THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Melco International Development Limited, you should at once hand this circular to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

MELCO

Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

Website: www.melco-group.com

(Stock Code: 200)

MAJOR TRANSACTION

MELCO RESORTS & ENTERTAINMENT LIMITED NEW SHARE REPURCHASE PROGRAM

A letter from the Board is set out on pages 3 to 11 of this circular.

25 April 2019

CONTENTS

In this circular, the following terms and expressions shall have the following meanings unless the context requires otherwise:

"3Q Results Announcement"	the announcement by Melco Resorts, on 8 November 2018, of its unaudited financial results for the third quarter ended 30 September 2018 and the declaration of its quarterly dividend
"ADS(s)"	American depositary shares of Melco Resorts
"Board"	the board of Directors
"Company"	Melco International Development Limited, a company incorporated in Hong Kong with limited liability and having its shares listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Group"	the Company and its Subsidiaries (from time to time)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSAE"	Hong Kong Standard on Assurance Engagements
"Latest Practicable Date"	15 April 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Melco Resorts"	Melco Resorts & Entertainment Limited, a company incorporated in the Cayman Islands with limited liability and a subsidiary of the Company, with its American depositary shares listed on the NASDAQ Global Select Market in the United States, and as the context requires, Melco Resorts and its consolidated subsidiaries (from time to time)
"Melco Resorts Shares"	ordinary shares of Melco Resorts, three of which are equivalent to one ADS
"Mr. Ho"	Mr. Ho, Lawrence Yau Lung, Chairman and Chief Executive Officer of the Company

"New Share Repurchase Program"	the new share repurchase program of Melco Resorts announced by Melco Resorts in the 3Q Results Announcement, pursuant to which Melco Resorts is permitted to purchase up to US$500 million (equivalent to approximately HK$3,900 million) of Melco Resorts Shares and/or ADSs over a three-year period commencing from 8 November 2018
"SEC"	Securities and Exchange Commission of the United States of America
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	holder(s) of shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary"	has the meaning ascribed to it under the Listing Rules, and "Subsidiaries" shall be construed accordingly
"US$"	United States dollars, the lawful currency of the United States of America
"US GAAP"	United States generally accepted accounting principles
"%"	per cent.

Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of (i) US$1.00 = HK$7.80 and (ii) €1.00 = HK$9.12. Percentages and figures expressed have been rounded.

Melco International Development Limited

(Incorporated in Hong Kong with limited liability)
Website: www.melco-group.com
(Stock Code: 200)

Executive Directors:
Mr. Ho, Lawrence Yau Lung
(Chairman and Chief Executive Officer)
Mr. Evan Andrew Winkler
(President and Managing Director)
Mr. Chung Yuk Man, Clarence

Non-executive Directors:
Mr. Tsui Che Yin, Frank
Mr. Ng Ching Wo

Independent Non-executive Directors:
Mr. Chow Kwong Fai, Edward
Dr. Tyen Kan Hee, Anthony
Ms. Karuna Evelyne Shinsho

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

25 April 2019

To the Shareholders

Dear Sir or Madam,

MELCO RESORTS & ENTERTAINMENT LIMITED NEW SHARE REPURCHASE PROGRAM

INTRODUCTION

Reference is made to the Company's announcement dated 22 November 2018 in relation to Melco Resorts' New Share Repurchase Program. The purpose of this circular is to provide you with, among other things, (i) information in relation to Melco Resorts' New Share Repurchase Program; (ii) financial information relating to the Group; and (iii) other information as required under the Listing Rules.

MELCO RESORTS' NEW SHARE REPURCHASE PROGRAM

As announced by the Company on 8 November 2018, Melco Resorts announced in its 3Q Results Announcement that the board of directors of Melco Resorts had approved a new share repurchase program which permits Melco Resorts to purchase up to US$500 million (equivalent to approximately HK$3,900 million) of Melco Resorts Shares and/or ADSs over a three-year period commencing from 8 November 2018.

As foreshadowed by the Company's 8 November 2018 announcement, implementation of Melco Resorts' New Share Repurchase Program in full, when aggregated with previous share repurchases by Melco Resorts within the preceding 12 month period, or which are otherwise related, would be a major transaction for the Company under the Listing Rules.

PURPOSE OF THIS CIRCULAR

As contemplated by the Company's 8 November 2018 announcement, the Company now wishes to comply with the requirements of the Listing Rules applicable to the implementation of Melco Resorts' New Share Repurchase Program in respect of up to its entire amount of US$500 million (equivalent to approximately HK$3,900 million), which would be a major transaction for the Company when aggregated with share repurchases within the previous 12 month period, or which are otherwise related.

As announced by the Company in its 8 November 2018 announcement, the Company was notified by Melco Resorts that, up to 8 November 2018, Melco Resorts had repurchased 22,571,663 ADSs (equivalent to 67,714,989 Melco Resorts Shares) from the open market for an aggregate consideration (before expenses) of approximately US$490 million (equivalent to approximately HK$3,822 million) under Melco Resorts' earlier share repurchase program announced by both Melco Resorts and the Company on 21 March 2018. Under that earlier share repurchase program, Melco Resorts was permitted to repurchase up to US$500 million (equivalent to approximately HK$3,900 million) of Melco Resorts Shares and/or ADSs over the three-year period commencing from 21 March 2018.

The New Share Repurchase Program is in addition to Melco Resorts' earlier share repurchase program announced on 21 March 2018, which has nearly been exhausted as disclosed above.

There is no assurance that the New Share Repurchase Program will be implemented by Melco Resorts in full, or of the extent to which it will be implemented. However, the Company wishes to comply at the outset with the requirements of the Listing Rules applicable to the implementation by Melco Resorts of its New Share Repurchase Program in respect of up to its entire amount of US$500 million (equivalent to approximately HK$3,900 million), to enable Melco Resorts to make repurchases of Melco Resorts Shares and/or ADSs under the New Share Repurchase Program without the Company having to seek a further approval from Shareholders.

The Company has received written Shareholders' approval in respect of the implementation of Melco Resorts' New Share Repurchase Program up to its entire amount, from a closely allied group of Shareholders which collectively holds more than 50% of the issued shares of the Company, in accordance with Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be convened by the Company to approve the implementation in full of Melco Resorts' New Share Repurchase Program.

INFORMATION IN RELATION TO THE NEW SHARE REPURCHASE PROGRAM

If Melco Resorts' New Share Repurchase Program is implemented in full by Melco Resorts, the maximum amount payable by Melco Resorts for the repurchase of Melco Resorts Shares and/or ADSs would be US$500 million (equivalent to approximately HK$3,900 million).

Repurchases of Melco Resorts Shares and/or ADSs under Melco Resorts' New Share Repurchase Program may be made from time to time from the open market at prevailing market prices, including pursuant to a trading plan in accordance with Rule 10b-18 and/or Rule 10b5-1 (as discussed below) of the United States Securities Exchange Act of 1934, and/or in privately negotiated transactions. The timing of repurchases and the amount of Melco Resorts Shares and/or ADSs repurchased will be determined by Melco Resorts' management based on their evaluation of market conditions, trading prices, applicable securities laws and other factors. The New Share Repurchase Program may be suspended, modified or terminated at any time, and Melco Resorts has no obligation to repurchase any amounts under the New Share Repurchase Program.

Rule 10b-18 and Rule 10b5-1 provide non-mandatory, non-exclusive defences or "safe harbours" applicable to U.S.-listed companies, as well as certain other related parties, when engaging in open market transactions in a company's securities (i.e., on the Nasdaq Stock Market).

The purpose of Rule 10b-18 is to provide a safe harbour for companies to effect open market purchases without violating the general anti-manipulation provisions of the U.S. federal securities laws. In summary, a company relying on the Rule 10b-18 safe harbour must satisfy four conditions:

(a) manner of purchase: the company must make all purchases from or through only one broker or dealer on any single day;

(b) timing condition: a purchase pursuant to Rule 10b-18 cannot be the first opening trade of the day and may not be made within 30 minutes of the closing of trading on the company's principal market. This 30 minute restriction is reduced to 10 minutes from closing for companies with a public float of US$150 million and an average daily trading volume of US$1 million or more;

(c) price condition: the price of a Rule 10b-18 purchase or bid must be a price that does not exceed (i) the highest independent bid or (ii) the last independent transaction price, whichever is higher, quoted or reported at the time the Rule 10b-18 purchase is made; and

(d) volume condition: the purchaser must satisfy certain volume limitations, which generally limit purchases in any single day to no more than 25% of the average daily trading volume reported for the security during the preceding four calendar weeks (subject to an exception for block purchases under certain circumstances).

Specifically, Rule 10b5-1(c) allows U.S. listed companies engaging in share repurchases and insiders, such as directors and officers who regularly possess material non-public information ("MNPI", which is analogous to "inside information" as defined in the SFO) but who nonetheless wish to trade in shares, to establish an affirmative defence to charges of illegal insider trading under the U.S. federal securities laws. To be able to rely on this defence, the party engaging in trading must adopt a written trading plan, commonly called a Rule 10b5-1 plan, with its broker at a time when it is not in possession of MNPI. The plan must specify the details as to when the broker may trade in shares at a predetermined time on a scheduled basis or pursuant to a predetermined formula (or give the broker discretion over trading decisions).

While Rule 10.06(2) of the Listing Rules also provides certain restrictions on a listed company dealing in its own shares including as to price and timing, its requirements are different from those of Rule 10b-18 and Rule 10b5-1 in most respects. In particular, Rule 10b-18 and Rule 10b5-1 do not restrict purchases from core connected persons or impose trading blackout periods tied to the company's financial results announcements in contrast to Rule 10.06(2).

Repurchases of Melco Resorts Shares and/or ADSs under its New Share Repurchase Program may also be made from time to time via privately negotiated (off-market) repurchases. The defences or "safe harbours" available under Rule 10b5-1 and Rule 10b-18 do not apply to privately negotiated repurchases though these repurchases are subject to the general U.S. federal and state anti-fraud and anti-manipulation provisions. There are no prescribed price, timing or other restrictions on the ability of a company to deal with its own shares via privately negotiated repurchases in contrast to Rule 10.06(2) of the Listing Rules.

As announced by the Company in its 19 February 2019 announcement, the Company was notified by Melco Resorts that, since 3Q Results Announcement and up to 19 February 2019, Melco Resorts had repurchased 9,618,692 ADSs (equivalent to 28,856,076 Melco Resorts Shares) from the open market for an aggregate consideration (before expenses) of approximately US$165 million (equivalent to approximately HK$1,287 million) under the New Share Repurchase Program. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the selling shareholders of such repurchased Melco Resorts Shares and/or ADSs and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules) of the Company. The Company will duly comply with the applicable requirements under Chapter 14A of the Listing Rules if Melco Resorts purchases Melco Resort Shares and/or ADSs from the Company's connected persons under the New Share Repurchase Program.

The consideration for the repurchases of Melco Resorts Shares and/or ADSs repurchased under the New Share Repurchase Program will be/were paid by Melco Resorts in full, either in cash or such other payment method as may be considered appropriate, on settlement of the relevant repurchase transaction, and financed by immediately available financial resources of Melco Resorts.

Melco Resorts Shares and/or ADSs repurchased under the New Share Repurchase Program may be cancelled or held as treasury shares for future re-issuance following their repurchase. Pending their cancellation, or a determination having been made to hold them as treasury shares, Melco Resorts Shares and/or ADSs repurchased under the New Share Repurchase Program may remain registered in the name of a nominee of Deutsche Bank Trust Company Americas, as depositary in respect of Melco Resorts' ADS program. The Company's indirect holding of Melco Resorts' outstanding share capital would increase as a result of the repurchased Melco Resorts Shares and/or ADSs are cancelled or determined to be to held as treasury shares for future re-issuance.

As disclosed in the announcement of the Company dated 22 November 2018, implementation in full of the New Share Repurchase Program by Melco Resorts and cancellation of the repurchased Melco Resorts Shares and/or ADSs or to hold the repurchased Melco Resorts Shares and/or ADSs as treasury shares for future re-issuance would result in the then Company's indirect holding of Melco Resorts' outstanding share capital increasing from approximately 53.78% to approximately 57.42%, assuming (1) that repurchases are made at the closing price per ADS quoted on the NASDAQ Global Select Market on 21 November 2018 (being US$16.80, equivalent to approximately HK$131.04), (2) repurchases of Melco Resorts Shares and/or ADSs made by Melco Resorts within the previous 12 month period, or which are otherwise related, have been cancelled or held as treasury shares, and (3) no other changes to Melco

Resorts' outstanding share capital. Implementation in full of the New Share Repurchase Program by Melco Resorts and cancellation of the repurchased Melco Resorts Shares and/or ADSs or to hold the repurchased Melco Resorts Shares and/or ADSs as treasury shares for future re-issuance would result in the Company's indirect holding of Melco Resorts' outstanding share capital increasing to approximately 57.31%, assuming (1) that repurchases are funded by cash and bank balances and made at the closing price per ADS quoted on the NASDAQ Global Select Market on 31 December 2018 (being US$17.62, equivalent to approximately HK$137.44), (2) repurchases of Melco Resorts Shares and/or ADSs made by Melco Resorts within the previous 12 month period and implementation in full of the New Share Repurchase Program, or which are otherwise related, have been cancelled or held as treasury shares, and (3) no other changes to Melco Resorts' outstanding share capital.

REASONS FOR AND BENEFITS OF THE NEW SHARE REPURCHASE PROGRAM

The reasons for the New Share Repurchase Program include to benefit from the trading of Melco Resorts' securities under the then market conditions when the share repurchase is implemented and to reflect the confidence of the Company in Melco Resorts' long-term strategy and growth prospects, which will ultimately benefit the Company.

Following the repurchases of Melco Resorts Shares and/or ADSs, the Company's indirect holding of Melco Resorts' outstanding share capital would, after cancellation of the repurchased Melco Resorts Shares and/or ADSs or to hold the repurchased Melco Resorts Shares and/or ADS, as treasury shares for future re-issuance, increase. The Board believes that share repurchases under Melco Resorts' New Share Repurchase Program could enhance the value of Melco Resorts Shares, thereby improving the return of Melco Resorts to the Company and in turn to the Shareholders.

The Directors (including the independent non-executive Directors) consider that the terms of Melco Resorts' New Share Repurchase Program are fair and reasonable, and that the New Share Repurchase Program is on normal commercial terms or better (as far as the Company is concerned), and in the interests of the Company and the Shareholders as a whole.

INFORMATION IN RELATION TO THE PARTIES

Melco Resorts

Melco Resorts is a listed subsidiary of the Company, whose ADSs are listed on the NASDAQ Global Select Market in the United States of America. Melco Resorts, through its subsidiaries, is principally engaged in businesses in the leisure, gaming and entertainment sectors.

For the financial year ended 31 December 2018, Melco Resorts' audited profits before taxation were approximately US$353,406,000 (equivalent to approximately HK$2,756,566,800) and Melco Resorts' audited profits after taxation were approximately US$353,851,000 (equivalent to approximately HK$2,760,037,800).

For the financial year ended 31 December 2017, Melco Resorts' audited profits before taxation were approximately US$315,283,000 (equivalent to approximately HK$2,459,207,400) and Melco Resorts' audited profits after taxation were approximately US$315,293,000 (equivalent to approximately HK$2,459,285,400).

As at 31 December 2018, Melco Resorts' audited net asset value was approximately US$2,745,703,000 (equivalent to approximately HK$21,416,483,400).

The Company

The Company, through its subsidiaries, is principally engaged in leisure, gaming and entertainment, and other investments.

LISTING RULES IMPLICATIONS

Implementation in full of the New Share Repurchase Program by Melco Resorts, when aggregated with repurchases of Melco Resorts Shares and/or ADSs made by Melco Resorts within the previous 12 month period, or which are otherwise related, would be a major transaction for the Company under Chapter 14 of the Listing Rules, as one or more of the applicable percentage ratios exceed 25% but all the applicable percentage ratios are less than 100%.

Accordingly, the implementation by Melco Resorts of the New Share Repurchase Program to an extent which would be a major transaction for the Company under the Listing Rules is conditional on Shareholders' approval, in accordance with Rule 14.40 of the Listing Rules.

So far as the Company is aware, having made all reasonable enquiries, no Shareholder has a material interest in, and would be required to abstain from voting on the resolution to approve the implementation in full of the New Share Repurchase Program, if the Company were to convene a general meeting to approve such implementation.

As at 19 November 2018, the following Shareholders hold an aggregate of 818,162,396 shares in the Company as recorded in the register required to be kept under Section 336 of the SFO, representing approximately 53.34% of the issued shares of the Company:

(a) Mr. Ho holds 42,339,132 shares in the Company, representing approximately 2.76% of the issued shares of the Company;

(b) Better Joy Overseas Ltd. holds 296,711,606 shares in the Company, representing approximately 19.34% of the issued shares of the Company;

(c) Lasting Legend Ltd. holds 120,333,024 shares in the Company, representing approximately 7.84% of the issued shares of the Company;

(d) Mighty Dragon Developments Limited holds 50,830,447 shares in the Company, representing approximately 3.31% of the issued shares of the Company;

(e) Maple Peak Investments Inc. holds 1,566,000 shares in the Company, representing approximately 0.10% of the issued shares of the Company; and

(f) Great Respect Limited holds 306,382,187 shares in the Company, representing approximately 19.97% of the issued shares of the Company.

All of the companies referred to in paragraphs (b) to (e) above are owned by Mr. Ho and/or persons and/or trusts associated with Mr. Ho. By virtue of the SFO, Mr. Ho is deemed to be interested in the shares held by those companies. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho and his immediate family members. Mr. Ho is taken to have interests in the shares held by Great Respect Limited by virtue of him being one of the beneficiaries of the discretionary family trust for the purpose of the SFO.

The Company has received written Shareholders' approval in respect of the implementation in full of the New Repurchase Program by Melco Resorts from the closely allied group of Shareholders specified above, which together hold more than 50% of the issued shares of the Company, in accordance with Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be convened by the Company to approve the implementation in full by Melco Resorts of the New Share Repurchase Program.

WAIVER FROM COMPLIANCE WITH RULE 14.67(6)(a)(i) OF THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on Melco Resorts prepared in accordance with Chapter 4 of the Listing Rules. The accountants' report must include the financial information of Melco Resorts for each of the three financial years ended 31 December 2016, 2017 and 2018 and where applicable, for a period ended 6 months or less before this circular is issued, prepared under HKFRS using accounting policies which should be materially consistent with those adopted by the Company.

The ADSs of Melco Resorts are listed on the NASDAQ Global Select Market. In accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), Melco Resorts' published audited annual financial statements and its published unaudited quarterly financial information have been prepared in accordance with US GAAP.

Melco Resorts' financial statements for each of the financial years ended 31 December 2016, 2017 and 2018 have been audited by Melco Resorts' auditors, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Melco Resorts' financial statements for the financial year ended 31 December 2016 have been audited by Deloitte Touche Tohmatsu, and subsequent to the change of auditor of Melco Resorts and the Company from Deloitte Touche Tohmatsu to Ernst & Young in July 2017, Melco Resorts' financial statements for each of the financial years ended 31 December 2017 and 2018 have been audited by Ernst & Young. Each of Deloitte Touche Tohmatsu and Ernst & Young is a firm with international name and reputation and is registered with the PCAOB.

The Company's financial statements are prepared in accordance with HKFRS. Complying with the requirements of Rule 14.67(6)(a)(i) of the Listing Rules in having Melco Resorts to produce an accountants' report under HKFRS in this circular would be unduly burdensome and would create practical difficulties as this would require the Company to undertake a considerable amount of work to convert Melco Resorts' financial information from US GAAP to HKFRS and prepare financial statements of Melco Resorts in conformity with HKFRS for the financial years ended 31 December 2016, 2017 and 2018 (the "Melco Resorts HKFRS Financial Information"). The Company's auditors would then need to carry out audit procedures in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the Melco Resorts HKFRS Financial

Information and prepare an accountants' report accordingly. The benefits of such work may not justify the additional work and expenses involved and the Company expected it will cause a significant delay in the issuance of this circular.

Accordingly, the Company has applied to the Stock Exchange for waiver from compliance with Rule 14.67(6)(a)(i) of the Listing Rules of the requirement to include in this circular an accountants' report of Melco Resorts in respect of the three financial years ended 31 December 2016, 2017 and 2018 prepared under HKFRS.

In replacement of an accountants' report on Melco Resorts prepared under HKFRS, the following disclosure has been included in this circular:

(a) the audited financial information of Melco Resorts for the financial years ended 31 December 2016, 2017 and 2018, prepared in accordance with US GAAP, including the management discussion and analysis, extracted from the SEC filings of Melco Resorts for the relevant years;

(b) additional financial information of Melco Resorts required for an accountants' report under the Listing Rules for the financial years ended 31 December 2016, 2017 and 2018 but not disclosed in Melco Resorts' published audited annual financial statements prepared under US GAAP, excluding the information required under Rule 4.08(3) of the Listing Rules (which requires the accountants' report to state that it has been prepared in accordance with the Auditing Guideline – Prospectuses and the reporting accountant (Statement 3.340) issued by the HKICPA) ("Additional Information");

(c) a summary of the material differences between the accounting policies adopted by Melco Resorts (under US GAAP) and the accounting policies adopted by the Company (under HKFRS), including a line-by-line reconciliation of the consolidated statements of financial position and the consolidated income statements, addressing the material differences, other than presentational differences, which would have a significant effect on Melco Resorts' financial information referred to in paragraph (a) above had they been prepared in accordance with the accounting policies adopted by the Company under HKFRS (the "Reconciliation"), where:

    (i) in respect of each of the financial years ended 31 December 2017 and 2018, the line-by-line Reconciliations will be reported on by Ernst & Young in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3000; and

    (ii) in respect of the financial year ended 31 December 2016, since Melco Resorts' financial statements for the financial year ended 31 December 2016 were not audited by Ernst & Young (but rather, Deloitte Touche Tohmatsu), Ernst & Young is not able to perform and report on a Reconciliation for the 2016 financial year in accordance with HKSAE 3000. Therefore, Ernst & Young will perform certain agreed upon procedures on the line-by-line Reconciliation in accordance with Hong Kong Standard on Related Services 4400, by agreeing the US GAAP conversion adjustments to accounting records and checking to ensure arithmetical accuracy.

The Directors consider that the published audited annual financial statements in relation to Melco Resorts under US GAAP to be reproduced in this circular, when taken together with the related management discussion and analysis, the Additional Information and the Reconciliations, will afford Shareholders with all material information necessary to assess the financial performance of Melco Resorts throughout the periods presented, such information being broadly commensurate in all material respects to the disclosure that would otherwise have been provided if an accountants' report on Melco Resorts prepared under HKFRS had been produced under Rule 14.67(6)(a)(i) of the Listing Rules.

