 the Gaming Operator; and
- the Chief Executive of Macau could require the increase of the Gaming Operator's share capital, if deemed necessary.

*Others.* In addition, the Concession Contract contains various general covenants and obligations and other provisions, including special duties of cooperation, special duties of information, and execution of the Gaming Operator's investment obligations.



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Transfers of property and credit rights of the Gaming Operator exceeding MOP100,000,000 (equivalent to approximately US\$12,432,000) and loan agreements or similar arrangements executed by the Gaming Operator as borrower or creditor equal to or exceeding that amount are each subject to approval by the Macau SAR government, except for those loan agreements related to credit granted for gaming purposes. The issue of debt securities by the Gaming Operator is also subject to approval by the Macau government and the Concession prohibits the Gaming Operator from being listed on a stock exchange. The Concession requires that prior notice be given to the Macau government of financial decisions relating to the internal movement of funds of the Gaming Operator exceeding 50% of its registered capital, financial decisions relating to salaries, remuneration or benefits of employees, among others, exceeding 10% of its registered capital and other financial decisions exceeding 10% of its registered capital.

The Concession Contract provides for the Gaming Operator's right to use the casino premises and related land for the purpose of operating games of chance under the Concession Contract during the term of the Concession Contract. On the termination or expiry of the Concession Contract, the casino premises operated by the concessionaire and the gaming equipment would automatically revert or be transferred to the Macau SAR without compensation.

### **Taxation**

We are domiciled in the Cayman Islands and our primary business operations are conducted through our subsidiaries. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

### ***Hong Kong***

Our subsidiaries incorporated in Hong Kong and one of our subsidiaries incorporated in the BVI are subject to Hong Kong profits tax on their taxable income earned in or derived from Hong Kong at a uniform tax rate of 16.5%. Payments of dividends by our subsidiaries to us are not subject to withholding tax in Hong Kong.

### ***Macau***

Our subsidiaries incorporated in Macau are subject to Macau complementary tax of up to 12% on profits earned in or derived from their activities conducted in Macau. The Gaming Operator applied for and was granted the benefit of a corporate tax holiday on Macau complementary tax (but not gaming tax) from 2017 through 2021 on profits generated from gaming operations. The Gaming Operator was further granted such benefit for the period from January 1, 2022 to June 26, 2022, and from 27 June 2022 to 31 December 2022. The Gaming Operator has applied for an extension of the corporate tax holiday for the period from 1 January 2023 through 31 December 2027, and the application is currently pending approval by the Macau government.

In January 2017, the Macau government granted an extension of the Macau complementary tax exemption for our subsidiary, Studio City Entertainment, until 2021, on profits generated from income received from the Gaming Operator, to the extent that such income results from gaming operations within Studio City Casino and has been subject to gaming tax. Studio City Entertainment has applied for an extension of the complementary tax exemption for 2022 and for the period from January 1, 2023 through December 31, 2027 and such applications are currently pending approval by the Macau government. Dividend distributions by Studio City Entertainment continue to be subject to Macau complementary tax. We remain subject to Macau complementary tax on our non-gaming profits.

In September 2017, the Macau government granted Studio City Hotels the declaration of touristic utility purpose pursuant to which Studio City Hotels is entitled to a property tax holiday for a period of twelve years on the immovable property to which the touristic utility was granted, owned or operated by Studio City Hotels. Under such tax holiday, Studio City Hotels is allowed to double the maximum rates applicable to

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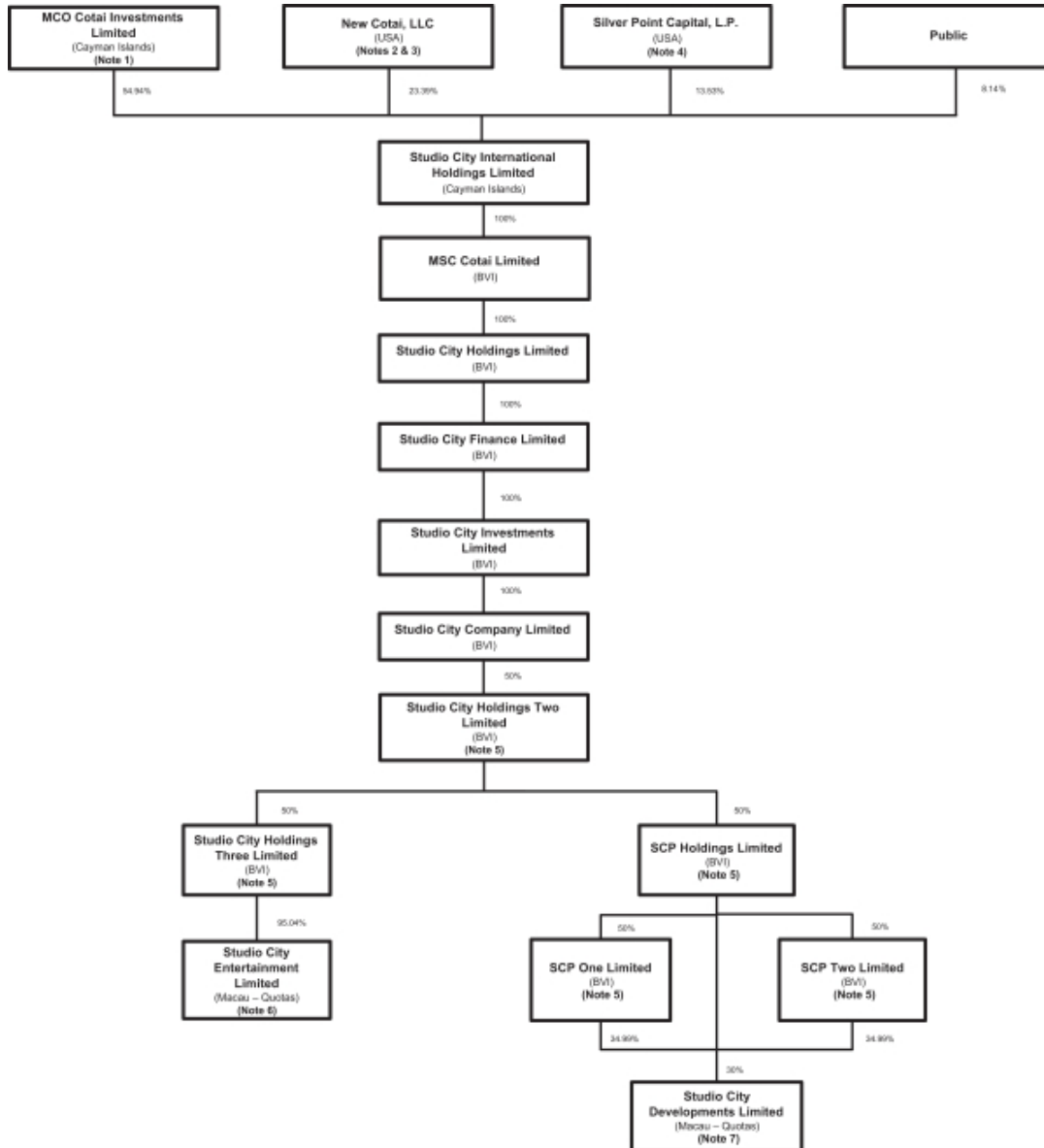
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depreciation and reintegration for the purposes of assessment of the Macau complementary tax. In August 2021, the hotel license of Studio City Hotel was transferred from Studio City Hotels to Studio City Developments, the owner of the Studio City property. We have applied for the declaration of touristic utility purpose pursuant to which Studio City Developments would be entitled to the property tax holiday and be allowed to double the maximum rates applicable to depreciation and reintegration for the purposes of assessment of the Macau complementary tax to be granted to Studio City Developments. Such application is currently pending and there is no assurance that the Macau government will extend such benefit to Studio City Developments.

### C. ORGANIZATIONAL STRUCTURE

We are a Cayman Islands holding company for Studio City. Our operations are conducted by our subsidiaries. Investors may never directly hold equity interests in our operating subsidiaries.

The following diagram illustrates our organizational structure, including the place of formation, ownership interest and affiliation of our significant subsidiaries, as of March 24, 2023:



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### Notes:

1. Includes 747,288 Class A ordinary shares held by Melco International. See “Item 7. Major Shareholders and Related Party Transactions — A. Major Shareholders.”
2. Reflects 124,596,560 Class A ordinary shares of SCI represented by ADSs. Information regarding beneficial ownership of the Class A ordinary shares is reported as of December 31, 2022 and is based on the information contained in the Schedule 13G/A filed by New Cotai, LLC with the SEC on February 9, 2023.
3. New Cotai also has a Participation Interest in MSC Cotai which represents its economic right to receive an amount equal to approximately 9.4% of the dividends, distributions or other consideration paid to the Company by MSC Cotai, if any, from time to time. New Cotai may exchange all or a portion of its Participation Interest for Class A ordinary shares, subject to certain conditions. See “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pre-IPO Organizational Transactions.” If New Cotai were to exercise its right to exchange all of the Participation Interest for Class A ordinary shares, New Cotai would receive 72,511,760 Class A ordinary shares and the corresponding number of Class B ordinary shares held by New Cotai would be surrendered and canceled.
4. Reflects 114,020,172 Class A ordinary shares of SCI represented by ADSs. Information regarding beneficial ownership is reported as of December 31, 2022 and is based on the information contained in the Schedule 13G/A filed by Silver Point Capital L.P. with the SEC on February 14, 2023.
5. The remaining 50% of the equity interests of these companies are owned by Studio City Holdings Five Limited, a wholly-owned subsidiary of the Company. The 50% interest held by Studio City Holdings Five Limited in various Studio City companies incorporated in the British Virgin Islands is non-voting.
6. 3.96% and 1% of the equity interests are owned by Studio City Holdings Four Limited and Studio City Holdings Five Limited, respectively.
7. 0.02% of the equity interests are owned by Studio City Holdings Five Limited.

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

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

See “Item 4. Information on the Company — B. Business Overview” and “Item 5. Operating and Financial Review and Prospects — E. Critical Accounting Estimates — Property and Equipment and Other Long-lived Assets” for information regarding our material tangible property, plant and equipment.

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

Not applicable.

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

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

#### **Overview**

We are a holding company and, through our subsidiaries, operate the non-gaming businesses of Studio City. Studio City Casino is operated by the Gaming Operator, one of the subsidiaries of Melco Resorts and a

holder of a gaming concession. Our future operating results are subject to significant business, economic, regulatory and competitive uncertainties and risks, many of which are beyond our control. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business.” For detailed information regarding our operations and development projects, see “Item 4. Information on the Company — B. Business Overview.”

## A. OPERATING RESULTS

### Operations

Our principal operating activities are the provision of services pursuant to a casino contract and the hospitality business in Macau. The Company monitors the operations and evaluate earnings by reviewing the assets and operations of Studio City as one operating segment. Accordingly, we do not present separate segment information. As of December 31, 2022, 2021 and 2020, we operated in one geographical area, Macau, where we generated our revenue and where our long-lived assets were located.

Our operations in 2022 continued to be significantly impacted by travel restrictions and quarantine requirements as well as casino closures. According to the DSEC, visitor arrivals to Macau decreased by 26.0% on a year-over-year basis in 2022 as compared to 2021 while, according to the DICJ, gross gaming revenues in Macau declined by 51.4% on a year-over-year basis in 2022. As we derive all of our revenues from our business and operations in Macau, our business has been materially and adversely affected by the COVID-19 pandemic.

While quarantine-free travel within Greater China has resumed and pandemic measures in Macau have eased significantly, the pace of recovery from COVID-19 is highly uncertain and will depend on the extent of any future COVID-19 outbreaks and government responses to such outbreaks, the efficacy of COVID-19 vaccines, including against any new strains of the coronavirus that causes COVID-19, the impact of potentially higher unemployment rates, declines in income levels and loss of personal wealth resulting from COVID-19 outbreaks. Moreover, even if COVID-19 outbreaks subside, there is no guarantee that travel and consumer sentiment will rebound quickly or at all. In addition, although restrictions related to COVID-19 have eased in mainland China and Macau, we cannot be certain whether authorities in these jurisdictions will reintroduce any of the previously imposed restrictions or any new restrictions in response to COVID-19 or other health emergencies.

The COVID-19 outbreak has also caused severe disruptions to the businesses of our tenants and other business partners, which may increase the risk of them defaulting on their contractual obligations with us, which may adversely affect our business, financial condition and results of operations, including causing increases in our bad debts.

Given the uncertainty around the pace of recovery from COVID-19 and the extent of any future COVID-19 outbreaks and government responses to any such outbreaks, we cannot reasonably estimate the impact to our future results of operations, cash flows and financial condition. See “Item 3. Key Information. — D. Risk Factors — Risks Relating to Our Business — COVID-19 outbreaks have had an adverse effect on our operations, which has had a significant negative effect over the past three years and may continue to materially impact our business, prospects, financial condition and results of operations.”

### Summary of Financial Results

For the year ended December 31, 2022, our total operating revenues were US\$11.5 million, a decrease of 89.2% from US\$106.9 million of total operating revenues for the year ended December 31, 2021. Net loss attributable to Studio City International Holdings Limited for the year ended December 31, 2022 was US\$326.5 million, as compared to a net loss attributable to Studio City International Holdings Limited of US\$252.6 million for the year ended December 31, 2021. The change was mainly attributable to the government

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mandated temporary casino closures in Macau in July and heightened travel restrictions in Macau and mainland China related to COVID-19 in 2022.

	Year Ended December 31,		
	2022	2021	2020
	(in thousands of US\$)		
Total operating revenues	\$ 11,548	\$ 106,868	\$ 49,208
Total operating costs and expenses	(288,764)	(298,441)	(329,136)
Operating loss	(277,216)	(191,573)	(279,928)
Net loss attributable to Studio City International Holdings Limited	\$(326,451)	\$(252,555)	\$(321,626)

### Key Performance Indicators (KPIs)

We use the following KPIs to evaluate the operations of Studio City Casino, 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 the point-loyalty programs) as administered by the Gaming Operator 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 the point-loyalty programs) as administered by the Gaming Operator 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 the point-loyalty programs) as administered by the Gaming Operator 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 the point-loyalty programs) as administered by the Gaming Operator and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) expressed as a percentage of gaming machine handle.

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

Studio City Casino's expected rolling chip win rate is 2.85% to 3.15%.

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We use the following KPIs to evaluate our hotel operations:

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

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

Tables games and gaming machines that were not in operation due to government mandated closures or social distancing measures in relation to the COVID-19 outbreak have been excluded. Room statistics also exclude rooms that were temporarily closed or provided to staff members due to the COVID-19 outbreak.

### ***Year Ended December 31, 2022 Compared to Year Ended December 31, 2021***

#### *Revenues*

Certain revenues of the Company were previously captioned as revenue from provision of gaming related services and are now captioned as revenue from casino contract as a result of the amendments made to the agreement for the operation of the Studio City Casino announced on June 23, 2022. The change in the revenue caption does not impact the revenue recognition policy and figures are comparable to prior periods. Our total operating revenues were US\$11.5 million in 2022, a decrease of US\$95.3 million, or 89.2%, from US\$106.9 million of total operating revenues in 2021. The change was primarily attributable to the government mandated temporary casino closures in Macau in July and heightened travel restrictions in Macau and mainland China related to COVID-19 in 2022 which led to a decrease in revenue from casino contract and lower non-gaming revenues.

- *Revenue from casino contract*. Revenue from casino contract is derived from the provision of facilities for the operations of Studio City Casino by the Gaming Operator and services related thereto pursuant to the Studio City Casino Agreement. Revenue from casino contract were negative US\$56.7 million in 2022, compared with revenue from casino contract of negative US\$1.5 million in 2021. The change was primarily attributable to the government mandated temporary casino closures in Macau in July and heightened travel restrictions in Macau and mainland China related to COVID-19 in 2022.

Studio City Casino generated gross gaming revenues of US\$171.2 million and US\$380.8 million in 2022 and 2021, respectively, before the deduction by the Gaming Operator of gaming taxes and the costs incurred in connection with its on-going operation of Studio City Casino pursuant to the Studio City Casino Agreement.

Mass market table games revenue increased to US\$131.3 million in 2022 from US\$313.6 million in 2021, attributable to a decrease in mass market table games drop, partially offset by an increase in mass market table games hold percentage. Mass market table games drop decreased to US\$0.46 billion in 2022 from US\$1.13 billion in 2021. Mass market table games hold percentage increased to 28.5% in 2022 from 27.7% in 2021.

Gaming machine revenue decreased to US\$18.6 million in 2022 from US\$30.4 million in 2021. This decrease is attributable to a decrease of gaming machine handle to US\$0.66 billion in 2022 from

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US\$1.11 billion in 2021, partially offset by an increase in gaming machine win rate to 2.8% in 2022 from 2.7% in 2021. Average net win per gaming machine per day was US\$75 and US\$129 in 2022 and 2021, respectively.

VIP rolling chip revenue decreased to US\$21.4 million in 2022 from US\$36.8 million in 2021, attributable to a decrease in VIP rolling chip volume, partially offset by an increase in VIP rolling chip win rate. Studio City's VIP rolling chip volume decreased to US\$0.84 billion in 2022 from US\$1.84 billion in 2021. VIP rolling chip win rate increased to 2.56% in 2022 from 2.00% in 2021.

Revenue from casino contract were negative US\$56.7 million and negative US\$1.5 million in 2022 and 2021, respectively. Revenue from casino contract is net of gaming taxes and the costs incurred in connection with the on-going operation of Studio City Casino deducted by the Gaming Operator.

In 2022 and 2021, total gaming taxes and costs incurred in connection with the on-going operation of Studio City Casino deducted from gross gaming revenues were US\$227.9 million and US\$382.3 million, respectively, which included (i) gaming taxes imposed on the gross gaming revenue of US\$66.8 million and US\$148.5 million, respectively; (ii) the complimentary services provided by us to Studio City Casino's gaming patrons of US\$22.9 million and US\$44.1 million, respectively; (iii) shared administrative services and shuttle bus transportation services provided by us to Studio City Casino of US\$17.9 million and US\$20.9 million, respectively and (iv) remaining costs of US\$120.3 million and US\$168.8 million, respectively, primarily representing gaming-related staff costs and other gaming-related costs, including costs related to table games operations at Studio City Casino.

- *Rooms.* We generate room revenues from Studio City hotel consisting of Celebrity Tower and all-suite Star Tower. Our room revenues decreased by US\$20.8 million, or 53.8%, to US\$17.9 million in 2022 from US\$38.7 million in 2021. The decrease was primarily attributable to a decreased occupancy rate as a result of a year-over-year decrease in inbound tourism in 2022. Studio City's average daily rate, occupancy rate and REVPAR were US\$111, 28% and US\$31, respectively, in 2022, as compared to US\$123, 51% and US\$62, respectively, in 2021.
- *Food and beverage, entertainment, mall and retail and other.* Our revenues generated from food and beverage, entertainment, mall and retail and other decreased by US\$16.3 million, or 36.4%, to US\$28.4 million in 2022 from US\$44.7 million in 2021, primarily attributable to a decrease in business activities as a result of a year-over-year decrease in inbound tourism in 2022.
- *Services fee.* Our services fee revenues, which primarily consist of certain shared administrative services and shuttle bus transportation services to Studio City Casino, decreased by US\$3.0 million, or 12.1%, to US\$21.9 million in 2022 from US\$24.9 million in 2021.

### *Operating Costs and Expenses*

Our total operating costs and expenses decreased by US\$9.7 million, or 3.2%, to US\$288.8 million in 2022 from US\$298.4 million in 2021.

- *Costs related to casino contract.* Costs related to casino contract, which mainly represent (1) services fees for shared corporate services provided by the Master Service Providers pursuant to the Management and Shared Services Arrangements and (2) management payroll expenses, are relatively fixed in nature and amounted to US\$29.9 million and US\$28.1 million in 2022 and 2021, respectively.
- *Rooms.* Room expenses, which represent the costs of operating the hotel facilities and respective payroll expenses, decreased by US\$1.1 million, or 8.7%, to US\$11.1 million in 2022 from US\$12.2 million in 2021.
- *Food and beverage, entertainment, mall and retail and other.* Expenses related to food and beverage, entertainment, mall and retail and other, which primarily represent the costs of operating the respective non-gaming services at Studio City and respective payroll expenses, decreased by US\$4.0 million, or 11.1% to US\$32.0 million in 2022 and US\$36.0 million in 2021.



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- *General and administrative.* General and administrative expenses were US\$79.8 million and US\$87.6 million in 2022 and 2021, respectively. Such expenses primarily consist of payroll expenses, utilities, marketing and advertising costs, repairs and maintenance, legal and professional fees, and fees paid to the Master Service Providers for shared corporate services provided to non-gaming departments. Expenses relating to services fee revenues are also included in the general and administrative expenses.
- *Pre-opening costs.* Pre-opening costs were US\$3.3 million in 2022 as compared to US\$1.0 million in 2021. Such costs primarily represent personnel, marketing and other costs incurred prior to the opening of new or start-up operations. The higher pre-opening costs in 2022 were mainly related to Phase 2 of Studio City.
- *Amortization of land use right.* Amortization expenses for the land use right continued to be recognized on a straight-line basis at an annual rate of US\$3.3 million in both 2022 and 2021.
- *Depreciation and amortization.* Depreciation and amortization expenses slightly decreased by US\$0.7 million, or 0.5%, to US\$123.7 million in 2022 from US\$124.3 million in 2021.
- *Property charges and other.* Property charges and other expenses of US\$5.8 million in 2022 were primarily attributable to payroll costs as a result of departmental restructuring. Property charges and other expenses of US\$6.0 million in 2021 were primarily attributable to termination costs as a result of departmental restructuring and impairment of assets as a result of the remodeling of a non-gaming attraction.

### *Operating Loss*

As a result of the foregoing, we had an operating loss of US\$277.2 million in 2022, compared to an operating loss of US\$191.6 million in 2021.

### *Non-operating Expenses, Net*

Net non-operating expenses consisted of interest income, interest expenses, net of amounts capitalized, other financing costs, net foreign exchange gains, loss on extinguishment of debt and other non-operating income, net. We incurred total net non-operating expenses of US\$83.7 million in 2022, compared to US\$110.9 million in 2021.

- *Interest expenses, net of amounts capitalized.* Interest expenses were US\$92.4 million (net of amounts capitalized of US\$49.6 million) in 2022, compared to US\$91.0 million (net of amounts capitalized of US\$23.7 million) in 2021. The increase was primarily attributable to higher interest expenses primarily a result of the issuance of 2027 Notes on February 16, 2022, and the issuance of the Additional 2029 Notes on May 20, 2021, partially offset by higher amounts capitalized for the Phase 2 project for Studio City in 2022.
- *Other financing costs.* Other financing costs, which were associated with the 2021/2028 Studio City Senior Secured Credit Facility, were US\$0.4 million in both 2022 and 2021.
- *Loss on extinguishment of debt.* Loss on extinguishment of debt was US\$28.8 million in 2021 and was associated with the early redemption of the 2024 Notes, which were refinanced by the issuance of the First 2029 Notes. No loss on extinguishment of debt was incurred in 2022.

### *Loss before Income Tax*

As a result of the foregoing, we had a loss before income tax of US\$360.9 million in 2022, compared to a loss before income tax of US\$302.5 million in 2021.

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### *Income Tax Expense/Benefit*

Income tax expense was US\$0.4 million in 2022 and was primarily attributable to deferred income tax expense as compared to income tax benefit of US\$0.5 million in 2021 which was primarily attributable to deferred income tax benefit. The effective tax rates in 2022 and 2021 were (0.1%) and 0.2%, respectively. Our effective tax rates in 2022 and 2021 differed from the statutory Macau complementary tax rate of 12%, where the Company's majority operations are located, primarily due to the effects of expenses for which no income tax benefit is receivable, expired tax losses, changes in valuation allowances, different tax rates of subsidiaries operating in other jurisdictions and income for which no income tax expense is payable for the relevant years together with the effect of tax losses that cannot be carried forward for the year ended December 31, 2021. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carry-forwards 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 reduce the valuation allowance related to the net operating losses and other deferred tax assets.

### *Net Loss Attributable to Participation Interest*

Our net loss attributable to participation interest was US\$34.9 million in 2022, compared to a net loss attributable to participation interest of US\$49.4 million in 2021.

### *Net Loss Attributable to Studio City International Holdings Limited*

As a result of the foregoing, we had a net loss attributable to Studio City International Holdings Limited of US\$326.5 million in 2022, compared to a net loss attributable to Studio City International Holdings Limited of US\$252.6 million in 2021.

For a discussion of our results of operations for the year ended December 31, 2021 compared with the year ended December 31, 2020, see "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Year Ended December 31, 2021 Compared to Year Ended December 31, 2020" of our annual report on Form 20-F for the fiscal year ended December 31, 2021, filed with the SEC on March 31, 2022.

### **Adjusted EBITDA**

Our net income/loss before interest, taxes, depreciation, amortization, pre-opening costs, share-based compensation, property charges and other, other non-operating income and expenses, or Adjusted EBITDA, was negative US\$140.8 million, negative US\$56.5 million and negative US\$113.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

We believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results. This non-GAAP financial measure eliminates the impact of items that we do not consider indicative of the performance of our business. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with U.S. GAAP. It should not be considered in isolation or construed as an alternative to net income/loss, cash flow or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. This non-GAAP financial measure, which may differ from similarly titled measures used by other companies should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP.

The use of Adjusted EBITDA has material limitations as an analytical tool, as Adjusted EBITDA does not include all items that impact our net income/loss. Investors are encouraged to review the reconciliation of the historical non-GAAP financial measure to its most directly comparable GAAP financial measure.

**Reconciliation of Net Loss Attributable to Studio City International Holdings Limited to Adjusted EBITDA**

	Year Ended December 31,		
	2022	2021	2020 <sup>(2)</sup>
	<i>(in thousands of US\$)</i>		
Net loss attributable to Studio City International Holdings Limited	\$(326,451)	\$(252,555)	\$(321,626)
Net loss attributable to participation interest	(34,856)	(49,447)	(83,466)
Net loss	(361,307)	(302,002)	(405,092)
Income tax expense (credit)	382	(457)	(1,011)
Interest and other non-operating expenses, net	83,709	110,886	126,175
Property charges and other	5,799	6,031	4,798
Depreciation and amortization	126,956	127,634	160,334
Share-based compensation	361	438	791
Pre-opening costs	3,263	984	201
Adjusted EBITDA	<u>\$(140,837)</u>	<u>\$ (56,486)</u>	<u>\$(113,804)</u>
Adjusted EBITDA margin <sup>(1)</sup>	(1,219.6)%	(52.9)%	(231.3)%

- (1) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by total operating revenues.
- (2) We adopted Accounting Standards Codification 326, *Financial Instruments – Credit Losses (Topic 326)* (“ASU 2016-13”) on January 1, 2020 under the modified retrospective method. There was no material impact on our results of operations and Adjusted EBITDA in 2020 as a result of the adoption of ASU 2016-13.

The negative Adjusted EBITDA for Studio City in 2022, 2021 and 2020 referred to in Melco Resorts’ 2022 annual report on Form 20-F were US\$35.7 million, US\$36.0 million and US\$34.8 million less, respectively, than the negative Adjusted EBITDA of Studio City contained in this report. The Adjusted EBITDA of Studio City contained in this report includes certain intercompany charges that are not included in the Adjusted EBITDA for Studio City contained in such Melco Resorts’ annual report. Such intercompany charges include, among other items, fees and shared service charges billed between the Company and its subsidiaries and certain subsidiaries of Melco Resorts. Additionally, Adjusted EBITDA of Studio City included in such Melco Resorts’ annual report does not reflect certain intercompany costs related to the table games operations at Studio City Casino.

**B. LIQUIDITY AND CAPITAL RESOURCES**

We have relied on, and intend to continue to rely on, our cash generated from our operations and our debt and equity financings to meet our financing or refinancing needs.

As of December 31, 2022, we recorded US\$509.5 million in cash and cash equivalents. Further, the HK\$233.0 million (equivalent to approximately US\$29.8 million) revolving credit facility under the 2028 Studio City Senior Secured Credit Facility is available for future drawdown as of December 31, 2022, subject to certain conditions precedent.

As of December 31, 2022, restricted cash of US\$0.1 million primarily represented the cash collateral in relation to the 2028 Studio City Senior Secured Credit Facility.

We have been able to meet our working capital needs, and we believe that our current available cash and cash equivalents, bank deposits, funds available for drawdown under the 2028 Studio City Senior Secured

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Credit Facility and any additional equity or debt financings will be adequate to satisfy our current and anticipated operating, debt and capital commitments, including our development project plans, as described in “— Other Financing and Liquidity Matters” below. For any additional financing requirements, we cannot provide assurance that future borrowings will be available. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business — We may not be able to obtain adequate financing on satisfactory terms for our existing business, or at all” for more information.

We have significant indebtedness and will continue to evaluate our capital structure and opportunities to enhance it in the normal course of our activities. We may from time to time seek to retire or purchase our outstanding debt through cash purchases, in open market purchases, privately-negotiated transactions or otherwise. Such purchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### Cash Flows

The following table sets forth a summary of our cash flows for the years presented.

	Year Ended December 31,		
	2022	2021	2020
	<i>(in thousands of US\$)</i>		
Net cash used in operating activities	\$(178,775)	\$(136,841)	\$(167,425)
Net cash used in investing activities	(453,395)	(407,235)	(209,789)
Net cash provided by financing activities	643,109	471,508	623,811
Effect of exchange rate on cash, cash equivalents and restricted cash	(705)	(3,372)	1,530
Increase (decrease) in cash, cash equivalents and restricted cash	10,234	(75,940)	248,127
Cash, cash equivalents and restricted cash at beginning of year	499,419	575,359	327,232
Cash, cash equivalents and restricted cash at end of year	<u>\$ 509,653</u>	<u>\$ 499,419</u>	<u>\$ 575,359</u>

### Operating Activities

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

We recorded net cash used in operating activities of US\$178.8 million in 2022, as compared to net cash used in operating activities of US\$136.8 million in 2021. The change was primarily attributable to softer performance of Studio City’s operations as described in the foregoing sections, partially offset by the decreased working capital needed for operations.

We recorded net cash used in operating activities of US\$136.8 million in 2021, as compared to net cash used in operating activities of US\$167.4 million in 2020. The change was primarily attributable to the improved performance of Studio City’s operations, partially offset by the increased working capital needed for operations.

### Investing Activities

Net cash used in investing activities was US\$453.4 million in 2022, as compared to net cash used in investing activities of US\$407.2 million in 2021. Net cash used in investing activities was US\$209.8 million in 2020.

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Net cash used in investing activities of US\$453.4 million in 2022 was primarily attributable to payments for acquisition of property and equipment of US\$452.1 million.

Net cash used in investing activities of US\$407.2 million in 2021 was primarily attributable to payments for acquisition of property and equipment of US\$400.4 million, funds to an affiliated company of US\$4.4 million and payments for acquisition of intangible assets of US\$4.1 million, partially offset by proceeds from sale of property and equipment and other long-term assets of US\$1.7 million.

Net cash used in investing activities of US\$209.8 million in 2020 was primarily attributable to payments for acquisition of property and equipment of US\$202.7 million and funds to an affiliated company of US\$9.6 million.

Our capital expenditures on an accrual basis amounted to US\$427.7 million, US\$503.7 million and US\$214.0 million for the years ended December 31, 2022, 2021 and 2020, respectively, primarily for the construction, development and enhancement of Studio City. We will continue to make capital expenditures to grow our business and expect that cash generated from our operating and financing activities will meet our capital expenditure needs in the foreseeable future. We expect to incur capital expenditures as we continue to expand our existing operations and open our Phase 2 project. See “— Other Financing and Liquidity Matters” below for more information.

### ***Financing Activities***

Net cash provided by financing activities was US\$643.1 million in 2022, as compared to net cash provided by financing activities of US\$471.5 million in 2021. Net cash provided by financing activities of US\$623.8 million in 2020.

Net cash provided by financing activities of US\$643.1 million in 2022 was attributable to the proceeds from the issuance of the 2027 Notes in the aggregate principal amount of US\$350.0 million and net proceeds from issuance of shares of US\$299.2 million, partially offset by payments of deferred financing costs of US\$6.1 million.

Net cash provided by financing activities of US\$471.5 million in 2021 was primarily attributable to the proceeds from the issuance of the First 2029 Notes in aggregate principal amount of US\$750.0 million and the issuance of the Additional 2029 Notes of US\$355.3 million, partially offset by the payment of the 2024 Notes Tender Offer of US\$347.1 million in aggregate principal amount and the redemption of the remaining 2024 Notes of US\$252.9 million in aggregate principal amount outstanding, as well as payments of deferred financing costs of US\$33.3 million.

Net cash provided by financing activities of US\$623.8 million in 2020 was attributable to net proceeds from issuance of shares of US\$499.2 million, proceeds from the issuance of the 2025 Notes in aggregate principal amount of US\$500.0 million and the 2028 Notes in aggregate principal amount of US\$500.0 million, partially offset by the full redemption of the 2021 Studio City Company Notes in aggregate principal amount of US\$850.0 million and the payment of deferred financing costs from the refinancing of the 2021 Studio City Company Notes with the 2025 Notes and 2028 Notes.

## Indebtedness

We enter into loan facilities and issue notes through our subsidiaries. The following table sets forth our gross indebtedness as of December 31, 2022:

	<u>Issuer</u>	<u>As of December 31, 2022</u> <i>(in thousands of US\$)</i>
2028 Studio City Senior Secured Credit Facility	Studio City Company	\$ 128
2025 Notes	Studio City Finance	500,000
2027 Notes	Studio City Company	350,000
2028 Notes	Studio City Finance	500,000
2029 Notes	Studio City Finance	1,100,000
Total		<u>\$ 2,450,128</u>

Major changes in our indebtedness during the year ended and subsequent to December 31, 2022 are summarized below.

On February 16, 2022, Studio City Company issued US\$350.0 million in aggregate principal amount of the 2027 Notes.

For further details of the above indebtedness, see note 10 to the consolidated financial statements included elsewhere in this annual report, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the charge on our assets and the nature and extent of any restrictions on our ability, and the ability of our subsidiaries, to transfer funds as cash dividends, loans or advances. See also “— Other Financing and Liquidity Matters” below for details of the maturity profile of debt and “Item 11. Quantitative and Qualitative Disclosures about Market Risk” for further understanding of our hedging of 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 incur capital expenditures in the future as we continue to expand our existing operations and open our Phase 2 project.

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

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

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In August 2020, Studio City International Holdings Limited completed a US\$500 million private placement of shares, or the 2020 Private Placements. The net proceeds from this private placement was approximately US\$499.2 million.

In March 2022, Studio City International Holdings Limited completed a US\$300 million private placement of shares, or the 2022 Private Placements. The net proceeds from this private placement was approximately US\$299.2 million.

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

Our material cash requirements arise from the payment of interest expenses and repayment of principal relating to our indebtedness and, prior to the completion of construction, the development of the remaining land at Studio City.

Cash from financings and operations is primarily retained by our operating subsidiaries for the purposes of funding our operating activities and capital expenditures. Cash within our group is primarily transferred between our subsidiaries through intercompany loan arrangements. Financing raised by Studio City International Holdings Limited has been transferred to our financing and operating subsidiaries through the use of equity capital contributions or intercompany loan arrangements. In 2022, excluding cash transferred for the purpose of the settlement of intragroup charges, no cash has been transferred to our holding company, Studio City International Holdings Limited, from its subsidiaries. See also “Item 4. Information on the Company — B. Business Overview — Taxation” and “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy.” There are no regulatory or foreign exchange restrictions or limitations on our ability to transfer cash within our corporate group or to declare dividends to holders of our ADSs, except that our subsidiaries incorporated in Macau are required to set aside a specified amount of the entity’s profit after tax as a legal reserve which is not distributable to the shareholders of such subsidiaries. See “Item 4. Information on the Company — B. Business Overview — Regulations — Restrictions on Distribution of Profits Regulations” and “Item 10. Additional Information — D. Exchange Controls.”

As of December 31, 2022, we had capital commitments contracted for but not incurred for the construction and acquisition of property and equipment mainly for the development of remaining land at Studio City totaling US\$23.4 million. In addition, we have contingent liabilities arising in the ordinary course of business.

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Our total long-term indebtedness and other contractual obligations as of December 31, 2022 are summarized below.

	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
<i>(in millions of US\$)</i>					
<b>Long-term debt obligations<sup>(1)</sup>:</b>					
2028 Studio City Senior Secured Credit Facility	\$ —	\$ —	\$ —	\$ 0.1	\$ 0.1
2025 Notes	—	500.0	—	—	500.0
2027 Notes	—	—	350.0	—	350.0
2028 Notes	—	—	—	500.0	500.0
2029 Notes	—	—	—	1,100.0	1,100.0
Fixed interest payments	142.0	270.1	202.6	58.3	673.0
<b>Operating leases<sup>(2)</sup></b>	1.1	2.3	2.3	31.3	37.0
<b>Construction costs and property and equipment retention payables</b>	20.4	19.4	—	—	39.8
<b>Other contractual commitments:</b>					
Construction costs and property and equipment acquisition commitments	22.9	0.5	—	—	23.4
Total contractual obligations	<u>\$ 186.4</u>	<u>\$ 792.3</u>	<u>\$ 554.9</u>	<u>\$ 1,689.7</u>	<u>\$3,223.3</u>

(1) See note 10 to the consolidated financial statements included elsewhere in this annual report for further details on these debt facilities.

(2) See note 11 to the consolidated financial statements included elsewhere in this annual report for further details on these lease liabilities.

For further details for our commitments and contingencies, see note 18 to the consolidated financial statements included elsewhere in this annual report.

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 ordinary 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.

Studio City Company has a corporate rating of "B+" by Standard & Poor's and Studio City Finance has a corporate rating of "B1" by Moody's Investors Service, respectively. For future borrowings, any decrease in our corporate rating could result in an increase in borrowing costs.

### **Restrictions on Distributions**

The Company is a holding company with no operations of its own. We conduct our operations through our subsidiaries. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries. Our subsidiaries have incurred debt on their own behalf and any of our newly formed subsidiaries may incur debt on their own behalf in the future and the instruments governing their debt have and may restrict their ability to pay dividends to us. For discussion on the ability of our subsidiaries to transfer funds to our Company in the form of



cash dividends, loans or advances and the impact such restrictions have on our ability to meet our cash obligations, see “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business — Certain covenants under our agreements governing our existing indebtedness restrict our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions” and “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy” and note 17 to the consolidated financial statements included elsewhere in this annual report.

In addition, our subsidiaries incorporated in Macau are required to set aside a minimum of 25% of the entity’s profit after taxation to the legal reserve until the balance of the legal reserve reaches a level equivalent 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.

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

We have entered into licensing agreements for the use of certain trade names, including the Marriott International group in relation to the use of its various trademarks for the operation of a W-branded hotel tower by the Marriot International group at Studio City. For other intellectual property that we owned, see “Item 4. Information on the Company — B. Business Overview — Intellectual Property.”

### **D. TREND INFORMATION**

The following trends and uncertainties may affect our operations and financial conditions:

- The recovery from the disruptions caused by COVID-19 outbreaks, including any re-imposition of travel and visa restrictions and quarantine requirements due to any future COVID-19 outbreaks, the efficacy of COVID-19 vaccines, including against any new strains of the coronavirus that causes COVID-19, the impact of potentially higher unemployment rates, declines in income levels, and loss of personal wealth resulting from COVID-19 outbreaks affecting discretionary spending and travel, all of which remain highly uncertain. The disruptions to our business caused by COVID-19 outbreaks have had an adverse effect on our operations and any recovery from such disruptions is highly uncertain;
- The implementation of the amended Macau Gaming Operations Law, as well as any other policies and legislation implemented by the Macau government, including interpretations thereof, such as those relating to travel and visa policies;
- Policies and campaigns implemented by the PRC 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 the PRC or new measures taken by the PRC government, including criminalizing certain conduct, to deter marketing of gaming activities to mainland Chinese residents by foreign casinos, as well as any slowdown of economic growth in the PRC, may lead to a decline and limit the recovery and growth in the number of patrons visiting our property 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 Macau. More supply of integrated resorts in the Cotai region of Macau will intensify the competition in the businesses that we and the Gaming Operator operate;
- Greater regulatory scrutiny, including increased audits and inspections, in relation to movement of capital and anti-money laundering and other financial crime. Anti-money laundering, anti-bribery and

corruption and sanctions and counter-terrorism financing laws and regulations have become increasingly complex and subject to greater regulatory scrutiny and supervision by regulators globally and may increase our compliance costs and any potential non-compliances of such laws and regulations could have an adverse effect on our reputation, financial condition, results of operations or cash flows;

- Enactment of new laws, or amendments to existing laws with more stringent requirements, in relation to personal data, including, among others, collection, use and/or transmission of personal data, and as to which there may be limited precedence on their interpretation and application, may increase operating costs and/or adversely impact our ability to market to our customers and guests. In addition, any non-compliance with such laws may result in damage or reputation and/or subject us to lawsuits, fines and other penalties as well as restrictions on our use or transfer of data;
- Increases in cybersecurity and ransomware attacks around the world and the need to continually evaluate, enhance and improve our internal process, systems and technology infrastructure to comply with the increasing cybersecurity, data privacy and data protection laws, regulations and requirements; and
- Gaming promoters in Macau have experienced significantly increased regulatory scrutiny that has resulted in the cessation of business of many gaming promoters.

See also “Item 3. Key Information — D. Risk Factors,” “Item 4. Information on the Company — B. Business Overview — Market and Competition,” and other information elsewhere in this annual report for recent trends affecting our revenues and costs since the previous financial year and a discussion of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause the reported financial information not necessarily to be indicative of future operating results or financial condition.

### **E. CRITICAL ACCOUNTING ESTIMATES**

Management’s discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements. We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, contingent assets and liabilities and revenues and expenses. Certain of our accounting policies require that management apply significant judgment in defining the appropriate assumptions integral to financial estimates. On an ongoing basis, we regularly evaluate these estimates and assumptions based on the most recently available information, our own historical experiences, terms of existing contracts, industry trends and other factors that we believe to be relevant, reasonable and appropriate under the circumstances. Since our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from what we expect. This is especially true with some accounting policies that require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our consolidated financial statements because they involve the greatest reliance on our management’s judgment.

#### ***Allocations and Costs Recognized with the Studio City Casino Agreement and the Management and Shared Services Arrangements***

Under the Studio City Casino Agreement, the Gaming Operator pays gaming taxes and the costs of operation of Studio City Casino. We receive the residual gross gaming revenues and recognize these amounts as our revenue from casino contract.

Under the Management and Shared Services Arrangements, certain of our corporate and administrative functions as well as operational activities are administered by staff employed by certain subsidiaries of Melco

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Resorts, including senior management services, centralized corporate functions and operational and venue support services. Payment arrangements for the services are provided for in the individual work agreements 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 us based on percentages of efforts on the services provided to us. Other costs in relation to shared office equipment are allocated based on a percentage of usage.

We believe the costs incurred under the Studio City Casino Agreement and the allocation methods under the Management and Shared Services Arrangements are reasonable and the consolidated financial statements reflect our cost of doing business. However, such allocations may not be indicative of the actual expenses we would have incurred had we operated as an independent company for the periods presented. See a detailed discussion of services and related charges in Note 19 to the consolidated financial statements included elsewhere in this annual report.

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

During the construction and development stage of Studio City, direct and incremental costs related to the design and construction, including costs under construction contracts, duties and tariffs, equipment installations, shipping costs, payroll and payroll benefit related costs, applicable portions of interest, including 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 substantially suspended. Pre-opening costs, consisting of marketing and other expenses related to our new or start-up operations are expensed as incurred.

We recognize depreciation and amortization expense related to capitalized construction costs and other property and equipment from the time each asset is placed in service. This may occur at different stages as Studio City's facilities are completed and opened.

Property and equipment 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. We review periodically the remaining estimated useful lives of the property and equipment. Refer to note 2(i) to the consolidated financial statements included elsewhere in this annual report for further details of estimated useful lives of the property and equipment.

Our land use right in Macau under the land concession contract for Studio City is being amortized over the estimated term of the land use right on a straight-line basis. The estimated term of the land use right under the land concession contract is based on factors including the business and operating environment of the gaming industry in Macau, laws and regulations in Macau, and our development plans. The estimated term of the land use right is periodically reviewed. Refer to note 2(o) to the consolidated financial statements included elsewhere in this annual report for further details of estimated term of the land use right.

We charge costs of repairs and maintenance 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.

We also review our 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. Estimating future cash flows of the assets involves significant assumptions, including future revenue growth rates and gross margins. 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

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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, we then record an impairment charge based on the fair value of the asset group, typically measured using a discounted cash flow model with assumptions that market participants would use in their estimates of fair value, including the estimated future cash flows and discount rate. If an asset is still under development, future cash flows include remaining construction costs. We record all recognized impairment losses, whether for assets to be disposed of or assets to be held and used as operating expenses.

During the year ended December 31, 2022 and 2021, impairment losses of nil and US\$1.5 million were recognized, respectively, mainly due to reconfigurations and renovations at Studio City.

The disruptions to our business caused by COVID-19 outbreaks have had adverse effects on our financial condition and operations for the year ended December 31, 2022. As a result, we concluded that a triggering event occurred and we evaluated our long-lived assets for recoverability at interim and as of December 31, 2022 and concluded no impairment existed for the year ended and as of December 31, 2022. As discussed above, estimating future cash flows of the assets involves significant assumptions. 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 future cash flows of our long-lived assets.

### **Revenue Recognition**

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

Revenue from casino contract represents revenue arising from the Studio City Casino Agreement for the operations of Studio City Casino by Melco Resorts Macau. Revenue was previously captioned as revenue from provision of gaming related services before the amendment of the Services and Right to Use Arrangements on June 23, 2022, for the provision of facilities and services thereto by Studio City Entertainment to Melco Resorts Macau, under which Melco Resorts Macau operates the Studio City Casino. Melco Resorts Macau deducts gaming taxes and the costs incurred in connection with the operations of Studio City Casino pursuant to the Studio City Casino Agreement, including the standalone selling prices of complimentary services within Studio City provided to the Studio City gaming patrons, from the Studio City Casino gross gaming revenues. We recognize the residual amount as revenue from casino contract and was previously captioned as revenues from provision of gaming related services. We have concluded that we are not the controlling entity to the arrangements and recognizes the revenue from casino contract on a net basis.

Non-gaming revenues include services provided for cash consideration and services provided on a complimentary basis to the gaming patrons at Studio City. 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 us are excluded from revenues. We record advance deposits on rooms and advance ticket sales 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 mall revenues and are recognized over the terms of the related agreements on a straight-line basis.