Accordingly, as disclosed in the Company's announcement dated 12 February 2019, the Company had applied to the Stock Exchange for, and the Stock Exchange had granted, a waiver from compliance with Rule 14.67(6)(a)(i) of the Listing Rules such that the Company is not required to include an accountants' report on Melco Resorts prepared under HKFRS in this circular.

FURTHER INFORMATION

Your attention is also drawn to the further information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board of
Melco International Development Limited
Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

1. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

Financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 is disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (www.melco-group.com) and can be accessed at the website addresses below:

- Annual report of the Company for the year ended 31 December 2016 published on 26 April 2017 (pages 105 to 281)

  https://www.melco-group.com/doc/english/report/e0200_170330_AR.PDF

- Annual report of the Company for the year ended 31 December 2017 published on 26 April 2018 (pages 98 to 206)

  https://www.melco-group.com/doc/english/report/e0200_180329_AR.pdf

- Annual report of the Company for the year ended 31 December 2018 published on 24 April 2019 (pages 122 to 233)

  https://www.melco-group.com/en/Reports.html

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 28 February 2019, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular, the Group had the following indebtedness:

Interest-bearing borrowings

	As at 28 February 2019
	HK$'000
Secured and guaranteed	29,339,897
Unsecured and guaranteed	4,709,687
Unsecured and unguaranteed	7,866,220
	41,915,804

Secured and guaranteed borrowings as at 28 February 2019 are secured by the following assets of the Group:

(i) certain property, plant and equipment;

(ii) investment properties;

(iii) certain land and all present and future buildings on and fixtures to such land, and land use rights (or equivalent);

(iv) certain bank deposits;

(v) chattels, receivables and other assets including certain inter-group loans; and

(vi) issued shares of certain subsidiaries of the Group.

Lease liabilities

The Group has adopted HKFRS 16 Leases using a modified retrospective approach on 1 January 2019. The Group applies HKFRS 16 to contracts that were previously identified as leases under Hong Kong Accounting Standard 17 Leases and uses the exemptions allowed by the standard on short-term leases and lease contracts whose lease terms end within 12 months as of the date of the initial application. The Group measures the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate and measures the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments. As at 28 February 2019, the Group has current and non-current lease liabilities amounted to HK$518,407,000 and HK$3,088,004,000, respectively.

Save as disclosed above and the annual report of the Company in 2018 and apart from intra-group liabilities and normal trade and other payables, at the close of business on 28 February 2019, the Group did not have any debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, bank overdrafts, liabilities under acceptances or acceptance credits, hire purchases, mortgages, charges, guarantees or material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, taking into account the financial resources available to the Group including cash flows to be generated from the operating activities and the available credit facilities, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group continues to focus on improving the quality of its services and entertainment offerings as well as upgrading the infrastructure of its properties, with the goal to better cater to customers in Macau and around the world. Driven by its corporate DNA to always strive to do better, the Group aims to create a category of hospitality, leisure and entertainment that constantly exceeds expectations, and is well positioned to continue to be a pioneer and innovator in premium travel, leisure and entertainment in Macau and internationally.

For Macau, the Group's long-term growth strategy remains to focus on the premium-mass and mass segments, which the Group believes will drive sustainable growth and profit for the industry. The Group will continue to invest in balancing its exposure to both VIP and mass gaming patrons and to further grow a diversified portfolio to attract the broader tourism market through its world-class non-gaming entertainment and leisure offers. The Group is confident that its latest US$1.1 billion iconic hotel Morpheus will further solidify the Group's position as a pioneer and innovator in premium travel, leisure and entertainment.

Beyond Macau, the Group is proactively expanding its network of global operations and business development opportunities. The Group is confident that the strong performance contributed by its properties in the Philippines and Cyprus will further enhance its global presence.

The Group's core focus continues to be Japan. Following the passage of the Integrated Resorts Implementation Bill in July 2018, the Group is very focused and dedicated to becoming an international integrated resort operator in the country. To this end, the Group has been working diligently for the past 10 years to build up potential partnerships and collaborations with government stakeholders, local communities and local companies in an effort to further build up its local presence. With its focus on the Asian premium segment, dedication to high quality assets and sustainable operations, and world-class entertainment offerings that go beyond gaming, the Group believes it is in a strong position to be a partner to Japan's journey in its integrated resort development with a tailored and unique Japanese touch.

Looking ahead, the Group believes that its diversified revenue streams across market segments and geographies with distinctive high-quality hotel brands will provide a strong foundation to the Group's near and long-term success and development. With growing global demand for premium and tailored travel experiences, for both gaming as well as non-gaming entertainment and leisure offerings, the dedicated management team, solid corporate governance and strong property portfolio of the Group are well placed to continue to deliver solid financial growth.

6. FINANCIAL EFFECT ON THE GROUP

As set out in the unaudited pro forma financial information of the Group in Appendix III to this circular, total assets of the Group would have been decreased by approximately HK$2,695,836,000 from approximately HK$98,026,241,000 as at 31 December 2018 to approximately HK$95,330,405,000 and the net assets of the Group would have been decreased by the same amount from approximately HK$40,703,026,000 as at 31 December 2018 to approximately HK$38,007,190,000.

Further details of the financial effects of the full implementation of Melco Resorts' New Share Repurchase Program to the Group together with the basis in preparing the unaudited pro forma financial information of the Group are set out in Appendix III to this circular.

There will be no effect on liabilities and earnings of the Group associated with the full implementation of Melco Resorts' New Share Repurchase Program.

A. PUBLISHED FINANCIAL INFORMATION OF MELCO RESORTS OF EACH OF THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

1. The following is an extract of the audited consolidated financial statements of Melco Resorts as of 31 December 2016 and 2017 and for the years ended 31 December 2015, 2016 and 2017 (the "MRE 2017 financial statements"), which were prepared in accordance with US GAAP, from the report of Melco Resorts on Form 6-K and the exhibits thereto furnished to the SEC on 24 April 2019.

CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data)

	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,408,211	$ 1,702,310
Investment securities	89,874	–
Bank deposits with original maturities over three months	9,884	210,840
Restricted cash	45,412	39,152
Accounts receivable, net	176,544	225,438
Amounts due from affiliated companies	2,377	1,103
Inventories	34,988	32,600
Prepaid expenses and other current assets	77,503	68,111
Total current assets	1,844,793	2,279,554
PROPERTY AND EQUIPMENT, NET	5,730,760	5,655,823
GAMING SUBCONCESSION, NET	256,083	313,320
INTANGIBLE ASSETS	4,220	4,220
GOODWILL	81,915	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	189,645	194,911
RESTRICTED CASH	130	130
DEFERRED TAX ASSETS	11	152
LAND USE RIGHTS, NET	787,499	810,316
TOTAL ASSETS	$ 8,895,056	$ 9,340,341

		December 31,		
		2017		2016
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	$	16,041	$	17,434
Accrued expenses and other current liabilities		1,563,585		1,369,943
Income tax payable		3,179		7,422
Capital lease obligations, due within one year		33,387		30,730
Current portion of long-term debt, net		51,032		50,583
Amounts due to affiliated companies		16,790		3,028
Total current liabilities		1,684,014		1,479,140
LONG-TERM DEBT, NET		3,506,530		3,669,692
OTHER LONG-TERM LIABILITIES		48,087		49,287
DEFERRED TAX LIABILITIES		53,994		56,451
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR		265,896		262,357
AMOUNT DUE TO AN AFFILIATED COMPANY		919		–
COMMITMENTS AND CONTINGENCIES *(Note 21)*				
SHAREHOLDERS' EQUITY				
Ordinary shares, par value $0.01; 7,300,000,000 shares authorized; 1,478,429,243 and 1,475,924,523 shares issued; 1,469,414,231 and 1,465,100,753 shares outstanding, respectively	$	14,784	$	14,759
Treasury shares, at cost; 9,015,012 and 10,823,770 shares, respectively		(90)		(108)
Additional paid-in capital		3,671,805		2,783,062
Accumulated other comprehensive losses		(26,610)		(24,768)
(Accumulated losses) retained earnings		(772,338)		570,925
Total Melco Resorts & Entertainment Limited shareholders' equity		2,887,551		3,343,870
Noncontrolling interests		448,065		479,544
Total equity		3,335,616		3,823,414
TOTAL LIABILITIES AND EQUITY	$	8,895,056	$	9,340,341

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share and per share data)

	Year Ended December 31,		
	2017	**2016**	**2015**
OPERATING REVENUES			
Casino	$ 4,937,597	$ 4,176,667	$ 3,767,291
Rooms	271,500	265,289	199,727
Food and beverage	184,979	177,515	126,848
Entertainment, retail and other	203,763	197,011	117,543
Gross revenues	5,597,839	4,816,482	4,211,409
Less: promotional allowances	(313,016)	(297,086)	(236,609)
Net revenues	5,284,823	4,519,396	3,974,800
OPERATING COSTS AND EXPENSES			
Casino	(3,374,013)	(2,904,922)	(2,654,760)
Rooms	(32,641)	(33,218)	(23,419)
Food and beverage	(57,927)	(65,781)	(43,295)
Entertainment, retail and other	(88,268)	(109,817)	(77,506)
General and administrative	(467,121)	(446,591)	(383,874)
Payments to the Philippine Parties	(51,661)	(34,403)	(16,547)
Pre-opening costs	(2,274)	(3,883)	(168,172)
Development costs	(31,115)	(95)	(110)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,237)
Amortization of land use rights	(22,817)	(22,816)	(54,056)
Depreciation and amortization	(460,521)	(472,219)	(359,341)
Property charges and other	(31,616)	(5,298)	(38,068)
Total operating costs and expenses	(4,677,211)	(4,156,280)	(3,876,385)
OPERATING INCOME	607,612	363,116	98,415
NON-OPERATING INCOME (EXPENSES)			
Interest income	3,579	5,951	13,900
Interest expenses, net of capitalized interest	(229,582)	(223,567)	(118,330)
Amortization of deferred financing costs	(26,182)	(48,345)	(38,511)
Loan commitment and other finance fees	(6,079)	(7,451)	(7,328)
Foreign exchange gains (losses), net	12,783	7,356	(2,156)
Other income, net	5,282	3,572	2,317
Loss on extinguishment of debt	(49,337)	(17,435)	(481)
Costs associated with debt modification	(2,793)	(8,101)	(7,603)
Total non-operating expenses, net	$ (292,329)	$ (288,020)	$ (158,192)

	Year Ended December 31,		
	2017	2016	2015
INCOME (LOSS) BEFORE INCOME TAX	$ 315,283	$ 75,096	$ (59,777)
INCOME TAX CREDIT (EXPENSE)	10	(8,178)	(1,031)
NET INCOME (LOSS)	315,293	66,918	(60,808)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	31,709	108,988	166,555
NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED	$ 347,002	$ 175,906	$ 105,747
NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED PER SHARE:			
Basic	$ 0.236	$ 0.116	$ 0.065
Diluted	$ 0.235	$ 0.115	$ 0.065
WEIGHTED AVERAGE SHARES OUTSTANDING USED IN NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED PER SHARE CALCULATION:			
Basic	1,467,653,209	1,516,714,277	1,617,263,041
Diluted	1,479,342,209	1,525,284,272	1,627,108,770

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2017	**2016**	**2015**
Net income (loss)	$ 315,293	$ 66,918	$ (60,808)
Other comprehensive (loss) income:			
Foreign currency translation adjustments, before and after tax	(746)	(5,803)	(9,376)
Changes in fair values of interest rate swap agreements, before and after tax	–	61	(42)
Unrealized loss on investment securities, before and after tax	(1,150)	–	–
Other comprehensive loss	(1,896)	(5,742)	(9,418)
Total comprehensive income (loss)	313,397	61,176	(70,226)
Comprehensive loss attributable to noncontrolling interests	31,763	111,896	171,188
Comprehensive income attributable to Melco Resorts & Entertainment Limited	$ 345,160	$ 173,072	$ 100,962

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands of U.S. dollars, except share and per share data)

	Melco Resorts & Entertainment Limited Shareholders' Equity								
	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Losses	Retained Earnings (Accumulated losses)	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount					
BALANCE AT JANUARY 1, 2015	1,633,701,920	$ 16,337	(17,684,386)	$ (33,167)	$ 3,092,943	$ (17,149)	$ 1,227,177	$ 755,529	$ 5,041,670
Net income (loss) for the year	–	–	–	–	–	–	105,747	(166,555)	(60,808)
Foreign currency translation adjustment	–	–	–	–	–	(4,767)	–	(4,609)	(9,376)
Change in fair value of interest rate swap agreements	–	–	–	–	–	(18)	–	(24)	(42)
Share-based compensation	–	–	–	–	18,640	–	–	2,210	20,850
Transfer of shares purchased under trust arrangement for restricted shares vested	–	–	466,203	3,732	(3,732)	–	–	–	–
Retirement of shares	(3,717,816)	(37)	3,717,816	29,154	(29,117)	–	–	–	–
Shares issued for future vesting of restricted shares and exercise of share options	940,419	9	(940,419)	(9)	–	–	–	–	–
Issuance of shares for restricted shares vested	–	–	136,809	1	(1)	–	–	–	–
Exercise of share options	–	–	1,368,747	14	2,401	–	–	–	2,415
Transfer of property and equipment between subsidiaries	–	–	–	–	3,433	–	–	(3,433)	–
Changes in shareholdings of the Philippine subsidiaries	–	–	–	–	(9,108)	–	–	9,108	–
Dividends declared ($0.0389 per share)	–	–	–	–	–	–	(62,850)	–	(62,850)
BALANCE AT DECEMBER 31, 2015	1,630,924,523	16,309	(12,935,230)	(275)	3,075,459	(21,934)	1,270,074	592,226	4,931,859
Net income for the year	–	$ –	–	$ –	$ –	$ –	$ 175,906	$ (108,988)	$ 66,918
Foreign currency translation adjustment	–	–	–	–	–	(2,871)	–	(2,932)	(5,803)
Change in fair value of interest rate swap agreements	–	–	–	–	–	37	–	24	61
Share-based compensation	–	–	–	–	17,900	–	–	579	18,479
Transfer of shares purchased under trust arrangement for restricted shares vested	–	–	18,213	146	(146)	–	–	–	–
Retirement of repurchased shares	(155,000,000)	(1,550)	–	–	(203,496)	–	(598,125)	–	(803,171)
Issuance of shares for restricted shares vested	–	–	303,318	3	(3)	–	–	–	–
Exercise of share options	–	–	1,789,929	18	3,236	–	–	–	3,254
Transfer of property and equipment between subsidiaries	–	–	–	–	55	–	–	(55)	–
Changes in shareholdings of the Philippine subsidiaries	–	–	–	–	(1,304)	–	–	(1,310)	(2,614)
Dividends declared ($0.2408 per share)	–	–	–	–	(108,639)	–	(276,930)	–	(385,569)
BALANCE AT DECEMBER 31, 2016	1,475,924,523	14,759	(10,823,770)	(108)	2,783,062	(24,768)	570,925	479,544	3,823,414
Net income for the year	–	$ –	–	$ –	$ –	$ –	$ 347,002	$ (31,709)	$ 315,293
Foreign currency translation adjustment	–	–	–	–	–	(692)	–	(54)	(746)
Unrealized loss on investment securities	–	–	–	–	–	(1,150)	–	–	(1,150)
Share-based compensation	–	–	–	–	17,164	–	–	141	17,305
Shares issued	165,303,543	1,653	–	–	1,161,533	–	–	–	1,163,186
Retirement of repurchased shares	(165,303,544)	(1,653)	–	–	(204,533)	–	(957,000)	–	(1,163,186)
Shares issued for future vesting of restricted shares and exercise of share options	2,504,721	25	(2,504,721)	(25)	–	–	–	–	–
Issuance of shares for restricted shares vested	–	–	950,320	9	(9)	–	–	–	–
Exercise of share options	–	–	3,363,159	34	2,622	–	–	–	2,656
Changes in shareholdings of the Philippine subsidiaries	–	–	–	–	29	–	–	143	172
Dividends declared ($0.5604 per share)	–	–	–	–	(88,063)	–	(733,265)	–	(821,328)
BALANCE AT DECEMBER 31, 2017	1,478,429,243	$ 14,784	(9,015,012)	$ (90)	$ 3,671,805	$ (26,610)	$ (772,338)	$ 448,065	$ 3,335,616

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 315,293	$ 66,918	$ (60,808)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	540,575	552,272	470,634
Amortization of deferred financing costs	26,182	48,345	38,511
Amortization of premium on senior notes payable	(160)	–	–
Interest accretion on capital lease obligations	6,878	9,449	16,137
Net loss (gain) on disposal of property and equipment	5,409	(8,509)	474
Impairment loss recognized on property and equipment	23,197	3,245	–
(Credit) provision for doubtful debts	(2,028)	67,838	39,341
Provision for input value-added tax	2,813	5,459	30,254
Loss on extinguishment of debt	49,337	17,435	481
Costs associated with debt modification	2,793	8,101	7,603
Share-based compensation	17,305	18,487	20,827
Changes in operating assets and liabilities:			
Accounts receivable	54,903	(18,339)	(56,172)
Inventories and prepaid expenses and other	(2,076)	(6,006)	(16,870)
Long-term prepayments, deposits and other assets	(49,370)	(22,087)	(23,927)
Accounts payable and accrued expenses and other	181,661	448,339	9,228
Other long-term liabilities	(10,212)	(32,808)	46,318
Net cash provided by operating activities	$ 1,162,500	$ 1,158,139	$ 522,031

	Year Ended December 31,		
	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capitalized construction costs	$ (329,275)	$ (368,616)	$ (1,043,334)
Payments for acquisition of property and equipment	(157,075)	(131,592)	(248,038)
Payments for investment securities	(91,024)	–	–
Placement of bank deposits with original maturities over three months	(62,591)	(260,197)	(1,034,173)
Deposits for acquisition of property and equipment	(16,405)	(4,212)	(28,840)
Advance payments for construction costs	(12,234)	(31,586)	(19,739)
Insurance proceeds received for damaged property and equipment	108	–	–
Proceeds from sale of property and equipment	932	28,906	295
Withdrawals of bank deposits with original maturities over three months	263,547	774,093	420,053
Payments for land use rights	–	(3,788)	(31,678)
Payments for entertainment production costs and security deposit	–	(33)	(4,489)
Escrow funds refundable to the Philippine Parties	–	–	24,643
Net cash (used in) provided by investing activities	(404,017)	2,975	(1,965,300)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on long-term debt	(896,276)	(124,286)	(70,205)
Dividends paid	(821,328)	(385,569)	(62,850)
Payments of deferred financing costs	(34,552)	(27,284)	(49,877)
Principal payments on capital lease obligations	(120)	(47)	(146)
Proceeds from exercise of share options	3,610	3,254	5,092
Proceeds from long-term debt	702,625	–	148,298
Repurchase of shares for retirement	–	(803,171)	–
Purchase of shares of a subsidiary	–	(2,614)	–
Net cash used in financing activities	(1,046,041)	(1,339,717)	(29,688)
EFFECT OF FOREIGN EXCHANGE ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(281)	(7,949)	(13,137)

	Year Ended December 31,		
	2017	2016	2015
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	$ (287,839)	$ (186,552)	$ (1,486,094)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	1,741,592	1,928,144	3,414,238
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 1,453,753	$ 1,741,592	$ 1,928,144
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS			
Cash paid for interest, net of amounts capitalized	$ (239,780)	$ (209,697)	$ (106,984)
Cash paid for income taxes, net of refunds	(6,537)	(3,414)	(7,010)
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Change in accrued expenses and other current liabilities and other long-term liabilities related to construction costs	62,714	27,794	89,068
Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment	34,147	48,801	65,678
Change in amounts due to affiliated companies related to construction costs	10,847	–	–
Deferred financing costs included in accrued expenses and other current liabilities	26	3,180	8,254
Consideration of sale of property and equipment offset by escrow funds refundable to the Philippine Parties	–	24,644	–

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

	December 31,	
	2017	2016
Cash and cash equivalents	$ 1,408,211	$ 1,702,310
Current portion of restricted cash	45,412	39,152
Non-current portion of restricted cash	130	130
Total cash, cash equivalents and restricted cash	$ 1,453,753	$ 1,741,592

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars, except share and per share data)

1. COMPANY INFORMATION

Melco Resorts & Entertainment Limited (the "Company") was incorporated in the Cayman Islands, with its American depositary shares ("ADS") listed on the NASDAQ Global Select Market in the United States of America. Effective March 29, 2017, the Company changed its name from Melco Crown Entertainment Limited to Melco Resorts & Entertainment Limited. In conjunction with the name change, the Company also changed its NASDAQ ticker symbol from "MPEL" to "MLCO" on April 6, 2017.

The Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia. The Group currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Taipa Square Casino, a casino located at Taipa, Macau. The Group's business also includes the Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. The Group also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau, which commenced operations on October 27, 2015. In the Philippines, Melco Resorts and Entertainment (Philippines) Corporation (formerly known as Melco Crown (Philippines) Resorts Corporation) ("MRP"), a majority-owned subsidiary of the Company whose common shares are listed on The Philippine Stock Exchange, Inc. (the "PSE") under the stock code of "MRP", through MRP's subsidiary, Melco Resorts Leisure (PHP) Corporation (formerly known as MCE Leisure (Philippines) Corporation) ("Melco Resorts Leisure"), currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila.

As of December 31, 2017 and 2016, Melco International Development Limited ("Melco International"), a company listed in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), is the single largest shareholder of the Company due to the completion of the share repurchase by the Company from a subsidiary of Crown Resorts Limited ("Crown"), an Australian-listed corporation and the then major shareholder of the Company, followed by the cancellation of such shares with certain changes in the composition of the Board of Directors in May 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP").

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation.

Effective January 1, 2018, the Group adopted the accounting standards update on the classification and presentation of restricted cash in the statement of cash flows, using the retrospective method, and the updated classification and presentation are reflected for the years presented in the statements of cash flows. Details of the adoption of this guidance are disclosed in Note 2(ab)(v).

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. These estimates and judgments are based on historical information, information that is currently available to the Group and on various other assumptions that the Group believes to be reasonable under the circumstances. Accordingly, actual results could differ from those estimates.

(c) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The Group estimated the fair values using appropriate valuation methodologies and market information available as of the balance sheet date.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less.

Cash equivalents are placed with financial institutions with high-credit ratings and quality.

(e) Investment Securities

Investment securities consist of investments in mutual funds that mainly invest in bonds and fixed interest securities. The investment securities are considered as marketable equity securities and are accounted for as available-for-sale investments. Management determines the appropriate classification of its investment securities at the time of purchase and reevaluates the classifications at each balance sheet date. Investment securities are classified as either short-term or long-term based on the nature of each security and its availability for use in current operations. Investment securities are carried at fair value, with unrealized gains and losses, net of taxes, reported in other comprehensive income (loss), with the exception of unrealized losses believed to be other-than-temporary which are recorded in the consolidated statements of operations.

(f) Restricted Cash

The current portion of restricted cash represents cash deposited into bank accounts which are restricted as to withdrawal and use and the Group expects those 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 those funds that will not be released or utilized within the next twelve months. Restricted cash mainly consists of i) bank accounts that are restricted for withdrawal and for payment of project costs or debt servicing associated with borrowings under respective senior notes, a senior secured credit facility and other associated agreements; and (ii) collateral bank accounts associated with borrowings under credit facilities.

(g) Accounts Receivable and Credit Risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of casino receivables. The Group issues credit in the form of markers to approved casino customers following investigations of creditworthiness including to its gaming promoters in Macau and the Philippines, which receivable can be offset against commissions payable and any other value items held by the Group to the respective customer and for which the Group intends to set off when required. As of December 31, 2017 and 2016, a substantial portion of the Group's markers were due from customers and gaming promoters residing in foreign countries. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries.

Accounts receivable, including casino, hotel and other receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems it is probable the receivables are uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful debts is maintained to reduce the Group's receivables to their carrying amounts, which approximate fair values. The allowance is estimated based on specific reviews of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions. Management believes that as of December 31, 2017 and 2016, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

(h) Inventories

Inventories consist of retail merchandise, food and beverage items and certain operating supplies. As disclosed in Note 2(ab), with effect from January 1, 2017, inventories are stated at the lower of cost or net realizable value. Cost is calculated using the first-in, first-out, weighted average and specific identification methods.

(i) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization, and impairment losses, if any. Gains or losses on dispositions of property and equipment are included in the consolidated statements of operations. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

During the construction and development stage of the Group's casino gaming and entertainment casino resort facilities, direct and incremental costs related to the design and construction, including costs under the construction contracts, duties and tariffs, equipment installation, shipping costs, payroll and payroll-benefit related costs, applicable portions of interest and amortization of deferred financing costs, are capitalized in property and equipment. The capitalization of such costs begins when the construction and development of a project starts and ceases once the construction is substantially completed or development activity is suspended for more than a brief period.

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

Property and equipment are depreciated and amortized on a straight-line basis over the asset's estimated useful life. Estimated useful lives are as follows:

Buildings	4 to 40 years
Transportation	5 to 10 years
Leasehold improvements	3 to 10 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	2 to 15 years
Plant and gaming machinery	3 to 5 years

The remaining estimated useful lives of the property and equipment are periodically reviewed. For the review of estimated useful lives of buildings of Altira Macau and City of Dreams, the Group considered factors such as the business and operating environment of the gaming industry in Macau, laws and regulations in Macau and the Group's anticipated usage of the buildings. As a result, effective from October 1, 2015, the estimated useful lives of certain buildings assets of Altira Macau and City of Dreams have been extended in order to reflect the estimated periods during which the buildings are expected to remain in service. The estimated useful lives of certain buildings assets of Altira Macau and City of Dreams were changed from 25 years to 40 years from the date the buildings were placed in service. The changes in estimated useful lives of these buildings assets have resulted in a reduction in depreciation of $5,827, an increase in net income attributable to Melco Resorts & Entertainment Limited of $5,827 and an increase in basic and diluted earnings per share of $0.004 for the year ended December 31, 2015.

(j) Capitalized Interest and Amortization of Deferred Financing Costs

Interest and amortization of deferred financing costs associated with major development and construction projects is capitalized and included in the cost of the project. The capitalization of interest and amortization of deferred financing costs cease when the project is substantially completed or the development activity is suspended for more than a brief period. The amount to be capitalized is determined by applying the weighted average interest rate of the Group's outstanding borrowings to the average amount of accumulated qualifying capital expenditures for assets under construction during the year. Total interest expenses incurred amounted to $267,065, $252,600 and $253,168, of which $37,483, $29,033 and $134,838 were capitalized during the years ended December 31, 2017, 2016 and 2015, respectively. Amortization of deferred financing costs of $26,182, $48,345 and $38,511, net of amortization capitalized of nil, nil and $5,458, were recorded during the years ended December 31, 2017, 2016 and 2015, respectively.

(k) Gaming Subconcession

The deemed cost of gaming subconcession is capitalized based on the fair value of the gaming subconcession agreement as of the date of acquisition of Melco Resorts (Macau) Limited (formerly known as Melco Crown (Macau) Limited) ("Melco Resorts Macau"), a subsidiary of the Company and the holder of the gaming subconcession in Macau, in 2006, and amortized using the straight-line method over the term of agreement which is due to expire in June 2022.

(l) Goodwill and Intangible Assets

Goodwill represents the excess of acquisition cost over the fair value of tangible and identifiable intangible net assets of any business acquired. Goodwill is not amortized, but is tested for impairment at the reporting unit level on an annual basis, and between annual tests when circumstances indicate that the carrying value of goodwill may not be recoverable.

Intangible assets other than goodwill are amortized over their useful lives unless their lives are determined to be indefinite in which case they are not amortized. Intangible assets are carried at cost, less accumulated amortization. The Group's finite-lived intangible asset consists of the gaming subconcession. Finite-lived intangible assets are amortized over the shorter of their contractual terms or estimated useful lives. The Group's intangible assets with indefinite lives represent Mocha Clubs trademarks, which are tested for impairment on an annual basis or when circumstances indicate that the carrying value of the intangible assets may not be recoverable.

When performing the impairment analysis for goodwill and intangible assets with indefinite lives, the Group may first perform a qualitative assessment to determine whether it is more likely than not that the asset is impaired. If it is determined that it is more likely than not that the asset is impaired after assessing the qualitative factors, the Group then performs a quantitative impairment test that consists of a comparison of the implied fair value of goodwill and the fair values of the intangible assets with indefinite lives with their carrying amounts. An impairment loss is recognized in an amount equal to the excess of the carrying amount over the implied fair value for goodwill or the excess of the carrying amounts over the fair values of the intangible assets with indefinite lives.

(m) Impairment of Long-lived Assets (Other Than Goodwill)

The Group evaluates the long-lived assets with finite lives to be held and used for impairment whenever indicators of impairment exist. The Group then compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then an impairment charge is recorded based on the fair value of the asset, typically measured using a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs.

During the years ended December 31, 2017, 2016 and 2015, impairment losses of $23,197, $3,245 and nil were recognized mainly due to reconfigurations and renovations at the Group's operating properties and included in the consolidated statements of operations.

(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 over the terms of the related debt agreements using the effective interest method. Deferred financing costs incurred in connection with the issuance of the revolving credit facilities are included in long-term prepayments, deposits and other assets in the consolidated balance sheets. All other deferred financing costs are presented as a direct reduction of long-term debt in the consolidated balance sheets.

(o) Land Use Rights

Land use rights are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated term of the land use rights.

Each land concession contract in Macau has an initial term of 25 years and is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The land use rights were originally amortized over the initial term of 25 years, in which the expiry dates of the land use rights of Altira Macau, City of Dreams and Studio City are March 2031, August 2033 and October 2026, respectively. The estimated term of the land use rights are periodically reviewed. For the review of such estimated term of the land use rights under the applicable land concession contracts, the Group considered factors such as the business and operating environment of the gaming industry in Macau, laws and regulations in Macau and the Group's development plans. As a result, effective from October 1, 2015, the estimated term of the land use rights under the land concession contracts for Altira Macau, City of Dreams and Studio City, in accordance with the relevant accounting standards, have been extended to April 2047, May 2049 and October 2055, respectively which aligned with the estimated useful lives of certain buildings assets of 40 years as disclosed in Note 2(i). The changes in estimated term of the land use rights under the applicable land concession contracts have resulted in a reduction in amortization of land use rights of $10,413, an increase in net income attributable to Melco Resorts & Entertainment Limited of $6,763 and an increase in basic and diluted earnings per share of $0.004 for the year ended December 31, 2015.

(p) Revenue Recognition and Promotional Allowances

The Group recognizes revenue at the time persuasive evidence of an arrangement exists, the service is provided or the retail goods are sold, prices are fixed or determinable and collection is reasonably assured.

Casino revenues are measured by the aggregate net difference between gaming wins and losses less accruals for the anticipated payouts of progressive slot jackpots. Funds deposited by customers in advance and chips in the customers' possession are recognized as a liability before gaming play occurs.

The Group follows the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for operations of certain hotels and Taipa Square Casino. For the operations of certain hotels, the Group is the owner of the hotel properties, and the hotel managers operate the hotels under management agreements providing management services to the Group, and the Group receives all rewards and takes substantial risks associated with the hotels' business; it is the principal and the transactions are, therefore, recognized on a gross basis. For the operations of Taipa Square Casino, given the Group operates the casino under a right to use agreement with the owner of the casino premises and has full responsibility for the casino operations in accordance with its gaming subconcession, it is the principal and casino revenue is, therefore, recognized on a gross basis.

Rooms, food and beverage, entertainment, retail and other revenues are recognized when services are provided or retail goods are sold. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. Minimum operating and right to use fees, adjusted for contractual base fees and operating fees escalations, are included in entertainment, retail and other revenues and are recognized on a straight-line basis over the terms of the related agreements.

Revenues are recognized net of certain sales incentives which are required to be recorded as reductions of revenue. Consequently, the Group's casino revenues are reduced by discounts, commissions and points from customer loyalty programs, such as player's club loyalty program.

The retail values of rooms, food and beverage, entertainment, retail and other services furnished to guests without charge are included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances for the years ended December 31, 2017, 2016 and 2015 is reclassified from rooms costs, food and beverage costs, entertainment, retail and other services costs and is included in casino expenses as follows:

	Year Ended December 31,		
	2017	**2016**	**2015**
Rooms	$ 30,429	$ 30,865	$ 24,625
Food and beverage	85,715	79,719	64,676
Entertainment, retail and other	12,125	16,057	9,365
	$ 128,269	$ 126,641	$ 98,666

(q) Point-loyalty Programs

The Group operates different loyalty programs in certain of its properties to encourage repeat business mainly from loyal slot machine customers and table games patrons. Members earn points primarily based on gaming activity and such points can be redeemed for free play and other free goods and services. The Group accrues for loyalty program points expected to be redeemed for cash and free play as a reduction to gaming revenue and accrues for loyalty program points expected to be redeemed for free goods and services as casino expense. The accruals are based on management's estimates and assumptions regarding the estimated costs of providing those benefits, age and history with expiration of unused points resulting in a reduction of the accruals.

(r) Gaming Taxes and License Fees

The Group is subject to taxes and license fees based on gross gaming revenue and other metrics in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. The gaming taxes and the majority of the license fees are determined from an assessment of the Group's gaming revenue and are recognized as casino expense in the accompanying consolidated statements of operations. These taxes and license fees totaled $2,222,498, $1,826,061 and $1,717,805 for the years ended December 31, 2017, 2016 and 2015, respectively.

(s) Pre-opening Costs

Pre-opening costs represent personnel, marketing and other costs incurred prior to the opening of new or start-up operations and are expensed as incurred. During the years ended December 31, 2017, 2016 and 2015, the Group incurred pre-opening costs primarily in connection with the development of further expansions to City of Dreams, Studio City and City of Dreams Manila. The Group also incurs pre-opening costs on other one-off activities related to the marketing of new facilities and operations.

(t) Development Costs

Development costs include the costs associated with the Group's evaluation and pursuit of new business opportunities, which are expensed as incurred.

(u) Advertising and Promotional Costs

The Group expenses advertising and promotional costs the first time the advertising takes place or as incurred. Advertising and promotional costs included in the accompanying consolidated statements of operations were $87,773, $83,068 and $107,383 for the years ended December 31, 2017, 2016 and 2015, respectively.

(v) Foreign Currency Transactions and Translations

All transactions in currencies other than functional currencies of the Company during the year are remeasured at the exchange rates prevailing on the respective transaction dates. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than functional currencies are remeasured at the exchange rates existing on that date. Exchange differences are recorded in the consolidated statements of operations.

The functional currencies of the Company and its major subsidiaries are the United States dollar ("$" or "US$"), the Hong Kong dollar ("HK$"), the Macau Pataca ("MOP") or the Philippine Peso ("PHP"), respectively. All assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date and all income and expense items are translated at the average rates of exchange over the year. All exchange differences arising from the translation of subsidiaries' financial statements are recorded as a component of comprehensive income (loss).

(w) Share-based Compensation Expenses

The Group measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award and recognizes that cost over the service period. Compensation is attributed to the periods of associated service and such expense is being recognized on the straight-line basis over the vesting period of the awards. As disclosed in Note 2(ab), with effect from January 1, 2017, forfeitures are recognized when they occur.

Further information on the Group's share-based compensation arrangements is included in Note 16.

(x) Income Tax

The Group is subject to income taxes in Hong Kong, Macau, the Philippines and other jurisdictions where it operates.

Deferred income taxes are recognized for all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

The Group's income tax returns are subject to examination by tax authorities in the jurisdictions where it operates. The Group assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes. These accounting standards utilize a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be, based on the technical merits of position, sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely, based on cumulative probability.

(y) Net Income Attributable to Melco Resorts & Entertainment Limited Per Share

Basic net income attributable to Melco Resorts & Entertainment Limited per share is calculated by dividing the net income attributable to Melco Resorts & Entertainment Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted net income attributable to Melco Resorts & Entertainment Limited per share is calculated by dividing the net income attributable to Melco Resorts & Entertainment Limited by the weighted average number of ordinary shares outstanding during the year adjusted to include the potentially dilutive effect of outstanding share-based awards.

The weighted average number of ordinary and ordinary equivalent shares used in the calculation of basic and diluted net income attributable to Melco Resorts & Entertainment Limited per share consisted of the following:

	Year Ended December 31,		
	2017	**2016**	**2015**
Weighted average number of ordinary shares outstanding used in the calculation of basic net income attributable to Melco Resorts & Entertainment Limited per share	1,467,653,209	1,516,714,277	1,617,263,041
Incremental weighted average number of ordinary shares from assumed vesting of restricted shares and exercise of share options using the treasury stock method	11,689,000	8,569,995	9,845,729
Weighted average number of ordinary shares outstanding used in the calculation of diluted net income attributable to Melco Resorts & Entertainment Limited per share	1,479,342,209	1,525,284,272	1,627,108,770
Anti-dilutive share options and restricted shares excluded from the calculation of diluted net income attributable to Melco Resorts & Entertainment Limited per share	6,624,345	9,500,248	5,016,735

(z) Accounting for Derivative Instruments and Hedging Activities

The Group uses derivative financial instruments such as floating-for-fixed interest rate swap agreements to manage its risks associated with interest rate fluctuations in accordance with lenders' requirements under the Group's Studio City Project Facility (as defined in Note 11). All derivative instruments are recognized in the consolidated financial statements at fair value at the balance sheet date. Any changes in fair value are recorded in the consolidated statements of operations or comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair values of interest rate swap agreements are based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields. All outstanding interest rate swap agreements expired during the year ended December 31, 2016. Further information on the Group's interest rate swap agreements is included in Note 11.

(aa) Comprehensive Income (Loss) and Accumulated Other Comprehensive Losses

Comprehensive income (loss) includes net income (loss), foreign currency translation adjustments, changes in fair values of interest rate swap agreements and unrealized loss on investment securities and is reported in the consolidated statements of comprehensive income.

As of December 31, 2017 and 2016, the Group's accumulated other comprehensive losses consisted of the following components, net of tax and noncontrolling interests:

	December 31, 2017	December 31, 2016
Foreign currency translation adjustments	$ 25,460	$ 24,768
Unrealized loss on investment securities	1,150	–
	$ 26,610	$ 24,768

(ab) Recent Changes in Accounting Standards

Newly Adopted Accounting Pronouncements:

(i) In July 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standards update, which changed the measurement principle for inventories that is measured using other than last-in, first-out or the retail inventory method from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined by FASB as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The guidance was effective as of January 1, 2017 and the Group adopted this new guidance on a prospective basis. The adoption of this guidance did not have a material impact on the Group's consolidated financial statements.

(ii) In November 2015, the FASB issued an accounting standards update which simplified balance sheet classification of deferred taxes. The guidance required that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as non-current. The guidance was effective as of January 1, 2017 and the Group adopted this new guidance on a prospective basis, which impacts the classification of deferred tax assets and liabilities on any balance sheet that reports the Group's consolidated financial position for any date after December 31, 2016. Consolidated balance sheets for prior periods have not been adjusted. The adoption of this new guidance did not have any impact on the Group's results of operations or cashflows.

(iii) In March 2016, the FASB issued an accounting standards update which simplified several aspects of the accounting for employee share-based payments, including income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flow and electing an accounting policy to either estimate the number of forfeitures or account for forfeitures when they occur. The Group adopted this guidance effective January 1, 2017 and elected to account for forfeitures as they occur, rather than estimate expected forfeiture. This change in accounting policy was adopted on a modified retrospective basis, and no material cumulative effect adjustment to retained earnings was resulted.

(iv) In August 2016, the FASB issued an accounting standards update which amended the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance was effective as of January 1, 2018 and the Group adopted this new guidance on a retrospective basis. The adoption of this guidance did not have a material impact on the Group's consolidated financial statements.

(v) In November 2016, the FASB issued an accounting standards update which amended and clarified the guidance on the classification and presentation of restricted cash in the statement of cash flows. The guidance required that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. Accordingly, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance was effective as of January 1, 2018 and the Group adopted this new guidance on a retrospective basis. The adoption of this guidance impacted the presentation and classification of restricted cash in the Group's consolidated statements of cash flows. For the years ended December 31, 2017, 2016 and 2015, substantially all of the changes in restricted cash of $6,260, $277,836 and $1,499,465, respectively, were previously reported within net cash (used in) provided by investing activities in the consolidated statements of cash flows.

Recent Accounting Pronouncements Not Yet Adopted:

(vi) In May 2014, the FASB issued an accounting standards update which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principal of this new revenue recognition model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. This update also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued an accounting standards update which defers the effective date of the new revenue recognition accounting guidance by one year, to interim and fiscal years beginning after December 15, 2017, and early adoption is permitted for interim and fiscal years beginning after December 15, 2016. From March 2016 through December 2016, the FASB issued accounting standards updates which amend and further clarify the new revenue guidance such as reporting revenue as a principal versus agent, identifying performance obligations, accounting for intellectual property licenses, assessing collectability and presentation of sales taxes. These accounting standards updates are collectively referred to herein as the "New Revenue Standards".

The Group has adopted the New Revenue Standards using the modified retrospective method, recognizing the cumulative effect of initially applying the guidance at the date of initial application on January 1, 2018. The most significant impacts of the adoption of the New Revenue Standards are as follows:

- The New Revenue Standards will change the presentation of, and accounting for, goods and services furnished to guests without charge that are currently included in gross revenues and deducted as promotional allowances in the accompanying consolidated statements of operations. Under the New Revenue Standards, promotional allowances will be netted against casino revenues in primarily all cases. The promotional allowances are measured based on stand-alone selling prices. These changes will primarily result in a decrease in casino revenues and the elimination of the promotional allowances line item in future filings. Additionally, the estimated cost of providing the promotional allowances will no longer be included in casino expenses but, instead will be included in the respective expense categories.

- A portion of commissions paid to gaming promoters, representing the estimated incentives that were returned to customers, are currently reported as a reduction in revenue, with the balance of commissions expense reflected as a casino expense. As a result of the adoption of the New Revenue Standards, all commissions paid to gaming promoters will be reflected as a reduction in casino revenue. This change will primarily result in a decrease in casino expense and a corresponding decrease in casino revenue.

- The manner of assigning value to accrued customer benefits related to the non-discretionary incentives (including the point-loyalty programs) will be changed upon the adoption of the New Revenue Standards. The estimated liability for unredeemed non-discretionary incentives are currently accrued based on the estimated costs of providing such benefits and expected redemption rates. Under the New Revenue Standards, non-discretionary incentives represent a separate performance obligation and the resulting liability will be recorded using the stand-alone selling prices of such benefits less estimated breakage and will be offset against casino revenue. When the benefits are redeemed, revenue will be measured on the same basis and recognized in the resulting category of the goods or services provided. At the adoption date January 1, 2018, the Group expects to record an increase in the opening balance of accumulated losses by an amount not to exceed $13,100.

The Group does not anticipate any significant implementation issues from the adoption of the New Revenue Standards and is continuing its assessment of potential changes to the disclosures under the New Revenue Standards and through following the American Institute of Certified Public Accountants Revenue Recognition Task for Gaming Entities.

(vii) In January 2016, the FASB issued an accounting standards update which amends certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This guidance requires equity investments to be measured at fair value with changes in fair values recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). This guidance also eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair values that are required to be disclosed for financial instruments measured at amortized cost on the balance sheet. Further, the guidance requires separate presentation of financial assets and financial liabilities grouped by measurement category and form of financial asset on the balance sheet or in notes to the financial statements. The guidance is effective for interim and fiscal years beginning after December 15, 2017, with early adoption permitted for certain provisions of the guidance. The guidance should be applied using the modified retrospective method, with certain exceptions. The Group is adopting the guidance on January 1, 2018. At the adoption date, the Group expects to reclassify the unrealized loss on investment securities and record an increase in the opening balance of accumulated losses of $1,150. The Group anticipates that the adoption of this guidance will primarily increase the volatility of the Group's other income (expense), net as a result of the remeasurement of marketable equity securities at fair values.

(viii) In February 2016, the FASB issued an accounting standards update on leases, which amends various aspects of existing accounting guidance for leases. The guidance requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. The guidance is effective for interim and fiscals years beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB issued an accounting standards update which provides entities with an additional transition method to adopt the new leases standard. The amendments also provide lessors with a practical expedient to not separate non-lease components from the associated lease components if certain conditions are met. The Group has adopted this guidance using the modified retrospective method, recognizing the cumulative effect of initially applying the guidance at the date of initial application on January 1, 2019. The Group has elected the package of practical expedients, which allows the Group not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any existing leases as of the adoption date. While the Group is currently assessing the quantitative impact the guidance will have on its consolidated financial statements and related disclosures, the Group expects the most significant changes will be related to the recognition of right-of-use assets and lease liabilities for operating leases on the Group's consolidated balance sheet, with no material impact to net income or cash flows.

(ix) In January 2017, the FASB issued an accounting standards update which eliminates step two from the goodwill impairment test and instead requires an entity to recognize an impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value, limited to the total amount of goodwill allocated to that reporting unit. This guidance is effective for interim and fiscal years beginning after December 15, 2019, with early adoption permitted. The guidance should be applied prospectively. Management is currently assessing the potential impact of adopting this guidance on the Group's consolidated financial statements. The adoption of this guidance would only impact the Group's consolidated financial statements in situations where an impairment of a reporting unit's assets is determined and the measurement of the impairment charge.