***Income Tax***

Deferred income taxes are recognized for all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. As of December 31, 2022 and 2021, we recorded valuation allowances of US\$91.1 million and US\$74.4 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 carry-forward 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.

***Other Estimates***

In addition to the critical accounting estimates described above, there are other accounting estimates within the consolidated financial statements. Management believes the current assumptions and other considerations used to estimate amounts reflected in the consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in the consolidated financial statements, the resulting changes could have a material adverse effect on the consolidated financial statements. See note 2 to the consolidated financial statements for further information on significant accounting policies.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. DIRECTORS AND SENIOR MANAGEMENT****Directors and Executive Officers**

The following table sets forth information regarding our directors and executive officers as of the date of this annual report on Form 20-F.

<b>Directors and Executive Officers</b>	<b>Age</b>	<b>Position/Title</b>
Lawrence Yau Lung Ho	46	Director
Evan Andrew Winkler	48	Director
Clarence Yuk Man Chung	60	Director
Geoffrey Stuart Davis	54	Director and Chief Financial Officer
Stephanie Cheung	60	Director
Akiko Takahashi	69	Director
David Anthony Reganato	43	Director
Dale Robert Black	59	Director
Dominique Mielle	54	Independent Director
Kevin F. Sullivan	70	Independent Director
Nigel Alan Dean	69	Independent Director
Kevin Richard Benning	40	Property General Manager

**Directors**

**Mr. Lawrence Yau Lung Ho** has been a member of our board of directors since July 2011. Mr. Ho was also appointed as the executive director of Melco Resorts on December 20, 2004 and served as its co-chairman and chief executive officer between December 2004 and April 2016 before being re-designated as chairman and chief executive officer in May 2016. Since November 2001, Mr. Ho has served as the managing director of Melco International and its chairman and chief executive officer since March 2006. 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 All-China Federation of Industry and Commerce; 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; a member of the Asia International Leadership Council; permanent honorary committee member 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 a director executive of the Macao Chamber of Commerce.

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.

In recognition of Mr. Ho's directorship and entrepreneurial spirit, he was granted the Business Awards of Macau's "Leadership Gold Award" in 2015 and honored with the "Outstanding Individual Award" at the Industry Community Awards in 2020. Mr. Ho has been honored as one of the recipients of the "Asian Corporate Director Recognition Awards" by Corporate Governance Asia magazine for nine years since 2012 and was awarded "Asia's Best CEO" at the Asian Excellence Awards for the 11<sup>th</sup> year in 2022.

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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. Evan Andrew Winkler** has been a member of our board of directors since August 2016. Mr. Winkler was also appointed as a director of Melco Resorts on August 3, 2016 and the president of Melco Resorts on September 4, 2019. Mr. Winkler has served as the managing director and the president of Melco International since August 2016 and May 2018, respectively, and a director of various subsidiaries of Melco International. Before joining Melco International, Mr. Winkler served as a managing director at Moelis & Company, a global investment bank. Prior to that, he was a managing director and co-head of technology, media and telecommunications M&A at UBS Investment Bank. Mr. Winkler has extensive experience in providing senior level advisory services on mergers and acquisitions and other corporate finance initiatives, having spent nearly two decades working on Wall Street. He holds a bachelor's degree in Economics from the University of Chicago.

**Mr. Clarence Yuk Man Chung** has been a member of our board of directors since October 2018. Mr. Chung was appointed as a non-executive director of Melco Resorts on November 21, 2006. Mr. Chung has also been an executive director of Melco International since May 2006, which he joined in December 2003. In addition, Mr. Chung has been the chairman and president of Melco Resorts and Entertainment (Philippines) Corporation, or MRP, since December 2012 and has also been appointed as a director of certain subsidiaries of Melco International and Melco Resorts 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 by Inside Asian Gaming magazine. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and obtained a master's degree in business administration from the Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology.

**Mr. Geoffrey Stuart Davis** has been a member of our board of directors since October 2018 and has also been our chief financial officer since June 2019. Mr. Davis is the executive vice president and chief financial officer of Melco Resorts and he was appointed to this role in April 2011. Prior to that, he served as the deputy chief financial officer of Melco Resorts from August 2010 to March 2011 and senior vice president, corporate finance of Melco Resorts since 2007, when he joined Melco Resorts. In addition, Mr. Davis has been the chief financial officer of Melco International since December 2017. Prior to joining Melco Resorts, 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. Mr. Davis has been a CFA charter holder since 2000 and obtained a bachelor of arts degree from Brown University.

**Ms. Stephanie Cheung** has been a member of our board of directors since October 2018. Ms. Cheung is the executive vice president and chief legal officer of Melco Resorts and she was appointed to this role in December 2008. Prior to that, she held the title of general counsel of Melco Resorts from November 2006, when she joined Melco Resorts. She has acted as the secretary to the board of Melco Resorts since she joined Melco Resorts. Prior to joining Melco Resorts, Ms. Cheung practiced law with various international law firms in Hong Kong, Singapore and Toronto. Ms. Cheung graduated with a bachelor of laws degree from Osgoode Hall Law School and a master's degree in business administration from York University. Ms. Cheung is admitted as a solicitor in Ontario, Canada, England and Wales and Hong Kong and is a member of the Hong Kong Institute of Directors and a fellow of Salzburg Global.

**Ms. Akiko Takahashi** has been a member of our board of directors since October 2018. Ms. Takahashi is executive vice president and chief of staff to Chairman and CEO of Melco Resorts, and was appointed to this

role in June 2019. Prior to her present roles, she was the executive vice president and chief officer, human resources/corporate social responsibility from December 2008 and held the title of group human resources director of Melco Resorts from December 2006, when she joined Melco Resorts. Prior to joining Melco Resorts, Ms. Takahashi worked as a consultant in her own consultancy company from 2003 to 2006 where she conducted “C-level” executive searches for clients and assisted with brand/service culture alignment for a luxury hotel in New York City and where her last engagement prior to joining Melco Resorts was to lead the human resources integration for the largest international hospitality joint venture in Japan between InterContinental Hotels Group and ANA Hotels. She was the global group director of human resources for Shangri-la Hotels and Resorts, an international luxury hotel group headquartered in Hong Kong, from 1995 to 2003. Between 1993 and 1995, she was the senior vice president of human resources and service quality for Bank of America, Hawaii, FSB. She served as regional human resources manager for Sheraton Hotels Hawaii / Japan from 1985 to 1993. Ms. Takahashi started her hospitality career as a training manager for Halekulani Hotel. She began her career in the fashion luxury retail industry in merchandising, operations, training and human resources. Ms. Takahashi attended the University of Hawaii.

**Mr. David Anthony Reganato** has been a member of our board of directors since March 2014. Mr. Reganato also serves on the boards of Granite Broadcasting LLC, Rotech Healthcare, Inc., Gulfport Energy Corporation, New Cotai, LLC and Trident Topco LLC (holding company of TridentCare). Mr. Reganato is a Partner with Silver Point Capital, L.P., an investment advisor, which he joined in November 2002. Prior to Silver Point Capital, L.P., Mr. Reganato worked in the investment banking division of Morgan Stanley. Mr. Reganato earned his B.S. in Finance and Accounting from the Stern School of Business at New York University.

**Mr. Dale Robert Black** has been a member of our board of directors since September 2021. From 2015 to 2018, Mr. Black served as executive vice president, chief financial officer of CEC Entertainment, Inc., which owns and operates family dining and entertainment venues, including the Chuck E. Cheese and Peter Piper Pizza venues. Prior to CEC Entertainment, Inc., Mr. Black served as executive vice president and chief financial officer of Great Wolf Resorts, Inc. from January 2015 to June 2015 and associate director with Protiviti, Inc., a global consulting firm, from September 2014 to December 2014. From November 2007 to July 2014, he served as chief financial officer at Isle of Capri Casinos, Inc. and from November 2005 to December 2007, he served as executive vice president — chief financial officer of Trump Entertainment Resorts, Inc. Prior to holding that position, Mr. Black was chief financial officer at Argosy Gaming Company. Mr. Black is a certified public accountant and began his career with Arthur Andersen LLP. Mr. Black earned his B.S. in Accounting from Southern Illinois University.

**Ms. Dominique Mielle** has been a member of our board of directors since October 2018. Ms. Mielle was a partner at Canyon Capital Advisors, LLC, or Canyon, from August 1998 to December 2017 where she primarily focused on the transportation, technology, retail and consumer products sectors, specialized in corporate and municipal bond securitizations and was responsible for all aspects of Canyon’s collateralized loan obligations business. Ms. Mielle has over 25 years of experience on Wall Street, investing in fixed income and leading capital structure optimizations and restructurings. She was named one of the “Top 50 Women in Hedge Funds” by Ernst & Young in 2017. Prior to joining Canyon in 1998, Ms. Mielle worked at Libra Investments, Inc. as an associate in the corporate finance department covering middle market companies. Prior to that, she worked at Lehman Brothers as an analyst in the Financial Institutions group, focusing on mergers and acquisitions. Ms. Mielle also serves on the board of directors of Ready Capital Corporation, Tiptree Inc., Digicel Group and Osiris Acquisition Corp. Ms. Mielle graduated with an M.B.A. (Finance) from Stanford University and a Master in Management degree from Ecole des Hautes Etudes Commerciales in France (HEC Paris).

**Mr. Kevin F. Sullivan** has been a member of our board of directors since October 2018. From 2013 to 2021, Mr. Sullivan was a Managing Director at MidOcean Credit Partners, a private investment firm that specializes in U.S. hedge fund investments. Prior to joining MidOcean Credit Partners, Mr. Sullivan was a Managing Director at Deutsche Bank, and a predecessor bank, Bankers Trust, from 1980 until November 2012. Mr. Sullivan held positions of increasing responsibility over his 32 years at Deutsche Bank and Bankers Trust,



including Group Head of the loan sales, trading and capital markets division, Asia Head of the leveraged finance division, Group Head of the Asset Based Lending division, Member of the Capital Commitments Committee and Member of the Equity Investment Committee. Prior to that, he worked at Price Waterhouse & Co. as part of its New York senior audit staff from 1975 to 1979. Mr. Sullivan has also been the lead independent director of Griffon Corporation and has served on its board, audit and head of finance committees since January 2013. Mr. Sullivan graduated with an M.B.A. in Finance from St. John's University and a B.S. degree in Accounting from Fordham University.

**Mr. Nigel Alan Dean** has been a member of our board of directors since October 2018. Mr. Dean was Melco's Executive Vice President and Chief Internal Auditor from December 2008 until September 2012 and held the title of Director, Internal Audit from December 2006, when he joined Melco. Prior to joining Melco, Mr. Dean was the General Manager — Compliance (Finance and Administration) at Coles Myer Limited (now known as Wesfarmers Limited) from 2003 until 2006, where he was responsible for the implementation of the Sarbanes-Oxley Act of 2002 compliance processes and other corporate governance compliance programs. Other positions Mr. Dean held at Coles Myer Limited included Chief Internal Auditor from 1995 to 2002 and General Manager — Internal Audit Supermarkets Division from 1991 to 1995. Mr. Dean's previous experience in internal and external audit included positions with Elders IXL Group from 1986 to 1990, CRA Limited (now known as Rio Tinto Limited) from 1982 to 1986, Ford Asia-Pacific from 1976 to 1982, the Australian Federal Government Auditor-Generals Office from 1975 to 1976 and Peat Marwick Mitchell & Co. (now known as KPMG) from 1973 to 1975. Mr. Dean has been a Fellow CPA of the Australian Society of Certified Practising Accountants since 1984 and was a Certified Internal Auditor, as designated by the Institute of Internal Auditors in the United States, from 2005 until 2012. Mr. Dean obtained a Bachelor of Laws degree from Deakin University in 2005, a Masters of Business Administration degree from Monash University in 1993 and a Diploma of Business Studies (Accounting) from Swinburne University of Technology (formerly Swinburne College of Technology) in 1973.

#### **Executive Officer**

**Mr. Kevin Richard Benning** has served as our property general manager since December 2020. Prior to Mr. Benning's current position, Mr. Benning served as property president / chief operating officer of MRP from January 2018 to December 2020 as well as vice president of casino operations of MRP from March 2016 to January 2018. Prior to joining MRP, Mr. Benning was the vice president of casino marketing for Resorts World Sentosa from April 2015 to March 2016. From January 2013 to April 2015, Mr. Benning was executive director of marketing operations for Sands China Limited as well as director of marketing from June 2012 to January 2013 and director of slot operations from April 2011 to June 2012. Mr. Benning started his career with Harrah's Ak-Chin Resort in Arizona holding a variety of operational roles from July 2004 to April 2011. Mr. Benning graduated from Arizona State University with a Bachelor of Arts degree in business administration.

## **B. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

In 2022, we paid an aggregate of US\$0.9 million in cash and benefits to our directors and executive officers. We have not set aside or accrued any material amount to provide pension, retirement or other similar benefits to our directors and executive officers. None of the service agreements between us and our directors provide benefits upon termination of services.

#### **Share Incentive Plan**

We currently do not have a share incentive plan. However, our directors, employees and consultants are eligible to participate in the share incentive plan of Melco Resorts, which is open to directors, employees and consultants of Melco Resorts and any parent or subsidiary of Melco Resorts.

The types of awards that may be granted under the share incentive plan of Melco Resorts include options, incentive share options, restricted shares, share appreciation rights, dividend equivalents, share

payments, deferred shares and restricted share units. The compensation committee of Melco Resorts may, from time to time, select from among all eligible individuals, those to whom awards will be granted and determine the nature and amount of each award. The maximum aggregate number of shares which may be issued pursuant to the current share incentive plan of Melco Resorts is 145,654,794, which is subject to adjustment pursuant to the terms and conditions contained therein.

## C. BOARD PRACTICES

### Composition of Board of Directors

Our board of directors consists of eleven directors, including three independent directors. Under the Shareholders' Agreement, subject to maintaining ownership of a certain percentage of the number of shares held immediately prior to our initial public offering, MCO Cotai is entitled to appoint up to three directors and New Cotai is entitled to appoint up to two directors. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Shareholders' Agreement." Notwithstanding such provisions contained in the Shareholders' Agreement, the additional members on our board of directors that commenced service on our board of directors immediately following the completion of our initial public offering were appointed by the board of directors, which, immediately prior to the completion of our initial public offering, consisted of Mr. Lawrence Ho, Mr. Evan Winkler and Mr. David Reganato. Mr. Lawrence Ho was appointed as a director by our board of directors in connection with MCO Cotai's acquisition of a 60% interest in us. Mr. Evan Winkler was appointed by MCO Cotai under its right to appoint up to three directors under the Shareholders' Agreement and Mr. David Reganato was appointed by New Cotai under its right to appoint up to two directors under the Shareholders' Agreement. Our articles of association do not require directors to stand for re-election at staggered intervals.

NYSE Rule 303A.01 generally requires that a majority of an issuer's board of directors must consist of independent directors. However, NYSE Rule 303A.00 permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. We rely on this "home country practice" exception and do not have a majority of independent directors serving on our board. A director is not required to hold any shares in our Company to qualify to serve as a director. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our Company is required to declare the nature of his/her interest at a meeting of our directors. A general notice given to the directors by any director to the effect that he/she is a member, shareholder, director, partner, officer or employee of any specified company or firm and is to be regarded as interested in any contract or transaction with that company or firm shall be deemed a sufficient declaration of interest for the purposes of voting on a resolution in respect to a contract or transaction in which he/she has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he/she may be interested therein and if he/she does so his/her vote shall be counted and he/she may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement is considered. Our board of directors may exercise all of the powers of our Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock or other securities whenever money is borrowed or as security for any debt, liability or obligation of our Company or of any third-party. None of our directors have a service contract with us that provides for benefits upon termination of employment.

### Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our Company, including a duty of loyalty, a duty to act honestly and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our Company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of

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his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our Company has the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our Company and mortgaging the property of our Company; and
- approving the transfer of shares of our Company, including the registering of such shares in our share register.

### **Terms of Directors and Executive Officers**

Our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors or (ii) dies or is found by our Company to be or becomes of unsound mind. In addition, the service agreements between us and our directors do not provide benefits upon termination of their services. See also "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Shareholders' Agreement."

### **Committees of the Board of Directors**

Our board established an audit and risk committee, a compensation committee and a nominating and corporate governance committee in October 2018. Each committee has its defined scope of duties and terms of reference within its own charter, which empowers committee members to make decisions on certain matters and which are located on our website. Our audit and risk committee consists entirely of directors whom our board has determined to be independent under the "independence" requirements of the New York Stock Exchange Listed Company Manual. The current membership of these three committees and summary of its respective charter are provided below.

#### ***Audit and Risk Committee***

Our audit and risk committee consists of Dominique Mielle, Kevin F. Sullivan and Nigel Alan Dean, and is chaired by Mr. Sullivan. All of our audit and risk committee members satisfy the "independence" requirements of Section 303A of the New York Stock Exchange Listed Company Manual and meet the independence standards under Rule 10A-3 under the Exchange Act. The audit and risk committee is responsible for assisting our board in overseeing and monitoring:

- the audits of the financial statements of our Company;
- the qualifications and independence of our independent auditors;
- the performance of our independent auditors;

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- the accounting and financial reporting processes of our Company and the integrity of our systems of internal accounting and financial controls;
- legal and regulatory issues relating to the financial statements of our Company, including the oversight of the independent auditors, the review of the financial statements and related material, the internal audit process and the procedure for receiving complaints regarding accounting, internal accounting controls, auditing or other related matters;
- the disclosure, in accordance with our relevant policies, of any material information regarding the quality or integrity of our financial statements;
- the integrity and effectiveness of our internal audit function; and
- the risk management policies, procedures and practices.

The other duties of the audit and risk committee include:

- reviewing and recommending to our board for approval, the appointment, re-appointment or removal of the independent auditor, after considering its annual performance evaluation of the independent auditor;
- approving the remuneration and terms of engagement of the independent auditor and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors;
- at least annually, obtaining a written report from our independent auditor describing matters relating to its independence and quality control procedures;
- discussing with our independent auditor and our management, among other things, the audits of the financial statements, including whether any material information brought to their attention should be disclosed, issues regarding accounting and auditing principles and practices and the management's internal control report;
- reviewing and recommending the financial statements for inclusion within our quarterly earnings releases and to our board for inclusion in our annual reports;
- approving all material related party transactions brought to its attention, without further approval of our board;
- establishing and overseeing procedures for the handling of complaints and whistleblowing;
- approving the internal audit charter and annual audit plans, and undertaking an annual performance evaluation of the internal audit function;
- assessing senior management's policies and procedures to identify, accept, mitigate, allocate or otherwise manage various types of risks presented by management, and making recommendations with respect to our risk management process for the board's approval;
- reviewing our financial controls, internal control and risk management systems, and discussing with our management the system of internal control and ensuring that our management has discharged its duty to have an effective internal control system including the adequacy of resources, the qualifications and experience of our accounting and financial staff, and their training programs and budget;
- together with our board, evaluating the performance of the audit and risk committee on an annual basis;
- assessing the adequacy of the charter of the audit and risk committee; and
- co-operating with the other board committees in any areas of overlapping responsibilities.

### ***Compensation Committee***

Our compensation committee consists of Dominique Mielle, Kevin F. Sullivan, David Anthony Reganato and Nigel Alan Dean, and is chaired by Mr. Dean. Each of Dominique Mielle, Kevin F. Sullivan and

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Nigel Alan Dean satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual. Our compensation committee assists the board in discharging the responsibilities of the board relating to compensation of our directors and property general manager, including, among others, to design (in consultation with management), evaluate and approve the compensation for the property general manager and evaluate and recommend to our board for approval proposals related to directors’ compensation. Members of this committee are not prohibited from direct involvement in determining their own compensation.

Our property general manager may not be present at any compensation committee meeting during which his compensation is deliberated upon. The compensation committee will be responsible for, among other things:

- overseeing the development and implementation of executive compensation programs in consultation with our management;
- at least annually, making recommendations to our board with respect to the compensation arrangements for our independent directors, and approving compensation arrangements for our property general manager;
- as applicable, reviewing and approving our incentive-compensation plans (if any) and equity grant (if any) under its share incentive plans (if any) and overseeing the administration of these plans and discharging any responsibilities imposed on the compensation committee by any of these plans;
- reviewing and approving the compensation payable to our directors and property general manager in connection with any loss or termination of their office or appointment;
- reviewing and approving any benefits in kind received by any director or property general manager where such benefits are not provided for under the relevant employment terms;
- reviewing executive officer and director indemnification and insurance matters;
- overseeing our regulatory compliance with respect to compensation matters, including our policies and restrictions on compensation plans and loans to officers and directors;
- together with the board, evaluating the performance of the compensation committee on an annual basis;
- assessing the adequacy of the charter of the compensation committee; and
- co-operating with the other board committees in any areas of overlapping responsibilities.

### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee consists of Dominique Mielle, Kevin F. Sullivan, Dale Robert Black and Nigel Alan Dean, and is chaired by Ms. Mielle. Each of Dominique Mielle, Kevin F. Sullivan and Nigel Alan Dean satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual. The nominating and corporate governance committee will be responsible for, among other things, assisting our board in discharging its responsibilities regarding:

- the identification of qualified candidates to become members and chairs of the board committees and to fill any such vacancies, and reviewing the appropriateness of the continued service of directors;
- ensuring that our board meets the criteria for independence under the New York Stock Exchange corporate governance rules and nominating directors who meet such independence criteria;
- oversight of our compliance with legal and regulatory requirements, in particular the legal and regulatory requirements of Macau, the Cayman Islands, the SEC and the New York Stock Exchange;
- the development and recommendation to our board of a set of corporate governance principles applicable to our Company; and

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- the disclosure, in accordance with our relevant policies, of any material information (other than that regarding the quality or integrity of our financial statements).

The other duties of the nominating and corporate governance committee include:

- making recommendations to our board for its approval, the appointment or re-appointment of any members of our board and the chairs and members of its committees, including evaluating any succession planning;
- reviewing on an annual basis the appropriate skills, knowledge and characteristics required of board members and of the committees of our board and making any recommendations to improve the performance of our board and its committees;
- developing and recommending to our board such policies and procedures with respect to nomination or appointment of members of our board and chairs and members of its committees or other corporate governance matters as may be required pursuant to any SEC or New York Stock Exchange rules, or otherwise considered desirable and appropriate;
- developing a set of corporate governance principles and reviewing such principles at least annually;
- deciding whether any material information which is brought to its attention (other than that regarding the quality or integrity of our financial statements) should be disclosed;
- reviewing and monitoring the training and continuous professional development of our directors and senior management;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to staff and directors;
- together with the board, evaluating the performance of the committee on an annual basis;
- assessing the adequacy of the charter of the nominating and corporate governance committee; and
- co-operating with the other board committees in any areas of overlapping responsibilities.

### **Employment Agreements**

We have, through our subsidiary, entered into an employment agreement with our property general manager. Subject to all relevant permits being in place, our property general manager is employed for a continuous term, unless either party gives prior notice to terminate such employment. We may terminate the employment for cause at any time by immediate notice and without remuneration for certain acts, including but not limited to the commitment of any serious breach, continued failure to perform duties and responsibilities, any serious criminal offense or habitual neglect of duties. Our property general manager may terminate his employment at any time with a six-month prior written notice.

Our property general manager has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in confidence and not to use or disclose to any person, firm or corporation, any confidential information. Our property general manager has also agreed to disclose to us all intellectual property rights created, generated, made, conceived, authored, developed or acquired during employment with us and to waive all moral rights and rights of a similar nature in which copyright may subsist, created by him during the period of employment with us. In addition, our property general manager has agreed not to, for a certain period following termination of his employment: (i) be engaged, concerned or interested in any capacity (other than as a passive investor of not more than 5% of the issued ordinary shares of any company listed on a recognized investment exchange) with any business carried on within, among others, Hong Kong, Macau and the Philippines similar to or in competition with any restricted business, (ii) solicit or seek or endeavor to entice away any business orders of customers or (iii) induce, solicit or entice or endeavor to induce, solicit or entice away, or offer employment or engagement to, certain employees.

Our chief financial officer provides services to us pursuant to the Management and Shared Services Arrangements.

#### D. EMPLOYEES

##### Staff

There were 3,571, 3,794 and 3,924 dedicated staff members as of December 31, 2022, 2021 and 2020, respectively, performing services solely at Studio City. The Gaming Operator is responsible for the hiring, managing and training of the gaming staff and deducts such costs relating to such gaming staff from Studio City Casino's gross gaming revenue in accordance with the Studio City Casino Agreement. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Studio City Casino Agreement." Under the Management and Shared Services Arrangements, the Master Service Providers, recruit, place, allocate, train, manage and supervise the staff who are solely dedicated to our property to perform corporate and administrative functions and carry out other non-gaming activities, and the relevant personnel costs are charged back to us. In addition, we receive certain centralized corporate and management services from the senior management and other shared service staff of the Master Service Providers who devote a portion of their time under the arrangements. See "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Management and Shared Services Arrangements." The property general manager is employed by us. Our property general manager has oversight over all non-gaming staff members solely dedicated to Studio City and exercises input over their performance, which enables us to effectively evaluate their performance and manage talent. Our chief financial officer has oversight over our expenses (including shared service related items), receipts and disbursements, record-keeping and financial reporting to management and facilitates in the financial budgeting process. The following table indicates the distribution of these staff by function pursuant to the Management and Shared Services Arrangements as of December 31, 2022:

<u>Function</u>	<u>Number of Staff</u>
Management, Administrative and Finance	13
Gaming	1,690
Hotel	565
Food and Beverage	554
Property Operations	198
Entertainment	86
Marketing	176
Others	289
<b>Total</b>	<b>3,571</b>

Through the Management and Shared Services Arrangements, we are able to leverage the resources and platform of the Master Service Providers to have qualified staff dedicated to working on our property. Our success depends on the ability of the Master Service Providers and us to attract, retain, motivate, and inspire qualified personnel. We believe that we maintain a good working relationship with the staff working at Studio City. We have not experienced any significant labor disputes. None of the dedicated staff members performing services solely at Studio City are members of any labor union and neither we nor any of the Master Service Providers are a party to any collective bargaining or similar agreement with such staff.

## E. SHARE OWNERSHIP

### Share Ownership of Directors and Members of Senior Management

The following table sets forth the beneficial interest of each director and executive officer in our ordinary shares as of March 24, 2023.

	Number of Class A ordinary shares	Number of Class B ordinary shares	Approximate percentage of voting power <sup>(1)</sup>
<b>Directors and Executive Officers:</b>			
Lawrence Yau Lung Ho <sup>(2)</sup>	463,095,592	—	54.94%
Evan Andrew Winkler	—	—	—
Clarence Yuk Man Chung	*	—	*
Geoffrey Stuart Davis	—	—	—
Stephanie Cheung	—	—	—
Akiko Takahashi	—	—	—
David Anthony Reganato	—	—	—
Dale Robert Black	—	—	—
Dominique Mielle	—	—	—
Kevin F. Sullivan	*	—	*
Nigel Alan Dean	—	—	—
Kevin Richard Benning	—	—	—
<b>Directors and executive officers as a group</b>	463,150,896	—	54.94%

\* Represents less than 1% of our total outstanding shares.

- (1) Percentage of voting power represents percentage of voting interest of our Class A ordinary shares and Class B ordinary shares voting together as a single class. Class B ordinary share have no economic rights. Percentage of voting power of each director and executive officer is calculated by dividing the number of Class A ordinary shares and Class B ordinary shares beneficially owned by such person or group, including shares that such person or group has the right to acquire within 60 days after March 24, 2023, by the sum of (i) 842,864,460 which is the total number of Class A ordinary shares and Class B ordinary shares outstanding as of March 24, 2023, and (ii) the number of Class A ordinary shares and Class B ordinary shares that such person or group has the right to acquire beneficial ownership within 60 days of March 24, 2023.
- (2) Represents 401,028,304 Class A ordinary shares and 15,330,000 ADSs (representing 61,320,000 Class A ordinary shares) held by MCO Cotai and 747,288 Class A ordinary shares held by Melco International, among which include 118 ADSs (representing 472 Class A ordinary shares) held by an agent on its behalf. Mr. Lawrence Ho holds approximately 58.48% of the total issued shares of Melco International, including interests of the companies which are owned or controlled by persons and/or trusts associated with him, interest of his spouse and interest of a trust in which he is one of the beneficiaries and is taken to have interest under the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong). See “Item 7. Major Shareholders and Related Party Transactions — A. Major Shareholders.”

None of our directors or executive officers who are shareholders have different voting rights from other shareholders of our Company.

### F. DISCLOSURE OF A REGISTRANT’S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION

Not applicable.



**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. MAJOR SHAREHOLDERS**

The following table sets forth the beneficial ownership of our ordinary shares as of March 24, 2023 by all persons who are known to us to be the beneficial owners of 5% or more of our share capital.

<u>Name</u>	<u>Number of Class A ordinary shares beneficially owned</u>	<u>Number of Class B ordinary shares beneficially owned</u>	<u>Percentage Voting Power <sup>(1)</sup></u>
Melco International <sup>(2)</sup>	463,095,592	—	54.94%
New Cotai, LLC <sup>(3)</sup>	124,596,560	72,511,760	23.39%
The Silver Point Funds <sup>(4)</sup>	114,020,172	—	13.53%

- (1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, and includes voting or investment power with respect to the securities. Percentage voting power represents percentage of voting interest of our Class A ordinary shares and Class B ordinary shares voting together as a single class. Class B ordinary share have no economic rights.
- (2) Represents 401,028,304 Class A ordinary shares and 15,330,000 ADSs (representing 61,320,000 Class A ordinary shares), constituting 60.02% of the outstanding Class A ordinary shares, held by MCO Cotai and 747,288 Class A ordinary shares, constituting 0.1% of the outstanding Class A ordinary shares, held by Melco International, among which include 118 ADSs (representing 472 Class A ordinary shares) held by an agent on its behalf. Mr. Ho is the majority shareholder of Melco International, which is the sole shareholder of Melco Leisure and Entertainment Group Limited, or Melco Leisure, which is the majority shareholder of Melco Resorts, a publicly-traded company whose American depositary shares are listed on the Nasdaq Global Select Market. Melco Resorts is the sole shareholder of MCO Holdings Limited, or MCO Holdings, which is the sole shareholder of MCO Cotai. The registered address for each of MCO Cotai and MCO Holdings is Intertrust Corporate Services (Cayman) Limited, One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands. The principal business address for Melco Resorts is 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The principal business address for Melco Leisure is c/o 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The principal business address for Mr. Lawrence Ho and Melco International is 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (3) Represents 72,511,760 Class B ordinary shares, constituting 100.0% of the outstanding Class B ordinary shares and, as of December 31, 2022, 31,149,140 ADS (representing 124,596,560 Class A ordinary shares), constituting 16.2% of the outstanding Class A ordinary shares, directly held by New Cotai, LLC. Subject to the terms of the exchange arrangements described in “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pre-IPO Organizational Transactions,” New Cotai, subject to certain conditions, may exchange its Participation Interest for Class A ordinary shares. In connection with such exchange, the corresponding number of Class B ordinary shares will be canceled for no consideration. See “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pre-IPO Organizational Transactions — Participation Agreement.” The number of Class A ordinary shares do not reflect the 72,511,760 of Class A ordinary shares issuable upon exchange by New Cotai of its Participation Interest. The business address of New Cotai is 2700 Patriot Boulevard, Suite 250, Glenview, Illinois 60026. Information regarding beneficial ownership of the Class A ordinary shares is reported as of December 31, 2022 and is based on the information contained in the Schedule 13G/A filed by New Cotai, LLC with the SEC on February 9, 2023.
- (4) Represents 28,505,043 ADSs (representing 114,020,172 Class A ordinary shares), constituting 14.8% of the outstanding Class A ordinary shares, held by Silver Point Capital Fund, L.P., Silver Point Capital Offshore Master Fund, L.P., Silver Point Distressed Opportunities Fund, L.P., Silver Point Distressed Opportunities Offshore Master Fund, L.P., Silver Point Distressed Opportunity Institutional Partners Master Fund

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(Offshore), L.P. and Silver Point Distressed Opportunity Institutional Partners, L.P., or the Silver Point Funds, as of December 31, 2022. Silver Point Capital, L.P. or its wholly owned subsidiaries are the investment manager of the Silver Point Funds and Silver Point Capital Management, LLC is the general partner of Silver Point Capital Fund, L.P. The address of the principal business office of Silver Point Capital, L.P. is Two Greenwich Plaza, Greenwich, Connecticut 06830. Information regarding beneficial ownership is based on the information contained in the Schedule 13G/A filed by Silver Point Capital L.P. with the SEC on February 14, 2023.

As of December 31, 2022, a total of 842,864,460 Class A ordinary shares and Class B ordinary shares were outstanding, of which 368,577,580 Class A ordinary shares were registered in the name of a nominee of Deutsche Bank Trust Company Americas, the depository under the deposit agreement. Other than as described in this annual report, we have no further information as to shares held, or beneficially owned, by U.S. persons. Since the completion of our initial public offering in October 2018, all ordinary shares underlying the ADSs have been held in Hong Kong by the custodian, Deutsche Bank AG, Hong Kong Branch, on behalf of the depository.

None of our shareholders have different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

Immediately prior to the Organizational Transactions, 60% of the equity interest in us was directly held by MCO Cotai and 40% of the equity interest in us was directly held by New Cotai.

See “Item 4. Information on the Company — C. Organizational Structure” for our current corporate structure.

### **B. RELATED PARTY TRANSACTIONS**

For a discussion of significant related party transactions we entered into during the years ended December 31, 2022, 2021 and 2020, see note 19 to the consolidated financial statements included elsewhere in this annual report.

#### **Pre-IPO Organizational Transactions**

Immediately prior to the Organizational Transactions, 60% of the equity interest in us was directly held by MCO Cotai and 40% of the equity interest in us was directly held by New Cotai. Prior to the completion of our initial public offering, we entered into an implementation agreement, or the Implementation Agreement, with MCO Cotai, Melco Resorts, New Cotai and MSC Cotai to effect and implement the Organizational Transaction, which included the following:

- We amended and restated our memorandum of association and articles of association to, among other things, authorize two classes of ordinary shares.
- MCO Cotai’s 60% equity interest in our Company was reclassified into Class A ordinary shares.
- New Cotai’s 40% equity interest in our Company was exchanged for Class B ordinary shares.
- In addition, New Cotai was granted a Participation Interest in MSC Cotai, the terms of which are set forth in the Participation Agreement that was entered into by MSC Cotai, New Cotai and us. See “— Participation Agreement.”
- The Participation Agreement provides that New Cotai is entitled to exchange all or a portion of its Participation Interest for a number of Class A ordinary shares subject to adjustments, exceptions and conditions as set out in the Participation Agreement. See “— Participation Agreement.” When New Cotai exchanges all or a portion of the Participation Interest for Class A ordinary shares

pursuant to the terms of exchange set forth in the Participation Agreement and described herein, a proportionate number of Class B ordinary shares will be deemed surrendered and automatically canceled for no consideration as set out in the Participation Agreement.

### ***Participation Agreement***

As part of the Organizational Transactions, we, MSC Cotai and New Cotai entered into the participation agreement, or the Participation Agreement, pursuant to which MSC Cotai granted a participation interest, or the Participation Interest, to New Cotai (as the sole initial holder of the Participation Interest). Pursuant to the terms of the Participation Agreement, New Cotai or any permitted transferees to whom all or part of the Participation Interest may be transferred (collectively referred to as the Participants) are entitled to receive from MSC Cotai a ratable proportionate amount of the distributions and dividends paid by MSC Cotai to the Company. The Participation Agreement also provides that the Participants are entitled to exchange all or a portion of its Participation Interest, along with the deemed surrender and automatic cancellation of a corresponding number of Class B ordinary shares, for the ratable number of Class A ordinary shares.

***Payments on the Participation Interest.*** Generally, Participants are entitled to receive a ratable proportionate amount of the distributions and dividends paid by MSC Cotai to the Company. Such ratable proportionate amount due to each Participant is generally determined by multiplying the amount of the relevant distribution or dividend paid by MSC Cotai to the Company by the number of percentage points represented by such Participant's Participation Interest, subject to adjustment from time to time as set forth in the Participation Agreement (the "Participation Percentage").

***Adjustments to Participation Interest and the Number of Class B Ordinary Shares Held.*** Generally, the Participation Interest is subject to adjustments in the case of (i) the new issuances of shares of MSC Cotai to the Company in exchange for capital contributions by the Company to MSC Cotai (including as a result of our initial public offering), (ii) repurchases and redemptions by MSC Cotai of shares of MSC Cotai, and (iii) any exchanges of the Participation Interest, as follows. In addition, the number of Class B ordinary shares held by each Participant will be adjusted by the Company from time to time so that the voting interest represented by such Class B ordinary shares is equal to the economic right represented by the Class A ordinary shares that such Participant would receive if such Participant would exchange its entire Participation Interest for Class A ordinary shares at such time.

***Capital Contributions.*** Upon any Class A ordinary share issuance by the Company, the Company will contribute all proceeds to MSC Cotai and MSC Cotai will issue the same number of new shares of MSC Cotai to the Company and the Participation Interest will be adjusted to reflect the dilution that would have occurred if the Participants had been holding a corresponding number of Class A ordinary shares instead of the Participation Interest. This back-to-back arrangement for share issuances by the Company and MSC Cotai will apply to share issuances (i) to non-affiliates, (ii) to affiliates that are approved by the Company directors that are disinterested in the transaction, (iii) for assured entitlement arrangements, and (iv) pursuant to public offerings. Issuances to affiliates, unless they are made through public offerings, will generally be subject to pre-emption as further described below.

***Share Repurchases and Redemptions.*** In the event that MSC Cotai carries out a share redemption or repurchase of shares of MSC Cotai (the proceeds of which must be used by the Company to redeem Class A ordinary shares in a back-to-back arrangement), the Participation Interest will be adjusted to reflect the effect of such share redemption or repurchase if the Participants had been holding a corresponding number of Class A ordinary shares instead of the Participation Interest.

***Exchanges of Participation Interest.*** A Participant may elect, from time to time, to exchange its Participation Interest, in whole or in part, for Class A ordinary shares. When electing to exchange, a Participant must deliver an exchange notice to MSC Cotai, which notice must be delivered at least five business days prior to

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the proposed exchange date; provided, that settlement may not occur later than 90 days from the notice date. The exchanging Participant may withdraw its exchange notice at any time prior to the exchange date. Each party will bear its own expenses in connection with an election to exchange. If an election to exchange request is withdrawn, the Participant will reimburse MSC Cotai for all out-of-pocket expenses incurred by MSC Cotai and the Company in connection with such withdrawn exchange. Following any exchange of all or a portion of the Participation Interest for Class A ordinary shares, the Participation Interest will be reduced to reflect the decrease in number of Class A ordinary shares that such Participant would be entitled to receive post-exchange if all of the remaining Participation Interest were to be exchanged.

**Mandatory Exchanges.** In case of certain change of control events relating to the Company, distributions to be made upon MSC Cotai's liquidation, dissolution or unwinding or when the holders of the Participation Interest hold less than the specified minimum threshold set out in the Participation Agreement in the Company resulting in a termination of the Participation Agreement, and in certain other cases, any outstanding Participation Interest must be surrendered to MSC Cotai (along with the corresponding number of Class B ordinary shares) by the holders for Class A ordinary shares, or, at MSC Cotai's option, for cash in certain cases.

**Preemptive Rights.** If the Company (1) proposes to offer equity securities solely or primarily to Melco Resorts or one of its affiliates (except in connection with a public offering, equity incentive plan or assured entitlement arrangements) or (2) grants any right, option or warrant (other than in connection with any equity plan) at a price per share less than the current price of average Class A ordinary shares, or that does not expire by the 30th day after such grant, each Participant will have the pro rata right to purchase an increase in its Participation Interest or to receive similar rights, options or warrants, as case may be so as to maintain its then-existing number of percentage points represented by its Participation Interest, subject to certain conditions.

### **Other Provisions**

**Capital Contributions.** The Company is required to contribute to MSC Cotai all net proceeds received by it from sales of equity securities and sales of assets.

**Debt Arrangements.** If the Company enters into any debt financing or other borrowing arrangement, the Company will be required to loan the entire proceeds from such financing or borrowing arrangement to MSC Cotai on the same terms and conditions that the Company borrowed such proceeds.

**HoldCo Relationship.** The Company covenants that it will always own all of the issued and outstanding shares of MSC Cotai, and that it will not own equity interests in any other entity.

**Permitted Transferees.** Holders of the Participation Interests are able to transfer all or part of their Participation Interest and any rights in respect thereof to certain permitted transferees, as provided in the Participation Agreement, subject to certain conditions. The total Participation Interest percentage will not be changed as a result of such transfers. At any given time, the number of participants may not exceed the prescribed number set out in the Participation Agreement and any transfer in violation of such limit or other applicable provisions of the Participation Agreement will be null and void.

**Termination, Governing Law and Arbitration.** The Participation Agreement will terminate when the holders of the Participation Interest hold less than the specified minimum threshold set out in the participation agreement in the Company. The Participation Agreement is governed by New York law, and any disputes, other than certain disputed calculations under the Participation Agreement and any claims seeking injunctive relief, which can be sought in courts in Hong Kong, are intended to be resolved by arbitration sitting in Hong Kong including any disputes under the U.S. federal securities laws and claims not in connection with our initial public offering. We believe arbitration provisions in commercial agreements are generally respected by federal courts and state courts of New York.

### **Shareholders' Agreement**

In connection with our initial public offering and the Organizational Transactions, we entered into an amended shareholders agreement with Melco Resorts, MCO Cotai and New Cotai which took effect immediately after the completion of our initial public offering (as amended, the "Shareholders' Agreement"). The Shareholders' Agreement contains a variety of provisions governing the relationship between MCO Cotai and New Cotai, as our shareholders, including but not limited to the composition of the board of directors, related party transactions, corporate governance, the development and operation of Studio City, restrictions on transfer of certain of our shares and other related matters.

### **Registration Rights Agreement**

In connection with our initial public offering and the Organizational Transactions, we entered into an amended Registration Rights Agreement with New Cotai which took effect on October 16, 2018 (as amended and restated, the "Registration Rights Agreement"). Under the Registration Rights Agreement, New Cotai, holder of our registrable securities, has certain registration rights with respect to: (i) any Class A ordinary shares, (ii) any other stock or securities that the holder of Class A ordinary shares may be entitled to receive, or have received, (iii) any securities issued or issuable directly or indirectly with respect to the securities referred to in the foregoing clause (i) or (ii) by way of conversion, substitution or exchange thereof or share dividend or share split or in connection with a combination of shares, recapitalization, reclassification, merger, amalgamation, arrangement, consolidation or other reorganization subject to the terms and conditions set forth in the Registration Rights Agreement.

### **Employment Agreements**

See "Item 6. Directors, Senior Management and Employees — C. Board Practices — Employment Agreements."

### **Transaction with the Gaming Operator under Studio City Casino Agreement**

Under the Studio City Casino Agreement, the Gaming Operator is responsible for the operation of Studio City Casino and deducts gaming taxes and the costs incurred in connection with its on-going operation of Studio City Casino from the gross gaming revenues. We receive the residual gross gaming revenues and recognize these amounts as revenue from casino contract. See "— Studio City Casino Agreement" for details of the terms of the Studio City Casino Agreement.

In 2022, 2021 and 2020, revenue from casino contract were negative US\$56.7 million, negative US\$1.5 million and negative US\$42.7 million, respectively. Revenue from casino contract is net of gaming taxes and the costs incurred in connection with the on-going operation of Studio City Casino which are deducted by the Gaming Operator. Total gaming taxes and the costs incurred in connection with the on-going operation of Studio City Casino deducted from gross gaming revenues were US\$227.9 million, US\$382.3 million and US\$307.1 million in 2022, 2021 and 2020, respectively.

### **Studio City Casino Agreement**

On May 11, 2007, our subsidiary, Studio City Entertainment, and the Gaming Operator entered into a 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) pursuant to which the Gaming Operator operated Studio City Casino. These arrangements were further amended on June 23, 2022. The Studio City Casino Agreement set forth the terms and conditions for the operation of Studio City Casino by the Gaming Operator and the obligations of Studio City Entertainment in respect thereof.

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Under the Studio City Casino Agreement, the Gaming Operator manages the day-to-day operations of the Studio City Casino, provides the necessary security and develops and implements all systems and controls necessary for Studio City Casino. The Gaming Operator also recruits all casino staff, including dealers, cashiers, security and surveillance personnel and managers. The Gaming Operator will deduct gaming taxes and costs incurred in connection with its on-going operation of Studio City Casino. Such costs include the costs for allocation of any gaming tables for operation of the Studio City Casino above 26.4% of the Gaming Operator's overall gaming tables allocated to the Gaming Operator by the Macau government. Studio City Entertainment receives the residual gross gaming revenues and recognizes these amounts as our revenue from the Studio City Casino Agreement. As the Gaming Operator was allocated 750 gaming tables by the Macau government, pursuant to the Studio City Casino Agreement, the Gaming Operator is permitted to deduct costs for the allocation of gaming tables for operation at the Studio City Casino which exceed 198 gaming tables provided such costs have been approved by the Company's related party transactions policy.

The Studio City Casino Agreement 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 the Gaming Operator to be in breach of its concession. The parties may terminate the Studio City Casino Agreement in the event of a default under the Studio City Casino Agreement 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 Resorts, the Gaming Operator may not terminate the Studio City Casino Agreement.

### **Management and Shared Services Arrangements**

#### ***Master Services Agreement***

On December 21, 2015, the Studio City Entities and the Master Service Providers entered into the Master Services Agreement, which sets out the terms and conditions that apply to certain services to be provided under the Work Agreements by the Master Service Providers to the Studio City Entities and vice versa.

Under the Management and Shared Services Arrangements, the Master Service Providers recruit, allocate, train, manage and supervise a majority of the staff who are all solely dedicated to our property to perform our corporate and administrative functions and carry out other non-gaming activities, including food and beverage management, retail management, hotel management, entertainment projects, mall development and sales and marketing activities. In addition, leveraging the resources and platform of Melco Resorts, we receive services from the Master Service Providers, including operational management services and general corporate services, such as payroll, human resources, information technology, marketing, accounting and legal services.