3. INVESTMENT SECURITIES

Investment securities, solely represent investments in marketable equity securities classified as short-term, are as follows:

	December 31, 2017
Cost	$ 90,000
Unrealized losses	(126)
Fair value	$ 89,874

As of December 31, 2017, the Group considered the declines in market value of its marketable equity securities to be temporary in nature and does not consider any of its investments other-than-temporarily impaired. When evaluating an investment for other-than-temporary impairment, the Group reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates and the Group's intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis.

4. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable, net are as follows:

	December 31,	
	2017	2016
Casino	$ 375,689	$ 480,227
Hotel	4,934	4,224
Other	6,918	6,918
Sub-total	387,541	491,369
Less: allowance for doubtful debts	(210,997)	(265,931)
	$ 176,544	$ 225,438

Movement in the allowance for doubtful debts were as follows:

	Year Ended December 31,		
	2017	2016	2015
At beginning of year	$ 265,931	$ 210,757	$ 168,786
(Credit) additional provision	(4,178)	67,791	39,328
Write-offs, net of recoveries	(57,696)	(3,044)	(1,350)
Reclassified from (to) long-term receivables, net	6,940	(9,573)	3,993
At end of year	$ 210,997	$ 265,931	$ 210,757

5. PROPERTY AND EQUIPMENT, NET

	December 31,	
	2017	2016
Cost		
Buildings	$ 5,178,450	$ 5,179,324
Furniture, fixtures and equipment	905,319	898,038
Leasehold improvements	829,706	755,804
Plant and gaming machinery	207,314	225,146
Transportation	97,132	87,281
Construction in progress	1,030,203	652,662
Sub-total	8,248,124	7,798,255
Less: accumulated depreciation and amortization	(2,517,364)	(2,142,432)
Property and equipment, net	$ 5,730,760	$ 5,655,823

As of December 31, 2017 and 2016, construction in progress in relation to City of Dreams, Studio City and City of Dreams Manila included interest capitalized in accordance with applicable accounting standards and other direct incidental costs capitalized which, in the aggregate, amounted to $135,200 and $88,607, respectively.

The cost and accumulated depreciation and amortization of property and equipment held under capital lease arrangements were $237,335 and $39,214 as of December 31, 2017 and $237,858 and $26,438 as of December 31, 2016, respectively. Further information of the lease arrangements is included in Note 12.

6. GAMING SUBCONCESSION, NET

	December 31,	
	2017	2016
Deemed cost	$ 900,000	$ 900,000
Less: accumulated amortization	(643,917)	(586,680)
Gaming subconcession, net	$ 256,083	$ 313,320

The Group expects that amortization of the gaming subconcession will be approximately $57,237 each year from 2018 through 2021, and approximately $27,135 in 2022.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill relating to Mocha Clubs, a reporting unit, and other intangible assets with indefinite useful lives, representing trademarks of Mocha Clubs, are not amortized. Goodwill and intangible assets arose from the acquisition of Mocha Slot Group Limited and its subsidiaries by the Group in 2006.

When performing the impairment analysis for goodwill and trademarks of Mocha Clubs, the Group may first perform a qualitative assessment to determine whether it is more likely than not that the asset is impaired. If the Group determines a qualitative assessment is to be performed, the Group assesses certain qualitative factors including, but not limited to, the results of the most recent quantitative impairment test, operating results and projected operating results, and macro-economic and industry conditions. If the Group elects to perform a qualitative assessment and determined that it is more likely than not that the asset is impaired after assessing the qualitative factors, the Group then performs a quantitative impairment test.

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

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

The Group has performed annual tests for impairment of goodwill and trademarks in accordance with the accounting standards regarding goodwill and other intangible assets. As of December 31, 2017, the Group performed qualitative assessments for goodwill and trademarks and determined that it was not more likely than not that goodwill and trademarks were impaired. As of December 31, 2016 and 2015, the detailed quantitative impairment tests were performed and computed the fair value of the reporting unit was in excess of the carrying amount and fair values of the trademarks were in excess of their carrying amounts. As a result of these assessments, no impairment loss has been recognized during the years ended December 31, 2017, 2016 and 2015.

8. LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS

Long-term prepayments, deposits and other assets consisted of the following:

	December 31,	
	2017	**2016**
Entertainment production costs	$ 76,884	$ 76,884
Less: accumulated amortization	(58,601)	(51,744)
Entertainment production costs, net	18,283	25,140
Deferred rent assets	54,467	32,219
Other long-term prepayments and other assets	43,415	36,240
Other deposits	27,864	15,143
Input value-added tax, net	21,005	19,392
Deferred financing costs, net	19,364	27,235
Long-term receivables, net	3,724	5,759
Advance payments for construction costs	1,523	33,783
Long-term prepayments, deposits and other assets	$ 189,645	$ 194,911

Entertainment production costs represent amounts incurred and capitalized for entertainment shows in City of Dreams. The Group amortized the entertainment production costs over 10 years or the respective estimated useful life of the entertainment show, whichever is shorter.

Advance payments for construction costs are connected with the construction and fit-out cost for City of Dreams and Studio City.

Deferred financing costs, net represent unamortized debt issuance costs related to the Group's revolving credit facilities.

Input value-added tax, net represents the value-added tax recoverable from the tax authority in the Philippines mainly connected with the purchase of assets or services for City of Dreams Manila. During the years ended December 31, 2017, 2016 and 2015, provisions for input value-added tax expected to be non-recoverable amounting to $2,813, $5,459 and $30,254, respectively, were recognized in the accompanying consolidated statements of operations.

Long-term receivables, net represent casino receivables from casino customers where settlements are not expected within the next year. During the years ended December 31, 2017 and 2015, net amount of long-term receivables of $8,771 and $5,111 and net amount of allowance for doubtful debts of $6,940 and $3,993, respectively, were reclassified to current. During the year ended December 31, 2016, net amount of current accounts receivable of $6,128 and net amount of allowance for doubtful debts of $9,573, were reclassified to non-current. Reclassifications to current accounts receivable, net, are made when settlement of such balances are expected to occur within one year.

9. LAND USE RIGHTS, NET

	December 31, 2017	December 31, 2016
Altira Macau (“Taipa Land”)	$ 146,475	$ 146,475
City of Dreams (“Cotai Land”)	399,578	399,578
Studio City (“Studio City Land”)	653,564	653,564
	1,199,617	1,199,617
Less: accumulated amortization	(412,118)	(389,301)
Land use rights, net	$ 787,499	$ 810,316

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31, 2017	December 31, 2016
Outstanding gaming chips and tokens	$ 464,613	$ 395,572
Customer deposits and ticket sales	423,603	259,693
Gaming tax and license fees accruals	188,521	159,802
Staff cost accruals	147,040	200,031
Construction costs payables	144,300	141,681
Operating expense and other accruals and liabilities	132,378	133,669
Property and equipment payables	45,205	41,362
Interest expenses payable	17,925	38,133
	$ 1,563,585	$ 1,369,943

11. LONG-TERM DEBT, NET

Long-term debt, net consisted of the following:

	December 31, 2017	December 31, 2016
2015 Credit Facilities (net of unamortized deferred financing costs of $6,919 and $9,611, respectively)	$ 426,692	$ 469,116
Aircraft Term Loan	10,167	16,537
2012 Studio City Notes (net of unamortized deferred financing costs of $9,747 and $12,556, respectively)	815,253	812,444
2013 Senior Notes (net of unamortized deferred financing costs of $52,687)	–	947,313
2016 Studio City Credit Facilities	129	129
2016 7.250% SC Secured Notes (net of unamortized deferred financing costs of $13,702 and $16,596, respectively)	836,298	833,404
2016 5.875% SC Secured Notes (net of unamortized deferred financing costs of $4,580 and $6,753, respectively)	345,420	343,247
Philippine Notes (net of unamortized deferred financing costs of $808 and $3,041, respectively)	149,424	298,085
2017 Senior Notes (net of unamortized deferred financing costs and original issue premium of $25,821)	974,179	–
	3,557,562	3,720,275
Current portion of long-term debt (net of unamortized deferred financing costs of $720 and $906, respectively)	(51,032)	(50,583)
	$ 3,506,530	$ 3,669,692

Refinancing of long-term debt and amendment of credit facilities agreements

During the years ended December 31, 2017, 2016 and 2015, the Group refinanced certain of its long-term debt and amended certain credit facilities agreements. In determining whether these transactions were to be accounted for as debt extinguishment or modification, the Group considered whether creditors remained the same or changed and whether the change in debt terms was substantial. Details of each transaction are disclosed below.

2015 Credit Facilities

On June 30, 2011, Melco Resorts Macau (the "Borrower") entered into a HK$9,362,160,000 (equivalent to $1,203,362) senior secured credit facilities agreement (the "2011 Credit Facilities"), consisted of a term loan facility of HK$6,241,440,000 (equivalent to $802,241) (the "2011 Term Loan Facility") that was fully drawn during the year ended December 31, 2011 and a revolving credit facility of HK$3,120,720,000 (equivalent to $401,121) (the "2011 Revolving Credit Facility") that was available until June 28, 2015, both of which were denominated in Hong Kong dollars. The borrowings under the 2011 Credit Facilities were used to refinance the Borrower's prior senior secured credit facility. Borrowings under the 2011 Credit Facilities bore interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin ranging from 1.75% to 2.75% per annum as adjusted in accordance with the leverage ratio as defined in the 2011 Credit Facilities. The Borrower was obligated to pay a commitment fee on the undrawn amount of the 2011 Revolving Credit Facility throughout the availability period until June 28, 2015 and recognized loan commitment fees on the 2011 Credit Facilities of $1,385 during the year ended December 31, 2015.

On June 29, 2015, the Borrower amended and restated the 2011 Credit Facilities (the "2015 Credit Facilities"). The 2015 Credit Facilities, among other things: (i) increased the size of the then total available facilities from HK$9,362,160,000 (equivalent to $1,203,362) to HK$13,650,000,000 (equivalent to $1,750,000 based on the exchange rate on the transaction date), comprising a HK$3,900,000,000 (equivalent to $500,000 based on the exchange rate on the transaction date) term loan facility (the "2015 Term Loan Facility") and a HK$9,750,000,000 (equivalent to $1,250,000 based on the exchange rate on the transaction date) multicurrency revolving credit facility (the "2015 Revolving Credit Facility"). In addition, the 2015 Credit Facilities provide for additional incremental facilities to be made available, upon further agreement with any of the existing lenders under the 2015 Credit Facilities or other entities, of up to $1,300,000 (the "2015 Incremental Facility"); (ii) introduced new lenders and removed certain lenders originally under the 2011 Credit Facilities; (iii) extended the repayment maturity date; and (iv) reduced and removed certain restrictions imposed by the covenants in the 2011 Credit Facilities, including but not limited to, increased flexibility to move cash within borrowing group which included the Borrower and certain subsidiaries of the Company as defined under the 2015 Credit Facilities (the "2015 Borrowing Group"), lower covenant levels and reduced reporting requirements. The Group recorded a $481 loss on extinguishment of debt and a $592 costs associated with debt modification, and capitalized $46,507 as deferred financing costs during the year ended December 31, 2015 in connection with the amendments.

The final maturity date of the 2015 Credit Facilities is: (i) June 29, 2021 in respect of the 2015 Term Loan Facility; and (ii) June 29, 2020 in respect of the 2015 Revolving Credit Facility, or if earlier, the date of repayment, prepayment or cancellation in full of the 2015 Credit Facilities. The maturity date, amount, margin, currency, form and other terms of the 2015 Incremental Facility will be further specified and agreed by the Borrower and the lenders under the 2015 Credit Facilities and additional lenders, if any, upon drawdown on the 2015 Incremental Facility. The 2015 Term Loan Facility is repayable in quarterly installments according to an amortization schedule commenced on September 29, 2016. Each loan made under the 2015 Revolving Credit Facility is repayable in full on the last day of an agreed upon interest period in respect of the loan, generally ranging from one to six months, or rolling over subject to compliance with certain covenants and satisfaction of conditions precedent. The Borrower is also subject to mandatory prepayment requirements in respect of various amounts as specified in the 2015 Credit Facilities; in the event of the disposal of all or substantially all of the business and assets of the 2015 Borrowing Group, the 2015 Credit Facilities are required to be repaid in full. In the event of a change of control, the Borrower may be required, at the election of any lender under the 2015 Credit Facilities, to repay such lender in full.

As of December 31, 2017, the 2015 Term Loan Facility had been fully drawn down with an outstanding amount of HK$3,373,500,000 (equivalent to $433,611). On June 8, 2017, part of the 2015 Revolving Credit Facility of HK$2,723,000,000 (equivalent to $350,000) was drawn down and used to partly fund Melco Resorts Finance Limited (formerly known as MCE Finance Limited) ("Melco Resorts Finance"), a subsidiary of the Company, for the redemption of the 2013 Senior Notes (as described below) on June 14, 2017. On July 3, 2017, Melco Resorts Finance completed the issuance of the Second 2017 Senior Notes at a principal amount of $350,000 (priced at 100.75%) (as described below), of which part of the net proceeds were used to repay in full the drawn 2015 Revolving Credit Facility of HK$2,723,000,000 (equivalent to $350,000) on July 10, 2017. The entire 2015 Revolving Credit Facility of HK$9,750,000,000 (equivalent to $1,250,000 based on the exchange rate on the transaction date) remains available for future drawdown as of December 31, 2017.

The indebtedness under the 2015 Credit Facilities is guaranteed by the 2015 Borrowing Group, which applied on and from June 29, 2015. Security for the 2015 Credit Facilities remains the same as the 2011 Credit Facilities (except that the terms of the associated security documents have been amended for consistency with the 2015 Credit Facilities), and includes: a first-priority interest in substantially all assets of the 2015 Borrowing Group, the issued share capital and equity interests and certain buildings, fixtures and equipment of the 2015 Borrowing Group and certain other excluded assets and customary security.

The 2015 Credit Facilities contain certain covenants customary for such financings including, but not limited to: the 2015 Borrowing Group's limitations on, except as permitted under the 2015 Credit Facilities (i) incurring additional liens; (ii) incurring additional indebtedness (including guarantees); (iii) making certain investments; (iv) paying dividends and other restricted payments; (v) creating any subsidiaries; and (vi) selling assets. The 2015 Credit Facilities also contains conditions and events of default customary for such financings. The financial covenants under the 2015 Credit Facilities remain the same as the 2011 Credit Facilities, including a leverage ratio, total leverage ratio and interest cover ratio but with lower covenant levels. The first test date of the financial covenants was September 30, 2015.

There are provisions that limit certain payments of dividends and other distributions by the 2015 Borrowing Group to companies or persons who are not members of the 2015 Borrowing Group. As of December 31, 2017, there were no material net assets of the 2015 Borrowing Group restricted from being distributed under the terms of the 2015 Credit Facilities as certain financial tests and conditions are satisfied.

Borrowings under the 2015 Credit Facilities bore an initial interest for the six months from June 29, 2015 at HIBOR plus a margin of 1.75% per annum. Subsequent to that, borrowings under the 2015 Credit Facilities bear interest at HIBOR plus a margin ranging from 1.25% to 2.50% per annum as adjusted in accordance with the leverage ratio in respect of the 2015 Borrowing Group. The Borrower may select an interest period for borrowings under the 2015 Credit Facilities of one, two, three or six months or any other agreed period. The Borrower is obligated to pay a commitment fee from July 13, 2015 on the undrawn amount of the 2015 Revolving Credit Facility and recognized loan commitment fees on the 2015 Credit Facilities of $4,819, $4,800 and $3,100 during the years ended December 31, 2017, 2016 and 2015, respectively.

Aircraft Term Loan

On June 25, 2012, MCE Transportation Limited ("MCE Transportation"), a subsidiary of the Company, entered into a $43,000 term loan facility agreement to partly finance the acquisition of an aircraft (the "Aircraft Term Loan"). Principal and interest repayments are payable quarterly in arrears commenced on September 27, 2012 until maturity on June 27, 2019, interest is calculated based on London Interbank Offered Rate plus a margin of 2.80% per annum. The Aircraft Term Loan is guaranteed by the Company and security includes a first-priority mortgage on the aircraft itself; pledge over the MCE Transportation bank accounts; assignment of insurances (other than third party liability insurance); and an assignment of airframe and engine warranties. The Aircraft Term Loan must be prepaid in full if any of the following events occurs: (i) a change of control; (ii) the sale of all or substantially all of the components of the aircraft; (iii) the loss, damage or destruction of the entire or substantially the entire aircraft. Other covenants include lender's approval for any capital expenditure not incurred in the ordinary course of business or any subsequent indebtedness exceeding certain amount by MCE Transportation. As of December 31, 2017, the Aircraft Term Loan has been fully drawn down and the carrying value of aircraft was $26,002.

2012 Studio City Notes

On November 26, 2012, Studio City Finance Limited ("Studio City Finance"), a majority-owned subsidiary of the Company, issued $825,000 in aggregate principal amount of 8.5% senior notes due 2020 (the "2012 Studio City Notes") and priced at 100%. The 2012 Studio City Notes mature on December 1, 2020 and the interest on the 2012 Studio City Notes is accrued at a rate of 8.5% per annum and is payable semi-annually in arrears on June 1 and December 1 of each year, commenced on June 1, 2013. Studio City Finance used the net proceeds from the offering to fund the Studio City project with conditions and sequence for disbursements in accordance with an agreement.

The 2012 Studio City Notes are general obligations of Studio City Finance, secured by a first-priority security interest in certain specified bank accounts incidental to the 2012 Studio City Notes and a pledge of certain intercompany loans as defined under the 2012 Studio City Notes, rank equally in right of payment to all existing and future senior indebtedness of Studio City Finance and rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Finance. The 2012 Studio City Notes 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. 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 (which amended and restated the Studio City Project Facility) as described below) (the "2012 Studio City Notes Guarantors") jointly, severally and unconditionally guarantee the 2012 Studio City Notes on a senior basis (the "2012 Studio City Notes Guarantees"). The 2012 Studio City Notes Guarantees are general obligations of the 2012 Studio City Notes Guarantors, rank equally in right of payment with all existing and future senior indebtedness of the 2012 Studio City Notes Guarantors and rank senior in right of payment to any existing and future subordinated indebtedness of the 2012 Studio City Notes Guarantors. The 2012 Studio City Notes Guarantees are effectively subordinated to the 2012 Studio City Notes Guarantors' obligations under the 2016 Studio City Credit Facilities and the 2016 Studio City Secured Notes as described below and any future secured indebtedness that is secured by property and assets of the 2012 Studio City Notes Guarantors to the extent of the value of such property and assets.

At any time on or after December 1, 2015, Studio City Finance has the option to redeem all or a portion of the 2012 Studio City Notes at any time at fixed redemption prices that decline ratably over time and also has the option to redeem in whole, but not in part the 2012 Studio City Notes at fixed redemption prices under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the 2012 Studio City Notes.

The indenture governing the 2012 Studio City Notes 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 2012 Studio City Notes also contains conditions and events of default customary for such financings.

There are provisions under the indenture governing the 2012 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, 2017, the net assets of Studio City Finance and its restricted subsidiaries of approximately $731,000 were restricted from being distributed under the terms of the 2012 Studio City Notes.

2013 Senior Notes

On February 7, 2013, Melco Resorts Finance issued $1,000,000 in aggregate principal amount of 5% senior notes due 2021 (the "2013 Senior Notes") and priced at 100%. The 2013 Senior Notes would have matured on February 15, 2021 and the interest on the 2013 Senior Notes was accrued at a rate of 5% per annum and was payable semi-annually in arrears on February 15 and August 15 of each year, commenced on August 15, 2013. The 2013 Senior Notes were general obligations of Melco Resorts Finance, rank equally in right of payment to all existing and future senior indebtedness of Melco Resorts Finance and rank senior in right of payment to any existing and future subordinated indebtedness of Melco Resorts Finance and effectively subordinated to all of Melco Resorts Finance's existing and future secured indebtedness to the extent of the value of the assets securing such debt. Certain subsidiaries of Melco Resorts Finance (the "2013 Senior Notes Guarantors") jointly, severally and unconditionally guaranteed the 2013 Senior Notes on a senior basis. The guarantees were joint and several general obligations of the 2013 Senior Notes Guarantors, rank equally in right of payment with all existing and future senior indebtedness of the 2013 Senior Notes Guarantors, and rank senior in right of payment to any existing and future subordinated indebtedness of the 2013 Senior Notes Guarantors.

Melco Resorts Finance had the option to redeem all or a portion of the 2013 Senior Notes at any time prior to February 15, 2016, at a "make-whole" redemption price. Thereafter, Melco Resorts Finance had the option to redeem all or a portion of the 2013 Senior Notes at any time at fixed redemption prices that declined ratably over time. In addition, Melco Resorts Finance had the option to redeem up to 35% of the 2013 Senior Notes with the net cash proceeds from one or more certain equity offerings at a fixed redemption price at any time prior to February 15, 2016. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture, Melco Resorts Finance also had the option to redeem in whole, but not in part the 2013 Senior Notes at fixed redemption prices.

The indenture governing the 2013 Senior Notes contained certain covenants that, subject to certain exceptions and conditions, limited the ability of Melco Resorts 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 2013 Senior Notes also contained conditions and events of default customary for such financings.

There were provisions under the indenture of the 2013 Senior Notes that limited or prohibited certain payments of dividends and other distributions by Melco Resorts Finance and its restricted subsidiaries to companies or persons who were not Melco Resorts Finance or members of Melco Resorts Finance's restricted subsidiaries, subject to certain exceptions and conditions.

On June 6, 2017, Melco Resorts Finance completed the issuance of the First 2017 Senior Notes at a principal amount of $650,000 (as described below). On June 14, 2017, together with the net proceeds from the issuance of the First 2017 Senior Notes along with the proceeds in the amount of $350,000 from a partial drawdown of the 2015 Revolving Credit Facility under the 2015 Credit Facilities (as described below) and cash on hand, Melco Resorts Finance redeemed all of its outstanding 2013 Senior Notes.

Studio City Project Facility

On January 28, 2013, Studio City Company Limited ("Studio City Company" or the "Studio City Borrower"), a majority-owned subsidiary of the Company, entered into a HK$10,855,880,000 (equivalent to $1,395,357) senior secured credit facilities agreement, as amended from time to time (the "Studio City Project Facility"), consisted of a HK$10,080,460,000 (equivalent to $1,295,689) term loan facility (the "Studio City Term Loan Facility") and a HK$775,420,000 (equivalent to $99,668) revolving credit facility (the "Studio City Revolving Credit Facility"), both of which were denominated in Hong Kong dollars to fund the Studio City project. On November 18, 2015, the Studio City Borrower amended the Studio City Project Facility including changing the Studio City project opening date condition from 400 to 250 tables, consequential adjustments to the financial covenants, and rescheduling the commencement of financial covenant testing (the "Amendments to the Studio City Project Facility"). The Group recorded a $7,011 costs associated with debt modification during the year ended December 31, 2015 in connection with the Amendments to the Studio City Project Facility.