Each type of service to be provided is to be set out in a separate Work Agreement between the relevant Studio City Entities and the Master Service Providers. As required by the parties, additional Work Agreements (conforming to the pre-agreed format) may be entered into. New Master Service Providers or Studio City Entities 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 until December 31, 2032 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 Master Service Providers (i) when there is a material breach by a Studio City Entity which remains uncured after 30 days of written notice provided by the Master Service Providers of such breach, or (ii) upon a specified change of control event whereby Melco Resorts does not directly or indirectly control the Company 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 Entities upon any material

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breach by a Master Service Provider which remains uncured after 30 days of written notice of such breach. If the Master Services Agreement is terminated, all Work Agreements shall automatically terminate.

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 may 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 December 31, 2032.

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 Master Service Providers and the Studio City Entities. 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 Master Service Providers; (6) aviation services; (7) collection and payment services; and (8) limousine transportation services provided by the Studio City Entities. The terms of the Work Agreements run concurrently with the Master Services Agreement.

Certain of the Work Agreements state that only the Master Service Providers can provide certain services to the Studio City Entities, and not vice versa. This is because the Studio City Entities are not in a position to provide many of the services that they receive from the Master Service Providers, such as corporate, provision of personnel, construction, development and aviation services. For other types of services, either the Master Service Providers or the Studio City Entities 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.

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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 us based on a percentage of efforts on the services provided to us. 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, the Gaming Operator, Studio City Holdings Five Limited and the security agent under the 2018 Project Facility, among others, entered into the Services and Right to Use Direct Agreement, which sets forth, among other things, certain restrictions on the rights of the Gaming Operator to (subject to the necessary regulatory approvals being obtained) suspend the continued operation of Studio City Casino and/or terminate the Studio City Casino Agreement.

### **2022 Private Placements**

In relation to the 2022 Private Placements, the Company entered into subscription agreements with certain existing institutional shareholders and holders of its ADSs, including MCO Cotai, New Cotai and Silver Point Capital, L.P. at a price of US\$0.75 per Class A ordinary share or US\$3.00 per ADS.

## **C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

We have appended consolidated financial statements filed as part of this annual report.

### **Legal and Administrative Proceedings**

From time to time, we may become subject to legal and administrative proceedings, investigations and claims incidental to, or arising out of, the ordinary course of our business, including but not limited to, the construction, renovation, licensing or operation of non-gaming premises which may, from time to time, involve closure or suspension of operations or construction works while administrative proceedings are pending. We are not currently a party to, nor are we aware of, any material legal or administrative proceeding, investigation or claim which, in the opinion of our management, individually or in the aggregate, is likely to have a material adverse effect on our business, financial condition or results of operations. We may also from time to time initiate legal proceedings to protect our rights and interests.

### **Dividend Policy**

We have not previously declared or paid cash dividends and do not have any plan to declare or pay any dividends in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.



Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law and certain restrictions set forth in the instruments in relation to our outstanding borrowings. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends on our Class A ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying our ADSs to the depository, as the registered holder of such Class A ordinary shares, and the depository then will pay such amounts to the ADS holders who will receive payment to the same extent as holders of our Class A ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. Dollars.

We are a holding company incorporated in the Cayman Islands. For our cash requirements, including any payment of dividends to our shareholders, we rely on dividends distributed by our subsidiaries in Macau, Hong Kong and the British Virgin Islands to MSC Cotai and MSC Cotai to us. The Macau regulations may restrict the ability of our Macau subsidiaries to pay dividends to us. For example, our Macau subsidiaries are subject to a Macau complementary tax of up to 12% on taxable income, as defined in the relevant tax laws. However, we were granted a Macau complementary tax exemption through 2021 on profits generated from income received from the Gaming Operator, to the extent that such income results from gaming operations within Studio City Casino and has been subject to gaming tax. We remain subject to Macau complementary tax on our non-gaming profits. See “Item 4. Information on the Company — B. Business Overview — Taxation.” Furthermore, regulations in Macau currently require our subsidiaries incorporated in Macau to set aside a minimum of 25% of the relevant entity’s profit after taxation to their legal reserve until the balance of the legal reserve reaches a level equivalent to 50% of its share capital and the legal reserve is not available for distribution to the shareholders of such subsidiaries. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Shares and ADSs — Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs for return on your investment.”

In addition, the respective indentures governing our existing notes including the agreement for the 2028 Studio City Senior Secured Credit Facility, the 2025 Notes, the 2027 Notes, the 2028 Notes and the 2029 Notes contain certain covenants that, subject to certain exceptions and conditions, restrict the payment of dividends by some of our subsidiaries. See “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Restrictions on Distributions.”

## **B. SIGNIFICANT CHANGES**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

### **ITEM 9. THE OFFER AND LISTING**

Not applicable, except for Item 9.A.4 and Item 9.C.

Our ADSs, each representing four Class A ordinary shares, have been listed on the New York Stock Exchange under the symbol “MSC” from October 18, 2018.

**ITEM 10. ADDITIONAL INFORMATION**

**A. SHARE CAPITAL**

Not applicable.

**B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

Our registered office is located at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands. We are registered by way of continuation with the Cayman Islands Registrar of Companies and have been assigned company number 343696.

**Enforceability of Civil Liabilities**

We are incorporated in the Cayman Islands because 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. For example, the Cayman Islands has a less developed body of securities laws as compared to the United States and provides fewer protections to investors.

Virtually all of our assets are located outside of the United States. All of our current operations, and administrative and corporate functions are conducted in Macau, Hong Kong and Singapore. In addition, several of our directors and officers are nationals and residents of countries other than the United States. A very significant portion of the assets of these persons are located outside the United States. Due to the lack of reciprocity and treaties between the United States and some of these foreign jurisdictions, together with cost and time constraints, it may be difficult for you to effect service of process within the United States upon these persons. In particular, while none of our directors or officers spend a significant amount of time physically located in mainland China, all of our directors and officers, other than Ms. Mielle and Messrs. Sullivan, Dean, Reganato and Black, spend a significant amount of time physically located in Hong Kong and/or Macau. For the same reasons, it may also be difficult for you to enforce in the Cayman Islands, Macau, Hong Kong and Singapore courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against our Company and our officers and directors, several of whom are not residents in the United States and the substantial portion of whose assets are located outside of the United States.

In addition, there is uncertainty as to whether the courts of the Cayman Islands, Macau, Hong Kong or Singapore would recognize or enforce judgments of U.S. courts against our Company or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. For instance, judgments of United States courts may not be directly enforced in Hong Kong. There are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Hong Kong and the United States. However, the common law permits an action to be brought upon a foreign judgment. That is to say, a foreign judgment itself may form the basis of a cause of action since the judgment may be regarded as creating a

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debt between the parties to it. In a common law action for enforcement of a foreign judgment in Hong Kong, the enforcement is subject to various conditions, including but not limited to, that the foreign judgment is a final judgment conclusive upon the merits of the claim (but not otherwise), the judgment is for a liquidated amount in a civil matter and not in respect of taxes, fines, penalties, or similar charges, the proceedings in which the judgment was obtained were not contrary to natural justice, and the enforcement of the judgment is not contrary to public policy of Hong Kong. Such a judgment must be for a fixed sum and must also come from a “competent” court as determined by the private international law rules applied by the Hong Kong courts. The defenses that are available to a defendant in a common law action brought on the basis of a foreign judgment include lack of jurisdiction, breach of natural justice, fraud, and contrary to public policy. However, a separate legal action for debt must be commenced in Hong Kong in order to recover such debt from the judgment debtor. Similarly, the judgment of United States courts may not be directly enforced in Macau. There are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Macau and the United States. However, Macau’s civil procedure law permits an action to be brought to the Macau Second Instance Court for the recognition of a judgment obtained in a foreign jurisdiction. That is to say, upon recognition, a foreign judgment itself 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. In an action for recognition of a foreign judgment in Macau, the recognition is subject to various conditions, including but not limited to, that the foreign judgment is a final judgment conclusive upon the merits of the claim, the judgment is not in respect of taxes, fines, penalties, or similar fiscal or tax revenue obligations, the proceedings in which the judgment was obtained were not contrary to natural justice, the enforcement of the judgment is not contrary to public policy of Macau, and interest charged to the debtor does not breach usury laws. Such a judgment must be for a definite sum and must also come from a “competent” court as determined by the private international law rules applied by the Macau courts. The defenses that are available to a defendant in an action brought for the recognition of a foreign judgment include lack of jurisdiction, breach of natural justice, fraud, inobservance of due process, improper service of process to the defendant, and contrary to public policy. However, a separate legal action for enforcement of the foreign judgment must be commenced in Macau in order to recover a debt from the judgment debtor, in case the debtor does not make voluntary payment of its debt upon recognition of the foreign judgment by the Courts in Macau.

Furthermore, it is uncertain whether such Cayman Islands, Macau, Hong Kong or Singapore courts would be competent to hear original actions brought in the Cayman Islands, Macau, Hong Kong or Singapore against us or such persons predicated upon the securities laws of the United States or any state. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Shares and ADSs — You may have difficulty enforcing judgments obtained against us.”

The following are summaries of material provisions of our memorandum and articles of association and the Companies Act below, insofar as they relate to the material terms of our ordinary shares.

### **General**

All of our outstanding ordinary shares are fully paid and non-assessable. Some of the ordinary shares are issued in registered form only with no share certificates. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Under Article 4 of our memorandum of association, the objects for which we were established are unrestricted and we have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Act.

### **Dividends**

The holders of our Class A ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Act and our articles of association. Holders of the Class B ordinary shares do not have any right to receive dividends or distributions upon our liquidation or winding up.

Our articles of association require notice of any dividend that may have been declared to be given to each holder of our Class A ordinary shares or Class B ordinary shares and, pursuant to our articles of association,

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all dividends unclaimed for one year after having been declared may be forfeited by resolution of the directors for the benefit of the Company.

### **Voting Rights**

Each of our Class A ordinary shares and Class B ordinary shares entitles its holder to one vote on all matters to be voted on by shareholders generally. Holders of our Class A and Class B ordinary shares vote together as a single class on all matters presented to our shareholders for their vote or approval, except as otherwise required by applicable law or our memorandum of association and articles of association. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by our chairman or one or more shareholders present in person or by proxy entitled to vote and who together hold not less than 20% of the paid up voting share capital of our Company.

A quorum required for a meeting of shareholders consists of one or more shareholders who hold at least 50 percent of our ordinary shares at the meeting present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Shareholders' meetings are held at least annually and may be convened by our board on its own initiative or, failing a request by our board, upon a request to the directors by shareholders holding in aggregate at least 20 percent of our paid-up capital as at the date of deposit of the requisition carries the right of voting at such meetings. Advance notice of at least seven clear days is required for the convening of our annual general meeting and other shareholders meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of not less than two-thirds of the votes cast attaching to the ordinary shares. A special resolution will be required for important matters such as changing our name or making changes to our memorandum and articles of association.

### **Transfer of Ordinary Shares**

Subject to the restrictions in our memorandum and articles of association and the Participation Agreement, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required; or
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four.

Our board of directors is required to refuse to register any purported transfer of Class B ordinary shares made otherwise than in compliance with the Participation Agreement.

If our directors refuse to register a transfer they must, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

### **Exchange Right of New Cotai**

Subject to certain conditions, New Cotai and its permitted transferees thereof may exchange their Participation Interest in MSC Cotai for a number of Class A ordinary shares. See “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pre-IPO Organizational Transactions — Participation Agreement.” If New Cotai exchanges all or a portion of the Participation Interest for Class A ordinary shares, it will also be deemed to have surrendered an equal number of Class B ordinary shares, and any Class B ordinary shares so surrendered will be canceled for no consideration. See “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pre-IPO Organizational Transactions — Participation Agreement.”

### **Liquidation**

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of Class A ordinary shares will be distributed among the holders of the Class A ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately. Holders of our Class B ordinary shares do not have any right to receive a distribution upon a liquidation or winding up of the Company.

### **Calls on Ordinary Shares and Forfeiture of Ordinary Shares**

Our board may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time and place of payment. The ordinary shares that have been called upon and remain unpaid on the specified time are subject to forfeiture. Shareholders are not liable for any capital calls by the Company except to the extent there is an amount unpaid on their shares.

### **Redemption of Ordinary Shares**

Subject to the provisions of the Companies Act, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as the directors may determine.

### **Prohibitions on the Receipt of Dividends, the Exercise of Voting or Other Rights or the Receipt of Other Remuneration**

Our memorandum and articles of association prohibit anyone who is an unsuitable person or an affiliate of an unsuitable person from:

- receiving dividends or interest with regard to our shares;
- exercising voting or other rights conferred by our shares; and
- receiving any remuneration in any form from us or an affiliated company for services rendered or otherwise.

Such unsuitable person or its affiliate must sell all of the shares, or allow us to redeem or repurchase the shares on such terms and manner as the directors may determine and agree with the shareholders, within such period of time as specified by a gaming authority.

These prohibitions commence on the date that a gaming authority serves notice of a determination of unsuitability or our board determines that a person or its affiliate is unsuitable and continue until the securities are owned or controlled by persons found suitable by a gaming authority or our board, as applicable, to own

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them. An “unsuitable person” is any person who is determined by a gaming authority to be unsuitable to own or control any of our shares or who causes us or any affiliated company to lose or to be threatened with the loss of any gaming license, or who, in the sole discretion of our board, is deemed likely to jeopardize our or any of our affiliates’ application for, receipt of approval for right to the use of, or entitlement to, any gaming license.

The terms “affiliated companies,” “gaming authority” and “person” have the meanings set forth in our articles of association.

### **Redemption of Securities Owned or Controlled by an Unsuitable Person or an Affiliate**

Our memorandum and articles of association provide that shares owned or controlled by an unsuitable person or an affiliate of an unsuitable person are redeemable by us, out of funds legally available for that redemption, by appropriate action of our board to the extent required by the gaming authorities making the determination of unsuitability or to the extent deemed necessary or advisable by our board having regard to relevant gaming laws. From and after the redemption date, the securities will not be considered outstanding and all rights of the unsuitable person or affiliate will cease, other than the right to receive the redemption price and the right to receive any dividends declared prior to any receipt of any written notice from a gaming authority declaring the suitable person to be an unsuitable person but not yet paid. The redemption price will be the price, if any, required to be paid by the gaming authority making the finding of unsuitability or, if the gaming authority does not require a price to be paid, the sum deemed to be the fair value of the securities by our board. The price for the shares will not exceed the closing price per share of the shares on the principal national securities exchange on which the shares are then listed on the trading date on the day before the redemption notice is given. If the shares are not then listed, the redemption price will not exceed the closing sales price of the shares as quoted on an automated quotation system, or if the closing price is not then reported, the mean between the bid and asked prices, as quoted by any other generally recognized reporting system. Our right of redemption is not exclusive of any other rights that we may have or later acquire under any agreement, its bylaws or otherwise. The redemption price may be paid in cash, by promissory note, or both, as required by the applicable gaming authority and, if not, as we elect.

Our memorandum and articles of association require any unsuitable person and any affiliate of an unsuitable person to indemnify us and our affiliated companies for any and all losses, costs and expenses, including legal fees, incurred by us and our affiliates as a result of, or arising out of, the unsuitable person’s or affiliate’s continuing ownership or control of shares, the neglect, refusal or other failure to comply with the provisions of our memorandum and articles of association relating to unsuitable persons, or failure to promptly divest itself of any shares in us when required by the relevant gaming laws or our memorandum and articles of association.

### **Variations of Rights of Shares**

All or any of the rights attached to any class of shares may, subject to the provisions of our memorandum and articles of association and the Companies Act, be varied or abrogated either with the written consent of the holders of at least a majority of the issued shares of that class or with the approval of the holders of at least a majority of the shares of that class present in person or by proxy at a separate general meeting of the holders of the shares of that class.

### **Changes in Capital**

We may from time to time by ordinary resolution (but subject to other provisions of our memorandum and of articles of association):

- increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution may prescribe;

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- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- convert all or any of our paid-up shares into stock and reconvert that stock into paid up shares of any denomination;
- sub-divide our existing shares, or any of them, into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share will be the same as it was in case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so canceled.

We may by special resolution (subject to our memorandum and articles) reduce our share capital and any capital redemption reserve in any manner authorized by law.

### **Accounts and Audit**

No shareholder (other than a director) has any right to inspect any of our accounting record or book or document except as conferred by law or authorized by our board or our Company by ordinary resolution of the shareholders.

Subject to compliance with all applicable laws, we may send to every person entitled to receive notices of our general meetings under the provisions of the articles of association a summary financial statement derived from our annual accounts and our board's report.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the articles of association. The remuneration of the auditors shall be fixed by our board.

Our financial statements shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the shareholders in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

### **Exempted Company**

We are an exempted company incorporated with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary resident company except for the exemptions and privileges listed below:

- annual reporting requirements are minimal and consist mainly of a statement that the company has conducted its operations mainly outside of the Cayman Islands and has complied with the provisions of the Companies Act;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue shares with or without par value;

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- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

### **Differences in Corporate Law**

The Companies Act is modeled after that of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Act differs from laws applicable to Delaware corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to Delaware corporations and their shareholders.

### ***Mergers and Similar Arrangements***

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes:

- a “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and
- a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company.

In order to effect a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by:

- a special resolution of the shareholders of each constituent company; and
- such other authorization, if any, as may be specified in such constituent company’s articles of association.

A merger between a parent company incorporated in the Cayman Islands and its subsidiary or subsidiaries incorporated in the Cayman Islands does not require authorization by a resolution of shareholders of the constituent companies provided a copy of the plan of merger is given to every shareholder of each subsidiary company to be merged unless that shareholder agrees otherwise. For this purpose, a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The plan of merger or consolidation must be filed with the Registrar of Companies in the Cayman Islands together with a declaration (among other matters) as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger and consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. The fair value of the shares will be determined by the Cayman Islands court if it cannot be agreed among the parties. Court approval is not required for a merger or consolidation effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate, compromises or arrangements between a Cayman Islands company and its shareholders (or any class of them).



Following amendments to the Companies Act that became effective on August 31, 2022, the majority-in-number “headcount test” in relation to the approval of shareholders’ schemes of arrangement was abolished. Section 86(2A) of the Companies Act provides that, if 75% in value of the shareholders (or class of shareholders) of a Cayman Islands company agree to any compromise or arrangement, such compromise or arrangement shall, if sanctioned by the Cayman Court, be binding on all shareholders (or class of shareholders) of such company and on the company itself. Where a Cayman Islands company is in the course of being wound up, such compromise or arrangement would be binding on the liquidator and contributories of the company. In contrast, section 86(2) of the Companies Act continues to require (a) approval by a majority in number representing 75% in value; and (b) the sanction of the Grand Court of the Cayman Islands, in relation to any compromise or arrangement between a company and its creditors (or any class of them). At the initial directions hearing, the Cayman Islands court will make orders for (among other things) the convening of the meetings of creditors or shareholders (or classes of them, as applicable). While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the company has complied with the directions set down by the Cayman Islands court;
- meeting was properly held and the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his/her interest.

If a compromise or arrangement of a Cayman Islands company is thus approved by the shareholders in the context of a shareholders’ scheme and the Cayman Islands court subsequently sanctions such scheme, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares. This is because such scheme will be binding on all shareholders (or class of shareholders), regardless of whether all the shareholders (or class of shareholders) approved the scheme, upon the sanction order being made. Having said that, a dissenting shareholder would have the right to appeal the making of the sanction order to the Cayman Islands Court of Appeal, if there were grounds for doing so.

### ***Shareholders’ Suits***

Derivative actions have been brought in the Cayman Islands courts. In most cases, the company will be the proper plaintiff in any claim based on a breach of duty owed to it, and a claim against (for example) the company’s officers or directors usually may not be brought by a shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a “fraud on the minority.”

A shareholder may have a direct right of action against the company where the individual rights of that shareholder have been infringed or are about to be infringed.

### ***Directors’ Fiduciary Duties***

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components, the duty of care and the duty of loyalty. The

duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director must act in a manner he or she reasonably believes to be in the best interests of the corporation. A director must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company, and therefore it is considered that he or she owes the following duties to the company: a duty to act bona fide in the best interests of the company, a duty not to make a profit out of his or her position as director (unless the company permits him or her to do so), a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interests or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, there are indications that the courts are moving towards an objective standard with regard to the required skill and care.

Under our memorandum and articles of association, directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with our Company must declare the nature of their interest at a meeting of the board of directors. Following such declaration, a director may vote in respect of any contract or proposed contract notwithstanding his or her interest.

#### ***Shareholder Action by Written Resolution***

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may eliminate the right of shareholders to act by written consent. Our memorandum and articles of association allow shareholders to act by written resolutions.

#### ***Cumulative Voting***

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled for a single director, which increases the shareholder's voting interest with respect to electing such director.

As permitted under Cayman Islands law, our memorandum and articles of association do not provide for cumulative voting.

#### ***Removal of Directors***

Under the Delaware General Corporation Law, a director of a corporation may be removed with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise.

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Under our memorandum and articles of association, subject to the Shareholders' Agreement, directors can be removed by special resolution of the shareholders.

### ***Transactions with Interested Shareholders***

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date on which such person becomes an interested shareholder. An interested shareholder generally is one which owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction that resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware public corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions entered into must be bona fide in the best interests of the company, for a proper corporate purpose and not with the effect of perpetrating a fraud on the minority shareholders.

### ***Dissolution and Winding Up***

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting interest of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. The Delaware General Corporation Law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board of directors.

Under our memorandum and articles of association, if our Company is wound up, the liquidator of our Company may distribute the assets with the sanction of an ordinary resolution of the shareholders and any other sanction required by law.

### ***Variation of Rights of Shares***

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise.

Under Cayman Islands law and our memorandum and articles of association, if our share capital is divided into more than one class of shares, we may (subject to qualifications in the memorandum and articles of association) vary the rights attached to any class with the consent in writing of the holders of a majority of the issued shares of the relevant class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of such class by a majority of the votes cast at such a meeting.

### ***Amendment of Governing Documents***

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise.

Our memorandum and articles of association may be amended by a special resolution of shareholders.

### ***Waiver of Certain Corporate Opportunities***

Under our memorandum and articles of association, the Company has renounced any interest or expectancy of the Company in, or in being offered an opportunity to participate in, certain opportunities where such opportunities come into the possession of one of our directors other than in his or her capacity as a director (as more particularly described in our memorandum and articles of association). This is subject to applicable law and may be waived by the relevant director.

### ***Inspection of Books and Records***

Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Holders of our shares have no general right under Cayman Islands law to inspect or obtain copies of our register of members or our corporate records (other than the memorandum and articles of association). However, we intend to provide our shareholders with annual reports containing audited financial statements.

### ***Anti-takeover Provisions in our Memorandum and Articles of Association***

Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our Company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

Such shares could be issued quickly with terms calculated to delay or prevent a change in control of our Company or make removal of management more difficult. If our board of directors decides to issue these preference shares, the price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be materially adversely affected.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our Company.

### ***Rights of Non-resident or Foreign Shareholders***

There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

## **C. MATERIAL CONTRACTS**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" and "Item 7. Major Shareholders and Related Party Transactions" or elsewhere in this annual report on Form 20-F.

## **D. EXCHANGE CONTROLS**

With regard to our operations in Macau, no foreign exchange controls exist in Macau and Hong Kong and there is a free flow of capital into and out of Macau and Hong Kong. There are no restrictions on remittances

of H.K. dollar or any other currency from Macau and Hong Kong to persons not resident in Macau and Hong Kong for the purpose of paying dividends or otherwise. No foreign exchange controls exist in the Cayman Islands.

## E. TAXATION

### Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our Company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares, nor will gains derived from the disposal of our ordinary shares be subject to Cayman Islands income or corporation tax.

No stamp duty is payable in respect of the issue of our ordinary shares or on an instrument of transfer in respect of our ordinary shares.

### United States Federal Income Taxation

The following discussion describes the material United States federal income tax consequences to a United States Holder (as defined below), under current law, of an investment in our ADSs. Such laws are subject to change, which change could apply retroactively and could significantly affect the tax consequences described below. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in the following discussion and there can be no assurance that the IRS or a court will agree with our statements and conclusions.

This discussion applies only to a United States Holder (as defined below) that holds ADSs as capital assets for United States federal income tax purposes (generally, property held for investment). The discussion neither addresses the tax consequences to any particular investor nor describes all of the tax consequences applicable to persons in special tax situations, such as:

- banks and certain other financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- brokers or dealers in stocks and securities, or currencies;
- persons who use or are required to use a mark-to-market method of accounting;
- certain former citizens or residents of the United States subject to Section 877 of the Code;
- entities subject to the United States anti-inversion rules;
- tax-exempt organizations and entities;
- persons whose functional currency is other than the United States dollar;

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- persons holding ADSs as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the total combined voting interest of all classes of our voting stock or 10% or more of the total value of shares of all classes of our stock;
- persons who acquired ADSs pursuant to the exercise of an employee stock option or otherwise as compensation;
- partnerships or other pass-through entities, or persons holding ADSs through such entities; or
- a person subject to special tax accounting rules as a result of any item of gross income with respect to ADSs being taken into account in an “applicable financial statement” (as defined in the Code).

Except as described below under “— Information with Respect to Foreign Financial Assets,” this discussion does not address any reporting obligations that may be applicable to persons holding ADSs through a bank, financial institution or other entity, or a branch thereof, located, organized or resident outside the United States.

If a partnership (including an entity or arrangement treated as a partnership for United States federal income tax purposes) holds the ADSs, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership or partner in a partnership holding ADSs should consult its own tax advisors regarding the tax consequences of investing in and holding the ADSs.

**THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE FEDERAL ESTATE OR GIFT TAX LAWS, THE ALTERNATIVE MINIMUM TAX, THE MEDICARE TAX ON NET INVESTMENT INCOME OR THE LAWS OF ANY STATE, LOCAL OR NON-UNITED STATES TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.**

For purposes of the discussion below, a “United States Holder” is a beneficial owner of the ADSs that is, for United States 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 United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more United States persons have the authority to control all of its substantial decisions or (ii) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable Treasury Regulations to treat such trust as a domestic trust.

The discussion below assumes that the representations contained in the deposit agreement and any related agreement are true and that the obligations in such agreements will be complied with in accordance with their terms.

## ADSs

If you own our ADSs, then you should be treated as the owner of the underlying Class A ordinary shares represented by those ADSs for United States federal income tax purposes. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs should not be subject to United States federal income tax.

The United States Treasury Department and the IRS have expressed concerns that United States holders of American depositary shares may be claiming foreign tax credits in situations where an intermediary in the chain of ownership between the holder of an American depositary share and the issuer of the security underlying the American depositary share has taken actions that are inconsistent with the ownership of the underlying security by the person claiming the credit. Such actions (for example, a pre-release of an ADS by a depositary) also may be inconsistent with the claiming of the reduced rate of tax applicable to certain dividends received by non-corporate United States holders of ADSs, including individual United States holders. Accordingly, the availability of foreign tax credits or the reduced tax rate for dividends received by non-corporate United States Holders, each discussed below, could be affected by actions taken by intermediaries in the chain of ownership between the holder of an ADS and our Company.

### *Dividends and Other Distributions on the ADSs*

Subject to the PFIC rules discussed below, the gross amount of any distribution that we make to you with respect to the ADSs will be taxable as a dividend, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including any withheld taxes) will be includable in your gross income on the day actually or constructively received by the depositary if you own ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid generally will be reported as a “dividend” for United States federal income tax purposes. Such dividends will not be eligible for the dividends-received deduction allowed to qualifying corporations under the Code.

Dividends received by a non-corporate United States Holder may qualify for the lower rates of tax applicable to “qualified dividend income,” if the dividends are paid by a “qualified foreign corporation” and other conditions discussed below are met. A non-United States corporation is treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares (or American depositary shares backed by such shares) that are readily tradable on an established securities market in the United States. However, a non-United States corporation will not be treated as a qualified foreign corporation if it is a PFIC in the taxable year in which the dividend is paid or the preceding taxable year.

Under a published IRS Notice, common or ordinary shares, or American depositary shares representing such shares, are considered to be readily tradable on an established securities market in the United States if they are listed on the New York Stock Exchange, as our ADSs are. Subject to the limitations described in the following paragraph, we believe that dividends we pay on our ADSs will be eligible for the reduced rates of taxation.

Even if dividends were treated as paid by a qualified foreign corporation, a non-corporate United States Holder would not be eligible for reduced rates of taxation if either (i) it does not hold our ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date or (ii) the United States Holder elects to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code. In addition, the rate reduction will not apply to dividends of a qualified foreign corporation if the non-corporate United States Holder receiving the dividend is obligated to make related payments with respect to positions in substantially similar or related property.

You should consult your own tax advisors regarding the availability of the lower tax rates applicable to qualified dividend income for any dividends that we pay with respect to the ADSs, as well as the effect of any change in applicable law after the date of this annual report on Form 20-F.

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For purposes of calculating your foreign tax credit limitation, dividends paid to you with respect to the ADSs will be treated as income from sources outside the United States and generally will constitute passive category income. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisors regarding the availability of a foreign tax credit in your particular circumstances.

### ***Disposition of the ADSs***

You will recognize gain or loss on a sale or exchange of the ADSs in an amount equal to the difference between the amount realized on the sale or exchange and your tax basis in the ADSs. Subject to the discussion under “— Passive Foreign Investment Company” below, such gain or loss generally will be capital gain or loss. Capital gains of a non-corporate United States Holder, including an individual, that has held the ADS for more than one year currently are eligible for reduced tax rates. The deductibility of capital losses is subject to limitations.

Any gain or loss that you recognize on a disposition of the ADSs generally will be treated as United States-source income or loss for foreign tax credit limitation purposes.

### ***Passive Foreign Investment Company***

Based on the value of our assets and the composition of our income and assets, we do not believe we were a PFIC for our taxable year ended December 31, 2022. However, the determination of PFIC status involves extensive factual investigation, including ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income that we earn, and is subject to uncertainty in several respects. Changes in the composition of our income or assets or the value of our assets may cause us to become a PFIC. The determination of the value of our assets may depend in part upon the value of our goodwill not reflected on our balance sheet (which may depend upon the market value of the ADSs and ordinary shares from time to time, which may be volatile). Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2023 or for any future taxable year. Our United States tax counsel therefore expresses no opinion with respect to our PFIC status for any taxable year or our beliefs and expectations relating to such status set forth in this discussion.

A non-United States corporation such as ourselves will be treated as a PFIC for United States federal income tax purposes for any taxable year if, applying applicable look-through rules, either:

- at least 75% of its gross income for such year is passive income; or
- at least 50% of the value of its assets (determined based on a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, gains from the sale or exchange of investment property, royalties and rents (other than certain royalties and rents derived in the active conduct of a trade or business and not derived from a related person). We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% by value of the stock.

If we were a PFIC for any taxable year during which you hold ADSs, then, unless you make a “mark-to-market” election (as discussed below), you generally would be subject to special adverse tax rules with respect to any “excess distribution” that you receive from us and any gain that you recognize from a sale or other disposition, including, in certain circumstances, a pledge, of ADSs. For this purpose, distributions that you receive in a taxable year that are greater than 125% of the average annual distributions that you received during the shorter of the three preceding taxable years or your holding period for the ADSs will be treated as an excess distribution. Under these rules:

- the excess distribution or recognized gain would be allocated ratably over your holding period for the ADSs;



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- the amount of the excess distribution or recognized gain allocated to the taxable year of distribution or gain, and to any taxable years in your holding period prior to the first taxable year in which we were treated as a PFIC, would be treated as ordinary income; and
- the amount of the excess distribution or recognized gain allocated to each other taxable year would be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the resulting tax will be subject to the interest charge generally applicable to underpayments of tax.

If we were a PFIC for any taxable year during which you hold ADSs and any of our non-United States subsidiaries or other corporate entities in which we own equity interests is also a PFIC, you would be treated as owning a proportionate amount (by value) of the shares of each such non-United States entity classified as a PFIC (each such entity, a lower tier PFIC) for purposes of the application of these rules. You should consult your own tax advisor regarding the application of the PFIC rules to any of our lower tier PFICs.

If we were a PFIC for any taxable year during which you hold ADSs, then in lieu of being subject to the tax and interest-charge rules discussed above, you may make an election to include gain on our ADSs as ordinary income under a mark-to-market method, provided that our ADSs constitute “marketable stock.” Marketable stock is stock that is regularly traded on a qualified exchange or other market, as defined in applicable Treasury regulations. Our ADSs, but not our ordinary shares, are listed on the New York Stock Exchange, which is a qualified exchange or other market for these purposes.

Consequently, if the ADSs continue to be listed on the New York Stock Exchange and are regularly traded, and you are a holder of ADSs, we expect that the mark-to-market election would be available to you if we were to become a PFIC, but no assurances are given in this regard.

If you make an effective mark-to-market election, for each taxable year that we are a PFIC, you will include as ordinary income the excess of the fair market value of your ADSs at the end of the year over your adjusted basis in the ADSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted basis in the ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

If you make an effective mark-to-market election, any gain you recognize upon the sale or other disposition of your ADSs in a year that we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, if we were a PFIC for any taxable year, a United States Holder that makes the mark-to-market election may continue to be subject to the tax and interest charges under the general PFIC rules with respect to such United States Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

In certain circumstances, a shareholder in a PFIC may avoid the adverse tax and interest-charge regime described above by making a “qualified electing fund” election to include in income its share of the corporation’s income on a current basis. However, you may make a qualified electing fund election with respect to the ADSs only if we agree to furnish you annually with a PFIC annual information statement as specified in the applicable Treasury regulations. There is no assurance that we will provide such information that would enable you to make a qualified electing fund election.

A United States Holder that holds the ADSs in any year in which we were a PFIC would be required to file an annual report containing such information as the United States Treasury Department may require.

You should consult your own tax advisor regarding the application of the PFIC rules to your ownership and disposition of the ADSs and the availability, application and consequences of the elections discussed above.

***Information Reporting and Backup Withholding***

Information reporting to the IRS and backup withholding generally will apply to dividends in respect of our ADSs, and the proceeds from the sale or exchange of our ADSs, that are paid to you within the United States (and in certain cases, outside the United States), unless you furnish a correct taxpayer identification number and make any other required certification, generally on IRS Form W-9 or you otherwise establish an exemption from information reporting and backup withholding. Backup withholding is not an additional tax. Amounts withheld as backup withholding generally are allowed as a credit against your United States federal income tax liability, and you may be entitled to obtain a refund of any excess amounts withheld under the backup withholding rules if you file an appropriate claim for refund with the IRS and furnish any required information in a timely manner.

United States Holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules.

***Information with Respect to Foreign Financial Assets***

United States Holders who are individuals (and certain entities closely held by individuals) generally will be required to report our name, address and such information relating to an interest in the ADSs as is necessary to identify the class or issue of which the ADSs are a part. These requirements are subject to exceptions, including an exception for ADSs held in accounts maintained by certain financial institutions and an exception applicable if the aggregate value of all “specified foreign financial assets” (as defined in the Code) does not exceed US\$50,000.

United States Holders should consult their tax advisors regarding the application of these information reporting rules.

**F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

**G. STATEMENT BY EXPERTS**

Not applicable.

**H. DOCUMENTS ON DISPLAY**

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file an annual report on Form 20-F no later than four months after the close of each fiscal year, which is December 31. As permitted by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we have filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

Copies of reports and other information, when so filed, may be inspected without charge at the SEC’s Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

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As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP. Our annual reports will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

In accordance with NYSE Rule 203.01, we will post this annual report on our website [www.studiocity-macau.com](http://www.studiocity-macau.com). In addition, we will provide hardcopies of our annual report to shareholders, including ADS holders, free of charge upon request.

### **I. SUBSIDIARY INFORMATION**

Not applicable.

### **J. ANNUAL REPORT TO SECURITY HOLDERS**

Not applicable.

### **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of losses 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 foreign exchange risk associated with our operations.

#### **Foreign Exchange Risk**

Our exposure to foreign exchange rate risk is associated with the currency of our operations and the presentation of our consolidated financial statements in U.S. Dollars. The majority of our revenues are denominated in Hong Kong Dollars, since the Hong Kong Dollar is the predominant currency used in Macau and is often used interchangeably with Patacas, while our expenses are denominated predominantly in Patacas and Hong Kong Dollars. A significant portion of our indebtedness as a result of the 2025 Notes, 2027 Notes, 2028 Notes and 2029 Notes and the costs associated with servicing and repaying such debts are denominated in U.S. Dollars. In addition, the 2028 Studio City Senior Secured Credit Facility and the costs associated with servicing and repaying such debt are denominated in Hong Kong Dollars. The Hong Kong Dollar is pegged to the U.S. Dollar within a narrow range and the Pataca is in turn pegged to the Hong Kong Dollar, and the exchange rates between these currencies have remained relatively stable over the past several years. However, we cannot assure you that the current peg or linkages between the U.S. Dollar, Hong Kong Dollar and Pataca will not be de-pegged, de-linked or modified and subjected to fluctuation as such exchange rates may be affected by, among other things, changes in political and economic conditions.

Major currencies in which our cash and bank balances (including restricted cash) were held as of December 31, 2022 included U.S. Dollars, Hong Kong Dollars and Patacas. Based on the cash and bank balances as of December 31, 2022, an assumed 1% change in the exchange rates between currencies other than U.S. Dollars against the U.S. Dollar would cause a maximum foreign transaction gain or loss of approximately US\$0.5 million for the year ended December 31, 2022.

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk.

**Inflation Risk**

We generated all of our revenues from our operations in Macau in 2022, 2021 and 2020. Inflation did not have a material impact on our results of operations. According to the Statistics and Census Services of the Macau government, inflation as measured by the consumer price index in Macau was 1.04%, 0.03% and 0.81% in 2022, 2021 and 2020, respectively. Although we have not been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in Macau.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. DEBT SECURITIES**

Not applicable.

**B. WARRANTS AND RIGHTS**

Not applicable.

**C. OTHER SECURITIES**

Not applicable.

**D. AMERICAN DEPOSITARY SHARES**

Deutsche Bank Trust Company Americas serves as the depositary bank for our ADS facility. Its principal executive office is located at 1 Columbus Circle, Mail Stop NYC01-1710, New York, New York, 10019.

As an ADS holder, you will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs):

<u>Service</u>	<u>Fees</u>
• To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to US\$0.05 per ADS issued
• Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US\$0.05 per ADS canceled
• Distribution of cash dividends	Up to US\$0.05 per ADS held
• Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements	Up to US\$0.05 per ADS held
• Distribution of ADSs pursuant to exercise of rights	Up to US\$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US\$0.05 per ADS held
• Depositary services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

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As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depository bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as:

- Fees for the transfer and registration of Class A ordinary shares charged by the registrar and transfer agent for the Class A ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of Class A ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when Class A ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of Class A ordinary shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to Class A ordinary shares, deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

The depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository bank and by the brokers (on behalf of their clients) delivering the ADSs to the depository bank for cancellation. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository bank to the holders of record of ADSs as of the applicable ADS record date.

The depository fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depository bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depository bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via The Depository Trust Company, or DTC), the depository bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depository banks.

In the event of refusal to pay the depository fees, the depository bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees from any distribution to be made to the ADS holder.

The depository may make payments to us or reimburse us for certain costs and expenses, by making available a portion of the ADS fees collected in respect of the ADR program or otherwise, upon such terms and conditions as we and the depository bank agree from time to time.

### **Fees and Other Payments Made by the Depository to Us**

In 2022, we did not receive any fees or other payments from the depository.

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

See “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Pre-IPO Organizational Transactions.”

**ITEM 15. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

As of the end of the period covered by this annual report, our management, with the participation of our property general manager and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, it should be noted that any controls and procedures, no matter how well designed and operated, can only provide reasonable, but not absolute, assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation, our property general manager and chief financial officer have concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC’s rules and forms, and accumulated and communicated to our management, including our property general manager and chief financial officer, to allow timely decisions regarding required disclosure.

**Management’s Annual Report on Internal Control Over Financial Reporting**

Our Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act.

Our Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our Company’s internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our Company’s assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our Company’s receipts and expenditures are being made only in accordance with authorizations of its management and directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Our Company's management assessed the effectiveness of our Company's internal control over financial reporting as of December 31, 2022. In making this assessment, our Company's management used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)*.

Based on this assessment, management concluded that, as of December 31, 2022, our Company's internal control over financial reporting is effective based on the framework set forth by Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)*.

Ernst & Young LLP, our independent registered public accounting firm that issues the audit report included elsewhere in this annual report on Form 20-F, has issued an attestation report on management's assessment of the issuer's internal control over financial reporting.

### **Attestation Report of the Registered Public Accounting Firm**

The effectiveness of our Company's internal control over financial reporting as of December 31, 2022, has been audited by Ernst & Young LLP, located in Singapore, an independent registered public accounting firm, as stated in their report which appears herein.

### **Changes in Internal Controls Over Financial Reporting**

There were no changes in our Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our Company's internal control over financial reporting.

### **ITEM 16. [Reserved]**

### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board has determined that Mr. Kevin F. Sullivan qualifies as "audit committee financial expert" as defined in Item 16A of Form 20-F. Each of the members of our audit and risk committee satisfies the "independence" requirements of Section 303A of the New York Stock Exchange Listed Company Manual and Rule 10A-3 under the Exchange Act. See "Item 6. Directors, Senior Management and Employees."

### **ITEM 16B. CODE OF ETHICS**

Our board has adopted a code of business conduct and ethics that applies to our directors, officers, employees and agents, including our property general manager, chief financial officer and any other persons who perform similar functions for us. The code of business conduct was last amended on December 7, 2021. We have posted our current code of business conduct and ethics on our website at [www.studiocity-macau.com](http://www.studiocity-macau.com). We intend to disclose future amendments to certain provisions of the code of business conduct and ethics, and waivers thereof granted to executive officers and directors, on the website within four business days following the date of the amendment or waiver. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by our principal external auditors, for the years indicated. We did not pay any other fees to our auditor during the years indicated below.

	Year Ended December 31,	
	2022	2021
	<i>(In thousands of US\$)</i>	
Audit fees <sup>(1)</sup>	\$ 902	\$ 511
Audit-related fees <sup>(2)</sup>	149	216
Tax fees <sup>(3)</sup>	—	4
All other fees	—	—

- (1) “Audit fees” means the aggregate fees in each of the fiscal years indicated for our calendar year audits.
- (2) “Audit-related fees” primarily include the aggregate fees for professional services provided in connection with the issuances of senior notes by the Company and other assurance services.
- (3) “Tax fees” include fees billed for tax consultations.

The policy of our audit and risk committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firm, including audit services, audit-related services, tax services and other services, other than those for *de minimis* services which are approved by our audit and risk committee prior to the completion of the audit.

For the years ended December 31, 2022 and 2021, none of the total audit-related fees as described above were approved by our audit and risk committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

No purchase of equity security in the Company was made by or on behalf of the Company or any affiliated purchaser in the fiscal year ended December 31, 2022.

In connection with the 2022 Private Placements, MCO Cotai purchased 220,075,176 Class A shares and New Cotai purchased ADSs representing 93,822,444 Class A shares and funds managed by Silver Point, L.P. purchased ADSs representing 55,747,672 Class A shares, each at the purchase price of US\$0.75 per Class A share or US\$3.00 per ADS. See “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — 2022 Private Placements.”



**ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT**

The audit and risk committee, or the audit committee, of the board of directors of the Company conducted a review process to consider the selection of the Company’s independent registered public accounting firm for the audits of the Company’s consolidated financial statements and internal control over financial reporting as of and for the fiscal year ending December 31, 2022 to be filed with the SEC.

On August 16, 2022, the board of directors of the Company approved the appointment of Ernst & Young LLP, located in Singapore, or EY SG, and dismissed Ernst & Young, located in Hong Kong, Special Administrative Region of the PRC, or EY HK, as the Company’s independent registered public accounting firm for the audits of the Company’s consolidated financial statements and internal control over financial reporting to be filed with the SEC, effective on August 16, 2022. Both EY SG and EY HK are member firms of Ernst & Young Global Limited, each of which is a separate legal entity. The change of the Company’s independent registered public accounting firm was recommended by the audit committee and made after a review process conducted by the audit committee. In addition, EY SG will also replace EY HK as the independent auditors of Studio City Finance Limited and Studio City Investments Limited, including with respect to filings to be made with the Singapore Stock Exchange.

EY HK’s audit reports on the Company’s consolidated financial statements as of and for the years ended December 31, 2021 and 2020 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During each of the years ended December 31, 2021 and 2020, and in the subsequent interim period through August 18, 2022, there has been no disagreement (as defined in Item 16F(a)(1)(iv) to Form 20-F and the related instructions thereto) with EY HK on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of EY HK, would have caused them to make reference to the subject matter of the disagreements in their reports on the consolidated financial statements for such years, and no “reportable events” occurred (as set forth in Item 16F(a)(1)(v) of Form 20-F).

The Company provided EY HK with a copy of the disclosures it is making in this annual report on Form 20-F and requested from EY HK a letter addressed to the Securities and Exchange Commission indicating whether it agrees with such disclosures. A copy of EY HK’s letter dated March 31, 2023 is attached as Exhibit 15.1.

During each of the years ended December 31, 2021 and 2020, and the subsequent interim period through August 15, 2022, neither the Company nor anyone on behalf of the Company has consulted with EY SG regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s consolidated financial statements, and neither a written report nor oral advice was provided to the Company that EY SG concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing, or financial reporting issues, (ii) any matter that was the subject of disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable events pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

**ITEM 16G. CORPORATE GOVERNANCE**

NYSE Rule 303A.00 permits foreign private issuers like us to follow “home country practice” in certain corporate governance matters. For example, NYSE Rule 303A.01 generally requires that a majority of an issuer’s board of directors must consist of independent directors. In addition, NYSE Rules 303A.04 and 303A.05, respectively, generally require that an issuer’s nominating and corporate governance committee and compensation committee must consist entirely of independent directors. We rely on this “home country practice” exception and do not have a majority of independent directors serving on our board and also do not have a

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nominating and corporate governance committee or compensation committee consisting entirely of independent directors. We also rely on this “home country practice” exception in relation to certain responsibilities of the compensation committee set forth in NYSE Rule 303A.05. The New York Stock Exchange rules also permit a foreign private issuer like us to follow the corporate governance practices of its home country with respect to shareholder approval requirements with respect to issuances of equity securities.

### **ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

### **ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

(a) As disclosed under Item 4.C., Item 6.E. and Item 7.A., a majority of our voting securities are held of record by MCO Cotai, which is majority owned by Melco Resorts. The majority of the voting securities of Melco Resorts are held of record by Melco Leisure, which is wholly owned by Melco International. A majority of Melco International’s voting securities are beneficially owned by our Chairman, Mr. Lawrence Ho, through interests of the companies which are owned or controlled by the persons and/or trusts associated with him, the interest of his spouse and the interest of a trust in which he is one of the beneficiaries and is taken to have interest under the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong). Neither Mr. Ho, nor any of our other directors, are members of the Chinese Communist Party.