On November 30, 2016, the Studio City Project Facility was further amended and restated (and defined as the "2016 Studio City Credit Facilities") as described below. On November 30, 2016 (December 1, 2016 Hong Kong time), the Studio City Borrower rolled over HK$1,000,000 (equivalent to $129) of the Studio City Term Loan Facility under the Studio City Project Facility into the 2016 SC Term Loan Facility as described below under the 2016 Studio City Credit Facilities, and repaid in full the remaining outstanding amount of the Studio City Term Loan Facility under the Studio City Project Facility of HK$9,777,046,200 (equivalent to $1,256,690) with net proceeds from the offering of the 2016 Studio City Secured Notes as described below together with cash on hand.

The indebtedness under the Studio City Project Facility was guaranteed by Studio City Investments Limited ("Studio City Investments"), a majority-owned subsidiary of the Company which holds 100% direct interest in Studio City Company, and its subsidiaries (other than the Studio City Borrower). Security for the Studio City Project Facility included: a first-priority mortgage over the land where Studio City is located, such mortgage will also cover all present and any future buildings on, and fixtures to, the relevant land; an assignment of any land use rights under land concession agreements, leases or equivalent; all bank accounts of Studio City Investments and its subsidiaries; as well as other customary security. All bank accounts of Melco Resorts Macau related solely to the operations of the Studio City gaming area which were funded from the proceeds of the Studio City Project Facility were pledged as security for the Studio City Project Facility and related finance documents. Upon the amendment to the Studio City Project Facility to 2016 Studio City Credit Facilities on November 30, 2016 as described below, those restricted bank accounts pledged under Studio City Project Facility and related finance documents were reclassified from restricted cash to cash and cash equivalents in the consolidated balance sheets. As of December 31, 2017, all bank accounts of Melco Resorts Macau related solely to the operations of the Studio City gaming area are pledged under 2016 Studio City Credit Facilities and related finance documents.

The Studio City Project Facility contained certain covenants for such financings and there were provisions that limited or prohibited certain payments of dividends and other distributions by the Studio City Investments, Studio City Borrower and its subsidiaries (together, the "Studio City Borrowing Group") to companies or persons who were not members of the Studio City Borrowing Group.

Borrowings under the Studio City Project Facility bore interest at HIBOR plus a margin of 4.50% per annum until September 30, 2016, at which time the Studio City Project Facility bore interest at HIBOR plus a margin ranging from 3.75% to 4.50% per annum as determined in accordance with the total leverage ratio in respect of the Studio City Borrowing Group. The Studio City Borrower was obligated to pay a commitment fee on the undrawn amount of the Studio City Project Facility and recognized loan commitment fees on the Studio City Project Facility of $1,647 and $1,794 during the years ended December 31, 2016 and 2015, respectively.

In connection with the Studio City Project Facility, Studio City International Holdings Limited ("Studio City International"), which holds 100% indirect interest in Studio City Finance and a majority-owned subsidiary of the Company, was required to procure a contingent equity undertaking or similar (with a liability cap of $225,000) granted in favor of the security agent for the Studio City Project Facility to, amongst other things, pay agreed project costs (i) associated with construction of Studio City and (ii) for which the facility agent under the Studio City Project Facility has determined there was no other available funding under the terms of the Studio City Project Facility. In support of such contingent equity undertaking, Studio City International had deposited a bank balance of $225,000 in an account secured in favor of the security agent for the Studio City Project Facility ("Cash Collateral"), which was required to be maintained until the construction completion date of the Studio City had occurred, certain debt service reserve and accrual accounts had been funded to the required balance and the financial covenants had been complied with. The Amendments to the Studio City Project Facility on November 18, 2015 included a creation of a new secured liquidity account ("Liquidity Account") to be held in the name of the Studio City Borrower and to be credited with the Cash Collateral as a liquidity amount for the general corporate and working capital purposes of the Studio City group. On November 30, 2015, the Cash Collateral was transferred to the Liquidity Account and was released from restricted cash.

The Studio City Borrower was required in accordance with the terms of the Studio City Term Loan Facility to enter into agreements to ensure that at least 50% of the aggregate of drawn Studio City Term Loan Facility and the 2012 Studio City Notes were subject to interest rate protection, by way of interest rate swap agreements, caps, collars or other agreements agreed with the facility agent under the Studio City Project Facility to limit the impact of increases in interest rates on its floating rate debt, for a period of not less than three years from the date of the first drawdown of the Studio City Term Loan Facility on July 28, 2014. During the years ended December 31, 2016 and 2015, the Studio City Borrower entered into certain floating-for-fixed interest rate swap agreements to limit its exposure to interest rate risk. Under the interest rate swap agreements, the Studio City Borrower paid a fixed interest rate of the notional amount, and received variable interest which was based on the applicable HIBOR for each of the payment dates. The interest rate protection requirement was removed upon the 2016 Studio City Credit Facilities became effective on November 30, 2016. As of December 31, 2016, there were no outstanding interest rate swap agreements entered by Studio City Borrower.

2016 Studio City Credit Facilities

On November 30, 2016, the Studio City Borrower amended and restated the Studio City Project Facility (the "2016 Studio City Credit Facilities"), among other things: (i) reduced the size of the then total available facilities from HK$10,855,880,000 (equivalent to $1,395,357) to HK$234,000,000 (equivalent to $30,077), comprising a HK$1,000,000 (equivalent to $129) term loan facility (the "2016 SC Term Loan Facility") which is rolled over from the Studio City Term Loan Facility under the Studio City Project Facility and a HK$233,000,000 (equivalent to $29,948) revolving credit facility (the "2016 SC Revolving Credit Facility"); (ii) removed certain lenders originally under the Studio City Project Facility; (iii) extended the repayment maturity date; and (iv) reduced and removed certain restrictions imposed by the covenants in the Studio City Project Facility, including but not limited to, increased flexibility to move cash within borrowing group which included the Studio City Borrower and certain subsidiaries of the Company as defined under the 2016 Studio City Credit Facilities (the "2016 Studio City Borrowing Group"), removed all maintenance financial covenants and reduced reporting requirements. The amendment of the Studio City Project Facility to the 2016 Studio City Credit Facilities and the issuance of 2016 Studio City Secured Notes (as described below) are connected to the refinancing of the Studio City Project Facility. The Group recorded a $17,435 loss on extinguishment of debt and a $8,101 costs associated with debt modification during the year ended December 31, 2016 in connection with such amendments. As of December 31, 2017, the 2016 SC Term Loan Facility had been fully drawn down with an outstanding amount of HK$1,000,000 (equivalent to $129), and the entire 2016 SC Revolving Credit Facility of HK$233,000,000 (equivalent to $29,948) remains available for future drawdown as of December 31, 2017.

The 2016 SC Term Loan Facility and the 2016 SC Revolving Credit Facility mature on November 30, 2021 (December 1, 2021 Hong Kong time). The 2016 SC Term Loan Facility has to be repaid at maturity with no interim amortization payments. The 2016 SC Revolving Credit Facility is available from January 1, 2017 up to the date that is one month prior to the 2016 SC Revolving Credit Facility's final maturity date. The 2016 SC Term Loan Facility is collateralized by cash collateral equal to HK$1,012,500 (equivalent to $130) (representing the principal amount of the 2016 SC Term Loan Facility plus expected interest expense in respect of the 2016 SC Term Loan Facility for one financial quarter). The Studio City Borrower is subject to mandatory prepayment requirements in respect of various amounts of the 2016 SC Revolving Credit Facility as specified in the 2016 Studio City Credit Facilities; in the event of the disposal of all or substantially all of the business and assets of the 2016 Studio City Borrowing Group, the 2016 Studio City Credit Facilities are required to be repaid in full. In the event of a change of control, the Studio City Borrower may be required, at the election of any lender under the 2016 Studio City Credit Facilities, to repay such lender in full (other than in respect of 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), which apply on and from November 30, 2016. Security for the 2016 Studio City Credit Facilities includes a first-priority mortgage over any rights under land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. The 2016 Studio City Credit Facilities contain certain affirmative and negative covenants customary for such financings, as well as affirmative, negative and financial covenants equivalent to those contained in the 2016 Studio City Secured Notes. The 2016 Studio City Credit Facilities are secured, on an equal basis with the 2016 Studio City Secured Notes, by substantially all of the material assets of Studio City Investments and its subsidiaries (other than the Studio City Borrower) (although obligations under the 2016 Studio City Credit Facilities that are secured by common collateral securing the 2016 Studio City Secured Notes will have priority over the 2016 Studio City Secured Notes with respect to any proceeds received upon any enforcement action of such common collateral). In addition, the 2016 Studio City Secured Notes are also separately secured by certain specified bank accounts.

The 2016 Studio City Credit Facilities contain certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Company, Studio City Investments and their respective restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments (including dividends and distribution with respect to shares of Studio City Company) and investments; (iii) prepay or redeem subordinated debt or equity and make payments of principal of the 2012 Studio City Notes; (iv) issue or sell capital stock; (v) transfer, lease or sell assets; (vi) create or incur certain liens; (vii) impair the security interests in the Collateral as defined below; (viii) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (ix) change the nature of the business of the relevant group; (x) enter into transactions with shareholders or affiliates; and (xi) effect a consolidation or merger. The 2016 Studio City Credit Facilities also contains conditions and events of default customary for such financings.

There are provisions that limit certain payments of dividends and other distributions by the 2016 Studio City Borrowing Group to companies or persons who are not members of the 2016 Studio City Borrowing Group. As of December 31, 2017, the net assets of Studio City Investments and its restricted subsidiaries of approximately $761,000 were restricted from being distributed under the terms of the 2016 Studio City Credit Facilities.

Borrowings under the 2016 Studio City Credit Facilities bear interest at HIBOR plus a margin of 4% per annum. The Studio City Borrower may select an interest period for borrowings under the 2016 Studio City Credit Facilities of one, two, three or six months or any other agreed period. The Studio City Borrower is obligated to pay a commitment fee from January 1, 2017 on the undrawn amount of the 2016 SC Revolving Credit Facility and recognized loan commitment fees on the 2016 SC Revolving Credit Facility of $419 during the year ended December 31, 2017.

2016 Studio City Secured Notes

On November 30, 2016, Studio City Company issued $350,000 in aggregate principal amount of 5.875% senior secured notes due 2019 (the "2016 5.875% SC Secured Notes") and $850,000 in aggregate principal amount of 7.250% senior secured notes due 2021 (the "2016 7.250% SC Secured Notes" and together with the 2016 5.875% SC Secured Notes, the "2016 Studio City Secured Notes") and both priced at 100%. The 2016 5.875% SC Secured Notes and 2016 7.250% SC Secured Notes mature on November 30, 2019 and November 30, 2021, respectively, and the interest on the 2016 5.875% SC Secured Notes and 2016 7.250% SC Secured Notes is accrued at a rate of 5.875% and 7.250% per annum, respectively, and is payable semi-annually in arrears on May 30 and November 30 of each year, commenced on May 30, 2017.

The 2016 Studio City Secured Notes are senior secured obligations of Studio City Company, rank equally in right of payment with all existing and future senior indebtedness of Studio City Company (although any liabilities in respect of obligations under the 2016 Studio City Credit Facilities that are secured by common collateral securing the 2016 Studio City Secured Notes will have priority over the 2016 Studio City Secured Notes with respect to any proceeds received upon any enforcement action of such common collateral) and rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Company and effectively subordinated to Studio City Company's existing and future secured indebtedness that is secured by assets that do not secure the 2016 Studio City Secured Notes, to the extent of the assets securing such indebtedness. All of the existing subsidiaries of Studio City Investments (other than Studio City Company) and any other future restricted subsidiaries that provide guarantees of certain specified indebtedness (including the 2016 Studio City Credit Facilities) (the "2016 Studio City Secured Notes Guarantors") jointly, severally and unconditionally guarantee the 2016 Studio City Secured Notes on a senior basis (the "2016 Studio City Secured Notes Guarantees"). The 2016 Studio City Secured Notes Guarantees are senior obligations of the 2016 Studio City Secured Notes Guarantors, rank equally in right of payment with all existing and future senior indebtedness of the 2016 Studio City Secured Notes Guarantors and rank senior in right of payment to any existing and future subordinated indebtedness of the 2016 Studio City Secured Notes Guarantors. The 2016 Studio City Secured Notes Guarantees are pari passu to the 2016 Studio City Secured Notes Guarantors' obligations under the 2016 Studio City Credit Facilities, and effectively subordinated to any future secured indebtedness that is secured by assets that do not secure the 2016 Studio City Secured Notes and the 2016 Studio City Secured Notes Guarantees, to the extent of the value of the assets.

The common collateral (shared with the 2016 Studio City Credit Facilities) includes a first-priority mortgage over any rights under land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. Each series of the 2016 Studio City Secured Notes is secured by the common collateral and, in addition, certain bank accounts (together with the common collateral, the "Collateral").

On November 30, 2016 (December 1, 2016 Hong Kong time), the Group used the net proceeds from the offering, together with cash on hand, to fund the repayment of the Studio City Project Facility.

Studio City Company has the option to redeem all or a portion of the 2016 5.875% SC Secured Notes at any time prior to November 30, 2019, at a "make-whole" redemption price. In addition, Studio City Company has the option to redeem up to 35% of the 2016 5.875% SC Secured Notes with the net cash proceeds of certain equity offerings at a fixed redemption price at any time prior to November 30, 2019. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the 2016 Studio City Secured Notes, Studio City Company also has the option to redeem in whole, but not in part the 2016 5.875% SC Secured Notes at fixed redemption prices.

Studio City Company has the option to redeem all or a portion of the 2016 7.250% SC Secured Notes at any time prior to November 30, 2018, at a "make-whole" redemption price. Thereafter, Studio City Company has the option to redeem all or a portion of the 2016 7.250% SC Secured Notes at any time at fixed redemption prices that decline ratably over time. In addition, Studio City Company has the option to redeem up to 35% of the 2016 7.250% SC Secured Notes with the net cash proceeds of certain equity offerings at a fixed redemption price at any time prior to November 30, 2018. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the 2016 Studio City Secured Notes, Studio City Company also has the option to redeem in whole, but not in part the 2016 7.250% SC Secured Notes at fixed redemption prices.

In the event that the 2012 Studio City Notes are not refinanced or repaid in full by June 1, 2020 in accordance with the terms of the 2016 7.250% SC Secured Notes (and in the case of a refinancing, with refinancing indebtedness with a weighted average life to maturity no earlier than 90 days after the stated maturity date of the 2016 7.250% SC Secured Notes), each holder of the 2016 7.250% SC Secured Notes will have the right to require Studio City Company to repurchase all or any part of such holder's 2016 7.250% SC Secured Notes at a fixed redemption price.

The indenture governing the 2016 Studio City Secured Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Company, Studio City Investments and their respective restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments (including dividends and distribution with respect to shares of Studio City Company) and investments; (iii) prepay or redeem subordinated debt or equity and make payments of principal of the 2012 Studio City Notes; (iv) issue or sell capital stock; (v) transfer, lease or sell assets; (vi) create or incur certain liens; (vii) impair the security interests in the Collateral; (viii) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (ix) change the nature of the business of the relevant group; (x) enter into transactions with shareholders or affiliates; and (xi) effect a consolidation or merger. The indenture governing the 2016 Studio City Secured Notes also contains conditions and events of default customary for such financings.

There are provisions under the indenture governing the 2016 Studio City Secured Notes that limit or prohibit certain payments of dividends and other distributions by Studio City Company, Studio City Investments and their respective restricted subsidiaries to companies or persons who are not Studio City Company, Studio City Investments and their respective restricted subsidiaries, subject to certain exceptions and conditions. As of December 31, 2017, the net assets of Studio City Investments and its restricted subsidiaries of approximately $761,000 were restricted from being distributed under the terms of the 2016 Studio City Secured Notes.

Philippine Notes

On January 24, 2014, Melco Resorts Leisure issued PHP15 billion in aggregate principal amount of 5% senior notes due 2019 (the "Philippine Notes") (equivalent to $336,825 based on the exchange rate on the transaction date) and priced at 100% and offered to certain primary institutional lenders as noteholders via private placement in the Philippines. The Philippine Notes mature on January 24, 2019. Interest on the Philippine Notes is accrued at a rate of 5% per annum and is payable semi-annually in arrears on January 24 and July 24 of each year, commenced on July 24, 2014. In addition, the Philippine Notes includes a tax gross-up provision requiring Melco Resorts Leisure to pay without any deduction or withholding for or on account of tax.

The Philippine Notes are general obligations of Melco Resorts Leisure, secured on a first-ranking basis by pledge of shares of all present and future direct and indirect subsidiaries of MRP, rank equally in right of payment to all existing and future senior indebtedness of Melco Resorts Leisure (save and except for any statutory preference or priority) and rank senior in right of payment to any existing and future subordinated indebtedness of Melco Resorts Leisure.

The Philippine Notes are guaranteed by MRP and all present and future direct and indirect subsidiaries of MRP (subject to certain limited exceptions) (collectively the "Philippine Guarantors"), jointly and severally with Melco Resorts Leisure; and irrevocably and unconditionally by the Company on a senior basis. The guarantees are general obligations of the Philippine Guarantors, rank equally in right of payment to all existing and future senior indebtedness of the Philippine Guarantors (except for any statutory preference or priority) and rank senior in right of payment to any existing and future subordinated indebtedness of the Philippine Guarantors.

Melco Resorts Leisure used the net proceeds from the offering to fund the City of Dreams Manila project, refinancing of debt and general corporate purposes.

Melco Resorts Leisure had the option to redeem all or a portion of the Philippine Notes at any time prior to January 24, 2015 at 100% of the principal amount plus applicable premium as defined in the notes facility and security agreement (the "Notes Facility and Security Agreement") governing the Philippine Notes. Thereafter, Melco Resorts Leisure has the option to redeem all or a portion of the Philippine Notes at any time at fixed prices that decline ratably over time.

The Notes Facility and Security Agreement contains certain covenants that, subject to certain exceptions and conditions, limit the ability of MRP and its subsidiaries, including Melco Resorts Leisure to, among other things: (i) incur or guarantee additional indebtedness; (ii) sell assets; (iii) create liens; and (iv) effect a consolidation and merger. The Notes Facility and Security Agreement also contains conditions and events of default customary for such financings.

The Philippine Notes are exempted from registration with the Philippine Securities and Exchange Commission (the “Philippine SEC”) under the Philippine Securities Regulation Code Rule (“SRC Rule”) 9.2.2(B) promulgated by the Philippine SEC as the Philippine Notes were offered via private placement to not more than nineteen primary institutional lenders, accordingly, the Philippine Notes are subject to the conditions of SRC Rule 9.2.2(B) which limit the assignment and transfer of the Philippine Notes to primary institutional lenders only and to be held by not more than nineteen primary institutional lenders at any time before maturity of the Philippine Notes.

On October 9, 2017, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP7.5 billion (equivalent to $144,790 based on the exchange rate on the transaction date), together with accrued interest. Accordingly, the Group recorded a $939 loss on extinguishment of debt in the consolidated statement of operations for the year ended December 31, 2017, which represented the write-off of unamortized deferred financing costs in relation to such redemption.

Philippine Credit Facility

On October 14, 2015, MRP entered into an on-demand, unsecured credit facility agreement of PHP2,350,000,000 (the “Philippine Credit Facility”) (equivalent to $47,073) with a lender to finance advances to Melco Resorts Leisure. The Philippine Credit Facility availability period was first extended from August 31, 2016 to November 29, 2016, then second extended to February 28, 2017 during the year ended December 31, 2016, and the maturity date of each individual drawdown cannot extend beyond the earlier of (i) the date which is one year from the date of drawdown, and (ii) 90 days after the end of the availability period. The individual drawdowns under the Philippine Credit Facility are subject to certain conditions precedents, including issuance of a promissory note in favor of the lender evidencing such drawdown. Borrowings under the Philippine Credit Facility bear interest at the higher of: (i) the Philippine Dealing System Treasury Reference Rate PM (the “PDST-R2”) of the selected interest period plus the applicable PDST-R2 margin of 1.25% per annum, and (ii) Philippines Special Deposit Account Rate (the “SDA”) of the selected interest period plus the applicable SDA margin ranging from 0.50% to 0.75% per annum, such rate to be set one business day prior to the relevant interest period. The Philippine Credit Facility includes a tax gross-up provision requiring MRP to pay without any deduction or withholding for or on account of tax. For the year ended December 31, 2017, the Philippine Credit Facility availability period was third extended to February 28, 2018 on substantially similar terms as before, except that (i) the SDA is replaced by Philippines Term Deposit Facility Rate, and (ii) the maturity date shall not extend beyond 180 days from February 28, 2018. As of December 31, 2017 and 2016, the Philippine Credit Facility has not been drawn. As of the date of this report, the Philippine Credit Facility availability period was fourth extended to May 29, 2018.

2017 Senior Notes

On June 6, 2017, Melco Resorts Finance issued $650,000 in aggregate principal amount of 4.875% senior notes due 2025 and priced at 100% (the “First 2017 Senior Notes”); and on July 3, 2017, Melco Resorts Finance further issued $350,000 in aggregate principal amount of 4.875% senior notes due 2025 and priced at 100.75% (the “Second 2017 Senior Notes” and together with the First 2017 Senior Notes, collectively referred to as the “2017 Senior Notes”). The 2017 Senior Notes mature on June 6, 2025 and the interest on the 2017 Senior Notes is accrued at a rate of 4.875% per annum and is payable semi-annually in arrears on June 6 and December 6 of each year, commenced on December 6, 2017. The 2017 Senior Notes are general obligations of Melco Resorts Finance, rank equally in right of payment to all existing and future senior indebtedness of Melco Resorts Finance and rank senior in right of payment to any existing and future subordinated indebtedness of Melco Resorts Finance and effectively subordinated to all of Melco Resorts Finance’s existing and future secured indebtedness to the extent of the value of the assets securing such debt and all of the indebtedness of Melco Resorts Finance’s subsidiaries.

The Group used the net proceeds from the offering of the First 2017 Senior Notes to partly fund the redemption of the 2013 Senior Notes on June 14, 2017; and used the net proceeds from the offering of the Second 2017 Senior Notes to fund the repayment of the 2015 Revolving Credit Facility on July 10, 2017 (the drawdown of the 2015 Revolving Credit Facility was used to partly fund the redemption of the 2013 Senior Notes as described above). As a result of the refinancing of the 2013 Senior Notes, the Group recorded a $48,398 loss on extinguishment of debt and a $2,793 cost associated with debt modification during the year ended December 31, 2017.