A significant portion of our voting securities, and those of Melco International, are publicly held. Based on a review of the stockholder lists of our Company, Melco Resorts and Melco International, we are not aware of any governmental entities in mainland China or Hong Kong that are beneficial or record holders of any shares of our Company, Melco Resorts or Melco International. In addition, no such governmental entities have made any disclosures on Schedule 13D, Schedule 13G or under Part XV of the Hong Kong Securities and Futures Ordinance indicating that they own any shares of our Company, Melco or Melco International.

Based on the above, we believe that our Company is not owned or controlled by any governmental entities in mainland China or Hong Kong as of the date of filing of this Form 20-F.

(b)

(1) For the fiscal year ended December 31, 2021, Ernst & Young, located in Hong Kong, Special Administrative Region of the PRC (“EY HK”), issued an audit report for our Company. On December 16, 2021, the U.S. Public Company Accounting Oversight Board (“PCAOB”) determined that it was unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China and in Hong Kong (including EY HK) because of positions taken by authorities in the PRC and Hong Kong. On December 15, 2022, the PCAOB vacated its December 16, 2021 determination, and announced that it had secured complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong (including EY HK).

(2) Based on a review of the shareholder lists of our Company, Melco Resorts and Melco International, we are not aware of any governmental entities in mainland China, Hong Kong or the Cayman Islands (where we are incorporated) that are beneficial or record owners of any shares of our Company, Melco Resorts or Melco International. In addition, no such governmental entities have made any disclosures on Schedule 13D, Schedule 13G or under Part XV of the Hong Kong Securities and Futures Ordinance indicating that they own any shares of our Company, Melco Resorts or Melco International. Based on the above, we believe that none of our ordinary shares or ADSs are owned beneficially or of record by any governmental entities in either mainland China, Hong Kong or the Cayman Islands. However, a significant, but minority, portion of the shares of our Company, Melco Resorts and Melco International are publicly held by intermediaries on behalf of

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beneficial owners who are not known to us. None of these unknown beneficial owners has ever asserted any control or influence over us.

(3) No governmental entities in mainland China or Hong Kong have a controlling financial interest in our Company as of the date of filing of this Form 20-F.

(4) No members of our board or any of our subsidiaries is an official of the Chinese Communist Party.

(5) The Company's amended and restated memorandum and articles of association do not contain any portion of the charter of the Chinese Communist Party.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

The consolidated financial statements of Studio City International Holdings Limited and its subsidiaries are included at the end of this annual report.

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### ITEM 19. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	<a href="#"><u>Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 1.1 from our annual report on Form 20-F for the fiscal year ended December 31, 2018 (File No. 001-38699), filed with the SEC on March 29, 2019)</u></a>
1.2	<a href="#"><u>Memorandum and Articles of Association of MSC Cotai Limited (incorporated by reference to Exhibit 1.2 from our annual report on Form 20-F for the fiscal year ended December 31, 2018 (File No. 001-38699), filed with the SEC on March 29, 2019)</u></a>
2.1	<a href="#"><u>Form of Registrant’s Specimen American Depositary Receipt (included in Exhibit 2.3)</u></a>
2.2	<a href="#"><u>Registrant’s Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.2 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
2.3†	<a href="#"><u>Form of Deposit Agreement between the Registrant, the depository and owners and holders of the ADSs</u></a>
2.4	<a href="#"><u>Amended and Restated Credit Agreement relating to HK\$233 million revolving credit facility and HK\$1 million term loan facility dated November 23, 2016, among Studio City Company Limited and certain of its subsidiaries and affiliates with Bank of China Limited, Macau Branch, among others (incorporated herein by reference to Exhibit 4.15 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
2.5	<a href="#"><u>Amended and Restated Shareholders’ Agreement, among MCO Cotai Investments Limited, New Cotai, LLC, Melco Resorts &amp; Entertainment Limited and the Registrant (incorporated by reference to Exhibit 2.12 from our annual report on Form 20-F for the fiscal year ended December 31, 2018 (File No. 001-38699), filed with the SEC on March 29, 2019)</u></a>
2.6	<a href="#"><u>Amended and Restated Registration Rights Agreement, between New Cotai, LLC and the Registrant (form of which is incorporated herein by reference to Exhibit 10.5 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
2.7	<a href="#"><u>Indenture relating to 6.000% senior notes due 2025 and dated July 15, 2020, among Studio City Finance Limited, as issuer, the subsidiary guarantors parties thereto, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 2.16 from our annual report on Form 20-F for the fiscal year ended December 31, 2020 (File No. 001-38699), filed with the SEC on March 31, 2021)</u></a>
2.8	<a href="#"><u>Indenture relating to 6.500% senior notes due 2028 and dated July 15, 2020, among Studio City Finance Limited, as issuer, the subsidiary guarantors parties thereto, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 2.17 from our annual report on Form 20-F for the fiscal year ended December 31, 2020 (File No. 001-38699), filed with the SEC on March 31, 2021)</u></a>
2.9	<a href="#"><u>Indenture relating to 5.000% senior notes due 2029 and dated January 14, 2021, among Studio City Finance Limited, as issuer, the subsidiary guarantors parties thereto, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 2.18 from our annual report on Form 20-F for the fiscal year ended December 31, 2020 (File No. 001-38699), filed with the SEC on March 31, 2021)</u></a>
2.10	<a href="#"><u>Amended and Restated Credit Agreement relating to HK\$233 million revolving credit facility and HK\$1 million term loan facility dated March 15, 2021, among Studio City Company Limited and certain of its subsidiaries and affiliates with Bank of China Limited, Macau Branch, among others (incorporated by reference to Exhibit 2.20 from our annual report on Form 20-F for the fiscal year ended December 31, 2020 (File No. 001-38699), filed with the SEC on March 31, 2021)</u></a>

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<u>Exhibit Number</u>	<u>Description of Document</u>
2.11	<a href="#"><u>Indenture relating to 7.000% senior notes due 2027 and dated February 16, 2022, among Studio City Company Limited, as issuer, the guarantors parties thereto, and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 2.11 from our annual report on Form 20-F for the fiscal year ended December 31, 2021 (File No. 001-38699), filed with the SEC on March 31, 2022)</u></a>
2.12	<a href="#"><u>Supplemental Indenture relating to 7.000% senior notes due 2027 and dated February 16, 2022, among Studio City Company Limited, Industrial and Commercial Bank of China (Macau) Limited, as the security agent, DB Trustees (Hong Kong) Limited, as the intercreditor agent, and Deutsche Bank Trust Company Americas, as the trustee (incorporated by reference to Exhibit 2.12 from our annual report on Form 20-F for the fiscal year ended December 31, 2021 (File No. 001-38699), filed with the SEC on March 31, 2022)</u></a>
2.13	<a href="#"><u>Amendment and Restatement dated February 7, 2022 (in respect of the Intercreditor Agreement originally dated December 1, 2016) among Studio City Company Limited, the guarantors of the 7.000% senior secured notes due 2027, the lenders and agent for Studio City Company Limited's HK\$233 million revolving credit facility and HK\$1 million term loan facility, the security agent and intercreditor agent named therein, among others (incorporated by reference to Exhibit 2.13 from our annual report on Form 20-F for the fiscal year ended December 31, 2021 (File No. 001-38699), filed with the SEC on March 31, 2022)</u></a>
2.14*	<a href="#"><u>Description of Registrant's Securities</u></a>
4.1	<a href="#"><u>Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated herein by reference to Exhibit 10.1 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.2	<a href="#"><u>Form of Employment Agreement with the Executive Officers of the Registrant (incorporated herein by reference to Exhibit 10.2 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.3	<a href="#"><u>Reimbursement Agreement dated June 15, 2012, between Studio City Entertainment Limited and Melco Resorts (Macau) Limited, which was formerly known as Melco Crown (Macau) Limited (incorporated herein by reference to Exhibit 10.8 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.4	<a href="#"><u>Services and Right to Use Direct Agreement dated November 26, 2013, among Studio City Company Limited as borrower, Melco Resorts (Macau) Limited, which was formerly known as Melco Crown (Macau) Limited, Studio City Holdings Five Limited, Industrial and Commercial Bank of China (Macau) Limited as security agent and POA agent and Deutsche Bank AG, Hong Kong Branch as agent, among others (incorporated herein by reference to Exhibit 10.9 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.5	<a href="#"><u>Master Services Agreement dated December 21, 2015, among Studio City Entertainment Limited, Melco Resorts (Macau) Limited, which was formerly known as Melco Crown (Macau) Limited, and other subsidiaries and affiliates of the Registrant (incorporated herein by reference to Exhibit 10.10 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.6	<a href="#"><u>Work Agreement No. 1 dated December 21, 2015, related to sale and purchase of certain property, plant and equipment and inventory and supplies among Studio City Entertainment Limited and other subsidiaries and affiliates of the Registrant (incorporated herein by reference to Exhibit 10.11 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.7	<a href="#"><u>Work Agreement No. 2 dated December 21, 2015, related to corporate services among Studio City Entertainment Limited and other subsidiaries and affiliates of the Registrant (incorporated herein by reference to Exhibit 10.12 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.8	<a href="#"><u>Work Agreement No. 3 dated December 21, 2015, related to certain pay-as-used charges among Studio City Entertainment Limited and other subsidiaries and affiliates of the Registrant (incorporated herein by reference to Exhibit 10.13 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.9	<a href="#"><u>Work Agreement No. 4 dated December 21, 2015, related to operational and property sharing services among Studio City Entertainment Limited and other subsidiaries and affiliates of the Registrant (incorporated herein by reference to Exhibit 10.14 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.10	<a href="#"><u>Work Agreement No. 5 dated December 21, 2015, related to limousine transportation services among Studio City Hotels Limited and other subsidiaries and affiliates of the Registrant (incorporated herein by reference to Exhibit 10.15 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.11	<a href="#"><u>Work Agreement No. 6 dated December 21, 2015, related to aviation services among Studio City Entertainment Limited and other subsidiaries and affiliates of the Registrant (incorporated herein by reference to Exhibit 10.16 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.12	<a href="#"><u>Work Agreement No. 7 dated December 21, 2015, related to collection and payment services among Studio City Entertainment Limited and other subsidiaries and affiliates of the Registrant (incorporated herein by reference to Exhibit 10.17 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.13	<a href="#"><u>Work Agreement No. 8 dated December 21, 2015, related to limousine transportation services among Studio City Hotels Limited and other subsidiaries and affiliates of the Registrant (incorporated herein by reference to Exhibit 10.18 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.14	<a href="#"><u>English Translation of the Order of Secretary for Public Works and Transportation published in Macau Official Gazette No. 100/2001 dated October 9, 2001, in relation to the Studio City Land Concession (incorporated herein by reference to Exhibit 10.19 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.15	<a href="#"><u>English Translation of the amended Order of Secretary for Public Works and Transportation published in Macau Official Gazette No. 31/2012 dated July 19, 2012, in relation to the Studio City Land Concession (incorporated herein by reference to Exhibit 10.20 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.16	<a href="#"><u>English Translation of the amended Order of Secretary for Public Works and Transportation published in Macau Official Gazette No. 92/2015 dated September 10, 2015, in relation to the Studio City Land Concession (incorporated herein by reference to Exhibit 10.21 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.17	<a href="#"><u>Participation Agreement among MSC Cotai Limited, New Cotai, LLC and the Registrant (form of which is incorporated herein by reference to Exhibit 10.22 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>

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<b>Exhibit Number</b>	<b>Description of Document</b>
4.18	<a href="#"><u>Implementation Agreement among MCO Cotai Investments Limited, New Cotai, LLC, Melco Resorts &amp; Entertainment Limited and the Registrant (form of which is incorporated herein by reference to Exhibit 10.23 from our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018)</u></a>
4.19*	<a href="#"><u>Studio City Casino Agreement by and among Studio City Entertainment Limited and Melco Resorts (Macau) Limited, dated June 23, 2022</u></a>
4.20*	<a href="#"><u>Extension Agreement to Master Services Agreement and Work Agreements, dated March 30, 2023</u></a>
8.1*	<a href="#"><u>List of Significant Subsidiaries</u></a>
12.1*	<a href="#"><u>CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
12.2*	<a href="#"><u>CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
13.1*	<a href="#"><u>CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
13.2*	<a href="#"><u>CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
15.1*	<a href="#"><u>Letter from Ernst &amp; Young, located in Hong Kong, Special Administrative Region of the PRC, to the U.S. Securities and Exchange Commission</u></a>
101.INS*	Inline XBRL Instance Document-this instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Furnished with this annual report on Form 20-F.

† Previously filed with the Registration Statement on Form F-6 (File No. 333-227759), dated October 9, 2018, and incorporated herein by reference.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

Date: March 31, 2023

By: /s/ Kevin Richard Benning  
Name: Kevin Richard Benning  
Title: Property General Manager



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of Studio City International Holdings Limited

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Studio City International Holdings Limited (the Company) as of December 31, 2022, the related consolidated statements of operations, comprehensive loss, equity and cash flows for the year ended December 31, 2022, and the related notes and the financial statement schedule included in Schedule 1 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 31, 2023 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

**Impairment assessment of long-lived assets**

*Description of the Matter*

At December 31, 2022, the Company's long-lived asset group to be held and used, comprised of property and equipment, intangible assets, other long-term assets, land use right and operating lease right-of-use assets, were \$3.0 billion. As described in Note 2(m) to the consolidated financial statements, long-lived assets with finite lives to be held and used are evaluated for impairment whenever indicators of impairment exist. As the Company generated operating losses due to the severe decline in overall market conditions resulting from the impact of COVID-19 during 2022, the Company evaluated the asset group for recoverability as of December 31, 2022 and concluded no impairment existed at that date.

Auditing management's impairment assessment involved a high degree of subjectivity due to the significant estimations required to determine the projected future undiscounted cash flows of the asset group. In particular, these estimates are sensitive to significant assumptions including future revenue growth rates and gross margin, which can be affected by expectations about future market and economic conditions, including the continuing impact of COVID-19.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's impairment assessment process. For example, we tested the controls over management's identification of impairment indicators, and over management's review of the significant assumptions described above used to develop the undiscounted cash flow projections of the asset group.

To test the Company's impairment of the asset group, our audit procedures included, among others, evaluating the significant assumptions used to develop the projected future cash flows of the asset group and testing the completeness and accuracy of the underlying data used by the Company. We compared the significant assumptions, including future revenue growth rates and gross margin, to current industry and economic trends, including the impact of COVID-19, as well as to changes in the Company's strategic plans. We assessed the historical accuracy of the Company's cash flow projections by comparing them with actual operating results. We performed sensitivity analyses of the significant assumptions, to evaluate the changes in the future cash flows that could result from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2022.

Singapore  
March 31, 2023

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of Studio City International Holdings Limited

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Studio City International Holdings Limited (the Company) as of December 31, 2021, the related consolidated statements of operations, comprehensive loss, equity and cash flows for each of the two years in the period ended December 31, 2021, and the related notes and the financial statement schedule included in Schedule 1 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young

We served as the Company's auditor from 2017 to 2022.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Studio City International Holdings Limited

### Opinion on Internal Control Over Financial Reporting

We have audited Studio City International Holdings Limited's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Studio City International Holdings Limited (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2022, the related consolidated statements of operations, comprehensive loss, equity, and cash flows for the year ended December 31, 2022, and the related notes and the financial statement schedule included in Schedule 1, and our report dated March 31, 2023 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP  
Singapore  
March 31, 2023

## STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per share data)

	December 31,	
	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 509,523	\$ 499,289
Accounts receivable	263	247
Receivables from affiliated companies	221	15,697
Inventories	5,121	5,828
Prepaid expenses and other current assets	38,721	42,633
Total current assets	<u>553,849</u>	<u>563,694</u>
Property and equipment, net	2,868,064	2,556,040
Intangible assets, net	1,373	2,777
Long-term prepayments, deposits and other assets	48,325	69,624
Restricted cash	130	130
Operating lease right-of-use assets	13,136	14,588
Land use right, net	108,645	112,114
Total assets	<u>\$ 3,593,522</u>	<u>\$ 3,318,967</u>
<b>LIABILITIES, SHAREHOLDERS' EQUITY AND PARTICIPATION INTEREST</b>		
Current liabilities:		
Accounts payable	\$ 501	\$ 211
Accrued expenses and other current liabilities	165,688	201,405
Income tax payable	22	21
Payables to affiliated companies	81,178	53,093
Total current liabilities	<u>247,389</u>	<u>254,730</u>
Long-term debt, net	2,434,476	2,087,486
Other long-term liabilities	21,631	17,771
Deferred tax liabilities, net	382	—
Operating lease liabilities, non-current	13,499	14,797
Total liabilities	<u>\$ 2,717,377</u>	<u>\$ 2,374,784</u>
Commitments and contingencies (Note 18)		

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED****CONSOLIDATED BALANCE SHEETS - continued**  
**(In thousands, except share and per share data)**

	December 31,	
	2022	2021
Shareholders' equity and participation interest:		
Class A ordinary shares, par value \$0.0001; 1,927,488,240 shares authorized; 770,352,700 and 370,352,700 shares issued and outstanding, respectively	\$ 77	\$ 37
Class B ordinary shares, par value \$0.0001; 72,511,760 shares authorized; 72,511,760 shares issued and outstanding	7	7
Additional paid-in capital	2,477,359	2,134,227
Accumulated other comprehensive losses	(11,671)	(6,136)
Accumulated losses	(1,665,166)	(1,338,715)
Total shareholders' equity	<u>800,606</u>	<u>789,420</u>
Participation interest	<u>75,539</u>	<u>154,763</u>
Total shareholders' equity and participation interest	<u>876,145</u>	<u>944,183</u>
Total liabilities, shareholders' equity and participation interest	<u>\$ 3,593,522</u>	<u>\$ 3,318,967</u>

The accompanying notes are an integral part of these consolidated financial statements.



## STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

	Year Ended December 31,		
	2022	2021	2020
Operating revenues:			
Revenue from casino contract with a related party	\$ (56,665)	\$ (1,455)	\$ (42,682)
Rooms (including revenues from related parties of \$13,088, \$30,974 and \$15,981 for the years ended December 31, 2022, 2021 and 2020, respectively)	17,915	38,749	21,997
Food and beverage (including revenues from related parties of \$11,951, \$18,004 and \$14,487 for the years ended December 31, 2022, 2021 and 2020, respectively)	17,489	26,734	22,653
Entertainment (including revenues from related parties of \$499, \$361 and \$25 for the years ended December 31, 2022, 2021 and 2020, respectively)	1,649	2,649	1,389
Services fee from related parties	21,889	24,906	26,151
Mall	7,189	13,683	17,008
Retail and other	2,082	1,602	2,692
Total operating revenues	11,548	106,868	49,208
Operating costs and expenses:			
Costs related to casino contract (including costs to related parties of \$28,740, \$27,223 and \$25,576 for the years ended December 31, 2022, 2021 and 2020, respectively)	(29,871)	(28,085)	(26,993)
Rooms (including costs to related parties of \$7,277, \$7,948 and \$7,527 for the years ended December 31, 2022, 2021 and 2020, respectively)	(11,119)	(12,176)	(11,229)
Food and beverage (including costs to related parties of \$15,501, \$17,146 and \$19,370 for the years ended December 31, 2022, 2021 and 2020, respectively)	(24,403)	(27,853)	(27,301)
Entertainment (including costs to related parties of \$2,061, \$2,207 and \$2,273 for the years ended December 31, 2022, 2021 and 2020, respectively)	(2,253)	(2,842)	(3,409)
Mall (including costs to related parties of \$1,588, \$1,711 and \$2,025 for the years ended December 31, 2022, 2021 and 2020, respectively)	(4,115)	(3,785)	(4,661)
Retail and other (including costs to related parties of \$1,005, \$1,331 and \$1,220 for the years ended December 31, 2022, 2021 and 2020, respectively)	(1,200)	(1,474)	(1,204)
General and administrative (including expenses to related parties of \$44,005, \$46,712 and \$52,213 for the years ended December 31, 2022, 2021 and 2020, respectively)	(79,785)	(87,577)	(89,006)
Pre-opening costs (including expenses to related parties of \$1,975, \$351 and \$240 for the years ended December 31, 2022, 2021 and 2020, respectively)	(3,263)	(984)	(201)
Amortization of land use right	(3,300)	(3,325)	(3,333)
Depreciation and amortization	(123,656)	(124,309)	(157,001)
Property charges and other (including expenses to related parties of \$5,622, \$4,246 and \$1,694 for the years ended December 31, 2022, 2021 and 2020, respectively)	(5,799)	(6,031)	(4,798)
Total operating costs and expenses	(288,764)	(298,441)	(329,136)
Operating loss	\$ (277,216)	\$ (191,573)	\$ (279,928)

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS - continued**  
**(In thousands, except share and per share data)**

	Year Ended December 31,		
	2022	2021	2020
Non-operating income (expenses):			
Interest income	\$ 6,427	\$ 3,060	\$ 1,276
Interest expenses, net of amounts capitalized	(92,358)	(90,967)	(104,799)
Other financing costs	(417)	(419)	(421)
Foreign exchange gains (losses), net	2,390	6,257	(3,434)
Other income (expenses), net	249	—	(81)
Loss on extinguishment of debt	—	(28,817)	(18,716)
Total non-operating expenses, net	(83,709)	(110,886)	(126,175)
Loss before income tax	(360,925)	(302,459)	(406,103)
Income tax (expense) benefit	(382)	457	1,011
Net loss	(361,307)	(302,002)	(405,092)
Net loss attributable to participation interest	34,856	49,447	83,466
Net loss attributable to Studio City International Holdings Limited	<u>\$ (326,451)</u>	<u>\$ (252,555)</u>	<u>\$ (321,626)</u>
Net loss attributable to Studio City International Holdings Limited per Class A ordinary share:			
Basic	<u>\$ (0.459)</u>	<u>\$ (0.682)</u>	<u>\$ (1.091)</u>
Diluted	<u>\$ (0.461)</u>	<u>\$ (0.682)</u>	<u>\$ (1.103)</u>
Weighted average Class A ordinary shares outstanding used in net loss attributable to Studio City International Holdings Limited per Class A ordinary share calculation:			
Basic	<u>710,582,947</u>	<u>370,352,700</u>	<u>294,837,092</u>
Diluted	<u>783,094,707</u>	<u>370,352,700</u>	<u>367,348,852</u>

The accompanying notes are an integral part of these consolidated financial statements.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(In thousands)**

	Year Ended December 31,		
	2022	2021	2020
Net loss	\$ (361,307)	\$ (302,002)	\$ (405,092)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(5,890)	(21,538)	15,208
Other comprehensive (loss) income	(5,890)	(21,538)	15,208
Total comprehensive loss	(367,197)	(323,540)	(389,884)
Comprehensive loss attributable to participation interest	35,211	52,973	79,865
Comprehensive loss attributable to Studio City International Holdings Limited	<u>\$ (331,986)</u>	<u>\$ (270,567)</u>	<u>\$ (310,019)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**
**CONSOLIDATED STATEMENTS OF EQUITY**  
**(In thousands, except share and per share data)**

	Studio City International Holdings Limited Shareholders' Equity								
	Class A Ordinary Shares		Class B Ordinary Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Losses)	Accumulated Losses	Participation Interest	Total Equity
	Shares	Amount	Shares	Amount					
Balance at January 1, 2020	241,818,016	\$ 24	72,511,760	\$ 7	\$1,655,602	\$ 269	\$ (764,534)	\$ 267,291	\$1,158,659
Net loss	—	—	—	—	—	—	(321,626)	(83,466)	(405,092)
Foreign currency translation adjustments	—	—	—	—	—	11,607	—	3,601	15,208
Shares issued, net of offering expenses	128,534,684	13	—	—	498,935	—	—	—	498,948
Change in Participation Interest resulting from 2020 Private Placements (as described in Note 13)	—	—	—	—	(20,310)	—	—	20,310	—
Balance at December 31, 2020	370,352,700	37	72,511,760	7	2,134,227	11,876	(1,086,160)	207,736	1,267,723
Net loss	—	—	—	—	—	—	(252,555)	(49,447)	(302,002)
Foreign currency translation adjustments	—	—	—	—	—	(18,012)	—	(3,526)	(21,538)
Balance at December 31, 2021	370,352,700	37	72,511,760	7	2,134,227	(6,136)	(1,338,715)	154,763	944,183
Net loss	—	—	—	—	—	—	(326,451)	(34,856)	(361,307)
Foreign currency translation adjustments	—	—	—	—	—	(5,535)	—	(355)	(5,890)
Shares issued, net of offering expenses	400,000,000	40	—	—	299,119	—	—	—	299,159
Change in Participation Interest resulting from 2022 Private Placements (as described in Note 13)	—	—	—	—	44,013	—	—	(44,013)	—
Balance at December 31, 2022	<u>770,352,700</u>	<u>\$ 77</u>	<u>72,511,760</u>	<u>\$ 7</u>	<u>\$2,477,359</u>	<u>\$ (11,671)</u>	<u>\$(1,665,166)</u>	<u>\$ 75,539</u>	<u>\$ 876,145</u>

The accompanying notes are an integral part of these consolidated financial statements.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net loss	\$(361,307)	\$(302,002)	\$ (405,092)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	126,956	127,634	160,334
Amortization of deferred financing costs and original issue premiums	1,404	1,466	4,507
Loss (gain) on disposal of property and equipment and other long-term assets	134	171	(272)
Impairment loss recognized on property and equipment	—	1,500	3,769
Provision for (reversal of) credit losses	481	(65)	1,277
Loss on extinguishment of debt	—	28,817	18,716
Changes in operating assets and liabilities:			
Accounts receivable	(16)	(91)	1,241
Receivables from affiliated companies	15,454	(5,750)	54,405
Inventories, prepaid expenses and other	4,070	(1,789)	1,931
Long-term prepayments, deposits and other	(5,678)	6,939	(54,748)
Accounts payable, accrued expenses and other	10,876	(6,024)	22,134
Payables to affiliated companies	27,967	14,207	24,512
Other long-term liabilities	884	(1,854)	(139)
Net cash used in operating activities	<u>(178,775)</u>	<u>(136,841)</u>	<u>(167,425)</u>
Cash flows from investing activities:			
Acquisition of property and equipment	(452,126)	(400,367)	(202,712)
Funds to an affiliated company	(1,278)	(4,449)	(9,616)
Proceeds from sale of property and equipment and other long-term assets	9	1,694	2,640
Placement of bank deposits with original maturities over three months	—	(278,700)	—
Acquisition of intangible assets	—	(4,113)	(101)
Withdrawals of bank deposits with original maturities over three months	—	278,700	—
Net cash used in investing activities	<u>(453,395)</u>	<u>(407,235)</u>	<u>(209,789)</u>
Cash flows from financing activities:			
Payments of deferred financing costs	(6,050)	(33,297)	(25,411)
Net proceeds from (payments for) issuance of shares	299,159	(445)	499,222
Proceeds from long-term debt	350,000	758,194	1,000,000
Principal payments on long-term debt	—	(252,944)	(850,000)
Net cash provided by financing activities	<u>643,109</u>	<u>471,508</u>	<u>623,811</u>
Effect of exchange rate on cash, cash equivalents and restricted cash	<u>(705)</u>	<u>(3,372)</u>	<u>1,530</u>
Increase (decrease) in cash, cash equivalents and restricted cash	10,234	(75,940)	248,127
Cash, cash equivalents and restricted cash at beginning of year	499,419	575,359	327,232
Cash, cash equivalents and restricted cash at end of year	<u>\$ 509,653</u>	<u>\$ 499,419</u>	<u>\$ 575,359</u>

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS - continued**  
**(In thousands)**

	Year Ended December 31,		
	2022	2021	2020
Supplemental cash flow disclosures:			
Cash paid for interest, net of amounts capitalized	\$ (87,892)	\$ (84,141)	\$ (81,488)
Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from operating leases	\$ (726)	\$ (734)	\$ (735)
Change in operating lease right-of-use assets and lease liabilities arising from lease modification	\$ (1,343)	\$ (2,575)	\$ 3,213
Change in accrued expenses and other current liabilities and other long-term liabilities related to acquisition of property and equipment	\$ 100,394	\$ 142,682	\$ 61,024
Change in receivables from/payables to affiliated companies related to acquisition of property and equipment and other long-term assets	\$ 3,819	\$ 7,477	\$ 9,464
Change in payables to affiliated companies related to acquisition of intangible assets	\$ —	\$ —	\$ 3,938
Offering expenses capitalized for the issuance of shares included in accrued expenses and other current liabilities	\$ —	\$ —	\$ 445

The accompanying notes are an integral part of these consolidated financial statements.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share and per share data)**

**1. ORGANIZATION AND BUSINESS**

**(a) Company Information**

Studio City International Holdings Limited (“Studio City International”) is an exempted company with limited liability registered by way of continuation in the Cayman Islands, with its American depository shares (“ADSs”) listed on the New York Stock Exchange under the symbol “MSC” in the United States of America.

Studio City International together with its subsidiaries (collectively referred to as the “Company”) currently operates the non-gaming operations of Studio City, a cinematically-themed integrated resort in Cotai, Macau Special Administrative Region of the People’s Republic of China (“Macau”), and provides services pursuant to a casino contract to Melco Resorts (Macau) Limited (“Melco Resorts Macau”), a subsidiary of Melco Resorts & Entertainment Limited (“Melco”), which holds the gaming concession in Macau, for the operations of the gaming area at Studio City (“Studio City Casino”). Melco’s ADSs are listed on the Nasdaq Global Select Market in the United States of America.

Studio City International authorized two classes of ordinary shares, the Class A ordinary shares and the Class B ordinary shares, in each case with a par value of \$0.0001 each. The Class A ordinary share and Class B ordinary share have the same rights, except that holders of the Class B ordinary shares do not have any right to receive dividends or distributions upon the liquidation or winding up of Studio City International or to otherwise share in profits and surplus assets. MCO Cotai Investments Limited, a subsidiary of Melco, through its ownership of the Class A ordinary shares, is the controlling shareholder of Studio City International. New Cotai, LLC (“New Cotai”), a private company organized in the United States of America, is the holder of all outstanding Class B ordinary shares which have only voting and no economic rights. New Cotai has a non-voting, non-shareholding economic participation interest (“Participation Interest”) in MSC Cotai Limited (“MSC Cotai”), a subsidiary of Studio City International, which entitles New Cotai to receive from MSC Cotai an amount equal to a certain percentage of the amount of any distribution, dividend or other consideration paid by MSC Cotai to Studio City International, subject to adjustments, exceptions and conditions as set out in the participation agreement (the “Participation Agreement”) entered into by MSC Cotai, New Cotai and Studio City International in 2018 (the “MSC Cotai’s Distribution”). The Participation Agreement also provides that New Cotai is entitled to exchange all or a portion of its Participation Interest for a number of Class A ordinary shares subject to adjustments, exceptions and conditions as set out in the Participation Agreement and a proportionate number of Class B ordinary shares will be deemed surrendered and automatically cancelled for no consideration as set out in the Participation Agreement when New Cotai exchanges all or a portion of the Participation Interest for Class A ordinary shares. As of December 31, 2022 and 2021, the Participation Interest entitled New Cotai to receive from MSC Cotai an amount equal to approximately 9.4% and 19.6% of the MSC Cotai’s Distribution, respectively.

As of December 31, 2022 and 2021, Melco International Development Limited, 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.

**(b) Recent Developments Related to COVID-19 and Other Business Operation**

The disruptions to the Company’s business caused by the COVID-19 outbreak continued to have a material effect on its financial condition and operations during 2022.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**1. ORGANIZATION AND BUSINESS - continued**

**(b) Recent Developments Related to COVID-19 and Other Business Operation - continued**

The Company's operations were significantly impacted by travel restrictions and quarantine requirements as imposed by the governments of Macau, Hong Kong and the People's Republic of China (the "PRC") during 2022. A stream of COVID-19 outbreaks in the PRC in the first half of 2022 led to a tightening of border controls for entry from Guangdong province. In June 2022, the resurgence of COVID-19 cases in Macau led to citywide mandatory testing and strict travel restrictions and requirements implemented to enter and exit Macau. On June 23, 2022, the Macau government issued a mandatory closure order for entertainment and leisure venues, with casinos and gaming areas excluded. During the period from July 11, 2022 to July 22, 2022, such mandatory closure order was further extended to almost all entities including gaming. Studio City Casino was closed for 12 days and resumed operations on July 23, 2022. From August 2, 2022, all closure orders were lifted but health-related precautionary measures remained in place. The validity of nucleic acid tests to enter Macau varied from time to time. Since September 1, 2022, certain non-Macau resident individuals who are not residents of Taiwan, Hong Kong, and the PRC became eligible to enter Macau without prior approval provided they comply with certain conditions imposed by the Macau government, subject to valid nucleic acid tests, and, from November 12, 2022, a five-day quarantine at a government designated facility and a three-day home quarantine period. On November 1, 2022, China's National Immigration Administration commenced electronic processing of visa applications for individual or group travel to Macau. Since January 8, 2023, travelers arriving in Macau from Taiwan, Hong Kong and the PRC were no longer required to present negative nucleic acid tests. From February 27, 2023, masks were not required in outdoor places. However, masks are still required on public transportation (except taxis) and in certain indoor areas. The requirement to wear masks was waived in most private indoor areas by their operators or supervisory entities.

While quarantine-free travel to and from the PRC has resumed and pandemic measures eased significantly, the pace of recovery from COVID-19 related disruptions remains highly uncertain.

As announced by Studio City International in May 2022, the Macau government granted a further extension of the development period under the Studio City land concession to June 30, 2023. The first stage opening of Studio City Phase 2 is expected to be in the second quarter of 2023, with the second stage opening expected in the third quarter of 2023.

The Company is currently unable to reasonably estimate the financial impact to its future results of operations, cash flows and financial condition from these disruptions.

As of December 31, 2022, the Company had cash and cash equivalents of \$509,523 and available unused borrowing capacity under the 2016 SC Revolving Credit Facility (as defined in Note 10) of Hong Kong dollars ("HK\$") 233,000 (equivalent to \$29,835), subject to the satisfaction of certain conditions precedent.

The Company has taken various mitigating measures to manage through the COVID-19 outbreak challenges, such as implementing cost reduction programs to minimize cash outflows for non-essential items, rationalizing the Company's capital expenditure programs with deferrals and reductions and raising additional capital through debt and equity offerings.

The Company believes it will be able to support continuing operations and capital expenditures for at least twelve months after the date that these consolidated financial statements are issued.



**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**1. ORGANIZATION AND BUSINESS - continued**

**(c) Macau Gaming Subconcession and Concession Contract**

On September 8, 2006, Melco Resorts Macau entered into a subconcession contract to operate its gaming business in Macau, which expired on June 26, 2022. This subconcession contract was extended to December 31, 2022 by order of the Macau Chief Executive under the Macau gaming law pursuant to an amendment agreement entered into by Melco Resorts Macau on June 23, 2022. Such extension coincided with the extended expiration date of all the other concessions and subconcessions in Macau.

On December 16, 2022, the Macau government awarded a ten-year concession to operate games of fortune and chance in casinos in Macau (the “Concession”) to Melco Resorts Macau. The term of the Concession commenced on January 1, 2023 and ends on December 31, 2032. Under the Concession, Melco Resorts Macau is authorized to operate the Studio City Casino.

On December 30, 2022, in accordance with the obligations under letter of undertakings dated June 23, 2022, Melco Resorts Macau and Studio City Developments Limited (“Studio City Developments”), a subsidiary of Studio City International, which holds the land lease right for the property on which Studio City Casino is located, executed a public deed pursuant to which the gaming and gaming support areas comprising the Studio City Casino with an area of 28,784.3 square meters, and related gaming equipment and utensils (collectively as referred to the “Reversion Assets”), reverted to the Macau government, without compensation and free and clear from any charges or encumbrances, at the expiration of the subconcession in accordance with the Macau gaming law. Under the terms of the Macau gaming law and the Concession, effective as of January 1, 2023, the Reversion Assets have been transferred by the Macau government to Melco Resorts Macau for use in its operations during the Concession for a fee of MOP0.75 per square meter of the casino for years 1 to 3 of the Concession, subject to a consumer price index increase in years 2 and 3 of the Concession. The fee will increase to MOP2.5 per square meter of the casino for years 4 to 10 of the Concession, subject to a consumer price index increase in years 5 to 10 of the Concession.

Melco Resorts Macau and Studio City Entertainment Limited (“Studio City Entertainment”), a subsidiary of Studio City International, entered into a services and right to use agreement on May 11, 2007, as amended on June 15, 2012, together with related agreements (the “Services and Right to Use Arrangements”), under which Melco Resorts Macau agreed to operate the Studio City Casino since the Company does not hold a gaming concession in Macau. These arrangements were amended on June 23, 2022 (the “Studio City Casino Agreement”) to align such agreement with the enacted amendments to the Macau gaming law. In addition, certain conditions imposed by the Macau government relating to the previously existing agreement, including in relation to shareholding requirements for certain direct and indirect shareholders of Studio City Entertainment, are no longer applicable.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation and Principles of Consolidation**

Under the Services and Right to Use Arrangements, Melco Resorts Macau deducts gaming taxes and the costs incurred in connection with its operations from Studio City Casino's gross gaming revenues. The residual gross gaming revenues which the Company receives as revenue, previously captioned as revenue from provision of gaming related services, is now captioned as revenue from casino contract as a result of the amendments made to the Studio City Casino Agreement.

In December 2015, certain of the Studio City International's subsidiaries entered into a master services agreement and related work agreements (collectively, the "Management and Shared Services Arrangements") with certain of Melco's subsidiaries with respect to services provided to and from Studio City, which expired in June 2022 and were extended to December 31, 2032 in March 2023.

Under the Management and Shared Services Arrangements, certain of the corporate and administrative functions as well as operational activities of the Company are administered by staff employed by certain Melco subsidiaries, including senior management services, centralized corporate functions and operational and venue support services. Payment arrangements for the services are provided for in the individual work agreements 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 the Company based on percentages of efforts on the services provided to the Company. Other costs in relation to shared office equipment are allocated based on a percentage of usage.

The Company believes the costs incurred under the Studio City Casino Agreement, previously captioned as costs for provision of gaming related services and now captioned as costs related to casino contract, and the allocation methods under the Management and Shared Services Arrangements are reasonable and the accompanying consolidated financial statements reflect the Company's cost of doing business. However, such allocations may not be indicative of the actual expenses the Company would have incurred had it operated as an independent company for the periods presented. Details of the services and related charges are disclosed in Note 19.

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP").

The accompanying consolidated financial statements include the accounts of Studio City International and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**(b) Use of Estimates**

The preparation of the accompanying 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 Company and on various other assumptions that the Company believes to be reasonable under the circumstances. Accordingly, actual results could differ from those estimates.

STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(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 Company 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 consist of bank time deposits placed with financial institutions with high-credit ratings and quality.

(e) **Restricted Cash**

The current portion of restricted cash represents cash deposited into bank accounts which are restricted as to withdrawal and use and the Company expects these funds will be released or utilized in accordance with the terms of the respective agreements within the next twelve months, while the non-current portion of restricted cash represents funds that will not be released or utilized within the next twelve months. Restricted cash mainly represents collateral bank accounts associated with borrowings under the credit facilities.

(f) **Accounts Receivable and Credit Risk**

Accounts receivable, including hotel and other receivables, are typically non-interest bearing and are recorded at amortized 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 credit losses is maintained to reduce the Company’s receivables to their carrying amounts, which reflects the net amount the Company expects to collect. The allowance is estimated based on specific reviews of the age of the balances owed, the customers’ financial condition, management’s experience with the collection trends of the customers and management’s expectations of current and future economic conditions.

Management believes that as of December 31, 2022 and 2021, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

(g) **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 and weighted average methods.

(h) **Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets represent current assets that are typically used up or expire within the normal operating cycle of the Company. The prepaid expenses as of December 31, 2022 and 2021 were \$35,801 and \$38,581, respectively, and the other current assets as of December 31, 2022 and 2021 were \$2,920 and \$4,052, respectively.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(i) Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation and amortization, and impairment losses, if any. Gains or losses on dispositions of property and equipment are included in the accompanying 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 Studio City, direct and incremental costs related to the design and construction, including costs under construction contracts, duties and tariffs, equipment installations, shipping costs, payroll and payroll-benefit related costs, applicable portions of interest, including 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 substantially suspended.

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 Studio City's facilities are completed and opened.

Property and equipment are depreciated and amortized over the following estimated useful lives on a straight-line basis:

Buildings	4 to 40 years
Furniture, fixtures and equipment	2 to 15 years
Leasehold improvements	5 to 10 years or over the lease term, whichever is shorter
Motor vehicles	5 years

**(j) Capitalized Interest**

Interest, including amortization of deferred financing costs, associated with major development and construction projects is capitalized and included in the cost of the projects. The capitalization of interest ceases when the project is substantially completed or the development activity is substantially suspended. The amount to be capitalized is determined by applying the weighted average interest rate of the Company'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 \$141,977, \$114,694 and \$115,697, of which \$49,619, \$23,727 and \$10,898 were capitalized during the years ended December 31, 2022, 2021 and 2020, respectively.

**(k) Other Long-term Assets**

Before the amendment of the Services and Right to Use Arrangements on June 23, 2022, other long-term assets, net represent the payments for the future economic benefits of certain plant and equipment for the operation of Studio City Casino (the "Studio City Gaming Assets"), transferred from Melco Resorts Macau to the Company pursuant to the Services and Right to Use Arrangements, less subsequent accumulated amortization and accumulated impairment losses, if any. After the amendment of the Services and Right to Use Arrangement on June 23, 2022, other long-term assets, net represent the payments to Melco Resorts Macau in accordance with the Studio City Casino Agreement for the future economic benefits of the Studio City Gaming Assets to be generated from the Studio City Casino Agreement for the operation of Studio City Casino, less subsequent accumulated amortization and accumulated impairment losses, if any.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(k) Other Long-term Assets - continued**

Other long-term assets are amortized using straight-line method over the respective estimated useful lives of the Studio City Gaming Assets, ranging from 2 to 10 years. The legal ownership of the Studio City Gaming Assets is retained by Melco Resorts Macau before and after the amendment of the Services and Right to Use Arrangements until the expiration of the subconcession on December 31, 2022, where the Reversion Assets (including certain of the Studio City Gaming Assets) that reverted to the Macau government at the expiration of the subconcession are owned by the Macau government. Effective as of January 1, 2023, the Reversion Assets were transferred to Melco Resorts Macau for the duration of the Concession, in return for annual payments for the right to operate the Reversion Assets as part of the Concession as disclosed in Note 1(c).

The cost of the other long-term assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of an item of the Studio City Gaming Assets in Studio City Casino. Any gain or loss arising on the disposal or retirement of cost of the other long-term assets is determined as the difference between the sale proceeds and the carrying amount of an item of the Studio City Gaming Assets and is recognized in the accompanying consolidated statements of operations.

**(l) Intangible Assets**

Intangible assets 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 Company's intangible assets, which are finite-lived, consist of internal-use software. Finite-lived intangible assets are amortized over the shorter of their contractual terms or estimated useful lives on a straight-line basis.

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful lives of the software of 3 years on a straight-line basis. The capitalization of such costs begins during the application development stage of the software project and ceases once the software project is substantially complete and ready for its intended use. Costs of specified upgrades and enhancements to the internal-use software are capitalized, while costs associated with preliminary project stage activities, training, maintenance and all other post-implementation stage activities are expensed as incurred.

**(m) Impairment of Long-lived Assets**

The Company evaluates the long-lived assets with finite lives to be held and used for impairment whenever indicators of impairment exist. The Company then compares the estimated future cash flows of the assets, on an undiscounted basis, to the carrying values of the assets. Estimating future cash flows of the assets involves significant assumptions, including future revenue growth rates and gross margins. 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.

No impairment loss was recognized during the year ended December 31, 2022. During the years ended December 31, 2021 and 2020, impairment losses of \$1,500 and \$3,769 were recognized, respectively, mainly due to reconfigurations and renovations at Studio City, and included in property charges and other in the accompanying consolidated statements of operations. As a result of the COVID-19

STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(m) **Impairment of Long-lived Assets** - continued

outbreak as disclosed in Note 1(b), the Company evaluated its long-lived assets for recoverability as of December 31, 2022 and 2021 and concluded no other impairment charges to be recorded.

(n) **Deferred Financing Costs**

Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are capitalized and amortized to interest expenses over the terms of the related debt agreements using the effective interest method. Deferred financing costs incurred in connection with the issuance of revolving credit facilities are included in other assets, either current or non-current, in the accompanying consolidated balance sheets, based on the maturity of each revolving credit facility. All other deferred financing costs are presented as a reduction of long-term debt in the accompanying consolidated balance sheets.

(o) **Land Use Right**

Land use right represents the upfront land premium paid for the use of land held under operating lease, which is recorded at cost less accumulated amortization. Amortization is provided over the estimated term of the land use right of 40 years on a straight-line basis.

(p) **Leases**

At the inception of the contract or upon modification, the Company 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.

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 the 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, all are accounted for as operating leases, and the lease components and non-lease components are accounted for separately.

(q) **Revenue Recognition**

The Company's revenues from contracts with customers consist of revenue from casino contract, sales of rooms, food and beverage, entertainment, retail and other goods and services.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(q) Revenue Recognition - continued**

Revenue from casino contract represents revenue arising from the Studio City Casino Agreement for the operations of Studio City Casino by Melco Resorts Macau. Revenue was previously captioned as revenue from provision of gaming related services before the amendment of the Services and Right to Use Arrangements on June 23, 2022, for the provision of facilities and services thereto by Studio City Entertainment to Melco Resorts Macau, under which Melco Resorts Macau operates the Studio City Casino. Melco Resorts Macau deducts gaming taxes and the costs incurred in connection with the operations of Studio City Casino pursuant to the Studio City Casino Agreement, including the standalone selling prices of complimentary services within Studio City provided to the Studio City gaming patrons, from the Studio City Casino gross gaming revenues. The Company recognizes the residual amount as revenue from casino contract and was previously captioned as revenues from provision of gaming related services. The Company has concluded that it is not the controlling entity to the arrangements and recognizes the revenue from casino contract on a net basis.

Non-gaming revenues include services provided for cash consideration and services provided on a complimentary basis to the gaming patrons at Studio City. 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 Company 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 Company 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 mall 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 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's primary types of liabilities related to contracts with customers are advance deposits on rooms and advance ticket sales which represent cash received in advance for goods or services yet to be provided. These amounts are included in accrued expenses and other current liabilities on the accompanying consolidated balance sheets and will be recognized as revenues when the goods or services are provided or the events are held. Decreases in this balance generally represent the recognition of revenues and increases in the balance represent additional deposits made by customers. The deposits are expected to primarily be recognized as revenues within one year. Advance customer deposits and ticket sales of \$1,793 as of December 31, 2022 decreased by \$466 from the balance of \$2,259 as of December 31, 2021. Advance customer deposits and ticket sales of \$2,259 as of December 31, 2021 decreased by \$144 from the balance of \$2,403 as of December 31, 2020.

**(r) 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, 2022, 2021 and 2020, the Company incurred pre-opening costs in connection with the development and other one-off activities related to the marketing of new facilities and operations of Studio City.

STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(s) **Advertising and Promotional Costs**

The Company 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 \$3,692, \$4,977 and \$4,607 for the years ended December 31, 2022, 2021 and 2020, respectively.

(t) **Foreign Currency Transactions and Translations**

All transactions in currencies other than functional currencies of Studio City International 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 accompanying consolidated statements of operations.

The functional currency of Studio City International is the United States dollar (“\$” or “US\$”) and the functional currency of most of Studio City International’s foreign subsidiaries is the local currency in which the subsidiary operates. 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 foreign subsidiaries’ financial statements are recorded as a component of other comprehensive (loss) income.

(u) **Comprehensive Loss and Accumulated Other Comprehensive Losses**

Comprehensive loss includes net loss and other non-shareholder changes in equity, or other comprehensive (loss) income and is reported in the accompanying consolidated statements of comprehensive loss.

As of December 31, 2022 and 2021, the Company’s accumulated other comprehensive losses consisted solely of foreign currency translation adjustments, net of tax and participation interest.

(v) **Income Tax**

The Company is subject to income taxes in Macau and Hong Kong where it operates.

Deferred income taxes are recognized for all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the accompanying 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 Company’s income tax returns are subject to examination by tax authorities in the jurisdictions where it operates. The Company 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, based on the technical merits of the position, will be 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.



**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**(w) Net Loss Attributable to Studio City International Holdings Limited Per Class A Ordinary Share**

Basic net loss attributable to Studio City International Holdings Limited per Class A ordinary share is calculated by dividing the net loss attributable to Studio City International Holdings Limited by the weighted average number of Class A ordinary shares outstanding during the year.

Diluted net loss attributable to Studio City International Holdings Limited per Class A ordinary share is calculated by dividing the net loss attributable to Studio City International Holdings Limited adjusted for participation interest by the weighted average number of Class A ordinary shares outstanding during the year adjusted to include the number of additional Class A ordinary shares that would have been outstanding if potential dilutive securities had been issued and the if-converted method is applied for the potential dilutive effect of the exchange of Class B ordinary shares for the proportionate number of Class A ordinary shares. During the year ended December 31, 2021, there were no potentially dilutive securities issued or outstanding.

Basic and diluted net loss attributable to Studio City International Holdings Limited per Class A ordinary share does not include Class B ordinary shares as such shares do not participate in the loss of Studio City International. As a result, Class B ordinary shares are not considered participating securities and are not included in the weighted average number of shares outstanding for purposes of computing net loss attributable to Studio City International Holdings Limited per share.

The weighted average number of Class A ordinary shares used in the calculation of basic and diluted net loss attributable to Studio City International Holdings Limited per Class A ordinary share consisted of the following:

	Year Ended December 31,		
	2022	2021	2020
Weighted average number of Class A ordinary shares outstanding used in the calculation of basic net loss attributable to Studio City International Holdings Limited per Class A ordinary share	710,582,947	370,352,700	294,837,092
Incremental weighted average number of Class A ordinary shares from assumed exchange of Class B ordinary shares to Class A ordinary shares under the if-converted method	72,511,760	—	72,511,760
Weighted average number of Class A ordinary shares outstanding used in the calculation of diluted net loss attributable to Studio City International Holdings Limited per Class A ordinary share	783,094,707	370,352,700	367,348,852
Anti-dilutive Class A ordinary shares under the if-converted method excluded from the calculation of diluted net loss attributable to Studio City International Holdings Limited per Class A ordinary share	—	72,511,760	—

STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(x) Recent Changes in Accounting Standards

*Recent Accounting Pronouncement Not Yet Adopted*

The Company has evaluated the recently issued, but not yet effective, accounting pronouncements that have been issued or proposed by the Financial Accounting Standards Board or other standards-setting bodies through the filing date of these financial statements, and anticipated the future adoption of these pronouncements will not have a material effect on the Company's financial position, results of operations and cash flows.

3. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash reported within the accompanying consolidated statements of cash flows consisted of the following:

	December 31,	
	2022	2021
Cash	\$ 54,340	\$ 81,370
Cash equivalents	455,183	417,919
Total cash and cash equivalents	<u>509,523</u>	<u>499,289</u>
Non-current portion of restricted cash	130	130
Total cash, cash equivalents and restricted cash	<u>\$509,653</u>	<u>\$ 499,419</u>

4. ACCOUNTS RECEIVABLE

Components of accounts receivable are as follows:

	December 31,	
	2022	2021
Hotel	\$ 250	\$ 204
Other	13	43
	<u>\$ 263</u>	<u>\$ 247</u>

Movement in the allowances for credit losses are as follows:

	Year Ended December 31,		
	2022	2021	2020
Balance at beginning of year	\$ —	\$ 976	\$ 965
Provision for credit losses	—	—	6
Write-offs	—	(970)	—
Effect of exchange rate	—	(6)	5
Balance at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 976</u>

## STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

## 5. PROPERTY AND EQUIPMENT, NET

	December 31,	
	2022	2021
Cost		
Buildings	\$ 2,301,644	\$ 2,306,889
Furniture, fixtures and equipment	286,436	224,826
Leasehold improvements	110,981	106,200
Motor vehicles	2,596	2,599
Construction in progress	1,079,112	721,471
Sub-total	3,780,769	3,361,985
Less: accumulated depreciation and amortization	(912,705)	(805,945)
Property and equipment, net	<u>\$ 2,868,064</u>	<u>\$ 2,556,040</u>

As of December 31, 2022 and 2021, construction in progress, in relation to Studio City, included interest capitalized in accordance with applicable accounting standards and other direct incidental costs capitalized which, in the aggregate, amounted to \$131,854 and \$67,974, respectively.

The depreciation and amortization expenses of property and equipment recognized for the years ended December 31, 2022, 2021 and 2020 were \$113,028, \$111,335 and \$139,891, respectively.

The Reversion Assets that reverted to the Macau government at the expiration of the subconcession are owned by the Macau government. Effective as of January 1, 2023, the Reversion Assets were transferred to Melco Resorts Macau for the duration of the Concession, in return for annual payments for the right to operate the Reversion Assets as part of the Concession as disclosed in Note 1(c). Part of these Reversion Assets that reverted to the Macau government on December 31, 2022, and included in the above table, consisted of the cost and accumulated depreciation of buildings as of December 31, 2022 of \$144,824 and \$41,976, respectively.

As Melco Resorts Macau and Studio City Developments will continue to operate the Reversion Assets in the same manner as under the previous subconcession, obtain substantially all of the economic benefits and bear all of the risks arising from the use of these assets, as well as assuming Melco Resorts Macau will be successful in the awarding of a new concession upon expiry of the Concession, Melco Resorts Macau and Studio City Developments will continue to recognize these Reversion Assets as property and equipment over their remaining estimated useful lives.

## 6. INTANGIBLE ASSETS, NET

	December 31,	
	2022	2021
Finite-lived intangible assets:		
Internal-use software	\$ 4,200	\$ 4,207
Less: accumulated amortization	(2,827)	(1,430)
	<u>\$ 1,373</u>	<u>\$ 2,777</u>

The amortization expenses of internal-use software recognized for the years ended December 31, 2022, 2021 and 2020 were \$1,396, \$1,401 and \$33, respectively.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)****6. INTANGIBLE ASSETS, NET - continued**

As of December 31, 2022, the estimated future amortization expenses of internal-use software are as follows:

Year ending December 31,	
2023	\$1,368
2024	5
	<u>\$1,373</u>

**7. LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS**

Long-term prepayments, deposits and other assets consisted of the following:

	December 31,	
	2022	2021
Other long-term assets	\$16,824	\$108,494
Less: accumulated amortization	(4,309)	(89,017)
Other long-term assets, net	12,515	19,477
Long-term prepayments	29,250	23,644
Advance payments and deposits for acquisition of property and equipment	1,645	21,651
Other deposits and other	4,582	4,463
Deferred financing costs, net	333	389
Long-term prepayments, deposits and other assets	<u>\$48,325</u>	<u>\$ 69,624</u>

The amortization expenses of other long-term assets recognized for the years ended December 31, 2022, 2021 and 2020 were \$9,232, \$11,573 and \$17,077, respectively.

**8. LAND USE RIGHT, NET**

	December 31,	
	2022	2021
Cost	\$ 177,790	\$ 178,041
Less: accumulated amortization	(69,145)	(65,927)
Land use right, net	<u>\$ 108,645</u>	<u>\$ 112,114</u>

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	December 31,	
	2022	2021
Property and equipment payables	\$ 87,701	\$ 131,071
Interest expenses payable	63,371	54,182
Operating expense and other accruals and liabilities	11,728	12,994
Advance customer deposits and ticket sales	1,793	2,259
Operating lease liabilities	1,095	899
	<u>\$ 165,688</u>	<u>\$ 201,405</u>

**10. LONG-TERM DEBT, NET**

Long-term debt, net consisted of the following:

	December 31,	
	2022	2021
<b>Senior Notes</b>		
2022 7.000% Studio City Secured Notes, due 2027 (net of unamortized deferred financing costs of \$5,134)	\$ 344,866	\$ —
2021 5.000% Studio City Notes, due 2029 (net of unamortized deferred financing costs and original issue premiums of \$4,228 and \$4,798, respectively)	1,095,772	1,095,202
2020 6.000% SC Notes, due 2025 (net of unamortized deferred financing costs of \$2,692 and \$3,658, respectively)	497,308	496,342
2020 6.500% SC Notes, due 2028 (net of unamortized deferred financing costs of \$3,598 and \$4,186, respectively)	496,402	495,814
<b>Credit Facilities</b>		
2016 Studio City Credit Facilities <sup>(1)</sup>	128	128
	<u>\$ 2,434,476</u>	<u>\$ 2,087,486</u>

Note

(1) As of December 31, 2022 and 2021, the unamortized deferred financing costs related to the 2016 SC Revolving Credit Facility of the 2016 Studio City Credit Facilities of \$333 and \$389 are included in long-term prepayments, deposits and other assets in the accompanying consolidated balance sheets, respectively.

**(a) Senior Notes**

*2022 7.000% Studio City Secured Notes*

On February 16, 2022, Studio City Company Limited (“Studio City Company”), a subsidiary of Studio City International, issued \$350,000 in aggregate principal amount of 7.000% senior secured notes due February 15, 2027 at an issue price of 100% of the principal amount (the “2022 7.000% Studio City Secured Notes”). The interest on the 2022 7.000% Studio City Secured Notes is accrued at a rate of 7.000% per annum, payable semi-annually in arrears on February 15 and August 15 of each year and commenced on August 15, 2022. The 2022 7.000% Studio City Secured Notes are senior secured obligations of Studio City

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)****10. LONG-TERM DEBT, NET - continued****(a) Senior Notes - continued***2022 7.000% Studio City Secured Notes - continued*

Company, rank equally in right of payment to all existing and future senior indebtedness of Studio City Company (although any liabilities in respect of obligations under the 2016 Studio City Credit Facilities (as described below) that are secured by common collateral securing the 2022 7.000% Studio City Secured Notes will have priority over the 2022 7.000% Studio City Secured Notes with respect to any proceeds received upon any enforcement action of such common collateral) and rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Company and effectively subordinated to Studio City Company's existing and future secured indebtedness that is secured by assets that do not secure the 2022 7.000% Studio City Secured Notes, to the extent of the assets securing such indebtedness. The net proceeds from the offering of the 2022 7.000% Studio City Secured Notes will be used to fund the capital expenditures of the remaining development project at Studio City and for general corporate purposes.

Studio City Investments Limited ("Studio City Investments"), the shareholder of Studio City Company, all of its existing subsidiaries (other than Studio City Company) and any other future restricted subsidiaries that provide guarantees of certain specified indebtedness (including the 2016 Studio City Credit Facilities) (the "2022 7.000% Studio City Secured Notes Guarantors") jointly, severally and unconditionally guarantee the 2022 7.000% Studio City Secured Notes on a senior basis (the "2022 7.000% Studio City Secured Notes Guarantees"). The 2022 7.000% Studio City Secured Notes Guarantees are senior obligations of the 2022 7.000% Studio City Secured Notes Guarantors, rank equally in right of payment to all existing and future senior indebtedness of the 2022 7.000% Studio City Secured Notes Guarantors and rank senior in right of payment to any existing and future subordinated indebtedness of the 2022 7.000% Studio City Secured Notes Guarantors. The 2022 7.000% Studio City Secured Notes Guarantees are pari passu to the 2022 7.000% Studio City Secured Notes Guarantors' obligations under the 2016 Studio City Credit Facilities, and effectively subordinated to any future secured indebtedness that is secured by assets that do not secure the 2022 7.000% Studio City Secured Notes and the 2022 7.000% Studio City Secured Notes Guarantees, to the extent of the value of the assets.

The 2022 7.000% Studio City Secured Notes are secured, on an equal basis with the 2016 Studio City Credit Facilities, by substantially all of the material assets of Studio City Investments and its subsidiaries (although obligations under the 2016 Studio City Credit Facilities that are secured by the common collateral securing the 2022 7.000% Studio City Secured Notes will have priority over the 2022 7.000% Studio City Secured Notes with respect to any proceeds received upon any enforcement action of such common collateral); in addition, in line with the 2016 Studio City Credit Facilities, the 2022 7.000% Studio City Secured Notes are also secured by certain specified bank accounts.

At any time prior to February 15, 2024, Studio City Company has the options i) to redeem all or a portion of the 2022 7.000% Studio City Secured Notes at a "make-whole" redemption price; and ii) to redeem up to 35% of the 2022 7.000% Studio City Secured Notes with the net cash proceeds of certain equity offerings at a fixed redemption price. Thereafter, Studio City Company has the option to redeem all or a portion of the 2022 7.000% Studio City Secured Notes at any time at fixed redemption prices that decline ratably over time. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the 2022 7.000% Studio City Secured Notes, Studio City Company also has the option to redeem in whole, but not in part the 2022 7.000% Studio City Secured Notes at fixed redemption prices. In certain events that relate to a change of control or a termination of the gaming concession of Melco Resorts Macau and subject to certain exceptions as more fully described in the indenture governing

STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

10. LONG-TERM DEBT, NET - continued

(a) Senior Notes - continued

*2022 7.000% Studio City Secured Notes - continued*

the 2022 7.000% Studio City Secured Notes, each holder of the 2022 7.000% Studio City Secured Notes will have the right to require Studio City Company to repurchase all or any part of such holder's 2022 7.000% Studio City Secured Notes at a fixed redemption price.

The indenture governing the 2022 7.000% Studio City Secured Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Company, Studio City Investments and their respective restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments and investments; (iii) prepay or redeem subordinated debt or equity; (iv) issue or sell capital stock; (v) transfer, lease or sell assets; (vi) create or incur certain liens; (vii) impair the security interests in the collateral; (viii) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (ix) change the nature of the business of the relevant group; (x) enter into transactions with shareholders or affiliates; and (xi) effect a consolidation or merger. The indenture governing the 2022 7.000% Studio City Secured Notes also contains conditions and events of default customary for such financings.

There are provisions under the indenture governing the 2022 7.000% Studio City Secured Notes that limit or prohibit certain payments of dividends and other distributions by Studio City Company, Studio City Investments and their respective restricted subsidiaries to companies or persons who are not Studio City Company, Studio City Investments and their respective restricted subsidiaries, subject to certain exceptions and conditions. As of December 31, 2022, the net assets of Studio City Investments and its restricted subsidiaries of approximately \$821,000 were restricted from being distributed under the terms of the 2022 7.000% Studio City Secured Notes.

*2021 5.000% Studio City Notes*

On January 14, 2021, Studio City Finance Limited ("Studio City Finance"), a subsidiary of Studio City International, issued \$750,000 in aggregate principal amount of 5.000% senior notes due January 15, 2029 at an issue price of 100% of the principal amount (the "First 2021 5.000% Studio City Notes"); and on May 20, 2021, Studio City Finance further issued \$350,000 in aggregate principal amount of 5.000% senior notes due January 15, 2029 at an issue price of 101.50% of the principal amount (the "Additional 2021 5.000% Studio City Notes" and together with the First 2021 5.000% Studio City Notes, the "2021 5.000% Studio City Notes"). The Additional 2021 5.000% Studio City Notes are consolidated and form a single series with the First 2021 5.000% Studio City Notes. The interest on the 2021 5.000% Studio City Notes is accrued at a rate of 5.000% per annum, payable semi-annually in arrears on January 15 and July 15 of each year and commenced on July 15, 2021. The 2021 5.000% Studio City Notes are general obligations of Studio City Finance, rank equally in right of payment to all existing and future senior indebtedness of Studio City Finance, rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Finance and are effectively subordinated to all of Studio City Finance's existing and future secured indebtedness to the extent of the value of the property and assets securing such indebtedness.

The net proceeds from the offering of the 2021 5.000% Studio City Notes were partially used to fund the conditional tender offer and the remaining outstanding balance with accrued interest of previous senior notes of Studio City Finance in February 2021; and with the remaining balance to partially fund the capital expenditures of the remaining development project at Studio City and for general corporate purposes.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**10. LONG-TERM DEBT, NET - continued**

**(a) Senior Notes - continued**

*2021 5.000% Studio City Notes - continued*

All of the existing subsidiaries of Studio City Finance and any other future restricted subsidiaries that provide guarantees of certain specified indebtedness (including the 2016 Studio City Credit Facilities as described below) (the “2021 5.000% Studio City Notes Guarantors”) jointly, severally and unconditionally guarantee the 2021 5.000% Studio City Notes on a senior basis (the “2021 5.000% Studio City Notes Guarantees”). The 2021 5.000% Studio City Notes Guarantees are general obligations of the 2021 5.000% Studio City Notes Guarantors, rank equally in right of payment to all existing and future senior indebtedness of the 2021 5.000% Studio City Notes Guarantors and rank senior in right of payment to any existing and future subordinated indebtedness of the 2021 5.000% Studio City Notes Guarantors. The 2021 5.000% Studio City Notes Guarantees are effectively subordinated to the 2021 5.000% Studio City Notes Guarantors’ obligations under all existing and any future secured indebtedness to the extent of the value of such property and assets securing such indebtedness.

At any time prior to January 15, 2024, Studio City Finance has the options i) to redeem all or a portion of the 2021 5.000% Studio City Notes at a “make-whole” redemption price; and ii) to redeem up to 35% of the 2021 5.000% Studio City Notes with the net cash proceeds of certain equity offerings at a fixed redemption price. Thereafter, Studio City Finance has the option to redeem all or a portion of the 2021 5.000% Studio City Notes at any time at fixed redemption prices that decline ratably over time. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the 2021 5.000% Studio City Notes, Studio City Finance also has the option to redeem in whole, but not in part the 2021 5.000% Studio City Notes at fixed redemption prices. In certain events that relate to a change of control or a termination of the gaming concession of Melco Resorts Macau and subject to certain exceptions as more fully described in the indenture governing the 2021 5.000% Studio City Notes, each holder of the 2021 5.000% Studio City Notes will have the right to require Studio City Finance to repurchase all or any part of such holder’s 2021 5.000% Studio City Notes at a fixed redemption price.

The indenture governing the 2021 5.000% Studio City Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Finance and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. The indenture governing the 2021 5.000% Studio City Notes also contains conditions and events of default customary for such financings.

There are provisions under the indenture governing the 2021 5.000% Studio City Notes that limit or prohibit certain payments of dividends and other distributions by Studio City Finance and its restricted subsidiaries to companies or persons who are not Studio City Finance or restricted subsidiaries of Studio City Finance, subject to certain exceptions and conditions. As of December 31, 2022, the net assets of Studio City Finance and its restricted subsidiaries of approximately \$887,000 were restricted from being distributed under the terms of the 2021 5.000% Studio City Notes.



**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**10. LONG-TERM DEBT, NET - continued**

**(a) Senior Notes - continued**

*2020 Studio City Notes*

On July 15, 2020, Studio City Finance issued \$500,000 in aggregate principal amount of 6.000% senior notes due July 15, 2025 at an issue price of 100% of the principal amount (the “2020 6.000% SC Notes”) and \$500,000 in aggregate principal amount of 6.500% senior notes due January 15, 2028 at an issue price of 100% of the principal amount (the “2020 6.500% SC Notes” and together with 2020 6.000% SC Notes, the “2020 Studio City Notes”). The interest on the 2020 6.000% SC Notes and 2020 6.500% SC Notes is accrued at a rate of 6.000% and 6.500% per annum, respectively, payable semi-annually in arrears on January 15 and July 15 of each year and commenced on January 15, 2021. The 2020 Studio City Notes are general obligations of Studio City Finance, rank equally in right of payment to all existing and future senior indebtedness of Studio City Finance, rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Finance and are effectively subordinated to all of Studio City Finance’s existing and future secured indebtedness to the extent of the value of the property and assets securing such indebtedness.

The net proceeds from the offering of the 2020 Studio City Notes were partially used to redeem in full the previous senior secured notes of Studio City Company with accrued interest and redemption premium in August 2020 and with the remaining amount used for the capital expenditures of the remaining development project at Studio City.

All of the existing subsidiaries of Studio City Finance and any other future restricted subsidiaries that provide guarantees of certain specified indebtedness (including the 2016 Studio City Credit Facilities) (the “2020 Studio City Notes Guarantors”) jointly, severally and unconditionally guarantee the 2020 Studio City Notes on a senior basis (the “2020 Studio City Notes Guarantees”). The 2020 Studio City Notes Guarantees are general obligations of the 2020 Studio City Notes Guarantors, rank equally in right of payment to all existing and future senior indebtedness of the 2020 Studio City Notes Guarantors and rank senior in right of payment to any existing and future subordinated indebtedness of the 2020 Studio City Notes Guarantors. The 2020 Studio City Notes Guarantees are effectively subordinated to the 2020 Studio City Notes Guarantors’ obligations under all existing and any future secured indebtedness to the extent of the value of such property and assets securing such indebtedness.

At any time prior to July 15, 2022, Studio City Finance had the options i) to redeem all or a portion of the 2020 6.000% SC Notes at a “make-whole” redemption price; and ii) to redeem up to 35% of the 2020 6.000% SC Notes with the net cash proceeds of certain equity offerings at a fixed redemption price. Thereafter, Studio City Finance has the option to redeem all or a portion of the 2020 6.000% SC Notes at any time at fixed redemption prices that decline ratably over time. At any time prior to July 15, 2023, Studio City Finance has the options i) to redeem all or a portion of the 2020 6.500% SC Notes at a “make-whole” redemption price; and ii) to redeem up to 35% of the 2020 6.500% SC Notes with the net cash proceeds of certain equity offerings at a fixed redemption price. Thereafter, Studio City Finance has the option to redeem all or a portion of the 2020 6.500% SC Notes at any time at fixed redemption prices that decline ratably over time. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the 2020 Studio City Notes, Studio City Finance also has the option to redeem in whole, but not in part the 2020 Studio City Notes at fixed redemption prices. In certain events that relate to a change of control or a termination of the gaming concession of Melco Resorts Macau and subject to certain exceptions as more fully described in the indenture governing the 2020 Studio City Notes, each holder of the 2020 Studio City Notes will have the right to require Studio City Finance to repurchase all or any part of such holder’s 2020 Studio City Notes at a fixed redemption price.

STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

10. LONG-TERM DEBT, NET - continued

(a) Senior Notes - continued

*2020 Studio City Notes - continued*

The indenture governing the 2020 Studio City Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Finance and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. The indenture governing the 2020 Studio City Notes also contains conditions and events of default customary for such financings.

There are provisions under the indenture governing the 2020 Studio City Notes that limit or prohibit certain payments of dividends and other distributions by Studio City Finance and its restricted subsidiaries to companies or persons who are not Studio City Finance or restricted subsidiaries of Studio City Finance, subject to certain exceptions and conditions. As of December 31, 2022, the net assets of Studio City Finance and its restricted subsidiaries of approximately \$887,000 were restricted from being distributed under the terms of the 2020 Studio City Notes.

(b) Credit Facilities

*2016 Studio City Credit Facilities*

On November 30, 2016, Studio City Company (the "Studio City Borrower") amended and restated the Studio City Borrower's prior senior secured credit facilities agreement from HK\$10,855,880 (equivalent to \$1,395,357) to a HK\$234,000 (equivalent to \$30,077) senior secured credit facilities agreement (the "2016 Studio City Credit Facilities"), comprising a HK\$1,000 (equivalent to \$129) term loan facility (the "2016 SC Term Loan Facility") and a HK\$233,000 (equivalent to \$29,948) revolving credit facility (the "2016 SC Revolving Credit Facility"). As of December 31, 2022, the outstanding principal amount of the 2016 SC Term Loan Facility and the 2016 SC Revolving Credit Facility were HK\$1,000 (equivalent to \$128) and nil, respectively, and the available unused borrowing capacity under the 2016 SC Revolving Credit Facility was HK\$233,000 (equivalent to \$29,835).

On March 15, 2021, Studio City Company amended the terms of the 2016 Studio City Credit Facilities, including the extension of the maturity date for the 2016 SC Term Loan Facility and the 2016 SC Revolving Credit Facility from November 30, 2021 to January 15, 2028 (the "Extended Maturity Date"). The 2016 SC Term Loan Facility shall be repaid at the Extended Maturity Date with no interim amortization payments. The 2016 SC Revolving Credit Facility is available up to the date that is one month prior to the 2016 SC Revolving Credit Facility's Extended Maturity Date. Changes have also been made to the covenants in order to align them with those of certain other financings at Studio City Finance, including amending the threshold sizes and measurement dates of the covenants.

The 2016 SC Term Loan Facility is collateralized by cash of HK\$1,012 (equivalent to \$130). The Studio City Borrower is subject to mandatory prepayment requirements in respect of various amounts of the 2016 SC Revolving Credit Facility as specified in the 2016 Studio City Credit Facilities; in the event of the disposal of all or substantially all of the business and assets of the Studio City borrowing group which includes the Studio City Borrower and certain of its subsidiaries as defined under the 2016 Studio City Credit Facilities (the "2016 Studio City Borrowing Group"), the 2016 Studio City Credit Facilities are

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**10. LONG-TERM DEBT, NET - continued**

**(b) Credit Facilities - continued**

*2016 Studio City Credit Facilities - continued*

required to be repaid in full. In the event of a change of control, the Studio City Borrower may be required, at the election of any lender under the 2016 Studio City Credit Facilities, to repay such lender in full (other than the principal amount of the 2016 SC Term Loan Facility).

The indebtedness under the 2016 Studio City Credit Facilities is guaranteed by Studio City Investments and its subsidiaries (other than the Studio City Borrower). Security for the 2016 Studio City Credit Facilities includes a first-priority mortgage over any rights under the land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. The 2016 Studio City Credit Facilities contain certain affirmative and negative covenants customary for such financings, as well as affirmative, negative and financial covenants aligned with those of certain other financings at Studio City Finance. Certain specified bank accounts of Melco Resorts Macau are pledged under 2016 Studio City Credit Facilities and related finance documents. The 2016 Studio City Credit Facilities are secured by substantially all of the material assets of Studio City Investments and its subsidiaries.

The 2016 Studio City Credit Facilities contain certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Company, Studio City Investments and their respective restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments and investments; (iii) prepay or redeem subordinated debt or equity; (iv) issue or sell capital stock; (v) transfer, lease or sell assets; (vi) create or incur certain liens; (vii) impair the security interests in the collateral; (viii) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (ix) change the nature of the business of the relevant group; (x) enter into transactions with shareholders or affiliates; and (xi) effect a consolidation or merger. The 2016 Studio City Credit Facilities also contain conditions and events of default customary for such financings.

In addition, modification, expiry, or termination of the gaming concession of Melco Resorts Macau in circumstances that have a material adverse effect on the 2016 Studio City Borrowing Group (as a whole) will allow lenders to elect for the mandatory prepayment of all outstanding loan amounts.

There are provisions that limit certain payments of dividends and other distributions by the 2016 Studio City Borrowing Group to companies or persons who are not members of the 2016 Studio City Borrowing Group. As of December 31, 2022, the net assets of Studio City Investments and its restricted subsidiaries of approximately \$821,000 were restricted from being distributed under the terms of the 2016 Studio City Credit Facilities.

Borrowings under the 2016 Studio City Credit Facilities bear interest at the Hong Kong Interbank Offered Rate plus a margin of 4% per annum. The Studio City Borrower may select an interest period for borrowings under the 2016 Studio City Credit Facilities ranging from one to six months or any other agreed period. The Studio City Borrower is obligated to pay a commitment fee on the undrawn amount of the 2016 SC Revolving Credit Facility and recognized loan commitment fees of \$417, \$419 and \$421 during the years ended December 31, 2022, 2021 and 2020, respectively.

STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

10. LONG-TERM DEBT, NET - continued

(c) Borrowing Rates and Scheduled Maturities of Long-term Debt

During the years ended December 31, 2022, 2021 and 2020, the Company's average borrowing rates were approximately 5.77%, 5.69% and 6.98% per annum, respectively.

Scheduled maturities of the long-term debt (excluding unamortized deferred financing costs and original issue premiums) as of December 31, 2022 are as follows:

Year ending December 31,	
2023	\$ —
2024	—
2025	500,000
2026	—
2027	350,000
Over 2027	1,600,128
	<u>\$ 2,450,128</u>

11. LEASES

Lessee Arrangements

The Company is the lessee under operating leases for equipment and real estate, including the land in Macau on which Studio City is located. Certain leases include options to extend the lease term and options to terminate the lease term. The land concession contract of Studio City has a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The estimated term related to the land concession contract of Studio City is 40 years.

The components of operating lease costs are as follows:

	Year Ended December 31,		
	2022	2021	2020
Amortization of land use right	\$ 3,300	\$ 3,325	\$ 3,333
Operating lease costs	1,078	1,094	1,108
Short-term lease costs	—	—	405
Total operating lease costs	<u>\$ 4,378</u>	<u>\$ 4,419</u>	<u>\$ 4,846</u>

Other information related to lease terms and discount rates of operating leases is as follows:

	December 31,	
	2022	2021
Weighted average remaining lease term	32.9 years	33.9 years
Weighted average discount rate	7.00%	6.30%

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)****11. LEASES - continued****Lessee Arrangements - continued**

Maturities of operating lease liabilities as of December 31, 2022 are as follows:

Year ending December 31,		
2023	\$	1,127
2024		1,127
2025		1,127
2026		1,127
2027		1,127
Over 2027		31,320
Total future minimum lease payments		36,955
Less: amount representing interest		(22,361)
Present value of future minimum lease payments		14,594
Current portion		(1,095)
Non-current portion	\$	<u>13,499</u>

**Lessor Arrangements**

The Company is the lessor under non-cancellable operating leases mainly for mall spaces in Studio City with various retailers that expire at various dates through December 2034. Certain of the operating leases include minimum base fees with contingent fee clauses based on percentages of turnover.

During the years ended December 31, 2022, 2021 and 2020, the Company earned minimum operating lease income of \$3,714, \$7,125 and \$12,064, respectively, and contingent operating lease income of \$449, \$1,638 and \$(1,254), respectively. Total lease income for the years ended December 31, 2022, 2021 and 2020 were reduced by \$198, nil and \$3,913, respectively, as a result of the rent concessions and uncollectible lease income related to the effects of the COVID-19 outbreak.

Future minimum fees, excluding the contingent fees to be received under non-cancellable operating leases as of December 31, 2022 were as follows:

Year ending December 31,		
2023	\$	3,117
2024		2,333
2025		1,352
2026		1,288
2027		908
Over 2027		1,106
	\$	<u>10,104</u>

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**12. FAIR VALUE MEASUREMENTS**

Authoritative literature provides a fair value hierarchy, which prioritizes the input to valuation techniques used to measure fair values into three broad levels. The level in the hierarchy within which the fair value measurements in its entirety 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 equivalents, long-term deposits and other long-term liabilities approximated fair value and were classified as level 2 in the fair value hierarchy.

The estimated fair values of long-term debt as of December 31, 2022 and 2021, were approximately \$1,959,195 and \$1,953,539, respectively, as compared to their carrying values, excluding unamortized deferred financing costs and original issue premiums, of \$2,450,128 and \$2,100,128, respectively. Fair values were estimated using quoted market prices and were classified as level 1 in the fair value hierarchy for the 2022 7.000% Studio City Secured Notes, 2021 5.000% Studio City Notes and the 2020 Studio City Notes. Fair value for the 2016 Studio City Credit Facilities approximated its carrying value as the instrument carried variable interest rates that approximated the market rates and was classified as level 2 in the fair value hierarchy.

As of December 31, 2022 and 2021, the Company did not have any non-financial assets or liabilities that were recognized or disclosed at fair value in the accompanying consolidated financial statements.

**13. CAPITAL STRUCTURE**

During July and August 2020, Studio City International, respectively, announced and completed a series of private offers (the “2020 Private Placements”) of 72,185,488 Class A ordinary shares and 14,087,299 ADSs (representing 56,349,196 Class A ordinary shares) to certain existing shareholders and holders of its ADSs, including Melco, with gross proceeds amounting to \$500,000 and offering expenses of \$1,052. The 2020 Private Placements resulted in an adjustment to the carrying amount of the Participation Interest with a corresponding decrease in the Company’s additional paid-in capital.

During February and March 2022, Studio City International, respectively, announced and completed a series of private offers (the “2022 Private Placements”) of 400,000,000 Class A ordinary shares to certain existing shareholders and holders of its ADSs, including Melco, with gross proceeds amounting to \$300,000 and offering expenses of \$841. The 2022 Private Placements resulted in an adjustment to the carrying amount of the Participation Interest with a corresponding increase in the Company’s additional paid-in capital.

As of December 31, 2022 and 2021, Studio City International’s authorized share capital was 1,927,488,240 Class A ordinary shares and 72,511,760 Class B ordinary shares of a par value of \$0.0001 each. As of

## STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

## 13. CAPITAL STRUCTURE - continued

December 31, 2022, 770,352,700 Class A ordinary shares and 72,511,760 Class B ordinary shares were issued and outstanding and as of December 31, 2021, 370,352,700 Class A ordinary shares and 72,511,760 Class B ordinary shares were issued and outstanding.

## 14. INCOME TAXES

Loss before income tax consisted of:

	Year Ended December 31,		
	2022	2021	2020
Macau operations	\$ (271,801)	\$ (191,655)	\$ (278,388)
Hong Kong and other jurisdictions operations	(89,124)	(110,804)	(127,715)
Loss before income tax	<u>\$ (360,925)</u>	<u>\$ (302,459)</u>	<u>\$ (406,103)</u>

The income tax expense (benefit) consisted of:

	Year Ended December 31,		
	2022	2021	2020
Income tax expense - current:			
Hong Kong Profits Tax	\$ 1	\$ 9	\$ —
(Over) under provision of income taxes in prior years:			
Macau Complementary Tax	—	(29)	—
Hong Kong Profits Tax	—	8	—
Sub-total	—	(21)	—
Income tax expense (benefit) - deferred:			
Macau Complementary Tax	381	(445)	(1,011)
Total income tax expense (benefit)	<u>\$ 382</u>	<u>\$ (457)</u>	<u>\$ (1,011)</u>

STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

14. INCOME TAXES - continued

A reconciliation of the income tax expense (benefit) from loss before income tax per the accompanying consolidated statements of operations is as follows:

	Year Ended December 31,		
	2022	2021	2020
Loss before income tax	\$ (360,925)	\$ (302,459)	\$ (406,103)
Macau Complementary Tax rate	12%	12%	12%
Income tax benefit at Macau Complementary Tax rate	(43,311)	(36,295)	(48,732)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,449)	(5,385)	(2,995)
Over provision in prior years	—	(21)	—
Effect of income for which no income tax expense is payable	(1,438)	(534)	(295)
Effect of expenses for which no income tax benefit is receivable	16,560	20,970	19,724
Effect of tax losses that cannot be carried forward	—	5,532	10,768
Changes in valuation allowances	16,202	(925)	7,361
Expired tax losses	15,818	16,201	13,158
Income tax expense (benefit)	\$ 382	\$ (457)	\$ (1,011)

Studio City International and certain of its subsidiaries are exempt from tax in the Cayman Islands or British Virgin Islands (“BVI”), where they are incorporated, while one of these subsidiaries incorporated in BVI is subject to Hong Kong Profits Tax on income derived from Hong Kong during the years ended December 31, 2022, 2021 and 2020. The remaining subsidiaries of Studio City International incorporated in Macau and Hong Kong are subject to Macau Complementary Tax and Hong Kong Profits Tax, respectively, during the years ended December 31, 2022, 2021 and 2020.

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, 2022, 2021 and 2020, if applicable.

Pursuant to the approval notice issued by the Macau government in January 2017, Studio City Entertainment was granted an extension of the Macau Complementary Tax exemption on profits generated from income received from Melco Resorts Macau under the Services and Right to Use Arrangements (as amended on June 23, 2022 as Studio City Casino Agreement) for an additional five years from 2017 to 2021, to the extent that such income is derived from Studio City gaming operations and has been subject to gaming tax. Studio City Entertainment applied for an extension of the Macau Complementary Tax exemption for 2022 and for the period from January 1, 2023 through December 31, 2027, and the applications are currently pending approval by the Macau government. The non-gaming profits and dividend distributions of Studio City Entertainment to its shareholders continue to be subject to Macau Complementary Tax.

During the years ended December 31, 2022, 2021 and 2020, Studio City Entertainment did not have any taxable income or profits generated from income received from Melco Resorts Macau under the Studio City Casino Agreement or the Services and Right to Use Arrangements.

The effective tax rates for the years ended December 31, 2022, 2021 and 2020 were (0.1)%, 0.2% and 0.2%, respectively. Such rates differ from the statutory Macau Complementary Tax rate of 12%, where the



## STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands, except share and per share data)

## 14. INCOME TAXES - continued

Company's majority operations are located, primarily due to the effects of expenses for which no income tax benefit is receivable, expired tax losses, changes in valuation allowances, different tax rates of subsidiaries operating in other jurisdictions and income for which no income tax expense is payable for the relevant years together with the effect of tax losses that cannot be carried forward for the years ended December 31, 2021 and 2020.

The net deferred tax liabilities as of December 31, 2022 and 2021 consisted of the following:

	December 31,	
	2022	2021
Deferred tax assets		
Net operating losses carried forward	\$ 57,522	\$ 45,009
Depreciation and amortization	33,512	30,076
Lease liabilities	1,751	1,883
Others	154	58
Sub-total	92,939	77,026
Valuation allowances	(91,092)	(74,417)
Total deferred tax assets	1,847	2,609
Deferred tax liabilities		
Right-of-use assets	(1,576)	(1,750)
Unrealized capital allowances	(653)	(859)
Total deferred tax liabilities	(2,229)	(2,609)
Deferred tax liabilities, net	\$ (382)	\$ —

As of December 31, 2022 and 2021, valuation allowances of \$91,092 and \$74,417 were provided, respectively, as management believes it is more likely than not that these deferred tax assets will not be realized. As of December 31, 2022, adjusted operating tax losses carried forward, amounting to \$144,253, \$100,792 and \$234,291 will expire in 2023, 2024 and 2025, respectively. Adjusted operating tax losses carried forward of \$131,813 expired during the year ended December 31, 2022.

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.

Undistributed earnings of a foreign subsidiary of Studio City International available for distribution to Studio City International of approximately \$745,397 and \$846,735 as at December 31, 2022 and 2021, respectively, are considered to be indefinitely reinvested. Accordingly, no provision has been made for the dividend withholding taxes that would be payable upon the distribution of those amounts to Studio City International. If those earnings were to be distributed or they were determined to be no longer permanently reinvested, Studio City International would have to record a deferred income tax liability in respect of those undistributed earnings of approximately \$89,448 and \$101,608 as at December 31, 2022 and 2021, respectively.

The Company concluded that there were no significant uncertain tax positions requiring recognition in the accompanying consolidated financial statements for the years ended December 31, 2022, 2021 and 2020 and

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)****14. INCOME TAXES - continued**

there are no material unrecognized tax benefits which would favorably affect the effective income tax rates in future periods. As of December 31, 2022 and 2021, there were no interest and penalties related to uncertain tax positions recognized in the accompanying consolidated financial statements. The Company does not anticipate any significant increases or decreases in unrecognized tax benefits within the next twelve months.

Income tax returns of Studio City International'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.

**15. SHARE-BASED COMPENSATION**

Certain restricted shares were approved by Melco be granted to the eligible management personnel of Melco in lieu of the bonus for their services performed during 2022, 2021 and 2020 under respective share incentive plans adopted by Melco in 2021 and 2011 (the "Bonus Restricted Shares"). The Bonus Restricted Shares for 2022 are expected to be granted in April 2023 and the Bonus Restricted Shares for 2021 and 2020 were granted in April 2022 and March 2021, respectively. The Bonus Restricted Shares vest immediately on its grant dates and the grant date fair value was determined with reference to the closing price of Melco's ADS trading on the Nasdaq Global Select Market on the date of grant.

In accordance with the applicable accounting standards, the share-based compensation expenses related to the grant of Bonus Restricted Shares for 2022, 2021 and 2020 to the eligible management personnel of Melco, to the extent of services received by the Company, were recognized for the years ended December 31, 2022, 2021 and 2020, respectively, in the accompanying consolidated statements of operations with a corresponding increase in payables to affiliated companies as the amounts were charged to the Company by Melco and its subsidiaries under the Management and Shared Services Arrangements.

The share-based compensation expenses for the Company were recognized as follows:

	Year Ended December 31,		
	2022	2021	2020
Share-based compensation expenses	\$ 361	\$ 438	\$ 1,200
Less: share-based compensation expenses capitalized in construction in progress	—	—	(409)
Share-based compensation expenses recognized in general and administrative expenses	<u>\$ 361</u>	<u>\$ 438</u>	<u>\$ 791</u>

**16. EMPLOYEE BENEFIT PLANS**

The Company provides defined contribution plans for its employees in Macau. Certain executive officers of the Company are members of defined contribution plan in Hong Kong operated by Melco. During the years ended December 31, 2022, 2021 and 2020, the Company's contributions into these plans were \$21, \$8 and \$28, respectively.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**17. DISTRIBUTION OF PROFITS**

All subsidiaries of Studio City International incorporated in Macau are required to set aside a minimum of 25% of the entity's profit after tax to the legal reserve until the balance of the legal reserve reaches a level equivalent 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 the legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the shareholders of the relevant subsidiaries. As of December 31, 2022 and 2021, the balance of the reserve amounted to \$6 and \$6, respectively.

The Company's borrowings, subject to certain exceptions and conditions, contain certain restrictions on paying dividends and other distributions, as defined in the respective indentures governing the relevant senior notes and the credit facility agreement, details of which are disclosed in Note 10 under each of the respective borrowings.

During the years ended December 31, 2022, 2021 and 2020, Studio City International did not declare or pay any cash dividends on the ordinary shares. No dividends have been proposed since the end of the reporting period.

**18. COMMITMENTS AND CONTINGENCIES**

**(a) Capital Commitments**

As of December 31, 2022, the Company had capital commitments contracted for but not incurred for the construction and acquisition of property and equipment for Studio City totaling \$23,371.

**(b) Other Commitment**

**Studio City Land Concession**

In accordance with the Studio City land concession and the further extension granted by the Macau government as announced by Studio City International in May 2022, the land on which Studio City is located must be fully developed by June 30, 2023.

**(c) Guarantee**

Except as disclosed in Note 10, the Company has made the following significant guarantee as of December 31, 2022:

**Trade Credit Facility**

In October 2013, one of the Studio City International's subsidiaries entered into a trade credit facility agreement for HK\$200,000 (equivalent to \$25,610) ("Trade Credit Facility") with a bank to meet certain payment obligations of the Studio City project. The Trade Credit Facility which matured on August 31, 2021 was further extended to August 31, 2023, and is guaranteed by Studio City Company. As of December 31, 2022, approximately \$640 of the Trade Credit Facility had been utilized.

**(d) Litigation**

As of December 31, 2022, 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 outcomes of such proceedings have been adequately provided for or have no material impacts on the Company's consolidated financial statements as a whole.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**19. RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2022, 2021 and 2020, the Company entered into the following significant related party transactions:

Related companies	Nature of transactions	Year Ended December 31,		
		2022	2021	2020
<i>Transactions with affiliated companies</i>				
Melco and its subsidiaries	<b>Revenues (services provided by the Company):</b>			
	Revenue from casino contract	\$(56,665)	\$ (1,455)	\$ (42,682)
	Rooms and food and beverage <sup>(1)</sup>	25,039	48,978	30,468
	Services fee <sup>(2)</sup>	21,889	24,906	26,151
	Entertainment <sup>(1)</sup>	499	361	25
	<b>Costs and expenses (services provided to the Company):</b>			
	Staff costs recharges <sup>(3)(4)</sup>	56,620	59,676	65,515
	Corporate services <sup>(5)</sup>	33,263	32,354	32,354
	Other services	17,705	16,696	14,118
	Staff costs for construction and renovation work capitalized <sup>(4)</sup>	11,864	11,362	10,949
	Purchases of goods and services	186	149	151
	<b>Sale and purchase of assets:</b>			
	Sale of property and equipment and other long-term assets	8	1,695	2,692
	Transfer-in of other long-term assets	2,423	5,167	7,206
	Purchases of intangible assets	—	192	3,938

Notes

- (1) These revenues primarily represented the standalone selling prices of the complimentary services (including rooms, food and beverage and entertainment services) provided to Studio City Casino's gaming patrons and charged to Melco Resorts Macau. For the years ended December 31, 2022, 2021 and 2020, the related party rooms and food and beverage revenues and entertainment revenues aggregated to \$25,538, \$49,339 and \$30,493, respectively, of which \$22,884, \$44,117 and \$27,090 related to Studio City Casino's gaming patrons and \$2,654, \$5,222 and \$3,403 related to non-Studio City Casino's gaming patrons, respectively.
- (2) Services provided by the Company to Melco and its subsidiaries mainly include, but are not limited to, certain shared administrative services and shuttle bus transportation services provided to Studio City Casino.
- (3) Staff costs are recharged by Melco and its subsidiaries for staff who are solely dedicated to Studio City to carry out activities, including food and beverage management, retail management, hotel management, entertainment projects, mall development and sales and marketing activities and staff costs for certain shared administrative services.
- (4) These staff costs included share-based compensation expenses.
- (5) Corporate services are provided to the Company by Melco and its subsidiaries. These services include, but are not limited to, general corporate services and senior executive management services for operational purposes.