Melco Resorts Finance has the option to redeem all or a portion of the 2017 Senior Notes at any time prior to June 6, 2020, at a "make-whole" redemption price. On or after June 6, 2020, Melco Resorts Finance has the option to redeem all or a portion of the 2017 Senior Notes at any time at fixed redemption prices that decline ratably over time. In addition, Melco Resorts Finance has the option to redeem up to 35% of the 2017 Senior Notes with the net cash proceeds from one or more equity offerings at a fixed redemption price at any time prior to June 6, 2020. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture, Melco Resorts Finance also has the option to redeem in whole, but not in part the 2017 Senior Notes at fixed redemption prices. In certain events that relate to the gaming subconcession of Melco Resorts Macau and subject to certain exceptions as more fully described in the indenture, each holder of the 2017 Senior Notes will have the right to require Melco Resorts Finance to repurchase all or any part of such holder's 2017 Senior Notes at a fixed redemption price.

The indenture governing the 2017 Senior Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Melco Resorts Finance to, among other things, effect a consolidation or merger or sell assets. The indenture governing the 2017 Senior Notes also contains conditions and events of default customary for such financings.

During the years ended December 31, 2017, 2016 and 2015, the Group's average borrowing rates were approximately 6.01%, 5.37% and 5.40% per annum, respectively.

Scheduled maturities of the long-term debt (excluding unamortized deferred financing costs and original issue premium) as of December 31, 2017 are as follows:

Year ending December 31,	
2018	$ 51,752
2019	548,879
2020	870,116
2021	1,148,392
2022	–
Over 2022	1,000,000
	$ 3,619,139

12. CAPITAL LEASE OBLIGATIONS

On March 13, 2013, Melco Resorts Leisure entered into a lease agreement with Belle Corporation ("Belle", one of the Philippine Parties as defined in Note 20(a)), as amended from time to time (the "MRP Lease Agreement"), for lease of the land and certain of the building structures for City of Dreams Manila and is expected to expire on July 11, 2033.

In addition to the MRP Lease Agreement, the Group has entered into other lease agreements with third parties for the lease of certain property and equipment.

The Group made assessments at inception of the leases and capitalized the portion related to property and equipment under capital leases at the lower of the fair value or the present value of the future minimum lease payments.

Future minimum lease payments under capital lease obligations for the Group as of December 31, 2017 are as follows:

Year ending December 31,		
2018	$	35,882
2019		39,318
2020		43,296
2021		47,726
2022		48,843
Over 2022		542,866
Total minimum lease payments		757,931
Less: amounts representing interest		(458,648)
Present value of minimum lease payments		299,283
Current portion		(33,387)
Non-current portion	$	265,896

13. FAIR VALUE MEASUREMENTS

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

The carrying values of cash and cash equivalents, bank deposits with original maturities over three months and restricted cash approximated fair value and were classified as level 1 in the fair value hierarchy. The carrying values of long-term deposits, long-term receivables and other long-term liabilities approximated fair value and were classified as level 2 in the fair value hierarchy. The estimated fair value of long-term debt as of December 31, 2017 and 2016, which included the 2017 Senior Notes, the 2016 Studio City Secured Notes, the 2016 Studio City Credit Facilities, the 2013 Senior Notes, the 2012 Studio City Notes, the 2015 Credit Facilities, the Philippine Notes and the Aircraft Term Loan, were approximately $3,714,018 and $3,903,033, respectively, as compared to its carrying value, excluding unamortized deferred financing costs and original issue premium, of $3,619,139 and $3,821,519, respectively. Fair values were estimated using quoted market prices and were classified as level 1 in the fair value hierarchy for the 2017 Senior Notes, the 2016 Studio City Secured Notes, the 2013 Senior Notes and the 2012 Studio City Notes. Fair values for the 2016 Studio City Credit Facilities, the 2015 Credit Facilities, the Philippine Notes and the Aircraft Term Loan approximated the carrying values as the instruments carried either variable interest rates or the fixed interest rates approximated the market rates and were classified as level 2 in the fair value hierarchy.

As of December 31, 2017 and 2016, the Group did not have any non-financial assets or liabilities that were recognized or disclosed at fair value in the consolidated financial statements.

The Group's financial assets and liabilities recorded at fair value have been categorized based upon the fair value in accordance with the applicable accounting standards. As of December 31, 2017, investment securities were carried at fair value. Fair values of investment securities were estimated using quoted market prices and were classified as level 1 in the fair value hierarchy.

14. CAPITAL STRUCTURE

Offering and Share Repurchase Transactions

On May 15, 2017, the Company completed the offer and sale of 27,769,248 ADSs (equivalent to 83,307,744 ordinary shares) and 81,995,799 ordinary shares, representing a total of 165,303,543 ordinary shares in aggregate with gross proceeds amounting to $1,163,186, with offering expenses of $3,686 for the offering being reimbursed by a subsidiary of Crown as described below (the "Offering"). The Offering was made as follows: i) 15,769,248 ADSs (equivalent to 47,307,744 ordinary shares) to the underwriters for resale in an underwritten public offering; ii) 81,995,799 ordinary shares to the underwriters which they used to satisfy the return obligations of their respective affiliates for ADSs borrowed by such affiliates representing 81,995,799 ordinary shares from Melco Leisure and Entertainment Group Limited, the single largest shareholder of the Company which is wholly owned by Melco International, in conjunction with the termination and hedge unwind of certain cash-settled swap transactions entered into in December 2016; and (iii) 12,000,000 additional ADSs purchased by one of the underwriters. The Company repurchased 165,303,544 ordinary shares from a subsidiary of Crown concurrently with the Offering at an aggregate price of $1,163,186 which was partially settled by the net proceeds of $1,159,500 from the Offering and the remaining amount of $3,686 being reimbursed by a subsidiary of Crown and not reflected in the transaction costs as described above. Following the completion of this share repurchase, the 165,303,544 repurchased shares were cancelled.

On May 9, 2016, the Company completed a repurchase of 155,000,000 of its ordinary shares (equivalent to 51,666,666 ADSs) from a subsidiary of Crown for an aggregate purchase price of $800,839, at an average market price of $15.50 per ADS or $5.1667 per share. The total cost for these repurchased shares, which comprised the purchase price and all incidental expenses, amounted to $803,171 was recorded as treasury shares and following the completion of this share repurchase, the 155,000,000 repurchased shares were cancelled.

Treasury Shares

The Company's treasury shares represent i) new shares issued by the Company and held by the depositary bank to facilitate the administration and operations of the Company's share incentive plans, and are to be delivered to the directors, eligible employees and consultants on the vesting of restricted shares and upon the exercise of share options; ii) the shares purchased under a trust arrangement for the benefit of certain beneficiaries who are awardees under the 2011 Share Incentive Plan as described in Note 16 and held by a trustee until the termination of the trust in April 2016 as described below, to facilitate the future vesting of restricted shares in selected directors, employees and consultants under the 2011 Share Incentive Plan; and (iii) the shares repurchased by the Company under the 2015 Stock Repurchase Program and 2014 Stock Repurchase Program (as described below) pending for retirement.

New Shares Issued by the Company

During the years ended December 31, 2017, 2016 and 2015, the Company issued 2,504,721, nil and 940,419 ordinary shares to its depositary bank for future vesting of restricted shares and exercise of share options, respectively. The Company issued 950,320, 303,318 and 136,809 of these ordinary shares upon vesting of restricted shares; and 3,363,159, 1,789,929 and 1,368,747 of these ordinary shares upon exercise of share options during the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, the Company had balances of 9,015,012 and 10,823,770 newly issued ordinary shares which continue to be held by the Company for future issuance upon vesting of restricted shares and exercise of share options, respectively.

Shares Purchased under a Trust Arrangement

On May 15, 2013, the Board of Directors of the Company authorized a trustee to purchase the Company's ADSs from the open market for the purpose of satisfying its obligation to deliver ADSs under its 2011 Share Incentive Plan ("Share Purchase Program"). Under the Share Purchase Program, the trustee was authorized to purchase ADSs from the open market at the price ranges to be determined by the Company's management from time to time. The purchased ADSs were to be delivered to the directors, eligible employees and consultants upon vesting of the restricted shares. Following the delisting of the Company's ordinary shares from The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in July 2015, the Company terminated the trust and the trustee approved the termination on April 26, 2016.

During the year ended December 31, 2016, no ordinary shares were purchased under a trust arrangement, while the remaining 18,213 ordinary shares previously purchased under a trust arrangement were transferred back to the Company upon the termination of the trust and delivered to directors and eligible employees upon the vesting of restricted shares. During the year ended December 31, 2015, no ordinary shares were purchased under a trust arrangement, while 466,203 ordinary shares purchased under a trust arrangement were delivered to directors and eligible employees to satisfy the vesting of restricted shares.

Shares Repurchased for Retirement

On August 7, 2014, the Board of Directors of the Company authorized the repurchase of the Company's ADSs of up to an aggregate of $500,000 under a stock repurchase program (the "2014 Stock Repurchase Program") for shares retirement. Under the 2014 Stock Repurchase Program, the Company was authorized to repurchase ADSs from the open market at the price ranges determined by the Company's management from time to time. The 2014 Stock Repurchase Program expired following the 2015 share repurchase mandate granted by the shareholders at the annual general meeting of the Company held on May 20, 2015 (as describe below).

On May 20, 2015, the Board of Directors of the Company authorized the repurchase of the Company's ADSs of up to an aggregate of $500,000 under a stock repurchase program (the "2015 Stock Repurchase Program") for shares retirement. Under the 2015 Stock Repurchase Program, the Company was authorized to repurchase ADSs from the open market at the price ranges determined by the Company's management from time to time. Upon the conclusion of the annual general meeting of the Company held on May 18, 2016, the 2015 Stock Repurchase Program expired.

During the year ended December 31, 2016, no ordinary share was repurchased and retired under the 2015 Stock Repurchase Program. During the year ended December 31, 2015, no ordinary share was repurchased under the 2015 Stock Repurchase Program and the 2014 Stock Repurchase Program, while 3,717,816 ordinary shares repurchased under the 2014 Stock Repurchase Program were retired. As of December 31, 2016, there was no outstanding repurchased ordinary shares pending for future retirement.

As of December 31, 2017 and 2016, the Company had 1,478,429,243 and 1,475,924,523 issued ordinary shares, and 9,015,012 and 10,823,770 treasury shares, with 1,469,414,231 and 1,465,100,753 ordinary shares outstanding, respectively.

On March 21, 2018, the Board of Directors of the Company authorized the repurchase of the Company's ordinary shares and/or ADSs of up to an aggregate of $500,000 over a three-year period commenced from March 21, 2018 under a share repurchase program (the "2018 Share Repurchase Program"). Purchases under the 2018 Share Repurchase Program may be made from time to time on the open market at prevailing market prices, including pursuant to a trading plan in accordance with Rule 10b-18 of the U.S. Securities Exchange Act, and/or in privately-negotiated transactions. The timing and the amount of ordinary shares and/or ADSs purchased will be determined by the Company's management based on its evaluation of market conditions, trading prices, applicable laws and other factors. The 2018 Share Repurchase Program may be suspended, modified or terminated by the Company at any time prior to its expiration.

15. INCOME TAXES

Income (loss) before income tax consisted of:

	Year Ended December 31,		
	2017	2016	2015
Macau operations	$ 562,140	$ 334,409	$ 277,764
Hong Kong operations	(26,111)	(10,511)	(54,778)
Philippines operations	36,035	(18,226)	(189,269)
Other jurisdictions' operations	(256,781)	(230,576)	(93,494)
Income (loss) before income tax	$ 315,283	$ 75,096	$ (59,777)

The income tax (credit) expense consisted of:

	Year Ended December 31,		
	2017	2016	2015
Income tax expense – current:			
Macau Complementary Tax	$ 13	$ 2,832	$ 408
Lump sum in lieu of Macau Complementary Tax on dividends	2,359	2,795	2,795
Hong Kong Profits Tax	2,516	1,889	800
Income tax in other jurisdictions	54	36	283
Sub-total	4,942	7,552	4,286
(Over) under provision of income tax in prior years:			
Macau Complementary Tax	(2,575)	(224)	(423)
Hong Kong Profits Tax	30	39	(14)
Income tax in other jurisdictions	(77)	(4)	(5)
Sub-total	(2,622)	(189)	(442)
Income tax (credit) expense – deferred:			
Macau Complementary Tax	(3,020)	(1,074)	(3,351)
Hong Kong Profits Tax	245	(69)	32
Income tax in other jurisdictions	445	1,958	506
Sub-total	(2,330)	815	(2,813)
Total income tax (credit) expense	$ (10)	$ 8,178	$ 1,031

A reconciliation of the income tax (credit) expense from income (loss) before income tax per the consolidated statements of operations is as follows:

	Year Ended December 31,		
	2017	2016	2015
Income (loss) before income tax	$ 315,283	$ 75,096	$ (59,777)
Macau Complementary Tax rate	12%	12%	12%
Income tax expense (credit) at Macau Complementary Tax rate	37,834	9,012	(7,173)
Lump sum in lieu of Macau Complementary Tax on dividends	2,359	2,795	2,795
Effect of different tax rates of subsidiaries operating in other jurisdictions	197	(5,823)	(37,422)
Over provision in prior years	(2,622)	(189)	(442)
Effect of income for which no income tax expense is payable	(12,526)	(1,960)	(1,850)
Effect of expenses for which no income tax benefit is receivable	44,142	30,475	18,824
Effect of profits generated by gaming operations exempted	(128,145)	(93,611)	(64,437)
Losses that cannot be carried forward	–	–	979
Change in valuation allowance	58,751	67,479	89,757
Income tax (credit) expense	$ (10)	$ 8,178	$ 1,031

The Company and certain of its subsidiaries are exempt from tax in the Cayman Islands or British Virgin Islands, where they are incorporated, however, the Company is subject to Hong Kong Profits Tax on profits from its activities conducted in Hong Kong. Certain subsidiaries incorporated or conducting businesses in Hong Kong, Macau, the Philippines and other jurisdictions are subject to Hong Kong Profits Tax, Macau Complementary Tax, Philippine Corporate Income Tax and income tax in other jurisdictions, respectively, during the years ended December 31, 2017, 2016 and 2015.

Macau Complementary Tax, Hong Kong Profits Tax, Philippine Corporate Income Tax and income tax in other jurisdictions have been provided at 12%, 16.5%, 30% and the respective tax rate in other jurisdictions, on the estimated taxable income earned in or derived from Macau, Hong Kong, the Philippines and other jurisdictions, respectively, during the years ended December 31, 2017, 2016 and 2015, if applicable.

Melco Resorts Macau has been exempted from Macau Complementary Tax on profits generated by gaming operations from 2007 to 2011, and 2012 to 2016 pursuant to the approval notices issued by the Macau government in June 2007 and April 2011, respectively. Melco Resorts Macau continues to benefit from this exemption for another five years from 2017 to 2021 pursuant to the approval notice issued by the Macau government in September 2016. One of the Company's subsidiaries in Macau has also been exempted from Macau Complementary Tax on profits generated from income received from Melco Resorts Macau until 2016, to the extent that such income is derived from Studio City gaming operations and has been subject to gaming tax pursuant to a notice issued by the Macau government in January 2015. Additionally, this subsidiary received an exemption for an additional five years from 2017 to 2021 pursuant to the approval notice issued by the Macau government in January 2017. The exemption coincides with Melco Resorts Macau's exemption from Macau Complementary Tax. The non-gaming profits and dividend distributions of such subsidiary to its shareholders continue to be subject to Macau Complementary Tax. Melco Resorts Macau's non-gaming profits also remain subject to Macau Complementary Tax and Melco Resorts Macau casino revenues remain subject to the Macau special gaming tax and other levies in accordance with its gaming subconcession agreement.

The casino operations of Melco Resorts Leisure, the operator of City of Dreams Manila, were previously subject to Philippine Corporate Income Tax in the Philippines at the rate of 30% based on Revenue Memorandum Circular ("RMC") No. 33-2013 issued by the Bureau of Internal Revenue ("BIR") in April 2013. On August 10, 2016, the Supreme Court of the Philippines (the "SC") found in the case of Bloomberry Resorts and Hotels, Inc. vs. the BIR, G. R. No. 212530 ("Bloomberry Case") that all contractees and licensees of the Philippine Amusement and Gaming Corporation ("PAGCOR"), should be exempt from tax, including Philippine Corporate Income Tax realized from the casino operations, upon payment of the 5% franchise tax. The BIR subsequently filed a Motion for Reconsideration (the "Motion") of the said decision, which was denied by the SC with finality in its resolution dated November 28, 2016. Based on the SC decision, management believes that Melco Resorts Leisure's gaming operations should be exempt from Philippine Corporate Income Tax, among other taxes, provided the license fees which are inclusive of the 5% franchise tax under the terms of the PAGCOR charter, are paid.

During the years ended December 31, 2017, 2016 and 2015, had the Group not received the income tax exemption on profits generated by gaming operations in Macau and the Philippines, the Group's consolidated net income attributable to Melco Resorts & Entertainment Limited for the years ended December 31, 2017, 2016 and 2015 would have been reduced by $105,364, $81,230 and $64,437, and diluted earnings per share would have been reduced by $0.071, $0.053 and $0.040 per share, respectively.

In January 2014, Melco Resorts Macau entered into an agreement with the Macau government that provided for an annual payment of MOP22,400,000 (equivalent to $2,795), effective retroactively from 2012 through 2016 coinciding with the 5-year tax holiday mentioned above, as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Resorts Macau on dividend distributions from gaming profits. In August 2017, Melco Resorts Macau received an extension of the agreement for an additional five years applicable to tax years 2017 through 2021. The extension agreement provides for an annual payment of MOP18,900,000 (equivalent to $2,359). Such annual payment is required regardless of whether dividends are actually distributed or whether Melco Resorts Macau has distributable profits in the relevant year.

The effective tax rates for the years ended December 31, 2017, 2016 and 2015 was 0%, 10.9% and a credit rate of (1.7%), respectively. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax and Philippine Corporate Income Tax, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefits are receivable, the effect of income for which no income tax expense is payable and the effect of different tax rates of subsidiaries operating in other jurisdictions for the years ended December 31, 2017, 2016 and 2015.

The net deferred tax liabilities as of December 31, 2017 and 2016 consisted of the following:

	December 31, 2017	December 31, 2016
Deferred tax assets		
Net operating losses carried forward	$ 155,380	$ 167,949
Depreciation and amortization	32,827	24,248
Deferred deductible expenses	1,052	2,454
Deferred rents	32,470	26,326
Others	9,051	9,949
Sub-total	230,780	230,926
Valuation allowances	(226,617)	(226,113)
Total deferred tax assets	4,163	4,813
Deferred tax liabilities		
Land use rights	(49,258)	(50,645)
Intangible assets	(505)	(505)
Unrealized capital allowances	(1,834)	(3,374)
Others	(6,549)	(6,588)
Total deferred tax liabilities	(58,146)	(61,112)
Deferred tax liabilities, net	$ (53,983)	$ (56,299)

As of December 31, 2017 and 2016, valuation allowances of $226,617 and $226,113 were provided, respectively, as management believes that it is more likely than not that these deferred tax assets will not be realized. During the year ended December 31, 2017, certain subsidiaries of the Company incorporated in Macau (the "Incorporated Companies") completed two mergers and merged with COD Resorts Limited and Altira Resorts Limited (the "Incorporating Companies") (the "Mergers"). As a result of the Mergers, the adjusted operating tax losses for the Group were reduced by the tax losses of the Incorporated Companies, amounting to $90,834, $90,039, $47,382 and $34,064 that would have expired in 2017, 2018, 2019 and 2020, respectively, during the year ended December 31, 2017 as such losses cannot be utilized. As of December 31, 2017, adjusted operating tax losses carry forward, amounting to $329,746, $247,216 and $239,169 will expire in 2018, 2019 and 2020, respectively. Adjusted operating tax losses carried forward of $123,512 expired during the year ended December 31, 2017.

Deferred tax, where applicable, is provided under the asset and liability method at the enacted statutory income tax rate of the respective tax jurisdictions, applicable to the respective financial years, on the difference between the consolidated financial statements carrying amounts and income tax base of assets and liabilities.

Aggregate undistributed earnings of the Company's foreign subsidiaries available for distribution to the Company of approximately $343,616 and $95,037 as at December 31, 2017 and 2016, respectively, are considered to be indefinitely reinvested and the amounts as of December 31, 2017 and 2016 exclude the undistributed earnings of Melco Resorts Macau. Accordingly, no provision has been made for the dividend withholding taxes that would be payable upon the distribution of those amounts to the Company. If those earnings were to be distributed or they were determined to be no longer permanently reinvested, the Company would have to record a deferred income tax liability in respect of those undistributed earnings of approximately $41,432 and $11,603 as at December 31, 2017 and 2016, respectively.

An evaluation of the tax positions for recognition was conducted by the Group by determining if the weight of available evidence indicates it is more likely than not that the positions will be sustained on audit, including resolution of related appeals or litigation processes, if any. Uncertain tax benefits associated with the tax positions were measured based solely on the technical merits of being sustained on examinations. The Group concluded that there was no significant uncertain tax positions requiring recognition in the consolidated financial statements for the years ended December 31, 2017, 2016 and 2015 and there are no material unrecognized tax benefits which would favorably affect the effective income tax rates in future periods. As of December 31, 2017 and 2016, there were no interest and penalties related to uncertain tax positions recognized in the consolidated financial statements. The Group does not anticipate any significant increases or decreases to its liability for unrecognized tax benefits within the next twelve months.

The company and its subsidiaries' major tax jurisdictions are Hong Kong, Macau and the Philippines, income tax returns of the Company and its subsidiaries remain open and subject to examination by the local tax authorities of Hong Kong, Macau and the Philippines until the statute of limitations expire in each corresponding jurisdiction. The statute of limitations in Hong Kong, Macau and the Philippines are 6 years, 5 years and 3 years, respectively.

16. SHARE-BASED COMPENSATION

2006 Share Incentive Plan

The Company adopted a share incentive plan in 2006 ("2006 Share Incentive Plan"), as amended, for grants of share options and nonvested shares of the Company's ordinary shares to eligible directors, employees and consultants of the Group and its affiliates. The maximum term of an award was 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for all awards under the 2006 Share Incentive Plan was 100,000,000 over 10 years. On December 7, 2011, the Group adopted a new share incentive plan ("2011 Share Incentive Plan") as described below and no further awards may be granted under the 2006 Share Incentive Plan on or after such date as all subsequent awards will be issued under the 2011 Share Incentive Plan.