**Other Related Party Transaction**

As of December 31, 2022 and 2021, Mr. Lawrence Yau Lung Ho, Studio City International's director, and his controlled entity held an aggregate principal amount of \$60,000 and \$60,000 of senior notes issued by Studio City Finance, respectively. As of December 31, 2022, an independent director of Studio City International held an aggregate principal amount of \$400 of senior notes issued by Studio City Company.

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**(In thousands, except share and per share data)**

**19. RELATED PARTY TRANSACTIONS - continued**

**Other Related Party Transaction - continued**

During the years ended December 31, 2022, 2021 and 2020, total interest expenses of \$3,300, \$4,494 and \$1,740 in relation to the senior notes issued by Studio City Finance, were paid or payable to Mr. Lawrence Yau Lung Ho and his controlled entity, respectively. During the year ended December 31, 2022, total interest expenses of \$14 in relation to the senior notes issued by Studio City Company, were paid or payable to the independent director of Studio City International.

**(a) Receivables from Affiliated Companies**

The outstanding balances as of December 31, 2022 and 2021 are receivables from Melco's subsidiaries mainly arising from operating income or prepayment of operating expenses, and are unsecured, non-interest bearing and repayable on demand.

**(b) Payables to Affiliated Companies**

The outstanding balances as of December 31, 2022 and 2021 are payables to Melco and its subsidiaries mainly arising from operating expenses, and are unsecured, non-interest bearing and repayable on demand.

**20. SEGMENT INFORMATION**

The Company's principal operating activities are engaged in the hospitality business and provision of services pursuant to a casino contract in Macau. The Company monitors its operations and evaluates its earnings by reviewing the assets and operations of Studio City as one operating segment. Accordingly, the Company does not present separate segment information. As of December 31, 2022 and 2021, the Company operated in one geographical area, Macau, where it derives its revenues and its long-lived assets are located.

**21. SUBSEQUENT EVENTS**

The Management and Shared Services Arrangements which expired in June 2022 were extended to December 31, 2032 in March 2023.

## STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

ADDITIONAL INFORMATION - FINANCIAL STATEMENT SCHEDULE 1  
FINANCIAL INFORMATION OF PARENT COMPANY  
CONDENSED BALANCE SHEETS  
(In thousands, except share and per share data)

	December 31,	
	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 27	\$ 38
Receivables from a subsidiary	3,398	—
Prepaid expenses and other current assets	7	—
Total current assets	<u>3,432</u>	<u>38</u>
Investments in subsidiaries	802,512	790,471
Other long-term assets	—	452
Total assets	<u>\$ 805,944</u>	<u>\$ 790,961</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accrued expenses and other current liabilities	\$ 739	\$ 1,186
Payables to an affiliated company	474	—
Payables to subsidiaries	4,125	355
Total current liabilities	<u>5,338</u>	<u>1,541</u>
Total liabilities	<u>5,338</u>	<u>1,541</u>
Shareholders' equity:		
Class A ordinary shares, par value \$0.0001; 1,927,488,240 shares authorized; 770,352,700 and 370,352,700 shares issued and outstanding, respectively	77	37
Class B ordinary shares, par value \$0.0001; 72,511,760 shares authorized; 72,511,760 shares issued and outstanding	7	7
Additional paid-in capital	2,477,359	2,134,227
Accumulated other comprehensive losses	(11,671)	(6,136)
Accumulated losses	(1,665,166)	(1,338,715)
Total shareholders' equity	<u>800,606</u>	<u>789,420</u>
Total liabilities and shareholders' equity	<u>\$ 805,944</u>	<u>\$ 790,961</u>

## STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

ADDITIONAL INFORMATION - FINANCIAL STATEMENT SCHEDULE 1  
FINANCIAL INFORMATION OF PARENT COMPANY  
CONDENSED STATEMENTS OF OPERATIONS  
(In thousands)

	Year Ended December 31,		
	2022	2021	2020
Operating revenues	\$ —	\$ —	\$ —
Operating costs and expenses	(12)	—	—
Operating loss	(12)	—	—
Non-operating (expenses) income:			
Foreign exchange (losses) gains, net	(2)	(1)	1
Share of results of subsidiaries	(326,437)	(252,554)	(321,627)
Total non-operating expenses, net	(326,439)	(252,555)	(321,626)
Loss before income tax	(326,451)	(252,555)	(321,626)
Income tax expense	—	—	—
Net loss	<u>\$ (326,451)</u>	<u>\$ (252,555)</u>	<u>\$ (321,626)</u>

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED****ADDITIONAL INFORMATION - FINANCIAL STATEMENT SCHEDULE 1  
FINANCIAL INFORMATION OF PARENT COMPANY  
CONDENSED STATEMENTS OF COMPREHENSIVE LOSS  
(In thousands)**

	Year Ended December 31,		
	2022	2021	2020
Net loss	<u>\$ (326,451)</u>	<u>\$ (252,555)</u>	<u>\$ (321,626)</u>
Other comprehensive (loss) income:			
Foreign currency translation adjustments	<u>(5,535)</u>	<u>(18,012)</u>	<u>11,607</u>
Other comprehensive (loss) income	<u>(5,535)</u>	<u>(18,012)</u>	<u>11,607</u>
Total comprehensive loss	<u>\$ (331,986)</u>	<u>\$ (270,567)</u>	<u>\$ (310,019)</u>



## STUDIO CITY INTERNATIONAL HOLDINGS LIMITED

ADDITIONAL INFORMATION - FINANCIAL STATEMENT SCHEDULE 1  
FINANCIAL INFORMATION OF PARENT COMPANY  
CONDENSED STATEMENTS OF CASH FLOWS  
(In thousands)

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	\$ 830	\$ 472	\$ (119)
Cash flow from an investing activity:			
Capital contribution to a subsidiary	(300,000)	—	(500,000)
Cash used in an investing activity	(300,000)	—	(500,000)
Cash flow from a financing activity:			
Net proceeds from (payments for) issuance of shares	299,159	(445)	499,222
Cash provided by (used in) a financing activity	299,159	(445)	499,222
(Decrease) increase in cash and cash equivalents	(11)	27	(897)
Cash and cash equivalents at beginning of year	38	11	908
Cash and cash equivalents at end of year	\$ 27	\$ 38	\$ 11
Supplemental cash flow disclosure:			
Offering expenses capitalized for the issuance of shares included in accrued expenses and other current liabilities	\$ —	\$ —	\$ 445

**STUDIO CITY INTERNATIONAL HOLDINGS LIMITED**

**ADDITIONAL INFORMATION - FINANCIAL STATEMENT SCHEDULE 1**

**FINANCIAL INFORMATION OF PARENT COMPANY**

**NOTES TO CONDENSED FINANCIAL STATEMENT SCHEDULE 1**

**(In thousands)**

1. Schedule 1 has been provided pursuant to the requirements of Rule 12-04(a) and 4-08(e)(3) of Regulation S-X, which require condensed financial information as to financial position, cash flows and results and operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. As of December 31, 2022, approximately \$887,000 of the restricted net assets were not available for distribution and, as such, the condensed financial information of Studio City International has been presented for the years ended December 31, 2022, 2021 and 2020. Studio City International did not receive any cash dividend from its subsidiary during the years ended December 31, 2022, 2021 and 2020.

2. **Basis of Presentation**

The accompanying condensed financial information has been prepared using the same accounting policies as set out in Studio City International's consolidated financial statements except that the parent company has used the equity method to account for its investments in subsidiaries.

## Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”)

American Depositary Shares (“ADSs”), each representing four Class A ordinary shares of Studio City International Holdings Limited (“we,” “our,” “our company,” or “us”), are listed and traded on the New York Stock Exchange and, in connection therewith, the Class A ordinary shares are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). This exhibit contains a description of the rights of (i) the holders of Class A ordinary shares and (ii) the holders of the ADSs. Ordinary shares underlying the ADSs are held in Hong Kong by the custodian, Deutsche Bank AG, Hong Kong Branch, on behalf of Deutsche Bank Trust Company Americas as depositary, and holders of ADSs will not be treated as holders of ordinary shares.

### Description of Ordinary Shares

The following is a summary of material provisions of our currently effective amended and restated memorandum and articles of association (the “Memorandum and Articles of Association”), as well as the Companies Act (as amended) of the Cayman Islands (the “Companies Act”), insofar as they relate to the material terms of the Class A ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which has been filed with the Securities and Exchange Commission (the “SEC”) as an exhibit to our annual report on Form 20-F for the fiscal year ended December 31, 2018 (File No. 001-38699) filed with the SEC on March 29, 2019.

### Type and Class of Securities

Each Class A ordinary share has US\$0.0001 par value. The number of Class A ordinary shares that have been issued as of the last day of the financial year for the annual report on Form 20-F to which this description is attached or incorporated by reference as an exhibit is provided on the cover page of such annual report on Form 20-F.

### Rights of Ordinary Shares

#### General

All of our outstanding ordinary shares, including our Class A ordinary shares, are fully paid and non-assessable. Some of the ordinary shares are issued in registered form only with no share certificates. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Under Article 4 of our memorandum of association, the objects for which we were established are unrestricted and we have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Act.

#### Dividends

The holders of our Class A ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Act and our articles of association. Our articles of association require notice of any dividend that may have been declared to be given to each holder of our Class A ordinary shares and, pursuant to our articles of association, all dividends unclaimed for one year after having been declared may be forfeited by resolution of the directors for the benefit of the Company.

#### Voting Rights

Each of our Class A ordinary shares entitles its holder to one vote on all matters to be voted on by shareholders generally. Holders of our Class A and Class B ordinary shares vote together as a single class on all matters presented to our shareholders for their vote or approval, except as otherwise required by applicable law or our memorandum of association and articles of association. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by our chairman or one or more shareholders present in person or by proxy entitled to vote and who together hold not less than 20% of the paid up voting share capital of our company.

A quorum required for a meeting of shareholders consists of one or more shareholders who hold at least 50 percent of our ordinary shares at the meeting present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Shareholders' meetings are held at least annually and may be convened by our board on its own initiative or, failing a request by our board, upon a request to the directors by shareholders holding in aggregate at least 20 percent of our paid-up capital as at the date of deposit of the requisition carries the right of voting at such meetings. Advance notice of at least seven clear days is required for the convening of our annual general meeting and other shareholders meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of not less than two-thirds of the votes cast attaching to the ordinary shares. A special resolution will be required for important matters such as changing our name or making changes to our memorandum and articles of association.

#### *Transfer of Ordinary Shares*

Subject to the restrictions in our memorandum and articles of association and the Participation Agreement, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required; or
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four.

Our board of directors is required to refuse to register any purported transfer of Class B ordinary shares made otherwise than in compliance with the Participation Agreement. If our directors refuse to register a transfer they must, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

#### *Exchange Right of New Cotai LLC ("New Cotai")*

Subject to certain conditions, New Cotai and its permitted transferees thereof may exchange their Participation Interest in MSC Cotai LLC for a number of Class A ordinary shares. If New Cotai exchanges all or a portion of the Participation Interest for Class A ordinary shares, it will also be deemed to have surrendered an equal number of Class B ordinary shares, and any Class B ordinary shares so surrendered will be canceled for no consideration.

### *Liquidation*

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of Class A ordinary shares will be distributed among the holders of the Class A ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately. Holders of our Class B ordinary shares do not have any right to receive a distribution upon a liquidation or winding up of the Company.

### *Calls on Ordinary Shares and Forfeiture of Ordinary Shares*

Our board may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time and place of payment. The ordinary shares that have been called upon and remain unpaid on the specified time are subject to forfeiture. Shareholders are not liable for any capital calls by the Company except to the extent there is an amount unpaid on their shares.

### *Redemption of Ordinary Shares*

Subject to the provisions of the Companies Act, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as the directors may determine.

### *Prohibitions on the Receipt of Dividends, the Exercise of Voting or Other Rights or the Receipt of Other Remuneration*

Our memorandum and articles of association prohibit anyone who is an unsuitable person or an affiliate of an unsuitable person from:

- receiving dividends or interest with regard to our shares;
- exercising voting or other rights conferred by our shares; and
- receiving any remuneration in any form from us or an affiliated company for services rendered or otherwise.

Such unsuitable person or its affiliate must sell all of the shares, or allow us to redeem or repurchase the shares on such terms and manner as the directors may determine and agree with the shareholders, within such period of time as specified by a gaming authority.

These prohibitions commence on the date that a gaming authority serves notice of a determination of unsuitability or our board determines that a person or its affiliate is unsuitable and continue until the securities are owned or controlled by persons found suitable by a gaming authority or our board, as applicable, to own them. An “unsuitable person” is any person who is determined by a gaming authority to be unsuitable to own or control any of our shares or who causes us or any affiliated company to lose or to be threatened with the loss of any gaming license, or who, in the sole discretion of our board, is deemed likely to jeopardize our or any of our affiliates’ application for, receipt of approval for right to the use of, or entitlement to, any gaming license.

The terms “affiliated companies,” “gaming authority” and “person” have the meanings set forth in our articles of association.

### *Redemption of Securities Owned or Controlled by an Unsuitable Person or an Affiliate*

Our memorandum and articles of association provide that shares owned or controlled by an unsuitable person or an affiliate of an unsuitable person are redeemable by us, out of funds legally available for that redemption, by appropriate action of our board to the extent required by the gaming authorities making the determination of unsuitability or to the extent deemed necessary or advisable by our board having regard to relevant gaming laws. From and after the redemption date, the securities will not be considered outstanding and all rights of the unsuitable person or affiliate will cease, other than the right to receive the redemption price and the right to receive any dividends declared prior to any receipt of any written notice from a gaming authority declaring the suitable person to

be an unsuitable person but not yet paid. The redemption price will be the price, if any, required to be paid by the gaming authority making the finding of unsuitability or, if the gaming authority does not require a price to be paid, the sum deemed to be the fair value of the securities by our board. The price for the shares will not exceed the closing price per share of the shares on the principal national securities exchange on which the shares are then listed on the trading date on the day before the redemption notice is given. If the shares are not then listed, the redemption price will not exceed the closing sales price of the shares as quoted on an automated quotation system, or if the closing price is not then reported, the mean between the bid and asked prices, as quoted by any other generally recognized reporting system. Our right of redemption is not exclusive of any other rights that we may have or later acquire under any agreement, its bylaws or otherwise. The redemption price may be paid in cash, by promissory note, or both, as required by the applicable gaming authority and, if not, as we elect.

Our memorandum and articles of association require any unsuitable person and any affiliate of an unsuitable person to indemnify us and our affiliated companies for any and all losses, costs and expenses, including legal fees, incurred by us and our affiliates as a result of, or arising out of, the unsuitable person's or affiliate's continuing ownership or control of shares, the neglect, refusal or other failure to comply with the provisions of our memorandum and articles of association relating to unsuitable persons, or failure to promptly divest itself of any shares in us when required by the relevant gaming laws or our memorandum and articles of association.

#### ***Requirements to Change the Rights of Holders of Ordinary Shares***

*Variations of Rights of Shares.* All or any of the rights attached to any class of shares may, subject to the provisions of our memorandum and articles of association and the Companies Act, be varied or abrogated either with the written consent of the holders of at least a majority of the issued shares of that class or with the approval of the holders of at least a majority of the shares of that class present in person or by proxy at a separate general meeting of the holders of the shares of that class.

#### ***Changes in Capital***

We may from time to time by ordinary resolution (but subject to other provisions of our memorandum and of articles of association):

- increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution may prescribe
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- convert all or any of our paid-up shares into stock and reconvert that stock into paid up shares of any denomination;
- sub-divide our existing shares, or any of them, into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share will be the same as it was in case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so canceled.

We may by special resolution (subject to our memorandum and articles) reduce our share capital and any capital redemption reserve in any manner authorized by law.

## ***Exempted Company***

We are an exempted company incorporated with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary resident company except for the exemptions and privileges listed below:

- annual reporting requirements are minimal and consist mainly of a statement that the company has conducted its operations mainly outside of the Cayman Islands and has complied with the provisions of the Companies Act;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue shares with or without par value;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

## ***Differences in Corporate Law***

The Companies Act is modeled after that of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Act differs from laws applicable to Delaware corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to Delaware corporations and their shareholders.

*Mergers and Similar Arrangements.* The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes: (i) a "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and (ii) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by: (i) a special resolution of the shareholders of each constituent company; and (ii) such other authorization, if any, as may be specified in such constituent company's articles of association.

A merger between a parent company incorporated in the Cayman Islands and its subsidiary or subsidiaries incorporated in the Cayman Islands does not require authorization by a resolution of shareholders of the constituent companies provided a copy of the plan of merger is given to every shareholder of each subsidiary company to be merged unless that shareholder agrees otherwise. For this purpose, a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The plan of merger or consolidation must be filed with the Registrar of Companies in the Cayman Islands together with a declaration (among other matters) as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger and consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. The fair value of the shares will be determined by the Cayman Islands court if it cannot be agreed among the parties. Court approval is not required for a merger or consolidation effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate, compromises or arrangements between a Cayman Islands company and its shareholders (or any class of them).

Following amendments to the Companies Act that became effective on August 31, 2022, the majority-in-number “headcount test” in relation to the approval of shareholders’ schemes of arrangement was abolished. Section 86(2A) of the Companies Act provides that, if 75% in value of the shareholders (or class of shareholders) of a Cayman Islands company agree to any compromise or arrangement, such compromise or arrangement shall, if sanctioned by the Cayman Court, be binding on all shareholders (or class of shareholders) of such company and on the company itself. Where a Cayman Islands company is in the course of being wound up, such compromise or arrangement would be binding on the liquidator and contributories of the company. In contrast, section 86(2) of the Companies Act continues to require (a) approval by a majority in number representing 75% in value; and (b) the sanction of the Grand Court of the Cayman Islands, in relation to any compromise or arrangement between a company and its creditors (or any class of them). At the initial directions hearing, the Cayman Islands court will make orders for (among other things) the convening of the meetings of creditors or shareholders (or classes of them, as applicable). While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the company has complied with the directions set down by the Cayman Islands court;
- meeting was properly held and the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his/her interest.

If a compromise or arrangement of a Cayman Islands company is thus approved by the shareholders in the context of a shareholders’ scheme and the Cayman Islands court subsequently sanctions such scheme, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares. This is because such scheme will be binding on all shareholders (or class of shareholders), regardless of whether all the shareholders (or class of shareholders) approved the scheme, upon the sanction order being made. Having said that, a dissenting shareholder would have the right to appeal the making of the sanction order to the Cayman Islands Court of Appeal, if there were grounds for doing so.

*Shareholders’ Suits.* Derivative actions have been brought in the Cayman Islands courts. In most cases, the company will be the proper plaintiff in any claim based on a breach of duty owed to it, and a claim against (for example) the company’s officers or directors usually may not be brought by a shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a “fraud on the minority.”

A shareholder may have a direct right of action against the company where the individual rights of that shareholder have been infringed or are about to be infringed.



*Directors' Fiduciary Duties.* Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components, the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director must act in a manner he or she reasonably believes to be in the best interests of the corporation. A director must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company, and therefore it is considered that he or she owes the following duties to the company: a duty to act bona fide in the best interests of the company, a duty not to make a profit out of his or her position as director (unless the company permits him or her to do so), a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interests or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, there are indications that the courts are moving towards an objective standard with regard to the required skill and care.

Under our memorandum and articles of association, directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with our company must declare the nature of their interest at a meeting of the board of directors. Following such declaration, a director may vote in respect of any contract or proposed contract notwithstanding his or her interest.

*Shareholder Action by Written Resolution.* Under the Delaware General Corporation Law, a corporation's certificate of incorporation may eliminate the right of shareholders to act by written consent. Our memorandum and articles of association allow shareholders to act by written resolutions.

*Cumulative Voting.* Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled for a single director, which increases the shareholder's voting interest with respect to electing such director. As permitted under Cayman Islands law, our memorandum and articles of association do not provide for cumulative voting.

*Removal of Directors.* Under the Delaware General Corporation Law, a director of a corporation may be removed with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our memorandum and articles of association, subject to the Shareholders' Agreement, directors can be removed by special resolution of the shareholders.

*Transactions with Interested Shareholders.* The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date on which such person becomes an interested shareholder. An interested shareholder generally is one which owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction that resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware public corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions entered into must be bona fide in the best interests of the company, for a proper corporate purpose and not with the effect of perpetrating a fraud on the minority shareholders.

*Dissolution and Winding Up.* Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting interest of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. The Delaware General Corporation Law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board of directors.

Under our memorandum and articles of association, if our company is wound up, the liquidator of our company may distribute the assets with the sanction of an ordinary resolution of the shareholders and any other sanction required by law.

*Variation of Rights of Shares.* Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our memorandum and articles of association, if our share capital is divided into more than one class of shares, we may (subject to qualifications in the memorandum and articles of association) vary the rights attached to any class with the consent in writing of the holders of a majority of the issued shares of the relevant class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of such class by a majority of the votes cast at such a meeting.

*Amendment of Governing Documents.* Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Our memorandum and articles of association may be amended by a special resolution of shareholders.

*Waiver of Certain Corporate Opportunities.* Under our memorandum and articles of association, the Company has renounced any interest or expectancy of the Company in, or in being offered an opportunity to participate in, certain opportunities where such opportunities come into the possession of one of our directors other than in his or her capacity as a director (as more particularly described in our memorandum and articles of association). This is subject to applicable law and may be waived by the relevant director.

*Inspection of Books and Records.* Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records. Holders of our shares have no general right under Cayman Islands law to inspect or obtain copies of our register of members or our corporate records (other than the memorandum and articles of association). However, we intend to provide our shareholders with annual reports containing audited financial statements.

*Anti-Takeover Provisions in our Memorandum and Articles of Association.* Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders. Such shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue these preference shares, the price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be materially adversely affected. However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

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*Rights of Non-Resident or Foreign Shareholders.* There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

**Description of American Depositary Shares**

For information regarding our ADSs, please refer to the Description of American Depositary Shares (incorporated by reference to our registration statement on Form F-1 (File No. 333-227232), as amended, initially filed with the SEC on September 7, 2018).

STUDIO CITY CASINO AGREEMENT

by and among

STUDIO CITY ENTERTAINMENT LIMITED  
a company incorporated under the laws of  
the Macau Special Administrative Region of the  
People's Republic of China

and

MELCO RESORTS (MACAU) LIMITED  
a company incorporated under the laws of  
the Macau Special Administrative Region of the  
People's Republic of China

Dated: May 11, 2007

(as amended on 15 June 2012 and 23 June 2022)

THIS AGREEMENT (“**Agreement**”) is made and entered by and among STUDIO CITY ENTERTAINMENT LIMITED, formerly known as MSC DIVERSÕES, LIMITADA and NEW COTAI ENTERTAINMENT (MACAU) LIMITED, a Macau limited liability company, with head office in Macau at Avenida da Praia Grande n.º 762-840, China Plaza, 8.º andar C, with share capital of MOP101,000.00 (one hundred and one thousand patacas) (hereinafter referred to as “**MSC**”), and MELCO RESORTS (MACAU) LIMITED, a limited liability company by shares, with registered office in Macau at Avenida da Praia Grande n.º 762-840, China Plaza, 8.º andar C, registered in the Macau Commercial and Movable Assets Registry under no. 24325, with share capital of MOP1,010,000,000.00 (one billion and ten million patacas) (hereinafter referred to as “**Operator**”).

#### RECITALS

A. Studio City International Holdings Limited, an exempted company with limited liability registered by way of continuation in the Cayman Islands (“**Company**”), with its American depositary shares listed on the New York Stock Exchange in U.S., is, through its subsidiaries, the developer of a multi-use destination resort known as Studio City Complex (“**Project**”) situated within an area of land known as Zona de Aterro entre Taipa e Coloane, Lotes G300, G310 e G400, Estrada Flor de Lotus, Taipa, Macau (“**Site**”).

B. On May 11, 2007 the parties entered into this Agreement then known as Services and Right to Use Agreement as approved by the Macau Government (*vide* DICJ notice no. 261/CONF/2007), which was amended on 15 June 2012 as approved by the Macau Government (*vide* DICJ notice no. 610/CONF/2012) and further reaffirmed by the Macau Government upon the Company’s listing on the New York Stock Exchange (*vide* DICJ notice no. 775/DICJ/2018).

C. To enhance the overall business performance of the Project, the Company desires that the Operator conducts Gaming Activities at the Studio City Casino, as may be expanded from time to time (“**Casino**”) in accordance with the terms of this Agreement from the date hereof through December 31, 2022, under the subconcession agreement signed by the Operator on 8 September 2006 (“**Subconcession Agreement**”), and from January 1, 2023, should the Operator be awarded a new concession and sign a concession agreement with respect thereof (“**Concession Agreement**”), subject to compliance with applicable law from time to time and the Macau Government granting the Operator a right to use the Casino.

NOW, THEREFORE, in consideration of the hereinafter mutual promises and covenants, and for other good and valuable consideration as set forth herein, the receipt and sufficiency of which are expressly acknowledged, MSC and Operator agree as follows:

**ARTICLE I**

**DEFINITIONS**

Section 1.1 Definitions. As they are used in this Agreement, the terms listed below shall have the respective meanings assigned to them in this Article.

“**Accounting Systems**” has the meaning set forth in Section 4.5(a).

“**Affiliate**” or “**Affiliates**” means, with respect to a specific individual or legal entity, any other individual or legal entity that directly or indirectly through one or more intermediaries controls or is controlled by or under common control with the specific individual or legal entity.

“**Agreement**” has the meaning set forth in the introductory paragraph to this Agreement.

“**Allocated Overhead Expenses**” means the actual, out-of-pocket expenses incurred by Operator in respect of its separate operations, including rent, insurance, overhead, employee expenses and general business expenses that Operator, in its reasonable discretion, and in a fair and equitable manner, allocates to the Casino after taking into account the size of the Casino relative to the size of its consolidated operations.

“**Arbitration Notice**” has the meaning set forth in Section 15.1(b).

“**Budgeted Costs of Operations**” shall mean those Costs of Operations set forth in the Operating Budget.

“**Casino**” has the meaning set forth in the recitals to this Agreement.

“**Casino Employees**” has the meaning set forth in Section 6.1.

“**Casino Employee Expenses**” has the meaning set forth in Section 6.3.

“**Centre**” has the meaning set forth in Section 15.1(c).

“**Closure Procedures**” has the meaning set forth in Section 10.3.

“**Commencement Date**” means 27 October 2015.

“**Company**” has the meaning set forth in Recital A.

“**Competitor**” has the meaning set forth in Section 11.4.

“**Competitor Termination Event**” has the meaning set forth in Section 11.4.

“**Confidential Information**” has the meaning set forth in Section 14.18(a).

“**Concession Agreement**” has the meaning set forth in the recitals of this Agreement.

“**Costs of Operations**” means, without duplication, the actual expenses of operations (including expenses accrued and Allocated Overhead Expenses) attributable to the operation of the Casino, pursuant to GAAP, that are costs, net of costs paid by MSC and except for depreciation of cost of fixed assets funded by MSC, and shall include without limitation: (a) fees for background investigations of employees; (b) costs of administration, hiring, and firing of Casino Employees; (c) compensation and benefits to Casino Employees; (d) regulatory fees imposed on the Casino by the Macau Government including (i) per device license fees imposed by the Macau Government in respect of Gaming Devices located in the Casino calculated on the basis of the number of Gaming Devices operated at the Casino; (ii) any costs or expenses incurred by the Operator with any guarantee, deposit or other instrument of similar nature required by the Macau Government to cover potential labor related liabilities calculated on the basis of the number of Casino Employees compared to the total number of employees covered by such instrument; (iii) rent and other amounts payable to the Macau Government with respect to the Casino and resulting from the reversion of the Casino and or the Gaming Assets to the Macau Government calculated on the basis of the gross floor area of the Casino or the relevant Gaming Assets, as applicable; (iv) any costs or expenses incurred by the Operator with any guarantee, deposit or other instrument of similar nature required by the Macau government to cover any special gaming tax calculated on the basis of the gaming revenue generated at the Casino compared to the Operator’s overall gaming revenue; (v) any costs or expenses incurred by the Operator with any guarantee, deposit or other instrument of similar nature required by the Macau Government to cover any premium due by the Operator to the Macau Government calculated on the basis of the number of Gaming Devices allocated for operation at the Casino; (vi) any fines or other expenses or costs imposed by the Macau Government with respect to the operation of the Casino (other than as a result of a breach of this Agreement by the Operator or violation of law by the Operator or its Affiliates, in both cases in case of gross negligence, bad faith or willful misconduct of the Operator or its Affiliates); (vii) any other fees, taxes, levies, premiums or expenses required by the Macau government that are attributable to the Casino calculated on the basis of the area of the Casino, the number of Gaming Devices that may be operated or are operating at the Casino or otherwise, but, in all cases, not including Gaming License Fees; (e) all costs of maintaining financial and accounting records by Operator in accordance with Operator’s obligations under this Agreement, all costs of undertaking and complying with audits under this Agreement, and all costs of preparing budgets and reporting financial and other performance; (f) total gaming-related costs, fees and expenses, including without limitation, materials, supplies, inventory, utilities, repairs and maintenance, insurance and bonding, complimentary expenses (including without limitation complimentary rooms and amenities), annual audits, accounting, legal or other professional and consulting services, security or guard services, and such other costs, expenses or fees, customarily and reasonably incurred in the operation of the Casino in accordance with the Operating Standards, (g) the costs for the allocation of any gaming tables for operation at the Casino above 26.4% of Operator’s overall gaming tables (provided (1) calculation of such costs excludes gaming tables (if any) allocated by the Macau Government to the Operator for operation at any gaming area located at the Project as a direct result of capital expenditure for phase 2 or future capital expenditure with the development of the Project and (2) such costs have been approved in accordance with the Company’s related party transactions policy) ; (h) all costs related to the grant of credit to patrons and recovery of any debts (including judicial and reasonable attorney’s fees);

(i) any costs or expenses in any way connected with the grant of a right to use or otherwise by the Macau Government to the Operator to enable the use of the Casino for operation of games of fortune and chance in casino by the Operator, and (j) actual income tax expenses incurred by the Operator and directly attributable to the revenue generated at the Casino; (k) any and all other amount stated in this Agreement to be Costs of Operations (including the amortization of casino contract liabilities); provided, however, that notwithstanding the foregoing, "Costs of Operations" shall specifically not include (i) Gaming License Fees; (ii) Operator's own expenses of its separate operations, including rent, insurance, overhead, employee expenses and general business expenses that are not Allocated Overhead Expenses; and (iii) any obligation of Operator under Sections 8.3(g), 12.1(b), 13.3, 13.5 or 15.1(j) of this Agreement. Whenever this Agreement refers to a cost or expense as being reimbursable as, or constituting a "Cost of Operations" or "Costs of Operations", such right or obligation shall always be read to be qualified by the qualifications to the definition thereof contained herein.

**"Costs of Operations Account"** means a special account or accounts: (i) bearing the name of Operator (or any Lender or third party nominated by a Lender following enforcement of any Lien); (ii) established by the Operator in a bank or trust company selected by Operator; and (iii) maintained solely by Operator (or any Lender or third party nominated by a Lender following enforcement of any Lien) to pay the Costs of Operations.

**"DICJ"** means the Direcção de Inspeção e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau) of Macau.

**"Dispute"** has the meaning set forth in Section 15.1.

**"Effective Date"** has the meaning set forth in Section 2.2.

**"Employee Policies"** has the meaning set forth in Section 6.1.

**"Enterprise Accounts"** has the meaning described in Section 4.8(a).

**"Event of Default"** shall have the meaning described in Section 9.1.

**"Fiscal Year"** means the accounting year used for the operation of the Casino, which shall be January through December.

**"Furniture and Equipment"** means all furniture, furnishings, wall coverings, fixtures, equipment and systems located at, or used in connection with, the Casino, together with all replacements therefor and additions thereto; provided, that all Gaming Assets are excluded from this definition of "Furniture and Equipment".

**"GAAP"** means those U.S. generally accepted accounting principles defined by the Financial Accounting Standards Board consistently applied to the gaming industry practice.

**"Gaming Activities"** means the operation of table games, slot machines, electronic gaming tables, other games of fortune or chance and other casino games.



“**Gaming Assets**” means Gaming Devices and other operating equipment, gaming inventories and supplies necessary for the conduct of Gaming Activities at the Casino.

“**Gaming Authority(ies)**” means the Macau Government, and any other gaming regulatory bodies by any other name (including any court, agency, department, commission, board, bureau or instrumentality) having jurisdiction over the conduct of gaming activities (or any aspect thereof) of the Operator, Melco Resorts or its Affiliates.

“**Gaming Devices**” means tables, slot machines and other gaming apparatus at the Casino.

“**Gaming License**” has the meaning set forth in Section 2.2.

“**Gaming License Fees**” means, unless otherwise agreed in writing by the parties and the Company, any subconcession/concession/gaming authorization fees or costs of Operator or its employees who are not Casino Employees in connection with maintaining its Gaming License but does not include any of the items in clause (d) of the definition of Costs of Operation , or (ii) Macau Gaming Taxes.

“**Gaming Promoters**” means gaming promoters duly licensed by the Macau Government to act in such capacity, and whose activity is to promote games of fortune and chance and other games in casinos in Macau providing amenities such as transport, lodgment, food and beverage and entertainment to patrons and receiving for such activity, as consideration, a commission or other remuneration.

“**Governmental Approvals**” means approvals of Governmental Authorities and/or Gaming Authorities, as applicable.

“**Governmental Authority(ies)**” means any court, board, agency, commission, office, department, bureau, or other instrumentality or authority of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise) whether now or hereafter in existence, to the extent each such court, board, agency, commission, office, department, bureau, or other instrumentality or authority has legal jurisdiction over the Casino or the Operator under this Agreement.

“**HKD Prime**” means the prime lending rate for Hong Kong dollars as may be offered by the Hong Kong and Shanghai Banking Corporation Limited from time to time.

“**ICC**” means the International Chamber of Commerce.

“**Independent Expert**” means an independent, internationally recognized investment banking or accounting firm that is qualified to resolve the issue in question, and that is appointed in each instance by agreement of the parties, or failing agreement, by a process whereby each party shall select one (1) such internationally recognized investment banking or accounting firm and the two (2) respective firms so selected shall select another such internationally recognized investment banking or accounting firm to be the Independent Expert. Each party agrees that it shall not appoint an individual as an Independent Expert hereunder if the firm (x) is, as of the date of appointment or within six (6) months prior to such date, engaged by such party, either

directly or as a consultant, in connection with any other matter or (y) otherwise has an economic relationship that could reasonably be expected to impair its independence or objectivity. In the event that either party calls for an Independent Expert determination pursuant to the terms hereof, the parties shall have ten (10) days from the date of such request to agree upon an Independent Expert and, if they fail to agree, each party shall have an additional ten (10) days to make its respective selection of a firm, and within ten (10) days after such respective selections the two (2) respective firms so selected shall select another such internationally recognized investment banking or accounting firm to be the Independent Expert. If either party fails to make its respective selection of a firm within the ten (10) day period provided for above, then the other party's selection shall be the Independent Expert. Also, if the two (2) respective firms so selected shall fail to select a third internationally recognized investment banking or accounting firm to be the Independent Expert, then such Independent Expert shall be appointed by the ICC and shall be a qualified person having at least ten (10) years recent professional experience as to the subject matter in question.

**"Intellectual Property"** means all trademarks, service marks, trade dress, copyrights, trade secrets, slogans, advertisements, promotions, proprietary information and know-how relating to operating methods, procedures and policies, inventions (whether patentable or not), software and all object and source code versions thereof and all related documentation, flow charts, and user/service/operating manuals, and any other intangible right protectable under any Law.

**"Law"** means any laws, ordinances, rules, regulations, permits, licenses and certificates and orders, judgments, and decrees of courts and administrative bodies of competent jurisdiction.

**"legal requirements"** has the meaning set forth in Section 14.18(b).

**"Lender"** or **"Other Lender"** means any third party that provides a Loan to the Company or its subsidiaries or that acts as agent, security agent, trustee or in any similar role in respect of a Loan.

**"Licenses"** means all permits, authorizations, and licenses necessary to operate the Casino in accordance with Macau Law.

**"Lien"** means any mortgage, pledge, lien, security interest, conditional or installment sale agreement, option, right of first refusal, restriction, exaction, imposition, charge or other claims of third parties of any kind or nature.

**"Loan"** or **"Loans"** means any loan or loans or other indebtedness, including but not limited to bonds, incurred by the Company or any of its subsidiaries secured by the Project (or any part thereof) and/or any of the revenues of the Project (or any part thereof).

**"Macau"** means the Macau Special Administrative Region of the People's Republic of China.

**"Macau Gaming Taxes"** means (a) the direct tax imposed by the Macau Government on the Casino's Total Gaming Revenues or gaming receipts or any successor direct tax to such direct tax, (b) any contributions or revenue sharing payments payable to the Macau

Government in relation to the Casino's Total Gaming Revenues or any successor contributions or revenue sharing payments payable to the Macau Government and used for similar purposes as the current contributions or revenue sharing payments or any other purposes to be determined by the Macau Government, and (c) any additional or replacement taxes imposed on or in relation to the Casino's Total Gaming Revenues at any future time; and (d) any special premium that may be imposed by the Macau government with respect to the compliance of certain minimum gross gaming revenue requirements; provided, that, for the avoidance of doubt, "Macau Gaming Tax" shall not include Gaming License Fees or any tax, whether income, profits, branch profits, franchise, complementary or other tax, however characterized, on Operator's income from the operation of the Casino (as distinguished from the Total Gaming Revenues derived from the operation of the Casino).

**"Macau Government"** means the government of Macau.

**"Mass Market Operations"** means all Gaming Activities, including tables and slot machines, other than VIP Operations.

**"Mass Market Revenues"** means gross gaming revenues, defined as the difference between gaming wins and losses before deducting (i) all costs and expenses and (ii) Macau Gaming Taxes, from the Mass Market Operations of the Casino. Mass Market Revenues shall not include VIP Revenues; provided, that revenue from slot machines is considered part of Mass Market Operations (and shall not be considered part of VIP Operations). Mass Market Revenues shall be determined in accordance with the books and records of Operator maintained in accordance with GAAP.

**"Melco Resorts"** means Melco Resorts & Entertainment, a company incorporated in the Cayman Islands.

**"Melco Resorts Control"** has the meaning set forth in Section 11.9.

**"Minimum Balance"** has the meaning set forth in Section 8.1(c).

**"Minimum Internal Control Requirements"** means minimum internal control requirements set out in Instruction no. 1/2018 dated 28 February, 2019 issued by DICJ, as amended from time to time.

**"MOP"** means the lawful currency of Macau.

**"MSC"** has the meaning set forth in the introductory paragraph to this Agreement.

**"MSC Account"** means an account designated by MSC.

**"MSC Change of Control"** means any event as a result of which any person or group of persons acting in concert, other than the Company and its Affiliates (i) directly, or indirectly, through one or more interposed entities, holds or is capable of exercising a majority of the voting power of MSC; or (ii) has and is capable of exercising the right to appoint a majority of the board of directors or similar governing body of MSC.

“**MSC Change of Control Notice**” has the meaning set forth in Section 14.1(b).

“**MSC Change of Control Transaction**” has the meaning set forth in Section 14.1(a).

“**MSC’s Intellectual Property**” means all Intellectual Property utilized by MSC in connection with the Project and in the performance of its obligations pursuant to the Transaction Documents, including Intellectual Property previously used by MSC, and Intellectual Property used at any time during the Term by MSC, unless licensed by MSC from Operator or a third party.

“**New Cotai**” has the meaning set forth in the recitals to this Agreement.

“**Non-Reimbursable Expenses**” means costs and expenses of Operator that are not to be funded or reimbursed by MSC (whether as Costs of Operations or otherwise) nor may amounts in respect thereof be withdrawn from the Costs of Operations Account, unless otherwise agreed in writing by the Company.

“**Operating Budget**” has the meaning set forth in Section 8.1.

“**Operating Standards**” has the meaning set forth in Section 4.1(a).

“**Operating Strategy**” has the meaning set forth in Section 4.1 (a).

“**Operator**” has the meaning set forth in the introductory paragraph to this Agreement.

“**Operator’s Developed Intellectual Property**” has the meaning set forth in Section 4.14(a).

“**Operator’s Intellectual Property**” has the meaning set forth in Section 4.14(a).

“**Operator Account**” means an account or accounts: (i) bearing the name of Operator (or any Lender or other third party nominated by a Lender following enforcement of Lien); (ii) established by Operator in a bank selected by Operator; and (iii) maintained by Operator (or any Lender or other third party nominated by a Lender following enforcement of Lien) to be maintained solely to accept deposits of Total Gaming Receipts by Operator and disburse out of such deposits in accordance with this Agreement.

“**Operator’s Own Intellectual Property**” has the meaning set forth in Section 4.14(a).

“**Operator Regulated Affiliates**” means any of (a) Operator, (b) Melco International Development Limited (“**Melco**”), (c) Melco Resorts (d) any Affiliate of Operator, Melco, or Melco Resorts, and (e) any entity in the equity of which any of Operator, Melco, Melco Resorts or any Affiliate of any of them has any direct or indirect interest.

“**Project**” has the meaning set forth in the recitals to this Agreement.

“**Regulatory Review**” has the meaning set forth in Section 12.3.

“**Representatives**” has the meaning set forth in Section 14.18(b).

“**Sale**” means with respect to any person, the sale, assignment, conveyance, or other transfer of (A) all or substantially all assets of such person or (B) a controlling interest in such person (i.e., the possession directly or indirectly of the power to direct or cause the direction of management and policies of such, whether through the ownership of voting securities, or partnership interests, by contract or otherwise).

“**Site**” has the meaning set forth in the recitals to this Agreement.

“**Studio City Developments**” means Studio City Developments Limited, a company incorporated in Macau.

“**Subconcession Agreement**” has the meaning set forth in the recitals of this Agreement.

“**Tax**” means all taxes, duties, levies, fees, tariffs, imposts, deficiencies, or other charges or assessments of any kind whatsoever, including net income, gross income, franchise, gross receipts, property, payroll, employment, occupation, capital gains, gains, profits, net worth, or other taxes, and any interest, penalties, additions to tax, or additional amounts with respect thereto imposed by any Governmental Authority(ies).

“**Tax Account**” means an account or accounts: (i) bearing the name of Operator (or any Lender or other third party nominated by a Lender following enforcement of Lien); (ii) established by Operator in a bank selected by Operator; and (iii) maintained by Operator (or any Lender or other third party nominated by a Lender following enforcement of Lien) to hold the funds for and to pay all Macau Gaming Taxes pursuant to Section 8.3.

“**Taxed Party**” has the meaning set forth in Section 8.6.

“**Term**” has the meaning set forth in Section 2.2.

“**Total Gaming Revenues**” means Mass Market Revenues plus VIP Revenues.

“**Total Gaming Receipts**” means cash and cash equivalents effectively received from patrons less amounts paid to patrons in relation to Total Gaming Revenue less amounts held on behalf of patrons in patrons deposit or safekeeping accounts.

“**Transfer Amount**” has the meaning set forth in Section 8.3.

“**U.S.**” means the United States of America.

“**VIP Operations**” means Gaming Activities that generate VIP Revenues.

“**VIP Players**” has the meaning set forth in the definition of VIP Revenues.

“**VIP Revenues**” means gross gaming revenues, defined as the difference between gaming wins and losses before deducting (i) all costs and expenses and (ii) Macau Gaming Taxes, received from patrons of the Casino who place bets at VIP Tables with non-negotiable chips or are introduced by one or more Gaming Promoters who, on average, are paid commissions, rebates or similar incentives which are generally consistent with or lower than rates paid by other casinos in Macau (such patrons, “**VIP Players**”). VIP Revenues shall be determined in accordance with the books and records of Operator maintained in accordance with GAAP.

“**VIP Tables**” means those tables used by VIP Players.

Section 1.2 Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all genders; and the singular shall include the plural and the plural shall include the singular. The Table of Contents and titles of Articles, Sections and paragraphs in this Agreement are for convenience only and neither limit nor amplify the provisions of this Agreement, and all references in this Agreement to Articles, Sections, paragraphs, clauses, exhibits, addenda or riders shall refer to the corresponding Article, Section, paragraph, clause of, or exhibit, addendum or rider attached to this Agreement, unless otherwise specified. “Including” and any other words or phrases of inclusion shall not be construed as terms of limitation, so that references to “included” matters shall be regarded as non-exclusive, non-characterizing illustrations.

Section 1.3 Exhibits, Addenda and Riders. All exhibits, addenda and riders attached hereto are by reference hereby made a part hereof.

Section 1.4 Interpretation. To the extent any terms of this Agreement are inconsistent with or would contravene applicable Macau Law, such provisions shall be deemed as unwritten and the Agreement shall remain in full force and effect provided the material terms of the Agreement remain substantially unchanged.

## **ARTICLE II** **SCOPE AND TERM**

Section 2.1 Scope. This Agreement outlines the manner in which the Operator manages and operates the Casino and the funding of the Casino operations by MSC.

Section 2.2 Term. This Agreement shall become effective upon execution and delivery of this Agreement by the parties hereto (such date, the “**Effective Date**”). The initial term of this Agreement (the “**Term**”) shall be from the Effective Date until December 31, 2022. If the Operator obtains a gaming concession or other right to legally operate gaming in Macau (a “**Gaming License**”) beyond December 31, 2022, and subject to compliance with applicable law, the Term shall be automatically extended until the expiration of the Gaming License (including all extensions thereof); provided further that the terms of the Gaming License specified by the Macau Government permit such extension under the terms of this Agreement. Any extension of the Term pursuant hereto shall be on the same terms and conditions as set forth in this Agreement.

Section 2.3 Extension of Gaming License. The Operator shall apply for an extension of the Gaming License or a New Gaming License for all periods subsequent to January 1, 2023.

**ARTICLE III**  
**[NOT USED]**

**ARTICLE IV**

**AUTHORITY AND DUTIES OF OPERATOR**

Section 4.1 Operator's Authority and Responsibility; Best Interests of the Casino.

(a) Operator shall manage the day-to-day operations of the Casino in a manner intended to appeal to the VIP and mass gaming markets at a standard of quality of service set by the Operator in line with the overall Project development and operational strategy determined by the Company from time to time (the "**Operating Strategy**"), consistent with the availability of funds as set forth in the Operating Budget, the numbers and grades of Casino Employees employed or utilized from time to time under ARTICLE VI, the Employee Policies and levels of remuneration applicable to those Casino Employees from time to time, the number and types of Gaming Devices used in the Casino, the design, construction, floor configuration and fit out of the Casino (including the Furniture and Equipment and any refurbishment programs) ("**Operating Standards**"). Operator shall devote the time and effort necessary to operate the Casino in accordance with the Operating Standards. Operator hereby accepts such retention and engagement. The Operating Standards shall include that the Operator not operate the Casino in a manner that intentionally detracts the Casino to the benefit of other casinos operated by the Operator or its Affiliates.

(b) Casino shall be open for operation for twenty four (24) hours per day, three hundred and sixty-five (365) days a year (three hundred and sixty-six (366) days a year in leap years); provided, however, that Operator may close parts of the Casino from time to time as it reasonably determines is appropriate given levels of patronage; and Operator shall perform all other activities directly related to the conduct of Gaming Activities at the Casino as set forth herein.

(c) Operator and MSC shall each (i) act in a commercially reasonable manner in the interest of the Casino when performing their respective obligations under this Agreement, (ii) use commercially reasonable efforts to improve the Casino operations and the Project, respectively, and (iii) refrain from taking actions solely intended to maximize the Casino's (A) revenue, on the one hand, or (B) short- and long-term profitability, on the other hand, to the detriment of the other of (A) or (B), as applicable.

(d) Operator shall determine the number and types of the Gaming Devices at the Casino, the betting limits related thereto, matters pertaining to the granting and collection of credit, and floor configuration to enable the Casino to be operated in a manner consistent with the Operating Standards; provided, that Operator must do so in compliance with

Macau Law as it applies to an operator of a casino and so as to enable Operator, as a holder of a Gaming License, to at all times be in compliance with any express directive of the Macau Government issued to Operator or to operators of casinos in Macau.

(e) Operator will determine the business model for VIP Operations at the Casino, including, without limitation, the appropriate utilization (if any) of Gaming Promoters versus direct contact with VIP Players and select, engage and terminate any Gaming Promoters to be utilized in connection with the VIP Operations at the Casino from time to time; provided all Gaming Promoters engaged in connection with the VIP Operations at the Casino shall be duly licensed by the Macau Government to act in such capacity. Any Gaming Promoters' commission or other compensation shall be a Cost of Operations.

Section 4.2 Limitations. Operator shall preserve and maintain all personal property and equipment located in the Casino in good operating condition, ordinary wear and tear excepted, provided that Operator shall retain the right to sell or otherwise dispose of such personal property or equipment on commercially reasonable terms so long as Operator reasonably determines it is no longer necessary for the operation of the Casino and the proceeds therefrom are deposited into the Operator Account to be disbursed to MSC in accordance with Article VIII. Operator shall not hold itself out to any third party as the agent or representative of MSC and shall not enter into any contracts or agreements in the name of MSC. Similarly, MSC shall not hold itself out to any third party as the agent or representative of Operator and shall not enter into any contracts or agreements in the name of Operator. Without the prior written consent of the other party, neither party shall act as agent or representative of the other party with respect to any Government Approvals, nor shall a party act as agent or representative of the other party concerning any action or approval specifically assigned to the other party under this Agreement.

Section 4.3 Consultation on the Project. Operator shall consult with MSC with respect to all policies and procedures affecting the conduct of the business of the Casino, shall provide reports thereon as reasonably requested by MSC and maintain communication with MSC to ensure Casino operations are aligned with the Operating Strategy.

Section 4.4 Security. Operator shall provide for appropriate security for the floor and entrance areas of the Casino. Operator may engage a security consultant and/or security company to assist with provision of security for the Casino. The cost of providing security (including the costs of engaging a security consultant and/or security company as directed by MSC) shall be a Cost of Operations.

#### Section 4.5 Accounting, Financial Records, and Audits

(a) Operator shall develop and implement accounting systems and financial controls for the Casino in accordance with Macau SAR law ("**Accounting Systems**").

(b) Operator shall maintain full and accurate records and books of account for the Casino operations, which records and books shall be maintained in two separate



sets in accordance with (i) the Macau Official Account Plan and (ii) GAAP. Notwithstanding anything to the contrary contained herein, such records shall be maintained at Operator's office located within the Project and shall be made available for prompt inspection, verification, and copying at all reasonable times as required by MSC or any Governmental Authority or Gaming Authority with jurisdiction over Operator. All such records shall be maintained by Operator so as to permit the preparation of financial statements in accordance with (i) GAAP; (ii) the requirements of the Macau Government, including the DICJ and Macau taxation authorities; and (iii) procedures to be mutually agreed upon by the parties. All such records shall at all times be the property of Operator and, unless required by applicable Law or to prevent the loss of or damage to such records, shall not be removed from the Casino or other approved location by Operator

(c) Operator will provide such information and reports regarding the operation of the Casino as may be reasonably required by MSC. Operator shall furnish to MSC monthly financial statements in accordance with Section 8.2. Such statements shall provide reasonable detail with respect to revenues and expenses of the Casino. Upon reasonable request by MSC to Operator, MSC shall have the right to audit the books and records of Operator with respect to Total Gaming Receipts and Costs of Operations. The audits will be scheduled at times agreed upon by MSC and Operator. The cost of such audits and audit reports (including the annual audit under Section 8.4) shall constitute Costs of Operations. Inspection or verification of records by persons other than MSC, its designated representative(s), consultants and advisors, any prospective or actual financing source, any prospective or actual purchaser, and their respective representatives, consultants and advisors, or any Governmental Authority or Gaming Authority with jurisdiction over Operator shall be coordinated by Operator .

(d) Operator shall make all reasonable arrangements as to requirements concerning the reporting and withholding of taxes with respect to the winnings from Gaming Activities. Operator will prepare and file all tax returns and reports relating to the payment of all Macau Gaming Taxes.

(e) All costs of maintaining financial and accounting records by Operator in accordance with Operator's obligations under this Agreement are Costs of Operations and all costs of undertaking and complying with audits under this Agreement are Costs of Operations.

Section 4.6 Cash Monitoring. Operator shall conduct surveillance and other monitoring activities to ensure the integrity and proper conduct of the Gaming Activities at the Casino. Operator shall install a video and/or digital surveillance system and computerized systems for monitoring the slots or electronic gaming accounts and the Total Gaming Receipts on a daily basis. Operator shall promulgate, and all parties and their respective employees, agents, and representatives shall obey, operational policies respecting the handling of cash, security systems, and access to cash cage, counting rooms, and other places where cash is kept and handled. All such operational policies shall comply with applicable Laws. Each party shall comply with all internal procedures adopted, instructions from the relevant authorities and all applicable Laws related with the prevention of money laundering, financing of terrorism and corruption, including the Minimum Internal Control Requirements or any other instructions issued and/or modified by the DICJ, as amended from time to time.

Section 4.7 Cash Counting. All casino cages shall be counted at least daily at the treasury of the Casino under the permanent co-supervision of the DICJ and Operator. Unless such amounts are required to remain at the cage of the Casino for operational purposes, the Total Gaming Receipts shall be deposited daily into the Tax Account and the Operator Account in accordance with Section 8.3.

Section 4.8 Bank Accounts.

(a) Operator shall, subject to such requirements as may be agreed with any Lenders as to any Liens on the Operator Account, establish the Operator Account Operator shall, subject to such requirements as may be agreed with any Lenders as to any Liens on such accounts, also establish other segregated bank accounts for the operation of the Casino ("**Enterprise Accounts**"), including the Costs of Operations Account. All risk of loss with respect to funds in the Tax Account, the Operator Account and the Costs of Operations Account shall be borne by Operator.

(b) [Not Used].

(c) All costs incurred by Operator, including bank fees and charges and any taxes, on the bank accounts required to be opened, maintained and operated under this Agreement are Costs of Operations.

Section 4.9 Other Revenues. Without the prior written approval of MSC, other than Gaming Activities, Operator may not supply any revenue generating services (including, without limitation, food, beverage, retail and entertainment services) to patrons of the Casino or the Project, and all revenues from those other services shall be for the sole account of MSC

Section 4.10 Timely Payment of Costs of Operations. Subject to available funds in the Costs of Operations Account or otherwise made available by MSC, Operator shall be responsible for paying Costs of Operations on behalf of the Casino from the Cost of Operations Account (or from funds otherwise made available by MSC) so as to avoid any late-payment penalties (except those incurred as a result of good faith payment disputes) to the extent funds are available.

Section 4.11 Acquisition of Gaming and Other Equipment; Gaming Promoters. (a) Consistent with the Operating Budget, Operator shall acquire the equipment and related licenses for the Gaming Assets, subject to the availability thereof; provided that MSC provides sufficient funds to Operator to pay for those acquisitions prior to Operator being under an obligation to pay for the equipment and related licenses for the relevant Gaming Assets. All such Gaming Assets procured by Operator shall be utilized in the Casino for the purposes set forth in this Agreement. As Operator expects to operate other gaming facilities in Macau, if Operator is procuring any Gaming Assets, Operator shall use commercially reasonable efforts to obtain volume and pricing discounts in connection with the purchase or lease of such Gaming Assets and apply such volume or pricing discounts equitably across all purchases, including the Gaming Assets. Operator's purchases or leases of any Gaming Assets shall not include any mark-up, profit, or overhead for the account of Operator. MSC will

make available to Operator, prior to Operator being under an obligation to pay for the relevant equipment and related licenses, as Costs of Operations the out-of-pocket cost of acquiring all equipment and related licenses (but not Gaming Licenses) for Gaming Assets purchased or leased by Operator. Operator shall not cause, permit or suffer to exist any Lien on or against any such Gaming Assets (other than any applicable vendor's lien in respect of any unpaid installments of the purchase price). The Gaming Assets may revert to the Macau Government upon expiration or earlier termination of the Subconcession Agreement or Concession Agreement (as applicable at the relevant time), without compensation to the Operator in accordance with Macau law and/or the Subconcession Agreement or Concession Agreement (as applicable at the relevant time).

(b) If determined pursuant to Section 5.1(b), Operator shall engage any Gaming Promoters to be utilized in connection with the Casino.

#### Section 4.12 [Not Used]

Section 4.13 Maintenance. In the course of operating the Casino, Operator shall promptly notify MSC as to any aspect of the Casino that, to Operator's knowledge, requires maintenance. MSC shall ensure that any required maintenance tasks are acted upon as soon as is reasonably practicable; provided, that, if required by applicable Law or by the direction of DICJ, Operator shall be responsible for maintenance of the Casino and/or the Gaming Assets in accordance with the Operating Standards and as Costs of Operations. Nothing in this Section 4.13 shall render Operator liable to pay the costs of maintenance of the Casino.

#### Section 4.14 Intellectual Property.

(a) Subject to the last sentence of this paragraph, any Intellectual Property developed by the Operator solely in relation to the Casino (or otherwise in respect of the performance of its obligations under this Agreement), or by MSC shall be the sole property of MSC; provided, that Intellectual Property shall not include information that is readily available to the public other than as a result of a breach of this provision. Operator shall not use any such Intellectual Property other than in connection with the performance of its obligations under this Agreement. Nothing herein shall require Operator or any Affiliate of Operator to share any of its previously developed trade secrets, customer lists or trademarks or trade names or other existing or future Intellectual Property developed by Operator otherwise than in relation to the Project ("**Operator's Own Intellectual Property**") for the operation of the Casino or, except to the extent reasonably necessary to perform its obligations, to use any such property in the performance of its duties. To the extent that Operator develops and/or utilizes unique and proprietary processes in the operation of the Casino ("**Operator's Developed Intellectual Property**") and together with Operator's Own Intellectual Property, "**Operator's Intellectual Property**"), these shall remain the property of Operator.

(b) Operator acknowledges and agrees that MSC is the sole and exclusive owner of MSC's Intellectual Property and that MSC shall retain all right, title and interest in, to and under MSC's Intellectual Property. Operator shall not in any way or manner represent to others that it owns or has any ownership rights in MSC's Intellectual Property. Operator shall not apply for registration of any of MSC's Intellectual Property and any other mark, name, word or

symbol that is confusingly similar to or a variation of same. Operator shall not make any use of MSC's Intellectual Property or any word or term that is confusingly similar thereto, in any manner, written, oral, or electronic, on the Internet as a domain name, or otherwise, without the express prior written consent of MSC. Operator agrees and acknowledges that any and all goodwill accruing or arising from its past, present and future use of MSC's Intellectual Property shall be for the sole benefit of MSC or its licensees.

(c) MSC acknowledges and agrees that Operator is the sole and exclusive owner of Operator's Intellectual Property and that Operator shall retain all right, title and interest in, to and under Operator's Intellectual Property. MSC shall not in any way or manner represent to others that it owns or has any ownership rights in Operator's Intellectual Property. MSC shall not apply for registration of any of Operator's Intellectual Property and any other mark, name, word or symbol that is confusingly similar to or a variation of same. MSC shall not make any use of Operator's Intellectual Property or any word or term that is confusingly similar thereto, in any manner, written, oral, or electronic, on the internet as a domain name, or otherwise, without the express prior written consent of Operator. MSC agrees and acknowledges that any and all goodwill accruing or arising from its past, present and future use of Operator's Intellectual Property shall be for the sole benefit of Operator or its licensees.

Section 4.15 Use of Name. MSC and its Affiliates may refer to Operator as the operator of the Casino, utilizing such phrasing as shall be mutually agreeable to the parties, for all purposes and in any manner, written, oral, electronic or otherwise. No additional consideration shall be payable for these or any other permitted uses of the names or trademarks of Operator or its Affiliates.

Section 4.16 Operator's Own Expenses. Without prejudice to any other provision of this Agreement, including without limitation, those relating to Costs of Operations, Operator shall be solely responsible for and pay Operator's own expenses of its separate operations, including rent, insurance, overhead, employee expenses and general business expenses that are not Allocated Overhead Expenses, all of which shall be considered Non-Reimbursable Expenses.

Section 4.17 Sales, Marketing and Advertising. Operator shall be responsible for the design, development and implementation of marketing, advertising, player development, customer service and public relations strategies, programs and policies of the Casino as Operator determines to be appropriate and consistent with the Operating Standards.

Section 4.18 Cooperation of Operator with MSC. Operator shall reasonably cooperate with MSC during the Term of this Agreement in all respects reasonably necessary to facilitate the performance by MSC of MSC's obligations set forth in this Agreement. Operator shall provide MSC with such information pertaining to the Casino as may be reasonably requested by MSC from time to time.

Section 4.19 Gaming License Status. To the extent permitted by law and in compliance with any regulatory condition, Operator shall provide MSC, upon reasonable request of MSC, updates regarding status of its subconcession

or new concession (if any), to the extent relevant for the operation of the Casino. At MSC request, to the extent permitted by law and in compliance with any regulatory conditions, Operator shall provide MSC with copies of the relevant documentation

Section 4.20 Notices Regarding Regulatory Review Operator shall promptly provide notice to MSC, if any Operator Regulated Affiliate determines in good faith that, as a result of a Regulatory Review, it may be required by any Gaming Authority(ies) to disassociate itself from MSC, or to procure that Operator is disassociated from MSC.

Section 4.21 Patronage Incentives and Credit. Operator shall establish, consistent with the Operating Strategy, policies and programs for (i) complimentary rooms and amenities, (ii) extension of credit to patrons, and (iii) collection and monitoring of credit. The policies and programs pertaining to the extension of credit to patrons shall be determined and implemented by the Operator in compliance with Macau Law in line with the credit policy approved by the Operator.

Section 4.22 Governmental Approvals and Licenses. Operator shall obtain and maintain in full force and effect all Governmental Approvals and Licenses required in connection with the Casino, its operation and maintenance.

## ARTICLE V

### AUTHORITY AND DUTIES OF MSC

Section 5.1 Project Operations. Subject to 4.1 (a), MSC shall advise the Operator of the Operating Strategy on a regular basis to enable the Operator to set the Operating Standards of the Casino in accordance with therewith.

Section 5.2 Utility Services MSC shall be responsible for arranging utility services, telephone and other similar services required for the operation of the Casino as MSC determines to be appropriate and consistent with the Operating Standards; provided that Operator shall, at MSC's request, advise and consult with MSC on all such matters.

Section 5.3 [Not Used]

Section 5.4 Cooperation of MSC with Operator. MSC shall reasonably cooperate with Operator during the Term of this Agreement in all respects necessary to facilitate the performance by Operator of Operator's obligations set forth in this Agreement. MSC shall provide Operator with such information pertaining to the Project as may be reasonably requested by Operator from time to time.

Section 5.5 [Not Used]

Section 5.6 On-Site Office. MSC shall provide Operator, at no cost to Operator, with office space located at the Project,

reasonably designated by MSC, which shall be utilized for general office purposes solely related to the operation of the Casino, including without limitation, maintaining the books and records of the Casino.

Section 5.7 [Not Used]

Section 5.8 Payment of Amounts other than Costs of Operations The Costs of Operations shall be borne by MSC and paid from the Total Gaming Receipts in accordance with the provisions of this Agreement. MSC shall also be responsible for paying all other costs and expenses in connection with the Casino and its operations and maintenance, other than the items set forth in clauses (i) through (iii) (inclusive) of the exclusions from Costs of Operations set forth in the proviso to the definition of Costs of Operations. MSC shall pay all such costs and expenses in a timely manner so as to avoid any material disruption to the operation of the Casino in accordance with the Operating Standards.

Section 5.9 [Not Used]

**ARTICLE VI**

**PERSONNEL MATTERS**

Section 6.1 Employment and Supervision of Personnel. Operator shall have the responsibility of identifying, and then recruiting, potential Casino Employees (as defined below). Operator shall be responsible for training of the Casino Employees. A background investigation shall be conducted directly by Operator or through the services of a third party, in compliance with all requirements of Law, to the extent applicable, on each applicant for employment as soon as reasonably practicable. Any costs incurred by Operator in connection with the recruitment and training of Casino Employees (including without limitation, recruitment and training companies and engaging the services of recruitment and training agents) and obtaining such background investigations shall constitute Costs of Operations. Operator shall employ and supervise the employees of the Casino (including without limitation dealers, cashiers, security and surveillance personnel, managers, and other personnel customarily employed by casinos in Macau (the “**Casino Employees**”)), in accordance with the policies and procedures developed by the Operator (the “**Employee Policies**”). Such policies and procedures shall include staffing levels and compensation ranges for the Casino Employees set by Operator from time to time.

Section 6.2 Personnel Decisions. Operator shall have the sole authority to promote, discharge, and supervise all Casino Employees.

Section 6.3 Casino Employee Expenses. Payroll and employee benefits expenses of the Casino Employees (“Casino Employee Expenses”) shall be borne by Operator and reimbursed by MSC as Costs of Operations All salaries, wages, termination costs, employee insurance, worker compensation premiums, employment taxes, employee on costs, government exactions of any kind related to employment, benefits, and overhead related to the supervision and discharge of Casino Employees shall be Costs of Operations.

Section 6.4 [Not Used]

Section 6.5 [Not Used]

## **ARTICLE VII**

### **INSURANCE**

#### **Section 7.1 Operator's Duty to Maintain.**

(a) During the Term, Operator shall be responsible for obtaining and maintaining, as Costs of Operations, insurance policies related to the Casino Employees, such as worker's compensation, and such other insurance with respect to the Casino Employees consistent with the Operating Budget.

(b) . During the Term, Operator shall be responsible for obtaining and maintaining insurance coverages (including commercial general liability, flood, and property insurance) from insurers satisfying or exceeding the requirements, covering such risks and in amounts required for the Operator to comply with the terms of Operator's Gaming License, and which may also include, from time to time, if required in order for Operator to comply with the terms of Operator's Gaming License, automobile and garage keepers liability, director and officer, and fidelity bond coverage. The costs of all such insurance coverages shall be Costs of Operations, and the Operating Budget shall reflect the cost of obtaining such insurance coverages as Costs of Operations

#### **Section 7.2 [Not used].**

Section 7.3 MSC and Operator to be Insureds. The insurance policies required to be obtained and maintained by the Operator pursuant to Section 7.1 shall name MSC and Operator as insureds.

Section 7.4 Evidence of Insurance. From time to time as reasonably requested by the other party, each party shall supply to the other party, and any Governmental Authorities as required by Law, copies of the insurance policies applicable to the Casino operations including those obtained pursuant to this ARTICLE VII.

## **ARTICLE VIII**

### **OPERATING BUDGETS, COMPENSATION AND CONSIDERATION**

#### **Section 8.1 Projections and Budgets; Funding of Costs of Operations.**

(a) Operator shall prepare monthly, quarterly, and annual operating budgets for each Fiscal Year of operations of the Casino. Each monthly, quarterly and annual operating budget shall include all requirements necessary to meet the obligations of the Casino,

under Operator's Gaming License and Macau Law. To the extent that an amount necessary to meet the obligations under the Operator's Gaming License is not known by the Operator prior to the preparation of the relevant monthly, quarterly or annual operating budget, but Operator subsequently becomes aware of such amount, Operator shall promptly give notice of that amount to MSC and each relevant budget shall be amended accordingly. All operating budgets prepared and finalized by the Operator hereunder (each, as applicable, an "**Operating Budget**") shall include, among other things, a budget of receipts and expenditure proposals for payroll and other Casino Employee Expenses, operating inventories and supplies and other reimbursable expenses under this Agreement. Operator shall prepare (i) monthly progress reports regarding expenses versus Budget and (ii) such other progress reports regarding expenses versus Budget as may be reasonably necessary and provide them to MSC. Operator shall prepare each future annual Operating Budget, including monthly, quarterly and annual breakdowns, by no later than fifteen days (15) days prior to the commencement of each succeeding Fiscal Year. Each such future Operating Budget, including monthly, quarterly and annual breakdowns, shall include all requirements necessary to meet the obligations of the Casino, Operator's Gaming License and Macau Law. To the extent that an amount necessary to meet the obligations under the Operator's Gaming License is not known by the Operator prior to the preparation of the relevant monthly, quarterly or annual operating budget, but Operator subsequently becomes aware of such amount, Operator shall promptly give notice of that amount to MSC and each relevant budget shall be amended accordingly. Adjustments may be made to an Operating Budget from time to time during any Fiscal Year, to reflect changes required based upon staffing of the Casino determined from time to time in accordance with Section 6.1, the impact of unforeseen circumstances, financial constraints, or other events. Any such adjustments shall not affect any actions previously taken by Operator in accordance with the terms of the Operating Budget as in effect at the relevant time. Operator agrees to promptly inform MSC regarding any items of revenue or expense that are reasonably anticipated to exceed the amounts set forth in any Budget and Operator shall promptly notify MSC of any payments made in excess of the amount provided therefor in such Budget.

(b) [Not Used.]

(c) Operator shall not be required to pre-fund any Costs of Operations under this Agreement. MSC shall ensure that Operator is provided with sufficient funds in the Costs of Operations Account to meet the Costs of Operations contemplated by any applicable Operating Budget before Operator is under any obligation to pay for the relevant Costs of Operations. Accordingly, each Operating Budget shall specify in respect of each month covered by the relevant Operating Budget, a minimum balance of funds required to be maintained at all times in the Costs of Operations Account (the "**Minimum Balance**"). Any shortfall in the Minimum Balance shall be funded from the Operator Account and transferred to the Costs of Operations Account in accordance with the provisions of Section 8.3(d)).

(d) Notwithstanding any other provision of this Agreement, except for the items set forth in clauses (i) through (iii) (inclusive) of the exclusions from Costs of Operations set forth in the proviso to the definition of Costs of Operations, Operator shall not be required to incur any costs, expenses, liabilities or other obligations howsoever or whatsoever in connection with the Casino, including under any request, direction, instruction, principle, guide, proposal or Operating Budget contemplated under ARTICLES IV, VI or VIII of this Agreement or otherwise, unless the relevant amount has been included in a Budget which is in effect at the relevant time



such that the relevant amount is a Cost of Operations and has been credited to, and remains standing to the balance of, the Costs of Operations Account. Operator shall not be in breach of this Agreement as a result of any failure or refusal to incur any such cost, expense, liability or other obligation (except for the items set forth in clauses (i) through (iii) (inclusive) of the exclusions from Costs of Operations set forth in the proviso to the definition of Costs of Operations) which is not a Cost of Operations able to be funded from the Costs of Operations Account at the relevant time.

Section 8.2 Monthly Financial Statements. Within thirty (30) days after the end of each calendar month, Operator shall furnish to MSC monthly verifiable financial statements in accordance with (i) GAAP and (ii) requirements of the Macau Government, including the DICJ and Macau taxation authorities covering the preceding month's operations of the Casino, including operating statements, balance sheets, income statements, cash flow statements and statements reflecting the amounts computed to be distributed in accordance with Section 8.3.

Section 8.3 Transfers.

(a) In consideration of MSC's obligations hereunder and rights provided to Operator hereunder, Operator shall on or before the 15<sup>th</sup> day of the following month transfer to MSC an amount ("**Transfer Amount**") equal to Total Gaming Receipts for the prior month less the sum of (1) an amount equal to Macau Gaming Taxes with respect to the Total Gaming Revenues for the prior month and (2) an amount required to maintain the Minimum Balance in the Costs of Operations Account by Operator and as required from time to time as so as to ensure the amounts in the Costs of Operations Account are sufficient to meet Costs of Operations. All monthly distributions shall be subject to the quarterly true up pursuant to Section 8.3 (e) and the other rights and remedies of the parties as set forth herein.

(b) [Not Used].

(c) Where amounts in the Costs of Operations Account are insufficient to meet Costs of Operations, then, notwithstanding the provisions of Sections 8.3 (a) and 8.3(d), MSC shall make transfers from its own funds to the Costs of Operations Account as necessary to pay Costs of Operations and on the basis that such funds are transferred to the Costs of Operations Account before Operator is under an obligation to pay for the relevant Costs of Operations.

(d) The amount of Total Gaming Receipts for each day shall be deposited as follows promptly after determination of the amount thereof. First, an amount equal to all Macau Gaming Taxes payable with respect to the Total Gaming Revenues for that day (as required by applicable Law and regulations) shall be deposited in the Tax Account. All remaining amounts of Total Gaming Receipts for each day shall promptly thereafter be deposited into the Operator Account. All amounts in the Operator Account at the end of the preceding month shall, subject to the other provisions of this Section 8, be disbursed on or before the 15<sup>th</sup> day of the following month as follows:

(i) [Not Used].

(ii) an amount sufficient to cause the amount contained in the Costs of Operations Account to maintain the Minimum Balance, shall be deposited in the Costs of Operations Account; provided, that, any shortfall in the Minimum Balance shall be deposited into the Costs of Operations Account by MSC from its own funds, from time to time and on the basis that such funds are deposited into the Costs of Operations Account before Operator is under an obligation to pay for the relevant Costs of Operations;

(iii) Any remaining balance in the Operator Account shall be transferred to MSC.

(e) No later than the thirtieth (30<sup>th</sup>) day of March, June, September or December of each year, if the actual Total Gaming Revenues, the Total Gaming Receipts or other amounts paid to MSC in accordance with Section 8.3 for the preceding quarter (or part thereof) ending the preceding December, March, June and September are different from the amount that should have been determined or paid to such party based on the books and records of Operator and based upon the provisions of this Agreement, then to the extent MSC received an overpayment, it shall repay and deposit the amount of such overpayment into the Operator Account, and to the extent MSC received an underpayment, it shall receive a distribution from the Operator Account.

(f) MSC shall also furnish Operator (directly, or through deposits to the Costs of Operations Account) such other amounts and on such other dates as may be specified by Operator in a request for funds, made in consultation with MSC, delivered to MSC at least thirty (30) days in advance of the specified funding date.

(g) Operator shall pay all Macau Gaming Taxes from the Tax Account and, to the extent that sufficient funds are available in the Costs of Operations Account, shall pay all Costs of Operations from the Costs of Operations Account.

(h) Subject to the provisions of Section 14.1 (a) or any Liens granted in favour of a Lender, Operator shall not cause, permit or suffer to exist any Lien on or against the Tax Account, the Operator Account, the Costs of Operations Account, or any funds on deposit in either such account, and immediately upon becoming aware of same, shall notify MSC. Operator shall promptly take all actions necessary or proper to obtain the release or discharge of any such Lien; provided, however, that any amount incurred to obtain such release or discharge of Lien, and all costs and expenses incurred therewith, shall be Non-Reimbursable Expenses (except if such Lien results from the performance of the Operator's obligations or any failure by MSC to perform its obligations under this Agreement, in which case any amounts incurred shall be considered Costs of Operation).

(i) [Not Used].

#### Section 8.4 Annual Audit.

(a) With respect to each Fiscal Year, Operator shall cause an audit to be conducted by an accounting firm selected by the Operator. On or before one hundred and twenty (120) days after the end of such year, the selected accounting firm shall issue a report with financial statements in accordance with (i) GAAP and (ii) requirements of the Macau Government,

including the DICJ and Macau taxation authorities, with respect to the preceding Fiscal Year (or portion of the year in the case of the first year) operations of the Casino, including operating statements, balance sheets, income statements and statements reflecting the amounts computed to be distributed in accordance with Section 8.3.

(b) In addition, upon termination of this Agreement in accordance with its terms, such accounting firm shall conduct an audit, and on or before one hundred and twenty (120) days after the termination date, shall issue a report setting forth the same information as is required in the annual report pursuant to Section 8.4(a), in each case with respect to the portion of the Fiscal Year ending on the termination date. If the Total Gaming Revenues, Total Gaming Receipts or other amounts paid to MSC in accordance with Section 8.3, or paid to Operator (from the Costs of Operations Account or otherwise) in respect of Costs of Operations, for the relevant period are different from the amount that should have been paid to such party based on the report prepared by the accounting firm and based upon the provisions of this Agreement, then to the extent either party received an overpayment, it shall repay and deposit the amount in the Operator Account or the MSC Account, as the case may be, within twenty-five (25) days after the receipt by such party of the accountant's report, and to the extent either party received an underpayment, it shall, within twenty five (25) days after receipt by such party of the accountant's report, receive a distribution from the Operator Account or the MSC Account, as the case may be, of the amount of such underpayment.

Section 8.5 Cooperation Regarding Financing. Each party will reasonably cooperate in all material respects with efforts by the other party and its Affiliates to obtain financing, and shall coordinate and consult with each other in connection with any financial projections shown to Lenders. Nothing in this Section 8.5 shall require a party to incur a material obligation or liability.

Section 8.6 Effect of New Taxes. If, during the Term, (a)(i) either party hereto (the "**Taxed Party**") becomes subject to a Tax imposed by the Macau Government (other than Macau Gaming Taxes) with respect to the income derived by the Taxed Party from the transactions and activities contemplated by this Agreement, and the Taxed Party, if it were deriving gross revenues, gross receipts, gross income or net income from the transactions and activities contemplated by this Agreement on the date the law amending Law no. 16/2001 comes into effect ("**Relevant Effective Date**"), would not be subject to such Tax on the Relevant Effective Date (assuming, for this purpose, that any "tax holidays," "exemptions," or the like were not applicable to the Taxed Party at such time) or (ii) the Macau Government modifies the basis of calculation of a Tax in effect as of the Relevant Effective Date (including Macau Gaming Taxes) by changing such basis of calculation from gross income, net income, gross revenues, gross receipts or sales to another of such bases or by determining to tax Operator on the revenue of the Casino or on the Transfer Amount without any offset or deduction for the payments made by Operator or from the revenue of the Casino to MSC (it being understood that a change in rate of Tax shall not constitute a change in basis of calculation) and (b) as a result of the imposition of such a Tax referred to in clause (a)(i) or the modification of the basis of calculation of a Tax referred to in clause (a)(ii), the Taxed Party, if it were deriving gross revenues, gross receipts, gross income or net income from the transactions and activities contemplated by this Agreement at the Relevant Effective Date January 1, 2023, and assuming, for this purpose, that any "tax holidays," "exemptions," or the like were not applicable to the Taxed Party at such time, would be liable to

pay a materially greater amount of Tax than the Taxed Party would have previously paid, Operator and MSC shall each negotiate in good faith in order to attempt to minimize equitably as between the parties the adverse impact as a result of the imposition or modification of the Tax, taking into consideration in such attempt any reduction in the taxes payable by the other party that correspond to the Tax imposition or modification. Failure to reach agreement after negotiating in good faith shall not constitute a Dispute subject to resolution under ARTICLE XV.

## ARTICLE IX

### EVENTS OF DEFAULT

Section 9.1 Events of Default. Subject to Section 14.8 (Force Majeure), the occurrence of any one or more of the following events which is not cured in the time permitted shall constitute an event of default (an “**Event of Default**”):

(a) Event of Default by Operator. The occurrence of any of the following events shall constitute an “Event of Default” of Operator:

(i) The failure of Operator to make any deposit of any amounts in respect of Total Gaming Revenues or Total Gaming Receipts (as appropriate) required under this Agreement on or before the due date recited herein and said failure continues for one (1) day after written notice thereof from MSC;

(ii) The failure of Operator to make any monetary payment or deposit (other than those in respect of Total Gaming Revenues or Total Gaming Receipts, as set forth in Section 9.1(a)(i)) required under this Agreement on or before the due date recited herein and said failure continues for five (5) business days after written notice thereof from MSC;

(iii) A material breach by Operator of any of the representations and warranties, covenants, agreements, terms or conditions contained in this Agreement, including the breach of any obligations to perform in accordance with the Operating Standards, and such breach continues for a period of thirty (30) days after written notice thereof from MSC to Operator specifying in detail the nature of such breach; provided, that if such breach is not cured within such thirty (30) day period and Operator has been diligently attempting to cure, such period shall be extended for one thirty (30) day period so long as Operator continues to diligently attempt to cure during such period;

(iv) The suspension, revocation, termination or ineffectiveness, for any reason whatsoever, of Operator’s Gaming License or any Governmental Approval required to be obtained or maintained by Operator under this Agreement (if the failure to obtain or maintain such Governmental Approval would have a material adverse effect on Operator’s Gaming License or its ability to perform its obligations under this Agreement), except where such suspension, revocation, termination or ineffectiveness, results from any act or omission of MSC in violation of this Agreement;

(v) A material breach by Operator of any Macau gaming Laws;

(vi) A finding by a final judgment of a court of competent jurisdiction that any of Operator's employees are guilty of theft, embezzlement or crime of moral turpitude and if, after knowledge of such final judgment, the failure of Operator to promptly remove such employee from connection with the Casino;

(vii) The failure of Melco Resorts or its successor to hold, directly or indirectly, a majority of the voting equity of Operator unless Operator is a public company and Melco Resorts remains, directly or indirectly, the largest holder of the voting equity in Operator, and holds, directly or indirectly, at least thirty percent (30%) of the voting equity in Operator;

(viii) Operator's (i) application for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, (ii) failure to pay its debts as they mature or admission in writing of its inability to pay its debts as they mature, (iii) making of a general assignment for the benefit of creditors, (iv) adjudication as bankrupt or insolvent, or (v) filing of a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors, taking advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation Law, or admission of the material allegations of a petition filed against it in any proceedings under any such Law, or Operator's taking any action for the purpose of effecting any of the foregoing;

(ix) The entering of an order, judgment or decree without the application, approval or consent of Operator by any court of competent jurisdiction approving a petition seeking reorganization of Operator, or the appointment of a receiver, trustee or liquidator of Operator, or of all or a substantial part of any of the assets of Operator, that continues unstayed and in effect for a period of sixty (60) days from the date of entry thereof;

(x) Any call or drawing made by the Macau Government under a performance bond unless such bond is fully reinstated in accordance with the terms of the Subconcession Agreement or Concession Agreement (as applicable at the relevant time);

(xi) Any temporary administrative intervention is made by the Macau Government pursuant to the Subconcession Agreement or Concession Agreement (as applicable at the relevant time); or

(xii) The Macau Government takes any formal measure seeking the unilateral termination of the Subconcession Agreement or Concession Agreement (as applicable at the relevant time).

(b) Event of Default by MSC. The occurrence of any of the following events shall constitute an "Event of Default" by MSC:

(i) The failure by MSC to make any monetary payment or deposit required under this Agreement on or before the due date recited herein and said failure continues for five (5) business days after written notice thereof from Operator;

(ii) A material breach by MSC of any of the representations and warranties, covenants, agreements, terms or conditions contained in this Agreement, and such breach continues for a period of thirty (30) days after written notice thereof from Operator to MSC specifying in detail the nature of such breach; provided, that if such breach is not cured within such thirty (30) day period and MSC has been diligently attempting to cure, such period shall be extended for one thirty (30) day period so long as MSC continues to diligently attempt to cure during such period;

(iii) MSC's (i) application for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, (ii) failure to pay its debts as they mature or admission in writing of its inability to pay its debts as they mature, (iii) making of a general assignment for the benefit of creditors, (iv) adjudication as bankrupt or insolvent, or (v) filing of a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors, taking advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation Law, or admission of the material allegations of a petition filed against it in any proceedings under any such Law, or MSC's taking any action for the purpose of effecting any of the foregoing;

(iv) The entering of an order, judgment or decree without the application, approval or consent of MSC by any court of competent jurisdiction approving a petition seeking reorganization of MSC, or the appointment of a receiver, trustee or liquidator of MSC, or of all or a substantial part of any of the assets of MSC, that continues unstayed and in effect for a period of sixty (60) days from the date of entry thereof; or

(v) Any action by MSC whether or not permitted or required under this Agreement which causes or is likely to cause Operator to be in breach of its Gaming License, and the condition resulting from such action continues for a period of thirty (30) days (or in the case of an actual breach, such shorter period as may be permitted by Macau Law, the DICJ or any other applicable Macau Governmental Authority in accordance with applicable Law after Operator has taken commercially reasonable action to attempt to obtain such thirty (30) day period), after written notice thereof from Operator to MSC specifying in detail the nature of the actions to be taken to resolve such condition; provided, that if such breach is not cured within such thirty (30) day period and MSC has been diligently attempting to cure, such period shall be extended for one thirty (30) day period (or in the case of an actual breach, such shorter period as may be permitted by Macau Law, the DICJ or any other applicable Macau Governmental Authority in accordance with applicable Law after Operator has taken commercially reasonable action to attempt to obtain such thirty (30) day period) so long as MSC continues to diligently attempt to cure during such period.

## ARTICLE X

### REMEDIES

Section 10.1 Remedies. In addition to any termination right provided for herein, but subject to Section 11.9 hereof, upon the occurrence of a default in any obligation hereunder or a breach of any representation and warranty, covenant, agreement, term or condition hereof or of any Event of Default, the non-defaulting party may pursue any and all remedies available to it at law or in equity, subject to the provisions of ARTICLE XV; provided however, that MSC's remedies with respect to the Events of Default set forth in Sections 9.1(a)(iv), 9.1(a)(xi) and 9.1(a)(xii) shall be limited to the right to termination of this Agreement, without the payment of compensation or the incurrence of any other liability on the part of Operator (but without prejudice to rights accrued or obligations incurred prior to the termination), pursuant to Sections 11.1 and 11.8 hereof, unless any such Event of Default results from the act or omission of Operator; provided, further, that Operator's remedies with respect to the Events of Default set forth in Section 9.1(b)(v) shall be limited to termination of this Agreement, without the payment of compensation or the incurrence of any other liability on the part of MSC (but without prejudice to rights accrued or obligations incurred prior to the termination), pursuant to Sections 11.1 and 11.8 hereof.

#### Section 10.2 Ownership of Assets and Repayment of Obligations on Termination or Event of Default.

(a) The parties shall continue to perform their obligations in accordance with the provisions of this Agreement and Macau Law during the pendency of any dispute and no party shall have the right to cease performing its obligations hereunder until this Agreement expires or is duly terminated pursuant to the termination provisions hereof. The parties shall implement reasonably satisfactory escrow arrangements to protect their interests during the pendency of any dispute.

(b) Upon delivery by either party of notice of termination of this Agreement, Operator shall promptly apply to the Macau Government to cease to operate the Casino. Except as to any security interests and Liens as may be established otherwise by a proceeding pursuant to ARTICLE XV and as permitted by Macau Law, Operator shall have no Liens in the Casino or any of the assets of the Casino or the Project (or any equipment, books and records, materials or furnishings therein that were purchased as Costs of Operations). In addition to any other survival provisions set forth in this Agreement, upon the occurrence of any termination of this Agreement, the terms and provisions of ARTICLE IX, ARTICLE X, ARTICLE XIII and Sections 1.1, Section 14.4, Section 14.5, Section 14.8, Section 14.9, Section 14.10, Section 14.11, Section 14.13, Section 14.14, Section 14.15, 14.18, and 15.1 shall survive such termination (and, for the avoidance of doubt, the parties confirm and agree that the right to receive the Transfer Amounts which have been accrued and not yet paid, and the right of Operator to be reimbursed for any Costs of Operations incurred but not yet reimbursed, shall survive any termination of this Agreement and for this purpose (and to this extent only) the provisions of ARTICLE VIII shall apply as if the termination date were the last day of the relevant month).

(c) Upon termination of this Agreement for any reason whatsoever (i) MSC shall promptly remove and cease all use of Operator's Intellectual Property or any word, term or logo that is confusingly similar thereto, including but not limited to any such use on casino, hotel, bar, restaurant and retail supplies, labels, packaging, merchandise, signs, displays, equipment, telephone directories, literature, brochures, websites and advertising and promotional materials; and (ii) Operator and its Affiliates shall promptly remove and cease all use of MSC's Intellectual Property or any word, term or logo that is confusingly similar thereto, including but not limited to, any such use on casino, hotel, bar, restaurant and retail supplies, labels, packaging, merchandise, signs, displays, equipment, telephone directories, literature, brochures, websites and advertising and promotional materials. Neither MSC nor Operator shall be entitled to use Intellectual Property that consist of a combination of Operator's Intellectual Property and MSC's Intellectual Property without the written consent of the other.

Section 10.3 Closure Procedures. In connection with the termination of this Agreement, Operator shall ensure a seamless cessation of its operation of the Casino ("**Closure Procedures**"). Without limiting the generality of the foregoing, Operator shall, at MSC's sole cost and expense as to all reasonable, out of pocket expenses incurred by Operator (unless termination is as a result of a breach by Operator), (i) pay the Casino Employees such redundancy and/or other entitlements as required by Macau Law and/or as provided in the relevant employment contract (such redundancy and/or other entitlements to be Costs of Operations) or continue to pay such Casino Employees all contractual and legal entitlements for so long as such Casino Employees are employed by the Operator and not performing services at the Operator's other properties at MSC's sole cost and expense; (ii) deposit any amount that is received by the Operator in respect of Gaming Assets in the Operator's Account to be applied in accordance with section 8.3 (d) ; (iii) continue to pay any fee, tax or levy that may be due to the Macau Government for the use of the Casino and or Gaming Assets (if such fee, tax or levy does not otherwise cease to be due or is waived by the Macau Government); and (iv) take such actions as may be required by the Macau Government in connection with the aforementioned closure. To the extent that Operator completes the Closure Procedures after the date of termination of the Term, then in addition to reimbursement of all costs incurred, Operator shall be entitled to a reasonable fee for each day that Closure Procedures are ongoing.

Section 10.4 Reconciliation. Upon termination, Operator shall cause an accounting firm to prepare and deliver to MSC a final accounting statement with respect to the Casino in accordance with Section 8.4(b). The parties shall reconcile any outstanding amounts as set forth in Section 8.4(b). Any Dispute with respect to such statement shall be resolved by arbitration pursuant to the provisions of ARTICLE XV.

Section 10.5 Cumulative Remedies. All rights or remedies of MSC or Operator under this Agreement shall be cumulative and may be exercised singularly in any order or concurrently, at such party's respective option, and the exercise or enforcement of any such right or remedy shall neither be a condition to nor bar to the exercise or enforcement of any other right or remedy.



## ARTICLE XI

### TERMINATION

Section 11.1 Termination Generally. Subject to Section 11.9, in addition to other remedies provided for herein, upon the occurrence and during the continuance of an Event of Default, the non-defaulting party may terminate this Agreement by providing notice to the defaulting party in accordance with Section 11.8. Subject to Section 11.9, this Agreement shall also terminate or be terminable as set forth in Section 14.1 or as otherwise provided in this ARTICLE XI, provided, that the terminating party provides notice to the other party(ies) in accordance with Section 11.8.

#### Section 11.2 Termination for Material Adverse Effects on Ability to do Business in Macau.

(a) MSC may terminate this Agreement by providing notice to Operator in accordance with Section 11.8, if any event occurs affecting Operator or any of its Affiliates that materially adversely affects the ability of MSC or any of its Affiliates to do business in Macau, and such event or condition shall continue for a period of thirty (30) days after written notice thereof from MSC to Operator specifying in detail the nature of such event or condition; provided, that if such event or condition is not cured within such thirty (30) day period and Operator or such Affiliate has been diligently attempting to cure, such period shall be extended for an additional sixty (60) days so long as Operator or such Affiliate continues to diligently attempt to cure during such period.

(b) Operator may terminate this Agreement by providing notice to MSC in accordance with Section 11.8, if any event occurs affecting MSC or any of its Affiliates that materially adversely affects the ability of Operator or any of its Affiliates to do business in Macau, and such event or condition shall continue for a period of thirty (30) days after written notice thereof from Operator to MSC specifying in detail the nature of such event or condition; provided, that if such event or condition is not cured within such thirty (30) day period and MSC or such Affiliate has been diligently attempting to cure, such period shall be extended for an additional sixty (60) days so long as MSC or such Affiliate continues to diligently attempt to cure during such period.

Section 11.3 Regulatory Review. Operator may terminate this Agreement by providing notice to MSC in accordance with Section 11.8, if, as a result of a Regulatory Review, any Operator Regulated Affiliate is required by any Gaming Authority(ies) to disassociate itself from MSC or to procure any other Operator Regulated Affiliate to disassociate itself from MSC or is formally advised by any Gaming Authority(ies) that such a requirement will be forthcoming, and such requirement or advice shall continue to be applicable for a period of thirty (30) days (or such shorter period as may be required by any Gaming Authority(ies)) after written notice thereof from Operator to MSC; provided, that if such requirement or advice does not cease to be effective within such thirty (30) day period (or such shorter period as may be required by any Gaming Authority(ies)) and MSC has been diligently attempting to remove such requirement or advice, such period shall be extended for an additional sixty (60) days (or such shorter period as may be required by any Gaming Authority(ies))

so long as MSC continues to diligently attempt to remove such requirement or advice during such period. Notwithstanding the foregoing, in the event that any Operator Regulated Affiliate acted or omitted to act with the intent to induce or cause any Gaming Authority(ies) to require any of such parties to disassociate itself from MSC or to procure any other Operator Regulated Affiliate to disassociate itself from MSC or to formally advise that such a requirement will be forthcoming, then Operator shall not have the right to terminate this Agreement pursuant to this Section 11.3, and MSC shall have the right to pursue any and all rights at law or in equity in the event that Operator purports to terminate this Agreement in such circumstances.