Share Options

A summary of share options activity under the 2006 Share Incentive Plan for the year ended December 31, 2017, is presented as follows:

	Number of Share Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2017	9,913,794	$ 1.58		
Outstanding as of January 19, 2017[(i)]	9,913,794	1.14		
Exercised	(891,423)	1.13		
Outstanding as of March 30, 2017	9,022,371	1.14		
Outstanding as of March 31, 2017[(i)]	9,022,371	0.81		
Exercised	(2,092,833)	0.88		
Outstanding as of December 31, 2017	6,929,538	$ 0.80	1.77	$ 61,558
Fully vested as of December 31, 2017	6,929,538	$ 0.80	1.77	$ 61,558
Exercisable as of December 31, 2017	6,929,538	$ 0.80	1.77	$ 61,558

The following information is provided for share options under the 2006 Share Incentive Plan:

	Year Ended December 31,		
	2017	2016	2015
Proceeds from the exercise of share options	$ 2,192	$ 3,036	$ 1,904
Intrinsic value of share options exercised	$ 18,004	$ 6,205	$ 5,152

As of December 31, 2017, there was no unrecognized compensation costs related to share options under the 2006 Share Incentive Plan.

2011 Share Incentive Plan

The Company adopted the 2011 Share Incentive Plan, effective on December 7, 2011, which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase the Company's ordinary shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of the Group and its affiliates. The maximum term of an award is 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for all awards under the 2011 Share Incentive Plan is 100,000,000 over 10 years, which could be raised up to 10% of the issued share capital upon shareholders' approval. As of December 31, 2017, there were 73,676,357 ordinary shares available for grants of various share-based awards under the 2011 Share Incentive Plan.

Share Options

During the years ended December 31, 2017 and 2016, the exercise prices for share options granted under the 2011 Share Incentive Plan were determined at the market closing prices of the Company's ADS trading on the NASDAQ Global Select Market on the dates of grant. During the year ended December 31, 2015, the exercise price for share options granted under the 2011 Share Incentive Plan was determined at the higher of the closing price at the date of grant and the average closing price for the five trading dates preceding the date of grant of the Company's ordinary shares trading on the Hong Kong Stock Exchange. These share options became exercisable over vesting periods of two to three years. The share options granted expire 10 years from the date of grant.

The Group uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of the Company's ADS trading on the NASDAQ Global Select Market. Expected term is based upon the vesting term or the historical of expected term of publicly traded companies. The risk-free interest rate used for each period presented is based on the United States of America Treasury yield curve at the time of grant for the period equal to the expected term.

The fair values of share options granted under the 2011 Share Incentive Plan were estimated on the dates of grant using the following weighted average assumptions:

	Year Ended December 31,		
	2017	2016	2015
Expected dividend yield	2.00%	1.00%	1.40%
Expected stock price volatility	47.94%	46.08%	57.86%
Risk-free interest rate	2.09%	1.47%	1.59%
Expected term (years)	6.1	5.6	6.1

On March 18, 2016, the Board of Directors of the Company approved a modification to lower the exercise prices and extend the vesting periods of certain outstanding underwater share options held by active employees as of March 18, 2016. Share options eligible for modification were those that were granted during the years ended December 31, 2015, 2014 and 2013 under the 2011 Share Incentive Plan, including those unvested, or vested but not exercised. The total of 4,572,234 eligible share options were modified with an exercise price of $17.27 per ADS or $5.7567 per share, which was the closing price of the Company's ADS trading on the NASDAQ Global Select Market on the date of modification. The vesting period for the relevant share options (including certain vested share options) was extended as part of the modification. The number of the Company's ordinary share subject to the modified share options and the expiration dates of such modified share options will remain the same as the original share options. A total incremental share-based compensation expense resulting from the modification was approximately $689, representing the excess of the fair value of the modified share options, using Black-Scholes valuation model, over the fair value of the share options immediately before its modification. The incremental share-based compensation expense and the unrecognized compensation costs remaining from the original share options are being recognized on a straight-line basis over a new vesting period of three years from the date of modification. The significant weighted average assumptions used to determine the fair value of the modified share options includes expected dividend of 1%, expected stock price volatility of 45.8%, risk-free interest rate of 1.31% and expected term of 5.6 years.

A summary of share options activity under the 2011 Share Incentive Plan for the year ended December 31, 2017, is presented as follows:

	Number of Share Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2017	10,852,351	$ 5.61		
Forfeited or expired	(8,682)	5.76		
Outstanding as of January 18, 2017	10,843,669	5.61		
Outstanding as of January 19, 2017[(i)]	10,843,669	5.17		
Granted	5,257,389	6.16		
Exercised	(379,299)	4.26		
Forfeited or expired	(347,811)	5.32		
Outstanding as of March 30, 2017	15,373,948	5.52		
Outstanding as of March 31, 2017[(i)]	15,373,948	5.50		
Granted	123,153	7.39		
Exercised	(147,912)	3.93		
Forfeited or expired	(1,902,678)	5.40		
Outstanding as of December 31, 2017	13,446,511	$ 5.55	7.93	$ 55,528
Fully vested and expected to vest as of December 31, 2017	13,446,511	$ 5.55	7.93	$ 55,528
Exercisable as of December 31, 2017	920,556	$ 3.93	4.24	$ 5,296

Notes

(i) The exercise prices of all outstanding share options under the 2006 Share Incentive Plan and the 2011 Share Incentive Plan as of January 19, 2017 have been reduced by approximately $0.4404 per share as a result of the declaration of a special dividend in January 2017. The exercise prices of all outstanding share options under the 2006 Share Incentive Plan and certain share options under the 2011 Share Incentive Plan as of March 31, 2017 have been reduced by approximately $0.3293 per share reflecting the effect of the prior special dividend. The adjustments to the option exercise prices were made as required by the 2006 Share Incentive Plan and the 2011 Share Incentive Plan. Such adjustments are accounted for as modification of the affected share options requiring a comparison of the fair values of the modified share options with the respective fair values of the original share options immediately before the modification under the applicable accounting standards and the associated incremental compensation cost is not significant.

The following information is provided for share options under the 2011 Share Incentive Plan:

	Year Ended December 31,		
	2017	**2016**	**2015**
Weighted average grant date fair value (excluding options granted under modification)	$ 2.45	$ 2.29	$ 3.45
Proceeds from the exercise of share options	$ 2,195	$ 218	$ 511
Intrinsic value of share options exercised	$ 1,246	$ 28	$ 98

As of December 31, 2017, there was $15,982 unrecognized compensation costs related to share options under the 2011 Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.83 years.

Restricted Shares

During the years ended December 31, 2017, 2016 and 2015, the grant date fair values for restricted shares granted under the 2011 Share Incentive Plan, with vesting periods of two to three years, were determined with reference to the market closing prices of the Company's ADS trading on the NASDAQ Global Select Market on the dates of grant.

A summary of restricted shares activity under the 2011 Share Incentive Plan for the year ended December 31, 2017, is presented as follows:

	Number of Restricted Shares	**Weighted Average Grant Date Fair Value**
Unvested as of January 1, 2017	4,891,097	$ 6.91
Granted	2,550,606	6.30
Vested	(950,320)	9.72
Forfeited	(626,495)	6.46
Unvested as of December 31, 2017	5,864,888	$ 6.24

The following information is provided for restricted shares under the 2011 Share Incentive Plan:

	Year Ended December 31,		
	2017	2016	2015
Weighted average grant date fair value	$ 6.30	$ 5.74	$ 7.24
Grant date fair value of restricted shares vested	$ 9,236	$ 2,751	$ 3,809

As of December 31, 2017, there was $17,819 unrecognized compensation costs related to restricted shares under the 2011 Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.82 years.

MRP Share Incentive Plan

MRP adopted a share incentive plan (the "MRP Share Incentive Plan"), effective on June 24, 2013, which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase MRP common shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of MRP and its subsidiaries, and the Group and its affiliates. The maximum term of an award is 10 years from the date of grant. The maximum aggregate number of common shares to be available for all awards under the MRP Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of MRP from time to time over 10 years. As of December 31, 2017, there were 154,430,056 MRP common shares available for grants of various share-based awards under the MRP Share Incentive Plan.

Share Options

During the years ended December 31, 2017 and 2015, the exercise prices for share options granted under the MRP Share Incentive Plan were determined with reference to the market closing prices of MRP common shares on the dates of grant. There were no share options granted under the MRP Share Incentive Plan during the year ended December 31, 2016. These share options generally became exercisable over vesting periods of two to three years. The share options granted expire 10 years from the date of grant.

MRP uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of MRP common shares trading on the PSE and a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical of expected term of the Company. The risk-free interest rate used for each period presented is based on the Philippine government bond yield at the time of grant for the period equal to the expected term.

The fair values of share options granted under the MRP Share Incentive Plan were estimated on the dates of grant using the following weighted average assumptions:

	Year Ended December 31,	
	2017	2015
Expected dividend yield	–	–
Expected stock price volatility	45.00%	45.00%
Risk-free interest rate	4.47%	4.08%
Expected term (years)	5.9	5.4

On August 2, 2016, the board of MRP approved a proposal to allow for an option exchange program, designed to provide the eligible personnel an opportunity to exchange certain outstanding underwater share options for new restricted shares to be granted (the "Option Exchange Program"). Share options eligible for exchange were those that were granted during the years ended December 31, 2013 and 2014 under the MRP Share Incentive Plan, including those unvested, or vested but not exercised. The acquiescence of the Philippine SEC on the Option Exchange Program was obtained by MRP on September 30, 2016. The exchange was subject to the eligible personnel's consent and became effective on October 21, 2016, which was the deadline for acceptance of the exchange by the eligible personnel. A total of 96,593,629 eligible share options were tendered by eligible personnel, representing 99.2% of the total share options eligible for exchange. MRP granted an aggregate of 43,700,116 new restricted shares in exchange for the eligible share options surrendered. The new restricted shares have vesting periods of 3 years. A total incremental share-based compensation expense resulting from the Option Exchange Program was approximately $883, representing the excess of the fair value of the new restricted shares over the fair value of the surrendered share options immediately before the exchange. The fair value of the new restricted shares is determined with reference to the market closing price of the MRP common shares at the effective date of the exchange. The incremental share-based compensation expense and unrecognized compensation costs remaining from the surrendered share options as a result of the exchange are being recognized on a straight-line basis over the new vesting period.

A summary of share options activity under the MRP Share Incentive Plan for the year ended December 31, 2017, is presented as follows:

	Number of Share Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2017	12,374,710	$ 0.11		
Granted	7,143,469	0.17		
Exercised	(1,040,485)	0.17		
Forfeited or expired	(3,410,501)	0.17		
Outstanding as of December 31, 2017	15,067,193	$ 0.12	8.47	595
Fully vested and expected to vest as of December 31, 2017	15,067,193	$ 0.12	8.47	595
Exercisable as of December 31, 2017	4,525,458	$ 0.09	7.29	270

The following information is provided for share options under the MRP Share Incentive Plan:

	Year Ended December 31, 2017	2016	2015
Weighted average grant date fair value	$ 0.08	$ –	$ 0.03
Proceeds from the exercise of share options	$ 173	$ –	$ –
Intrinsic value of share options exercised	$ 6	$ –	$ –

As of December 31, 2017, there was $547 unrecognized compensation costs related to share options under the MRP Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 2.27 years.

Restricted Shares

During the years ended December 31, 2017 and 2015, the grant date fair values for restricted shares granted under the MRP Share Incentive Plan, with vesting periods of two to three years, were determined with reference to the market closing prices of MRP common shares on the dates of grant. There were no restricted shares granted under the MRP Share Incentive Plan during the year ended December 31, 2016.

A summary of restricted shares activity under the MRP Share Incentive Plan for the year ended December 31, 2017, is presented as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2017	49,255,708	$ 0.09
Granted	7,298,372	0.16
Vested	(2,826,644)	0.16
Forfeited	(5,081,073)	0.09
Unvested as of December 31, 2017	48,646,363	$ 0.10

The following information is provided for restricted shares under the MRP Share Incentive Plan:

	Year Ended December 31,		
	2017	2016	2015
Weighted average grant date fair value	$ 0.16	$ –	$ 0.08
Grant date fair value of restricted shares vested	$ 454	$ 3,280	$ 6,989

As of December 31, 2017, there was $1,632 unrecognized compensation costs related to restricted shares under the MRP Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 2.10 years.

The share-based compensation cost for the Group was recognized as follows:

	Year Ended December 31,		
	2017	2016	2015
Share-based compensation cost:			
2011 Share Incentive Plan	$ 16,789	$ 16,399	$ 13,734
MRP Share Incentive Plan	516	2,088	7,093
Total share-based compensation expenses recognized in general and administrative expenses	$ 17,305	$ 18,487	$ 20,827

17. EMPLOYEE BENEFIT PLANS

The Group has obligations to make the required contributions with respect to the below defined contribution retirement benefits schemes.

The Group operates defined contribution fund scheme, which allows eligible employees to participate in a defined contribution plan (the "Defined Contribution Fund Scheme"). The Group either contributes a fixed percentage of the eligible employees' base salaries, a fixed amount or an amount which matches the contributions of the employees up to a certain percentage of base salaries to the Defined Contribution Fund Scheme. The Group's contributions to the Defined Contribution Fund Scheme are vested with employees in accordance to a vesting schedule, achieving full vesting 10 years from the date of employment. The Defined Contribution Fund Scheme was established under trust with the fund assets being held separately from those of the Group by independent trustees.

Employees employed by the Group in Macau and the Philippines are members of government-managed social security fund scheme (the "Social Security Fund Scheme"), which is operated by the respective government. The Group is required to pay a monthly fixed contribution or certain percentage of the employees' relevant income and met the minimum mandatory requirements of the respective Social Security Fund Scheme to fund the benefits.

During the years ended December 31, 2017, 2016 and 2015, the Group's contributions into the defined contribution retirement benefits schemes were $21,853, $16,105 and $18,295, respectively.

18. DISTRIBUTION OF PROFITS

All subsidiaries of the Company incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after tax to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the board of directors of the relevant subsidiaries. As of December 31, 2017 and 2016, the aggregate balance of the reserves amounted to $31,209 and $31,202, respectively.

The Group's borrowings, subject to certain exceptions and conditions, contain certain restrictions on paying dividends and other distributions, as defined in the respective indentures governing the relevant senior notes, credit facility agreements and other associated agreements, details of which are disclosed in Note 11 under each of the respective borrowings.

19. DIVIDENDS

On February 25, 2014, the Company's Board of Directors adopted a dividend policy (the "2014 Dividend Policy"), pursuant to which the Company intended, subject to its capacity to pay from accumulated and future earnings, cash availability and future commitments, to provide its shareholders with quarterly dividends of approximately 30% of the Company's consolidated net income attributable to Melco Resorts & Entertainment Limited for the relevant quarter, effective from the first quarter of 2014. The 2014 Dividend Policy also allowed the Company to declare special dividends from time to time in addition to the quarterly dividends. On January 12, 2017, the Company's Board of Directors amended the 2014 Dividend Policy to one targeting a quarterly cash dividend payment of $0.03 per ordinary share of the Company, subject to the Company's capacity to pay from accumulated and future earnings, cash availability and future commitments (the "2017 Dividend Policy"), effective from the fourth quarter of 2016. On February 8, 2018, the Company's Board of Directors amended the 2017 Dividend Policy to one targeting a quarterly cash dividend payment of $0.045 per ordinary share of the Company, subject to the Company's capacity to pay from accumulated and future earnings, cash availability and future commitments (the "2018 Dividend Policy"), effective from the fourth quarter of 2017.

On February 10, 2017, the Company paid a special dividend of $0.4404 per share and recorded $645,230 as a distribution against retained earnings.

On March 15, 2017, May 31, 2017, August 23, 2017 and November 30, 2017, the Company paid quarterly dividends of $0.03, $0.03, $0.03 and $0.03 per share, respectively, and recorded $88,063 and $88,035 as distributions against additional paid-in capital and retained earnings, respectively.

The total amount of special and quarterly dividends of $821,328 were paid during the year ended December 31, 2017.

On March 16, 2016, the Company paid a special dividend of $0.2146 per share and recorded $108,639 and $238,586 as a distribution against additional paid-in capital and retained earnings, respectively.

On May 31, 2016, August 31, 2016 and November 30, 2016, the Company paid quarterly dividends of $0.0073, $0.0063 and $0.0126 per share, respectively, and recorded $38,344 as distributions against retained earnings.

The total amount of special and quarterly dividends of $385,569 were paid during the year ended December 31, 2016.

On March 16, 2015, June 5, 2015, September 4, 2015 and December 4, 2015, the Company paid quarterly dividends of $0.0171, $0.0112, $0.0045 and $0.0061 per share, respectively. During the year ended December 31, 2015, the Company recorded $62,850 as distributions against retained earnings.

On February 8, 2018, a quarterly dividend of $0.045 per share has been declared by the Board of Directors of the Company under the 2018 Dividend Policy and was paid to the shareholders of record as of February 20, 2018.

20. REGULAR LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MRP LEASE AGREEMENT FOR CITY OF DREAMS MANILA

(a) Regular License

As of March 13, 2013, PAGCOR allowed the inclusion of, amongst others, Melco Resorts Leisure as a co-licensee, as well as the "special purpose entity" to operate the casino business and as representative for itself and on behalf of the other co-licensees including SM Investments Corporation ("SMIC"), PremiumLeisure and Amusement, Inc. ("PLAI") and Belle under the provisional license (the "Provisional License") in their dealings with PAGCOR. SMIC, PLAI and Belle are collectively referred to as the "Philippine Parties". As a result, MPHIL Holdings No.1 Corporation (formerly known as MCE Holdings (Philippines) Corporation), a subsidiary of MRP, and its subsidiaries including Melco Resorts Leisure (collectively the "MPHIL Holdings Group") and the Philippine Parties together became co-licensees (the "Licensees") under the Provisional License granted by PAGCOR for the establishment and operation of City of Dreams Manila.

On January 30, 2015, Melco Resorts Leisure applied to PAGCOR for the issuance of the regular casino gaming license (the "Regular License") for City of Dreams Manila as the Licensees satisfied the investment commitment under the terms of the Provisional License.

PAGCOR issued the Regular License dated April 29, 2015, as amended, in replacement of the Provisional License to the Licensees for the operation of City of Dreams Manila. The Regular License has the same terms and conditions as the Provisional License, and is valid until July 11, 2033.

Further details of the terms and commitments under the Regular License are included in Note 21(c).

(b) Cooperation Agreement

On March 13, 2013, a cooperation agreement (the "Cooperation Agreement") and other related arrangements which were entered on October 25, 2012 among MPHIL Holdings Group, SMIC and certain of its subsidiaries (collectively the "SM Group"), Belle and PLAI became effective upon completion of the closing arrangement conditions, with minor changes to the original terms (except for certain provisions which were effective on signing).

The Cooperation Agreement governs the relationship and the rights and obligations of the Licensees. Under the Cooperation Agreement, Melco Resorts Leisure has been designated as the operator to operate City of Dreams Manila and appointed as the sole and exclusive representative of the Licensees in connection with the Regular License and the operation and management of City of Dreams Manila until the expiry of the Regular License (currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms). Further details of the commitments under the Cooperation Agreement are included in Note 21(c).

(c) Operating Agreement

On March 13, 2013, the Licensees entered into an operating agreement (the "Operating Agreement") which governs the operation and management of City of Dreams Manila by Melco Resorts Leisure. The Operating Agreement was effective on March 13, 2013 and ends on the date of expiry of the Regular License (as that Regular License is extended, restored or renewed) (currently expected to be on July 11, 2033 or, unless terminated earlier in accordance with the terms of the Operating Agreement). Under the Operating Agreement, Melco Resorts Leisure is appointed as the sole and exclusive operator and manager of City of Dreams Manila, and is responsible for, and has sole discretion (subject to certain exceptions) and control over, all matters relating to the management and operation of City of Dreams Manila (including the casino and gaming operations, hotel and retail components and all other activities necessary, desirable or incidental for the management and operation of City of Dreams Manila). The Operating Agreement also included terms of certain payments to PLAI upon commencement of operations of City of Dreams Manila in December 2014, in particular, PLAI has the right to receive monthly payments from Melco Resorts Leisure, based on the performance of gaming operations of City of Dreams Manila and was included in "Payments to the Philippine Parties" in the consolidated statements of operations, and Melco Resorts Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

(d) MRP Lease Agreement

The MRP Lease Agreement entered into between Melco Resorts Leisure and Belle, which has been subsequently amended from time to time, became effective on March 13, 2013. Under the MRP Lease Agreement, Belle agreed to lease to Melco Resorts Leisure the land and certain of the building structures for City of Dreams Manila. The lease continues until termination of the Operating Agreement (currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms). The leased property is used by Melco Resorts Leisure and any of its affiliates exclusively as a hotel, casino and resort complex with retail, entertainment, convention, exhibition, food and beverages services as well as other activities ancillary, related or incidental to the operation of any of the preceding uses.

21. COMMITMENTS AND CONTINGENCIES

(a) Capital Commitments

As of December 31, 2017, the Group had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for City of Dreams totaling $138,031.

(b) Lease Commitments and Other Arrangements

Operating Leases – As a Lessee

The Group leased a portion of land for City of Dreams Manila, Mocha Clubs sites, office space, warehouses, staff quarters and various equipment under non-cancellable operating leases and right to use agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractual agreed incremental rates and on the general inflation rate once agreed by the Group and its lessor and in some cases contingent rental expenses stated as a percentage of turnover. During the years ended December 31, 2017, 2016 and 2015, the Group incurred rental and right to use expenses amounting to $45,783, $37,349 and $39,667, respectively, which consisted of minimum rental and right to use expenses of $30,532, $32,228 and $32,864 and contingent rental and right to use expenses of $15,251, $5,121 and $6,803, respectively.

As of December 31, 2017, future minimum lease payments under non-cancellable operating leases and right to use agreements were as follows:

Year ending December 31,		
2018	$	26,676
2019		26,051
2020		17,946
2021		16,592
2022		11,358
Over 2022		50,929
	$	149,552

As Grantor of Operating Leases and Right to Use Arrangement

The Group entered into non-cancellable operating leases and right to use agreements mainly for mall spaces in the sites of City of Dreams, City of Dreams Manila and Studio City with various retailers that expire at various dates through May 2026. Certain of the operating leases and right to use agreements include minimum base fees with escalated contingent fee clauses. During the years ended December 31, 2017, 2016 and 2015, the Group earned contingent fees of $27,457, $23,461 and $12,898, respectively.

As of December 31, 2017, future minimum fees to be received under non-cancellable operating leases and right to use agreements were as follows:

Year ending December 31,		
2018	$	54,611
2019		53,065
2020		46,720
2021		37,390
2022		35,564
Over 2022		135,224
	$	362,574

The total future minimum fees do not include the escalated contingent fee clauses.