Section 11.4 Termination upon a Sale to a Competitor or Obtainment of a Gaming License. MSC or, as to clause (a) of this Section 11.4 only, Operator, may upon thirty (30) days' prior written notice to the other, terminate this Agreement effective upon (a) a Sale of the Company, Studio City Developments or MSC, or any direct or indirect parent of the Company, Studio City Developments or MSC to a Competitor, if, as a result of such Sale, the Company no longer hold any interest in any of, Studio City Developments or MSC, or (b) the direct or indirect obtainment by MSC or an Affiliate of MSC of a Gaming License (including by way of acquisition of control of an entity that has a Gaming License) (any of the foregoing, a "**Competitor Termination Event**"). "**Competitor**" means any person or entity holding a Gaming License.

Section 11.5 Termination by Mutual Consent. This Agreement may also be terminated at any time upon the mutual written consent of MSC and Operator.

Section 11.6 [Not Used].

Section 11.7 Termination Upon Closure of Casino or Discontinuance of Operations. Operator may terminate this Agreement on thirty (30) days' notice to MSC if the Casino has been permanently closed or operations of the Casino have been permanently discontinued in accordance with authorizations of the Macau Government and applicable law.

Section 11.8 Notice of Termination. Any notice of termination hereunder shall be in writing detailing (a) the Event of Default or termination provision being invoked and (b) the reason the party considers the Event of Default not to be cured or the reason the party considers such termination provision to be applicable, and must be delivered to the other party pursuant to Section 14.4 for such termination to be effective. Termination by Operator (other than pursuant to Sections 11.4 or 11.7) shall not be effective earlier than one hundred and eighty (180) days after delivery. Termination by Operator pursuant to Section 11.3 shall not be effective earlier than one hundred eighty (180) days after delivery (or such shorter period as may be permitted by applicable Gaming Authority(ies), after Operator has used commercially reasonable action to obtain the longest transition period obtainable not to exceed one hundred eighty (180) days).

Section 11.9 No Termination. Notwithstanding anything herein to the contrary (but subject to Section 11.4), including in Article X hereof and this Article XI, if MSC is directly or indirectly under Melco Resorts Control (as

defined below), then Operator may not pursue any remedies against MSC under or in connection with this Agreement (other than to cause compliance herewith), and shall not have any right to terminate this Agreement for so long as MSC is directly or indirectly under Melco Resorts Control. At any time from and after the time MSC is no longer directly or indirectly under Melco Resorts Control, Operator may pursue remedies against MSC under or in connection with this Agreement including any right it may have to terminate this Agreement, to the extent (and only to the extent) such remedies are available to Operator at such time under Article X hereof and this Article XI, provided, in each case, that if its right to pursue such remedies (including any termination right it may have) has arisen as a result of any action taken by MSC (or as a result of the failure of MSC to take any action) while MSC was directly or indirectly under Melco Resorts Control, then such right to pursue remedies (including any termination right it may have) may only be exercised by Operator if (a) the event that entitles Operator to pursue any remedies under this Agreement or to terminate this Agreement is beyond Melco Resorts' reasonable control, for example as a direct result of the material deterioration of general business and financial conditions affecting the operation of casinos in Macau generally, or (b) Melco Resorts has used its commercially reasonable efforts to remedy the breach caused by such event while MSC is directly or indirectly under Melco Resorts Control (and provided that, in either case under clause (a) or (b), Melco Resorts shall not be required to fund the operation of the Casino nor shall Melco Resorts or the Company be required to fund or inject equity into, or make other payments in relation to the Project). For the purposes hereof, MSC shall be deemed to be directly or indirectly controlled by Melco Resorts at all times during which:

(i) Melco Resorts directly, or indirectly through one or more interposed entities, owns and controls MSC as conclusively determined by holding a majority of the voting power of MSC or having the right to appoint a majority of the board of directors or similar governing body of MSC, and

(ii) Melco Resorts directly, or indirectly through one or more interposed entities, owns and controls the other entities which own and control the Site, the hotel facilities within the Project and other facilities which are material for purposes of sustaining operations of the Project as a whole and the Casino in particular (the "Key Non-Gaming Entities"), with ownership and control in each instance being conclusively determined by holding a majority of the voting power in or having the right to appoint a majority of the board of directors or similar governing body of such Key Non-Gaming Entities, provided that, in the event any of the foregoing entities (or all or substantially all of such entity's assets) is sold, transferred or otherwise disposed of, directly or indirectly, to a third party while such entity is directly or indirectly under Melco Resorts Control (other than in connection with any action taken by a Lender to enforce any Lien against such entity or such entity's assets or the entities through which Melco Resorts directly or indirectly holds the Key Non-Gaming Entities or their assets), such entity shall no longer be deemed to be a Key Non-Gaming Entity, and

(iii) no Lender has taken any action to foreclose on or enforce any Lien against MSC, any Key Non-Gaming Entity or any such interposed entities or their assets which prevents Melco Resorts from exercising any such power or right in clause (i) or (ii) or the result of which is that Melco Resorts is fundamentally deprived of ownership or control over MSC, any Key Non-Gaming

Entity or any such interposed entities or their assets, which assets are material for purposes of sustaining operations of the Project as a whole and the Casino in particular or the exercise of any such powers or right (“**Melco Resorts Control**”).

## ARTICLE XII

### REGULATORY MATTERS

#### Section 12.1 Compliance with Laws.

(a) Operator shall perform its duties hereunder in compliance with applicable Law. Operator agrees to take commercially reasonable actions (1) that may be reasonably requested by MSC so as not to materially adversely affect the reputation of MSC or its Affiliates in their respective businesses and (2) to comply with, and to cause the Casino to be in compliance with, in all material respects, all applicable Laws, including all applicable gaming Laws, and maintain all Licenses under Law in order to operate the Casino, including the Gaming License; provided, that Operator shall not be required pursuant to the provisions of this Section 12.1(a) to take any actions that materially adversely affect the economic terms or benefits applicable to such party set forth herein. Without limiting the generality of the foregoing, Operator may (i) employ a reasonable number of employees to monitor the operations of the Casino to ensure compliance with such Laws (such employees will be given access to the necessary personnel, areas, systems and data to perform their role); and (ii) adopt a set of Operating Standards for the Casino and the Casino Employees (consistent with Section 5.1 (a)) to ensure the integrity of the Casino and the reputation of Operator. The costs incurred by the Operator under the provisions of this Section 12.1 (a) shall be considered Costs of Operation.

(b) MSC agrees to take commercially reasonable actions (1) that may be reasonably requested by Operator so as to avoid any conflict with Operator’s obligations as a holder of a Gaming License, (2) so as not to materially adversely affect the reputation of Operator as a gaming operator, and (3) to comply with, and to cause the Casino to be in compliance with, in all material respects, all applicable Laws, including all applicable gaming Laws, and maintain all Licenses under Law in order to operate the Casino, including the Gaming License; provided, that (y) if any such actions MSC is required to take pursuant to this Section 12.1(b) relates solely to the Casino, all costs incurred therewith are to be borne by MSC), and (z) MSC and Operator shall negotiate in good faith to equitably allocate the cost of any actions MSC is required to take pursuant to clauses (1) and (3) of this Section 12.1(b) to the extent related to the Gaming License.

(c) Operator shall comply with all laws, rules and regulations, of whatsoever nature, in relation to prevention of money laundering, financing of terrorism and corruption, as in force from time to time, including the Minimum Internal Control Requirements as issued and/or amended by the DICJ, applicable to the Casino, and shall comply with the requirements of the Subconcession Agreement or Concession Agreement (as applicable at the relevant time) applicable to the Casino, as amended from time to time.

Section 12.2 Information. Each party shall assist the other parties in compliance by the first party with all terms and conditions of

applicable Law. Without limiting the foregoing, each party shall, in consultation with the other parties, supply the Macau Government with all information necessary to comply with applicable Law.

Section 12.3 Regulatory Review. MSC acknowledges that, by executing this Agreement, it may be subject to ongoing probity review by certain Gaming Authorities. If reasonably requested to do so by Operator, MSC and its respective shareholders, members, investors, officers, directors and employees shall reasonably cooperate with any information requests made by, or to comply with the rules of, any Gaming Authority (“**Regulatory Review**”). Each party shall cooperate in good faith in connection with any Regulatory Review so as to reduce the likelihood of termination pursuant to Section 11.3.

### ARTICLE XIII

#### **ENFORCEMENT OF RIGHTS; RELEASE AND INDEMNITY**

Section 13.1 Enforcement of Rights. During the term of this Agreement and so long as any amounts owing to MSC under this Agreement remains unpaid, except as otherwise provided in Section 13.2, Section 13.3, Section 13.4 and Section 13.5, each of MSC and Operator shall control all actions or proceedings commenced against them, respectively, and shall participate jointly as to those brought against both. The parties shall assist and cooperate with each other with respect to such third-party claims and disputes and the parties mutually agree to provide each other with prompt notice of all claims. All uninsured liabilities or expenses incurred by Operator or any of its employees, officers, directors, agents or Affiliates in defending such claims by third parties, which relate to the services provided by Operator hereunder, shall be considered Costs of Operations except (a) with respect to claims and liabilities resulting from its material breach of this Agreement, gross negligence, bad faith or willful or criminal misconduct, which shall be governed by Section 13.2, Section 13.3, Section 13.4 and Section 13.5 and (b) arising out of any settlement effected without the consent of MSC. Each party shall provide the other party with a summary of pending or threatened litigation on a quarterly basis.

Section 13.2 Third Party Claims. All costs and expenses incurred by the Operator, its agents, directors, officers, employees and Affiliates, in respect of any third party damages, claims, causes of action, losses and/or expenses of whatever kind or nature including attorneys’ fees and expenses incurred in defending such claims (except claims resulting from the Operator’s material breach of this Agreement, gross negligence, bad faith or willful or criminal misconduct, in connection with the operation of the Casino in accordance with the terms of this Agreement, which are subject to Section 13.3 and Section 13.4 hereof) shall be considered Costs of Operation. No party may settle any third party claim involving another party without the consent of the other party, unless (x) such settlement contains a complete release, reasonably satisfactory to the other party, of the other party, its agents, directors, officers, employees and Affiliates from such claim, (y) (i) any and all costs incurred by the Operator in connection with such settlement shall be considered Costs of Operation (unless the claim being settled resulted from the Operator’s material breach of this Agreement, gross negligence, bad faith or willful or criminal misconduct in connection with the operation of the Casino in accordance with the terms of this Agreement), and (ii) any and all costs incurred by

MSC in connection with such settlement shall be borne by MSC, and (z) in the case of settlement by Operator, such settlement does not involve monetary payments in excess of US\$2,000,000 (two million United States Dollars) which would be considered Costs of Operations hereunder.

Section 13.3 Indemnity from Operator. Notwithstanding Section 13.2, Operator shall indemnify and hold MSC, its agents, directors, officers, employees and Affiliates, harmless against any and all damages, claims, losses or expenses of whatever kind or nature, including reasonable attorneys' fees and expenses incurred in defending third party claims, resulting from (x) the gross negligence, bad faith or willful or criminal misconduct of Operator and its Affiliates, and their respective officers, directors, or employees, in connection with Operator's performance of this Agreement, (y) a material breach by Operator of its representations, warranties, covenants or agreements herein or (z) any noncompliance with the laws, rules and regulations, or with any requirements of the Subconcession Agreement or Concession Agreement (as applicable at the relevant time) applicable to the Casino, described in Section 12.1(c) hereof, in each case to the extent and in the proportion that such noncompliance results from the act or inaction of Operator and/or its Affiliates, and/or their respective officers, directors and employees, and no such damages, losses or expenses shall be paid from the bank accounts established pursuant to this Agreement, nor shall such damages, losses or expenses be considered Costs of Operations. Operator shall be responsible for and shall indemnify and hold harmless MSC and its Affiliates and their respective directors, officers, employees and agents against, all fees, expenses or other charges related to maintaining Operator's Gaming License. With respect to the obligation to indemnify under this Section 13.3, Operator shall have the sole right to control the defense of any such matters and shall pay its attorneys' fees; provided that, with respect to any such matters, Operator shall not be responsible for the attorneys' fees of attorneys hired by the indemnitee except to the extent Operator requests their assistance or Operator fails to promptly assume the defense of the dispute, or if representation of the indemnitee by the counsel retained by Operator would be inappropriate due to actual or potential conflict of interests between the indemnitee and any other party represented by such counsel in such proceeding. Amounts paid by Operator pursuant to this provision shall be Non-Reimbursable Expenses.

Section 13.4 Indemnity from MSC. Notwithstanding Section 13.2, MSC shall indemnify and hold Operator, its agents, directors, officers, employees and Affiliates, harmless against any and all damages, claims, losses or expenses of whatever kind or nature, including reasonable attorneys' fees and expenses incurred in defending third party claims, resulting from (x) the gross negligence, bad faith or willful or criminal misconduct of MSC and its Affiliates and their respective officers, directors, or employees, in connection with MSC's performance of this Agreement, (y) a material breach by MSC of its representations, warranties, covenants or agreements herein or (z) any noncompliance with the laws, rules and regulations, or with any requirements of the Subconcession Agreement or Concession Agreement (as applicable at the relevant time) applicable to the Casino, described in Section 12.1(c) hereof, in each case to the extent and in the proportion that such noncompliance results from the act or inaction of MSC and/or its Affiliates, and/or their respect officers, directors and employees, and no such damages, losses or expenses shall be paid from the bank accounts established pursuant to this Agreement, nor shall such losses or expenses be considered Costs of Operations. With respect to the obligation to indemnify under this Section 13.4, MSC shall have the sole right to control the defense and settlement of any such matters and shall pay its attorneys'

fees, provided that, with respect to any such matters, MSC shall not be responsible for the attorneys' fees of attorneys hired by the indemnitee, except to the extent MSC requests their assistance, MSC fails to promptly assume the defense of the dispute or if representation of the indemnitee by the counsel retained by MSC would be inappropriate due to actual or potential conflict of interests between the indemnitee and any other party represented by such counsel in such proceeding.

Section 13.5 No Partnership; Indemnity Against Unauthorized Debt and Liabilities. The parties expressly agree that neither this Agreement nor the performance of obligations hereunder creates or implies a partnership among the parties or authorizes any party to act as agent for any other party. Each party hereby agrees to indemnify and hold the other parties harmless from any third party claims, actions and liabilities, including reasonable attorneys' fees on account of obligations or debts of the first mentioned party that the first mentioned party is not authorized to undertake pursuant to the terms of this Agreement.

Section 13.6 Mitigation of Damages. Notwithstanding any of the terms and provisions herein contained to the contrary, the parties shall each have the duty and obligation to mitigate, in every reasonable manner, any and all damages that may or shall be caused or suffered by virtue of defaults under or violation of any of the terms and provisions of this Agreement committed by the other.

## ARTICLE XIV

### MISCELLANEOUS

#### Section 14.1 Assignment and Subcontractors.

(a) No party shall assign its rights or delegate its duties under this Agreement other than to a direct or indirect subsidiary (provided that, in the case of an assignment by Operator, the direct or indirect subsidiary holds a Gaming License, and in the case of assignment by Operator, Operator is not relieved of the obligation to perform and such assignment will not have a material adverse effect on Operator's ability to perform under this Agreement) or, in the case of MSC, as required in connection with any financing for the Company or any of its subsidiaries. Notwithstanding the foregoing, this Section 14.1(a) shall not restrict any direct or indirect MSC Change of Control or any assignment of this Agreement and delegation of MSC's duties hereunder in connection with any direct or indirect sale or disposal by MSC of any of its assets or businesses (an "**MSC Change of Control Transaction**"); provided, that, if such transaction would result in a material adverse effect upon Operator's Gaming License, Operator may (subject to Section 14.1(b)) terminate this Agreement; provided further that if the transaction (A) (1) is not a Competitor Termination Event and (2) has been approved by the Macau Government, or (B) was undertaken by MSC while under Melco Resorts Control), then the foregoing proviso shall no longer be applicable. The assignment of rights or delegation of duties by a party to its direct or indirect subsidiary shall not relieve the party of its obligations under this Agreement. In the case of an assignment of this Agreement by MSC in connection with a financing by the Company or any of its subsidiaries, no Lender shall be required to assume the obligations of MSC under this Agreement (but it may do so if it so elects), unless and until that Lender has exercised remedies under any Lien such that it becomes the counterparty to this Agreement or the

owner of the Casino, in which event it shall be required to assume the obligations of MSC under this Agreement from and after the date thereof and the other provisions hereof. Notwithstanding the provisions of Section 8.3 (h), the Operator shall be entitled to pledge and assign its rights under the Tax Account, the Operator Account and the Costs of Operation Account in favour of any Lender providing financing in connection with the Project.

(b) MSC shall provide written notice (the “**MSC Change of Control Notice**”) to Operator of any contemplated MSC Change of Control Transaction that was not undertaken by MSC while under Melco Resorts Control (except in case of enforcement of any Lien by a Lender). The MSC Change of Control Notice must provide a reasonable description of the proposed transaction, the names of all proposed beneficial owners the nature and proportion of each beneficial owner’s ownership. Until such information is provided, MSC will not have delivered an MSC Change of Control Notice. Within twenty (20) business days after delivery of the MSC Change of Control Notice, Operator shall inform MSC in writing whether it reasonably believes that such transaction would result in a material adverse effect upon Operator’s Gaming License. If MSC disputes Operator’s determination that an MSC Change of Control Transaction would result in a material adverse effect upon Operator’s Gaming License, then the parties shall address such Dispute in accordance with the procedures set forth in ARTICLE XV. The provisions of this Section 14.1(b) are without prejudice to any other provisions of this Agreement and, without limiting the generality of the foregoing, a failure by Operator to inform MSC in writing that Operator reasonably believes that the contemplated MSC Change of Control Transaction would result in a material adverse effect upon Operator’s Gaming License shall be without prejudice to Operator’s rights to subsequently terminate this Agreement under any applicable provision of this Agreement (including ARTICLE XI and Section 14.1(a)) as a result of or in connection with the MSC Change of Control Transaction or any other matter howsoever or whatsoever.

(c) The provisions of Sections 14.1(a) and (b) are without prejudice to the provisions of Section 11.4 and in the event of any conflict, the provisions of Section 11.4 shall prevail and be overriding. Accordingly, without limiting the generality of the foregoing, if an MSC Change of Control Transaction is also a Competitor Termination Event Section 11.4 shall apply irrespective of the provisions of Sections 14.1(a) or (b) and irrespective of whether the relevant transaction has been approved by the Macau Government. If the MSC Change of Control Transaction is not a Competitor Termination Event, the provisions of Sections 14.1(a) and (b) shall apply to the relevant transaction.

(d) Subject to the foregoing limitations, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby. Except as set forth in Section 14.1(a), the assignee of the rights of a party under this Agreement permitted by applicable Law, shall assume the obligations of the relevant party under this Agreement as a condition of the assignment.

Section 14.2 [Not Used].

Section 14.3 [Not Used].

Section 14.4 Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made



pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been duly given (a) when hand delivered to the other party, upon delivery; (b) when sent by facsimile at the number set forth below, upon receipt of confirmation of error-free transmission; (c) seven (7) business days after deposit in the mail as air mail or certified mail, receipt requested, postage prepaid and addressed to the other party as set forth below; or (d) two (2) business days after deposit with an international express delivery service, postage prepaid, addressed to the parties as set forth below with two (2) business day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider. Each person making a communication hereunder by facsimile shall promptly confirm by telephone to the person to whom such communication was addressed each communication made by it by facsimile pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A party may change or supplement the addresses given below, or designate additional addresses, by giving the other party written notice of the new address in the manner set forth above. Notices given pursuant to this Agreement should be addressed as follows:

If to MSC:

Avenida da Praia Grande n.º 762-840, China Plaza, 8.º andar C, Macau  
Macau Attention: SVP, Property General Manager  
Telephone: (853) 8865 8822

If to Operator:

Avenida da Praia Grande n.º 762-840, China Plaza, 8.º andar C,  
Macau Attention: SVP, General Counsel, Macau  
Telephone: (853) 8868 3232

Section 14.5 Amendments. This Agreement may be amended only by written instrument duly executed by all of the parties hereto and with any and all necessary Governmental Approvals previously obtained.

Section 14.6 Severability. Each provision of this Agreement shall be considered separable and if for any reason any provision or provisions of this Agreement are determined to be illegal or invalid and contrary to any existing or future Law, such illegality or invalidity shall not impair the operation of, or affect, those portions of this Agreement that are legal and valid.

Section 14.7 Counterparts. This Agreement may be executed in two or more counterparts and by facsimile, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section 14.8 Force Majeure.

(a) A party, provided that it has complied with the provisions of Section 14.8(c), shall not be in breach of this Agreement, nor liable for any failure or delay in performance

of any obligations under this Agreement, and the time for performance of the obligations shall be extended accordingly, to the extent arising from or attributable to acts, events, omissions or accidents beyond its reasonable control (“**Force Majeure Event**”), including but not limited to any of the following to the extent beyond its reasonable control:

(i) Acts of God, including but not limited to flood, earthquake, windstorm or other natural disaster;

(ii) War, threat of or preparation for war, armed conflict, imposition of sanctions, embargo, breaking off of diplomatic relations or similar actions;

(iii) Terrorist attack, civil war, civil commotion or riots;

(iv) Nuclear, chemical or biological contamination or sonic boom;

(v) Mandatory compliance with any Law (including any change in Law or official interpretation thereof);

(vi) Fire, explosion, collapse of building structure or accidental damage not caused by or resulting from the acts or omissions of the applicable party;

(vii) Any labor dispute (including but not limited to strikes, industrial action or lockouts) or labor shortage not caused by or resulting from the acts or omissions of the applicable party;

(viii) Non-performance by suppliers or subcontractors (other than by Affiliates of the party seeking to rely on this clause);  
and

(ix) Interruption or failure of utility service, including but not limited to electric power, gas or water.

(b) The corresponding obligations of the other party will be suspended to the same extent.

(c) Any party that is subject to a Force Majeure Event shall not be in breach of this Agreement, provided that:

(i) It promptly notifies the other party in writing of the nature and extent of the Force Majeure Event causing its failure or delay in performance;

(ii) It could not have avoided the effect of the Force Majeure Event by taking precautions which it ought reasonably to have taken, but did not; and

(iii) It has used reasonable efforts to mitigate the effect of the Force Majeure Event to carry out its obligations under this Agreement in any way that is reasonably practicable and to resume the performance of its obligations as soon as reasonably practicable.

Section 14.9 Time is Material. The parties agree time is of the essence and that the time and schedule requirements set forth in this Agreement are material terms of this Agreement; provided, however, that any cure periods provided for under the Macau Civil Code are already provided for by agreement of the parties under this Agreement and shall not be in addition thereto.

Section 14.10 Further Assurances. The parties hereto agree to do all acts and deliver necessary documents as shall from time to time be reasonably required to carry out the terms and provisions of this Agreement.

Section 14.11 Representations and Warranties of Operator. Subject to any disclosure made in writing by Operator or its Affiliates to MSC or its Affiliates on or before the date hereof, Operator hereby represents and warrants as follows:

(a) Operator is a duly organized company under Macau Law.

(b) (i) Operator has full legal right, power and authority under the Laws of Macau, including receipt of all requisite Government Approvals, and Operator and has taken all corporate action necessary, to enter into this Agreement, to perform its obligations hereunder, and to consummate all other transactions contemplated hereby; and (ii) prior to execution of this Agreement and any and all other documents and agreements related thereto, Operator shall have taken any and all action necessary to authorize the execution, delivery and performance thereof, the performance of its obligations thereunder, and the consummation of all other transactions contemplated thereby.

(c) This Agreement has been duly executed and delivered by Operator and, when approved by necessary Governmental Authority(ies) (where applicable), will constitute valid and binding obligations, enforceable against Operator in accordance with their terms.

(d) The execution and delivery of this Agreement, the performance by Operator of its obligations hereunder and the consummation by Operator of the transactions contemplated hereby will not violate any contract or agreement to which Operator or any of its Affiliates is a party or any Law or require any Governmental Approval beyond those contemplated herein.

(e) [Not used].

(f) [Not used].

Section 14.12 [Not used].

Section 14.13 Representations and Warranties of MSC. Subject to any disclosure made in writing by MSC or its Affiliates to Operator or its Affiliates on or before the date hereof, MSC hereby represents and warrants as follows:

(a) MSC is a duly organized Macau limited liability company.

(b) (i) MSC has full legal right, power and authority under Macau Law, and MSC and has taken all corporate action necessary, to enter into this Agreement, to perform its obligations hereunder, and to consummate all other transactions contemplated hereby; and (ii) prior to execution of this Agreement, MSC shall have taken any and all action necessary to authorize the execution, delivery and performance of this Agreement, the performance of its obligations thereunder, and the consummation of all other transactions contemplated thereby.

(c) This Agreement has been duly executed and delivered by MSC and, when approved by necessary Governmental Authorities (where applicable), will constitute valid and binding obligations, enforceable against MSC in accordance with their terms.

(d) The execution and delivery of this Agreement and the performance by MSC of its obligations hereunder will not violate any contract or agreement to which MSC or any of its Affiliates is a party or any Law or require any Governmental Approval beyond those contemplated herein.

(e) [Not used].

(f) [Not used].

(g) [Not used].

(h) [Not used].

(i) To MSC's actual knowledge, it has not received any notices, order or other proposal which would materially adversely affect the access to or from the Casino.

(j) To MSC's actual knowledge, there is no pending or threatened litigation or other proceeding to which MSC is or is reasonably likely to become a party relating to or affecting the Site, if adversely determined, would materially adversely affect the access to and from the Casino.

(k) [Not used].

(l) To MSC's actual knowledge, neither MSC nor any of its Affiliates has violated any applicable Law or regulation in respect of the Site.

Section 14.14 Governing Law. This Agreement shall be governed by and construed in accordance with Macau Law.

Section 14.15 Entire Agreement. This Agreement represents the entire agreement between the parties with respect to the operation of the Casino by the Operator and supersedes all prior agreements relating thereto.

Section 14.16 Representatives of MSC. MSC shall furnish to Operator a list of the authorized representatives who are empowered to act on behalf of MSC for the purposes of this Agreement and MSC shall keep such list current.

Section 14.17 [Not Used].

Section 14.18 Confidentiality Agreement. MSC and Operator expressly agree that:

(a) In connection with the operation of the Casino by the Operator, the parties have and are each prepared, subject to the terms and conditions of this Agreement, to make available to the other certain information regarding Operator and MSC, respectively, all such information (whether written, electronic or oral) furnished to MSC and its Representatives, or to Operator and its Representatives, whether prior to, on, or following the date hereof, and whether prepared by Operator, MSC, any of the parties' Representatives or Affiliates or otherwise on Operator's or MSC's behalf, including without limitation, the Subconcession Agreement or Concession Agreement (as applicable at the relevant time); information disclosed pursuant to provisions of this Agreement; Operator's or MSC's actual and proposed business(es); historical and projected financial information; budgets; services; products; trade secrets; techniques; processes; operations; know-how; strategies; forecasts; concepts; ideas; marketing plans; existing or potential customers, employees, vendors or suppliers; relationships with third parties and other third party information; and any information derived, summarized or extracted from any of the foregoing, including without limitation, all portions of reports, analyses, compilations, studies, interpretations, records, notes or other materials prepared by MSC, Operator or Operator's or MSC's Representatives or otherwise on Operator's or an MSC's behalf that contain, are based on, or otherwise reflect or are generated in whole or in part from such information, including that stored on any computer, word processor or other similar device, being referred to collectively as the "**Confidential Information**". In consideration of being furnished such Confidential Information, the parties each agree to keep such Confidential Information confidential in accordance with the terms of this Agreement.

(b) Each receiving party and its Representatives shall use the Confidential Information solely for the purpose of performing its obligations hereunder and shall keep the Confidential Information confidential and not disclose any of the Confidential Information to any person, except that the Confidential Information or portions thereof may be disclosed to those directors, officers, employees, Affiliates, co-investors (with respect to Operator, including without limitation Melco Resorts and Melco), attorneys, and accountants of the receiving party (collectively, the "**Representatives**") (i) who need to know such information for performing its obligations hereunder and (ii) who are informed by the receiving party of the confidential nature of the Confidential Information. In addition, (x) any party may disclose this Agreement and such Confidential Information or portions thereof to potential financing sources, underwriters, arrangers or advisers and financing sources, and their Representatives, or as required by law in connection with any such financing, (y) any party or its respective Representatives may disclose Confidential

Information to the extent required by the rules of any stock exchange on which the securities of the relevant party or its respective Representatives are listed and traded, or otherwise pursuant to applicable securities laws, and (z) any party may disclose this Agreement and such Confidential Information or portions thereof if reasonably necessary in connection with the enforcement of this Agreement under ARTICLE XV hereof. Operator and MSC agree to undertake reasonable precautions to safeguard and protect the confidentiality of the Confidential Information and to prevent their respective Representatives (and other persons to whom disclosure is authorized hereby) from prohibited or unauthorized disclosure or uses of the Confidential Information. Operator and MSC shall each be responsible for any breach of this Section 14.18 of this Agreement by their respective Representatives and such other persons. In the event that a receiving party or any of its Representatives are requested or required by law, regulatory authority (including stock exchange), deposition, interrogatory, request for documents, subpoena, civil investigative demand, or similar legal process (collectively, “**legal requirements**”) to disclose any of the other party’s Confidential Information or any information of the type described in paragraph (e) of this Section 14.18 other than (in each case) disclosure by Operator to any Gaming Authority(ies) or Governmental Authority(ies) in the ordinary course of performing its obligations under this Agreement, such receiving party shall provide the other party with prompt prior written notice of such requirement in order to enable the other party to (a) seek an appropriate protective order or other remedy or (b) waive compliance, in whole or in part, with the terms hereof; and such receiving party shall consult and cooperate with the other parties to the fullest extent permitted by legal requirements with respect to taking steps to resist or narrow the scope of such request or legal process. If, in the absence of a protective order, a receiving party or any of its Representatives are nonetheless, based upon the advice of its counsel or counsel of such Representative, required by legal requirements to disclose Confidential Information of the other parties (and except, in the case of Operator, disclosure to any Gaming Authority(ies) or Governmental Authority(ies) in the ordinary course of performing Operator’s obligations under this Agreement), such receiving party shall (a) furnish only that portion of the Confidential Information that it is advised by counsel is legally required, (b) give advance notice to the other party of the information to be disclosed as far in advance as is practical, and (c) exercise commercially reasonable best efforts to obtain reliable assurance that confidential treatment will be accorded such Confidential Information.

(c) All Confidential Information will be and will remain solely the property of the disclosing party, except as otherwise set forth in this Agreement.

(d) The term “Confidential Information” does not include any information that (i) at the time of disclosure is, or becomes, generally available to and known by the public (other than as a direct or indirect result of a disclosure by the receiving party or its Representatives in violation of this Agreement) or (ii) was available to the receiving party on a non-confidential basis from a source (other than the disclosing party or its Representatives) that is not and was not prohibited from disclosing such information to the receiving party by a contractual, legal, or fiduciary obligation of confidentiality to the disclosing party.

(e) Without the prior written consent of (i) Operator, in the case of MSC, or (ii) MSC, in the case of Operator, or except as required by legal requirements (subject to compliance with paragraph (b) of this Section 14.18, to the extent applicable), or except as permitted and subject to compliance with paragraph (b) of this Section 14.18, no party nor its Representatives shall (i) disclose to any person other than its Representatives (a) that this

Agreement exists, (b) that it has requested or received any Confidential Information, or (c) any of the terms, conditions, or other facts or information with respect to this Agreement or any opinion or view with respect to the parties or the Confidential Information. The term “person” as used in this Section 14.18 shall be broadly interpreted to include the media and any corporation, partnership, group, individual, or entity.

(f) To the extent that any Confidential Information may include material subject to the attorney-client privilege, work product doctrine or any other applicable privilege concerning pending or threatened legal proceedings or governmental investigations, the parties understand and agree that they have a commonality of interest with respect to such matters and it is their desire, intention and mutual understanding that the sharing of such material is not intended to, and shall not, waive or diminish in any way the confidentiality of such material or its continued protection under the attorney-client privilege, work product doctrine or other applicable privilege. All Confidential Information provided by Operator and MSC that is entitled to protection under the attorney-client privilege, work product doctrine or other applicable privilege and stamped and identified as such shall remain entitled to such protection under these privileges, this Agreement, and under the joint defense doctrine. Nothing in this Section 14.18 obligates any party to reveal material subject to the attorney-client privilege, work product doctrine or any other applicable privilege.

(g) In the case of a disclosure by a party or its Representative required by the rules of any stock exchange on which the securities of the relevant party or its respective Representative are listed and traded or otherwise by applicable securities laws which is permitted by the foregoing provisions of this Section 14.18, the disclosing party shall (or shall procure that its Representative shall) give the other parties a reasonable opportunity to comment on the proposed form of disclosure but that shall not prevent the relevant party or its Representative from complying with its obligations under the rules of the relevant stock exchange or applicable securities laws.

(h) The parties each acknowledge that the disclosing party would be irreparably injured by a breach of this Section 14.18 by a receiving party or its Representatives, and that monetary remedies at law would be inadequate to protect the disclosing party against any actual or threatened breach of this Section 14.18 by a receiving party or its Representatives, and, without prejudice to any other rights and remedies otherwise available to MSC or Operator, the parties each agree to the granting of equitable relief, including injunctive relief and specific performance, in the favor of a disclosing party without proof of actual damages. The parties each agree to reimburse a disclosing party for reasonable legal fees and other costs incurred to enforce this Section 14.18.

(i) The obligations under this Section 14.18 shall survive the Term or earlier termination of this Agreement for a period of two (2) years following the Term or earlier termination of this Agreement, provided that such the expiration of the Term or the earlier termination of this Agreement shall not relieve the receiving party from its responsibilities in respect of any breach of this Section 14.18 prior to such termination.

Section 14.19 [Not used].

## ARTICLE XV

### **DISPUTE RESOLUTION**

Section 15.1 Dispute Resolution Procedures. Any dispute, controversy or claim (each, a “**Dispute**”) arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall be resolved by the following dispute resolution process (except to the extent that the Agreement provides for a different procedure):

(a) First, representatives appointed by the highest-ranking corporate officer of each party to the Dispute shall engage in consultations with respect to such Dispute. Such consultation shall begin immediately after one party has delivered to the other party or parties a written notice for such consultation.

(b) If the Dispute is not resolved for any reason within thirty (30) days following the date on which such notice is given, the Dispute shall be submitted to arbitration upon the request of any party to the Dispute with notice to the other party or parties to the Dispute (the “**Arbitration Notice**”).

(c) The arbitration shall be conducted in Hong Kong under the auspices of the Hong Kong International Arbitration Centre (the “**Centre**”). There shall be three (3) arbitrators. The claimant(s) in the Dispute shall collectively choose one arbitrator, and the respondent(s) shall collectively choose one arbitrator within thirty (30) days of the service on the respondent(s) of the request for arbitration. The two party-appointed arbitrators shall jointly select the third arbitrator, who shall serve as chair of the arbitral tribunal. Any arbitrator not timely selected shall be appointed by the Secretary General of the Centre.

(d) The arbitration proceedings shall be conducted in English. The arbitral tribunal shall apply the Arbitration Rules of the United Nations Commission on International Trade Law, as in effect at the time of the arbitration. However, if such rules are in conflict with the provisions of this ARTICLE XV, including the provisions concerning the appointment of arbitrators, the provisions of this ARTICLE XV shall prevail.

(e) Each party shall cooperate with the other in making full disclosure of and providing complete access to all information and documents reasonably requested by the other(s) in connection with such arbitration proceedings, subject only to any applicable privileges and confidentiality obligations binding on such party.

(f) The arbitral tribunal shall decide any Dispute submitted by the parties to the arbitration strictly in accordance with the substantive law of Macau and shall not apply any other substantive law. The members of the arbitral tribunal shall engage, as a cost of arbitration, an attorney qualified to practice law in Macau, which attorney shall not be counsel to any of the parties or their Affiliates and shall be experienced in gaming matters.

(g) The award of the arbitral tribunal shall be final and binding upon the parties, and the prevailing party or parties may apply to a court of competent jurisdiction for enforcement of such award.



(h) Any party shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal. Without prejudice to such provisional remedies that may be granted by a national court, the arbitral tribunal shall have full authority to grant provisional remedies, to order a party to seek modification or vacation of an injunction issued by a national court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(i) During the course of the arbitral tribunal's adjudication of the Dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication.

(j) The cost of arbitration (including reasonable legal, accounting and other professional fees and expenses reasonably incurred, by any prevailing party with respect to the investigation, collection, prosecution and/or defense of any claim in the Dispute) shall be borne by the losing party or, if there is more than one losing party, pro rata by each losing party.

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For and on behalf of STUDIO CITY ENTERTAINMENT LIMITED

By: /s/ Kevin Benning

Name: Kevin Benning

Title: SVP, Property General Manager, Studio City Authorized Representative

For and on behalf of MELCO RESORTS (MACAU) LIMITED

By: /s/ Ines Nolasco Antunes

Name: Ines Nolasco Antunes

Title: SVP, General Counsel, Macau, Authorized Representative

Extension Agreement

This Extension Agreement (the “**Extension**”) is entered into by and between the entities named in Schedule A-1 hereto (each a “**Studio City Party**” and collectively, “**Studio City Parties**”), on the one hand, and the entities named in Schedule A-2 hereto (each a “**Melco Resorts Party**” and collectively, “**Melco Resorts Parties**”), on the other hand.

On this day of March 30, 2023, Studio City Parties and Melco Resorts Parties agree as follows:

**RECITALS:**

- A. By a Master Services Agreement dated December 21, 2015, as amended from time to time (the “**Master Services Agreement**”), executed by and between Studio City Parties (as defined therein) and Melco Crown Parties (as defined therein), the Parties set out the terms and conditions that shall apply to certain services provided under Work Agreements (as defined therein) as better described in the Master Services Agreement;
- B. Pursuant to the Master Services Agreement, the following Work Agreements were executed (each an “**Existing Work Agreement**” and collectively, the “**Existing Work Agreements**”): (i) Work Agreement #1 entered into on December 21, 2015 by and between Studio City WA1 Parties (as defined therein) and Melco Crown WA1 Parties (as defined therein) regarding the Sale and Purchase of FFE, Inventory and Supplies; (ii) Work Agreement #2 entered into on December 21, 2015 by and between Studio City WA2 Parties (as defined therein) and Melco Crown WA2 Parties (as defined therein) regarding Corporate Services; (iii) Work Agreement #3 entered into on December 21, 2015 by and between Studio City WA3 Parties (as defined therein) and Melco Crown WA3 Parties (as defined therein) regarding Pay-as-Used Charges; (iv) Work Agreement #4 entered into on December 21, 2015 by and between Studio City WA4 Parties (as defined therein) and Melco Crown WA4 Parties (as defined therein) regarding Operational / Property Shared Services (Non-Gaming), Other Non-Gaming Charges; (v) Work Agreement #5 entered into on December 21, 2015 by and between Studio City WA5 Parties (as defined therein) and Melco Crown WA5 Parties (as defined therein) regarding Limousine Transportation Services; (vi) Work Agreement #6 entered into on December 21, 2015 by and between Studio City WA6 Parties (as defined therein) and Melco Crown WA6 Parties (as defined therein) regarding Aviation Services; (vii) Work Agreement #7 entered into on December 21, 2015 by and between Studio City WA7 Parties (as defined therein) and Melco Crown WA7 Parties (as defined therein) regarding Collection & Payment Services; and (viii) Work Agreement #8 entered into on December 21, 2015 by and between Melco Crown WA8 Parties (as defined therein) and Studio City WA8 Parties (as defined therein) regarding Limousine Transportation Services.
- C. The Parties have at all times since June 27, 2022 continued to treat the Master Services Agreement and the Existing Work Agreements as persisting by honoring the arrangements and performing their obligations contemplated thereunder in a manner consistent with such agreements.

**1) Interpretation:**

In this Extension, unless otherwise defined herein or if the context otherwise requires, all terms defined or referred to in the Master Services Agreement and/or the Existing Work Agreements, as applicable, shall have the same meaning herein.

**2) Extension:**

The Parties hereby agree to extend the Term of the Master Services Agreement and of each Existing Work Agreement from June 27, 2022 until December 31, 2032 (both days inclusive) with all its terms and conditions unchanged.

**3) Effect of Extension:**

All other terms and conditions of the Master Services Agreement and of the Existing Work Agreements shall remain unchanged, provided that they are read in the context of this Extension and are construed accordingly.

**4) Governing Law and Resolution of Disputes:**

- a) This Extension shall be governed by and construed under the laws of Hong Kong without regard to conflicts of laws principles that would require the application of any other law.
- b) All Disputes arising out of or in connection with this Extension shall be governed by the process set forth in Section 7.10 of the Master Services Agreement.

*[Signature Page Follows]*

**Studio City International Holdings Limited**

By: /s/ Kevin Richard Benning  
Name: Kevin Richard Benning  
Title: Senior Vice President  
Property General Manager  
Studio City

**Studio City Entertainment Limited**

By: /s/ Donald Tateishi  
Name: Donald Tateishi  
Title: Director

**Studio City Hotels Limited**

By: /s/ Donald Tateishi  
Name: Donald Tateishi  
Title: Director

**Studio City Retail Services Limited**

By: /s/ Donald Tateishi  
Name: Donald Tateishi  
Title: Director

**Studio City Developments Limited**

By: /s/ Donald Tateishi  
Name: Donald Tateishi  
Title: Director

**Studio City Ventures Limited**

By: /s/ Donald Tateishi  
Name: Donald Tateishi  
Title: Director

**Studio City Services Limited**

By: /s/ Donald Tateishi  
Name: Donald Tateishi  
Title: Director

**COD Resorts Limited**

By: /s/ Ines Nolasco Antunes  
Name: Ines Nolasco Antunes  
Title: Director

**Altira Resorts Limited**

By: /s/ Ines Nolasco Antunes  
Name: Ines Nolasco Antunes  
Title: Director

**Melco Resorts (Macau) Limited**

By: /s/ Ines Nolasco Antunes  
Name: Ines Nolasco Antunes  
Title: Director

**Melco Resorts Services Limited**

By: /s/ Stephanie Cheung  
Name: Stephanie Cheung  
Title: Authorized Signatory

**Golden Future (Management Services) Limited**

By: /s/ Ines Nolasco Antunes  
Name: Ines Nolasco Antunes  
Title: Director

**MPEL Properties (Macau) Limited**

By: /s/ Ines Nolasco Antunes  
Name: Ines Nolasco Antunes  
Title: Director

**Melco Resorts Security Services Limited**

By: /s/ Ines Nolasco Antunes  
Name: Ines Nolasco Antunes  
Title: Director

**Melco Resorts Travel Limited**

By: /s/ Ines Nolasco Antunes  
Name: Ines Nolasco Antunes  
Title: Director

**MCE Transportation Limited**

By: /s/ Geoffrey Stuart Davis  
Name: Geoffrey Stuart Davis  
Title: Authorized Signatory

**MCO Transportation Two Limited**

By: /s/ Geoffrey Stuart Davis  
Name: Geoffrey Stuart Davis  
Title: Authorized Signatory

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**SCHEDULE A-1**

**List of Studio City Parties**

- Studio City International Holdings Limited
- Studio City Entertainment Limited
- Studio City Hotels Limited
- Studio City Retail Services Limited
- Studio City Developments Limited
- Studio City Ventures Limited
- Studio City Services Limited

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**SCHEDULE A-2**

**List of Melco Resorts Parties**

- COD Resorts Limited
- Altira Resorts Limited
- Melco Resorts (Macau) Limited
- Melco Resorts Services Limited
- Golden Future (Management Services) Limited
- MPEL Properties (Macau) Limited
- Melco Resorts Security Services Limited
- Melco Resorts Travel Limited
- MCE Transportation Limited
- MCO Transportation Two Limited



**Studio City International Holdings Limited**  
**List of Significant Subsidiaries**  
**As of December 31, 2022**

1. MSC Cotai Limited, incorporated in the British Virgin Islands
2. SCP Holdings Limited, incorporated in the British Virgin Islands
3. SCP One Limited, incorporated in the British Virgin Islands
4. SCP Two Limited, incorporated in the British Virgin Islands
5. Studio City Company Limited, incorporated in the British Virgin Islands
6. Studio City Developments Limited, incorporated in the Macau Special Administrative Region of the People's Republic of China
7. Studio City Entertainment Limited, incorporated in the Macau Special Administrative Region of the People's Republic of China
8. Studio City Finance Limited, incorporated in the British Virgin Islands
9. Studio City Holdings Limited, incorporated in the British Virgin Islands
10. Studio City Holdings Three Limited, incorporated in the British Virgin Islands
11. Studio City Holdings Two Limited, incorporated in the British Virgin Islands
12. Studio City Investments Limited, incorporated in the British Virgin Islands

**Certification by the Property General Manager**

I, Kevin Richard Benning, certify that:

1. I have reviewed this annual report on Form 20-F of Studio City International Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 31, 2023

By: /s/ Kevin Richard Benning

Name: Kevin Richard Benning

Title: Property General Manager

**Certification by the Chief Financial Officer**

I, Geoffrey Stuart Davis, certify that:

1. I have reviewed this annual report on Form 20-F of Studio City International Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 31, 2023

By: /s/ Geoffrey Stuart Davis

Name: Geoffrey Stuart Davis

Title: Chief Financial Officer

**Certification by the Property General Manager  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Studio City International Holdings Limited (the "Company") on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin Richard Benning, Property General Manager of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2023

By: /s/ Kevin Richard Benning

Name: Kevin Richard Benning

Title: Property General Manager

**Certification by the Chief Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Studio City International Holdings Limited (the “Company”) on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Geoffrey Stuart Davis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2023

By: /s/ Geoffrey Stuart Davis

Name: Geoffrey Stuart Davis

Title: Chief Financial Officer

March 31, 2023

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549

Ladies and Gentlemen:

We have read Item 16F of Form 20-F dated March 31, 2023, of Studio City International Holdings Limited and are in agreement with the statements contained in the third, fourth and fifth paragraphs on page 149 therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

/s/ Ernst & Young  
Hong Kong, The People's Republic of China