(c) Other Commitments

Gaming Subconcession

On September 8, 2006, the Macau government granted a gaming subconcession to Melco Resorts Macau to operate its gaming business in Macau. Pursuant to the gaming subconcession agreement, Melco Resorts Macau committed to pay the Macau government the following:

i) A fixed annual premium of $3,744 (MOP30,000,000).

ii) A variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:

- $37 (MOP300,000) per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kind of games or to certain players;

- $19 (MOP150,000) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kind of games or to certain players; and

- $0.1 (MOP1,000) per year for each electrical or mechanical gaming machine, including the slot machine.

iii) A special gaming tax of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.

iv) A sum of 4% of the gross revenues of the gaming business operations to utilities designated by the Macau government (a portion of which must be used for promotion of tourism in Macau) on a monthly basis.

v) Melco Resorts Macau must maintain a guarantee issued by a Macau bank in favor of the Macau government in a maximum amount of $37,437 (MOP300,000,000) until the 180th day after the termination date of the gaming subconcession.

As a result of the bank guarantee issued by the bank to the Macau government as disclosed in Note 21(c)(v) above, a sum of 1.75% of the guarantee amount will be payable by Melco Resorts Macau quarterly to the bank.

Land Concession Contracts

The Company's subsidiaries have entered into concession contracts for the land in Macau on which Altira Macau, City of Dreams and Studio City properties and development projects are located. The title to the land lease right is obtained once the related land concession contract is published in the Macau official gazette. The contracts have a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The Company's land holding subsidiaries are required to i) pay an upfront land premium, which is recognized as land use right in the consolidated balance sheets and a nominal annual government land use fee, which is recognized as general and administrative expense and may be adjusted every five years; and (ii) place a guarantee deposit upon acceptance of the land lease terms, which is subject to adjustments from time to time in line with the amounts paid as annual land use fee. During the land concession term, amendments have been sought which have or will result in revisions to the development conditions, land premium and government land use fees.

Altira Macau

On December 18, 2013, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Taipa Land on which Altira Macau is located. According to the revised land amendment, the government land use fees were $186 per annum. As of December 31, 2017, the Group's total commitment for government land use fees for Altira Macau site to be paid during the remaining term of the land concession contract which expires in March 2031 was $2,446.

City of Dreams

On January 29, 2014, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Cotai Land on which City of Dreams is located. The amendment required an additional land premium of approximately $23,344, which was fully paid in January 2016. According to the revised land amendment, the government land use fees were $1,185 per annum during the development period of additional hotel at City of Dreams; and $1,235 per annum after the completion of the development. In January 2018, the Macau government granted an extension of the development period under the land concession contract for Cotai Land to June 11, 2018. As of December 31, 2017, the Group's total commitment for government land use fees for City of Dreams site to be paid during the remaining term of the land concession contract which expires in August 2033 was $19,228.

Studio City

On September 23, 2015, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Studio City Land on which Studio City is located. Such amendment reflected the change to build a five-star hotel to a four-star hotel. According to the revised land amendment, the government land use fees were $490 per annum during the development period of Studio City; and $1,131 per annum after the development period. In February 2018, the Macau government granted an extension of the development period under the land concession contract for Studio City Land to July 24, 2021. As of December 31, 2017, the Group's total commitment for government land use fees for Studio City site to be paid during the remaining term of the land concession contract which expires in October 2026 was $9,203.

Regular License

PAGCOR issued the Regular License dated April 29, 2015 in replacement of the Provisional License to the Licensees for the operation of City of Dreams Manila. Other commitments required by PAGCOR under the Regular License included as follows:

- To secure a surety bond in favor of PAGCOR in the amount of PHP100,000,000 (equivalent to $2,003) to ensure prompt and punctual remittance/payment of all license fees.

- License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operation. The license fees are inclusive of the 5% franchise tax under the terms of the PAGCOR charter.

  For taxable periods prior to April 1, 2014, under the terms of the Regular License, PAGCOR and the Licensees agreed the license fees that are paid to PAGCOR by the Licensees are in lieu of all taxes with reference to the income component of the gross gaming revenues. In May 2014, PAGCOR temporarily allowed the Licensees to reallocate 10% of the license fees for payment of Philippine Corporate Income Tax effective from April 1, 2014. The said reallocation of 10% of the license fees was required to be used for subsidizing the payment of Philippine Corporate Income Tax and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). This adjustment was to address the additional exposure to Philippine Corporate Income Tax on the Licensees brought by the BIR RMC No. 33-2013 in April 2013. The 10% license fee adjustment was a temporary measure to address the unilateral BIR action and was not intended to modify, amend or revise the Regular License. PAGCOR and the Licensees agreed to revert to the original license fee structure under the Regular License, in the event BIR action to collect Philippine Corporate Income Tax from PAGCOR licensees was permanently restrained, corrected or withdrawn by order of BIR or the courts or under a new law. PAGCOR and the Licensees also agreed that the 10% license fee adjustment was not an admission of the validity of BIR RMC No. 33-2013 and it was not a waiver of any of the remedies against any assessments by BIR for Philippine Corporate Income Tax on the gaming revenue of the Licensees in the Philippines. On August 10, 2016, the SC found in the Bloomberry Case that all contractees and licensees of PAGCOR, should be exempt from tax, including Philippine Corporate Income Tax realized from the casino operations, upon payment of the 5% franchise tax. On August 15, 2016, PAGCOR discontinued the 10% license fee adjustment. The BIR subsequently filed the Motion of the said decision, which was denied by the SC with finality in a resolution dated November 28, 2016.

- The Licensees are required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the Licensees and approved by PAGCOR.

- PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% fee except for rental income received from retail concessionaires.

- Grounds for revocation of the Regular License, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt or insolvent; and (d) if the debt-to-equity ratio is more than 70:30. As of December 31, 2017 and 2016, MPHIL Holdings Group, as one of the Licensee parties, has complied with the required debt-to-equity ratio under definition as agreed with PAGCOR.

Cooperation Agreement

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any loss suffered or incurred by that Licensees arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular License. Also, each of the Philippine Parties and MPHIL Holdings Group agree to indemnify the non-breaching party for any losses suffered or incurred as a result of a breach of any warranty.

(d) Guarantees

Except as disclosed in Note 11, the Group has made the following significant guarantees as of December 31, 2017:

- Melco Resorts Macau has issued a promissory note ("Livrança") of $68,635 (MOP550,000,000) to a bank in respect of the bank guarantee issued to the Macau government under gaming subconcession to the consolidated financial statements.

- The Company has entered into two deeds of guarantee with third parties amounting to $35,000 to guarantee certain payment obligations of the City of Dreams' operations.

- In October 2013, one of the Company's subsidiaries entered into a trade credit facility agreement of HK$200,000,000 (equivalent to $25,707) ("Trade Credit Facility") with a bank to meet certain payment obligations of the Studio City project. The Trade Credit Facility matured on August 31, 2017, was further extended to August 31, 2019, and is guaranteed by Studio City Company. As of December 31, 2017, approximately $643 of the Trade Credit Facility had been utilized.

- Melco Resorts Leisure has issued a corporate guarantee of PHP100,000,000 (equivalent to $2,003) to a bank in respect of the surety bond issued to PAGCOR as disclosed in Note 21(c) under Regular License.

(e) Litigation

As of December 31, 2017, the Group is a party to certain other legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings have no material impacts on the Group's consolidated financial statements as a whole.

22. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2017, 2016 and 2015, the Group entered into the following significant related party transactions:

Related companies	Nature of transactions	Year Ended December 31, 2017	2016	2015
Transactions with affiliated companies				
Melco International and its subsidiaries	Management fee expenses[(1)]	$ 1,787	$ 1,191	$ 1,177
	Purchase of property and equipment	–	315	7,758
	Other service fee income	2,749	1,221	1,609
A subsidiary of MECOM Power and Construction Limited ("MECOM")[(2)]	Construction and renovation works performed and recognized as property and equipment	35,510	–	–
	Consultancy fee expense	2,228	–	–

Notes

(1) Management fee expenses mainly included the Company's reimbursement to Melco International's subsidiary for service fees incurred on its behalf for the operation of the office of the Company's Chief Executive Officer.

(2) A company in which Mr. Lawrence Yau Lung Ho, the Company's Chief Executive Officer, has shareholding of approximately 20% in MECOM.

(a) Amounts Due from Affiliated Companies

The outstanding balances mainly arising from operating income or prepayment of operating expenses as of December 31, 2017 and 2016 are unsecured, non-interest bearing and repayable on demand with details as follows:

	December 31, 2017	2016
Melco International and its subsidiaries	$ 2,367	$ 1,012
Others	10	1
Crown and its subsidiary	–	90
	$ 2,377	$ 1,103

(b) Amounts Due to Affiliated Companies

The current portion of amounts due to affiliated companies mainly arising from construction and renovation works performed, operating expenses and expenses paid by affiliated companies on behalf of the Group as of December 31, 2017 and 2016, are unsecured, non-interest bearing and repayable on demand with details as follows:

	December 31, 2017	December 31, 2016
MECOM's subsidiaries	$ 14,675	$ –
Melco International and its subsidiaries	1,293	88
Others	822	877
Crown's subsidiary and associated company	–	2,063
	$ 16,790	$ 3,028

The non-current portion of amounts due to an affiliated company arising from construction costs retention payable as of December 31, 2017 is unsecured and non-interest bearing. No part of the amount will be repayable within the next twelve months from the balance sheet date and, accordingly, the amount is shown as a non-current liability in the consolidated balance sheet.

23. SEGMENT INFORMATION

The Group is principally engaged in the gaming and hospitality business in Asia and its principal operating and developmental activities occur in two geographic areas: Macau and the Philippines. The chief operating decision maker monitors its operations and evaluates earnings by reviewing the assets and operations of Mocha Clubs, Altira Macau, City of Dreams, Studio City, which commenced operations on October 27, 2015, and City of Dreams Manila. Taipa Square Casino is included within Corporate and Other.

The Group's segment information for total assets and capital expenditures is as follows:

Total Assets

	December 31, 2017	December 31, 2016	December 31, 2015
Macau:			
Mocha Clubs	$ 121,980	$ 135,707	$ 145,631
Altira Macau	427,668	473,731	496,455
City of Dreams	3,453,135	3,193,895	3,183,460
Studio City	3,475,321	3,466,291	3,769,284
Sub-total	7,478,104	7,269,624	7,594,830
The Philippines:			
City of Dreams Manila	682,204	825,247	941,926
Corporate and Other	734,748	1,245,470	1,725,553
Total consolidated assets	$ 8,895,056	$ 9,340,341	$ 10,262,309

Capital Expenditures

	Year Ended December 31,		
	2017	**2016**	**2015**
Macau:			
Mocha Clubs	$ 4,690	$ 7,763	$ 6,446
Altira Macau	5,776	3,031	18,404
City of Dreams	467,780	359,258	331,503
Studio City	37,174	62,754	968,696
Sub-total	515,420	432,806	1,325,049
The Philippines:			
City of Dreams Manila	13,571	3,621	98,884
Corporate and Other	30,051	1,485	31,909
Total capital expenditures	$ 559,042	$ 437,912	$ 1,455,842

The Group's segment information and reconciliation to net income attributable to Melco Resorts & Entertainment Limited is as follows:

	Year Ended December 31,		
	2017	2016	2015
NET REVENUES			
Macau:			
Mocha Clubs	$ 121,250	$ 120,491	$ 136,217
Altira Macau	446,132	439,127	574,848
City of Dreams	2,666,309	2,590,824	2,794,673
Studio City	1,363,405	838,179	125,303
Sub-total	4,597,096	3,988,621	3,631,041
The Philippines:			
City of Dreams Manila	649,276	491,235	300,409
Corporate and Other	38,451	39,540	43,350
Total net revenues	$ 5,284,823	$ 4,519,396	$ 3,974,800
ADJUSTED PROPERTY EBITDA [1]			
Macau:			
Mocha Clubs	$ 26,639	$ 23,789	$ 30,259
Altira Macau	20,671	5,116	36,261
City of Dreams	804,872	742,291	798,504
Studio City	335,568	155,985	11,594
Sub-total	1,187,750	927,181	876,618
The Philippines:			
City of Dreams Manila	235,019	160,336	55,366
Total adjusted property EBITDA	1,422,769	1,087,517	931,984
OPERATING COSTS AND EXPENSES			
Payments to the Philippine Parties	(51,661)	(34,403)	(16,547)
Pre-opening costs	(2,274)	(3,883)	(168,172)
Development costs	(31,115)	(95)	(110)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,237)
Amortization of land use rights	(22,817)	(22,816)	(54,056)
Depreciation and amortization	(460,521)	(472,219)	(359,341)
Land rent to Belle	(3,143)	(3,327)	(3,476)
Share-based compensation	(17,305)	(18,487)	(20,827)
Property charges and other	(31,616)	(5,298)	(38,068)
Net gain on disposal of property and equipment to Belle	–	8,134	–
Corporate and Other expenses	(137,468)	(114,770)	(115,735)
Total operating costs and expenses	(815,157)	(724,401)	(833,569)
OPERATING INCOME	$ 607,612	$ 363,116	$ 98,415

	Year Ended December 31,		
	2017	2016	2015
NON-OPERATING INCOME (EXPENSES)			
Interest income	$ 3,579	$ 5,951	$ 13,900
Interest expenses, net of capitalized interest	(229,582)	(223,567)	(118,330)
Amortization of deferred financing costs	(26,182)	(48,345)	(38,511)
Loan commitment and other finance fees	(6,079)	(7,451)	(7,328)
Foreign exchange gains (losses), net	12,783	7,356	(2,156)
Other income, net	5,282	3,572	2,317
Loss on extinguishment of debt	(49,337)	(17,435)	(481)
Costs associated with debt modification	(2,793)	(8,101)	(7,603)
Total non-operating expenses, net	(292,329)	(288,020)	(158,192)
INCOME (LOSS) BEFORE INCOME TAX	315,283	75,096	(59,777)
INCOME TAX CREDIT (EXPENSE)	10	(8,178)	(1,031)
NET INCOME (LOSS)	315,293	66,918	(60,808)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	31,709	108,988	166,555
NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED	$ 347,002	$ 175,906	$ 105,747

Note

(1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine Parties, land rent to Belle, net gain on disposal of property and equipment to Belle, Corporate and Other expenses, and other non-operating income and expenses. The chief operating decision maker uses Adjusted property EBITDA to measure the operating performance of Mocha Clubs, Altira Macau, City of Dreams, Studio City and City of Dreams Manila and to compare the operating performance of its properties with those of its competitors.

The Group's geographic information for long-lived assets is as follows:

Long-lived Assets

	December 31,		
	2017	2016	2015
Macau	$ 6,389,846	$ 6,330,624	$ 6,355,934
The Philippines	458,242	533,477	691,729
Hong Kong and other foreign countries	12,389	1,493	2,390
Total long-lived assets	$ 6,860,477	$ 6,865,594	$ 7,050,053

24. CHANGE IN SHAREHOLDING OF THE PHILIPPINE SUBSIDIARIES

On November 23, 2015, the Company through MCO (Philippines) Investments Limited (formerly known as MCE (Philippines) Investments Limited) ("MCO Investments"), subscribed for 693,500,000 common shares of MRP at a total consideration of PHP2,704,650,000 (equivalent to $57,681 based on the exchange rate on the transaction date), which increased the Company's shareholding in MRP and the Group recognized a decrease of $7,368 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MRP.

During the year ended December 31, 2016, the Company through MCO Investments, purchased 50,263,000 common shares of MRP at a total consideration of PHP123,307,331 (equivalent to $2,614 based on the exchange rate on the transaction date) from the open market, which increased the Company's shareholding in MRP and the Group recognized a decrease of $761 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MRP.

During the year ended December 31, 2017, 1,040,485 share options under the MRP Share Incentive Plan were exercised, which decreased the Company's shareholding in MRP and the Group recognized an increase of $96 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MRP.

During the years ended December 31, 2017, 2016 and 2015, 2,826,644, 19,541,800 and 38,375,178 restricted shares under the MRP Share Incentive Plan were vested, which decreased the Company's shareholding in MRP and the Group recognized a decrease of $67, $543 and $1,740, respectively, in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MRP.

During the year ended December 31, 2017, the total transfers from noncontrolling interests amounted to $29, and during the years ended December 31, 2016 and 2015, the total transfers to noncontrolling interests amounted to $1,304 and $9,108, respectively, in relation to transactions as described above. The Group retains its controlling financial interests in MRP before and after the above transactions.

The schedule below discloses the effects of changes in the Company's ownership interest in MRP on the Company's equity:

	Year Ended December 31,		
	2017	2016	2015
Net income attributable to Melco Resorts & Entertainment Limited	$ 347,002	$ 175,906	$ 105,747
Transfers (to) from noncontrolling interests:			
Decrease in Melco Resorts & Entertainment Limited additional paid-in capital resulting from purchases of common shares of MRP from the open market	–	(761)	–
Decrease in Melco Resorts & Entertainment Limited additional paid-in capital resulting from subscription of common shares of MRP	–	–	(7,368)
Decrease in Melco Resorts & Entertainment Limited additional paid-in capital resulting from the vesting of restricted shares under the MRP Share Incentive Plan	(67)	(543)	(1,740)
Increase in Melco Resorts & Entertainment Limited additional paid-in capital resulting from the exercise of share options under the MRP Share Incentive Plan	96	–	–
Changes from net income attributable to Melco Resorts & Entertainment Limited's shareholders and transfers from noncontrolling interests	$ 347,031	$ 174,602	$ 96,639

2. The following is the text of the report from Deloitte Touche Tohmatsu in respect of the audited consolidated financial statements of Melco Resorts as of 31 December 2016 and for each of the two years in the period ended December 31, 2016.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Melco Resorts & Entertainment Limited:

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting discussed in Note 2(ab) to the consolidated financial statements, the consolidated balance sheet of Melco Resorts & Entertainment Limited and subsidiaries (the "Company") as of December 31, 2016, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2016 (the 2016 and 2015 financial statements before the effects of the adjustments discussed in Note 2(ab) to the financial statements are not presented herein). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such 2016 and 2015 consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting discussed in Note 2(ab) to the consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2016, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review or apply any procedures to the adjustments to retrospectively apply the change in accounting discussed in Note 2(ab) to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
April 11, 2017

3. The following is the text of the report from Ernst & Young in respect of audited consolidated financial statements of Melco Resorts as of 31 December 2017 and for the year ended 31 December 2017.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Melco Resorts & Entertainment Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Melco Resorts & Entertainment Limited (the Company) as of December 31, 2017, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the year ended December 31, 2017 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also audited the adjustments for the retrospective application of the authoritative guidance on the presentation and classification of restricted cash described in Note 2(a) that were applied to restate the 2016 and 2015 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review or apply any procedures to the 2016 and 2015 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 and 2015 consolidated financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, 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 April 12, 2018 expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Note 2(a) to the consolidated financial statements, the accompanying consolidated statements of cash flows for each of the three years in the period ended December 31, 2017 have been adjusted for the retrospective application of the authoritative guidance on the presentation and classification of restricted cash which was adopted by the Company on January 1, 2018.

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.

Ernst & Young

We have served as the Company's auditor since 2017.

Hong Kong
April 12, 2018
except for Note 2(a), as to which the date is April 24, 2019, related to the effect of the restatement related to the presentation and classification of restricted cash in the consolidated statements of cash flows

4. The following is an extract of the audited consolidated financial statements of Melco Resorts as of 31 December 2018 and for the years ended 31 December 2018, 2017 and 2016 (the "**MRE 2018 financial statements**"), which were prepared in accordance with US GAAP, from the report of Melco Resorts on Form 20-F and the exhibits thereto furnished to the SEC on 29 March 2019.

CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. dollars, except share and per share data)

	December 31,	
	2018	**2017**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,436,558	$ 1,408,211
Investment securities	91,598	89,874
Bank deposits with original maturities over three months	–	9,884
Restricted cash	48,037	45,412
Accounts receivable, net	242,089	176,544
Amounts due from affiliated companies	7,603	2,377
Inventories	40,828	34,988
Prepaid expenses and other current assets	90,749	77,503
Total current assets	1,957,462	1,844,793
PROPERTY AND EQUIPMENT, NET	5,661,653	5,730,760
GAMING SUBCONCESSION, NET	197,533	256,083
INTANGIBLE ASSETS, NET	30,072	4,220
GOODWILL	81,376	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	186,515	189,645
RESTRICTED CASH	129	130
DEFERRED TAX ASSETS	2,992	11
LAND USE RIGHTS, NET	759,651	787,499
TOTAL ASSETS	$ 8,877,383	$ 8,895,056

	December 31, 2018	December 31, 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 24,879	$ 16,041
Accrued expenses and other current liabilities	1,658,550	1,563,585
Income tax payable	4,903	3,179
Capital lease obligations, due within one year	34,659	33,387
Current portion of long-term debt, net	395,547	51,032
Amounts due to affiliated companies	11,469	16,790
Total current liabilities	2,130,007	1,684,014
LONG-TERM DEBT, NET	3,665,370	3,506,530
OTHER LONG-TERM LIABILITIES	28,866	48,087
DEFERRED TAX LIABILITIES	54,063	53,994
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR	253,374	265,896
AMOUNTS DUE TO AFFILIATED COMPANIES	–	919
TOTAL LIABILITIES	$ 6,131,680	$ 5,559,440
COMMITMENTS AND CONTINGENCIES *(Note 21)*		
SHAREHOLDERS' EQUITY		
Ordinary shares, par value $0.01; 7,300,000,000 shares authorized; 1,482,999,434 and 1,478,429,243 shares issued; 1,379,762,263 and 1,469,414,231 shares outstanding, respectively	$ 14,830	$ 14,784
Treasury shares, at cost; 103,237,171 and 9,015,012 shares, respectively	(657,389)	(90)
Additional paid-in capital	3,523,275	3,671,805
Accumulated other comprehensive losses	(49,804)	(26,610)
Accumulated losses	(703,576)	(772,338)
Total Melco Resorts & Entertainment Limited shareholders' equity	2,127,336	2,887,551
Noncontrolling interests	618,367	448,065
Total equity	2,745,703	3,335,616
TOTAL LIABILITIES AND EQUITY	$ 8,877,383	$ 8,895,056

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of U.S. dollars, except share and per share data)

	Year Ended December 31,		
	2018	2017	2016
OPERATING REVENUES			
Casino	$ 4,463,704	$ 4,937,597	$ 4,176,667
Rooms	311,028	271,500	265,289
Food and beverage	204,171	184,979	177,515
Entertainment, retail and other	179,606	203,763	197,011
Gross revenues	5,158,509	5,597,839	4,816,482
Less: promotional allowances	–	(313,016)	(297,086)
Net revenues	5,158,509	5,284,823	4,519,396
OPERATING COSTS AND EXPENSES			
Casino	(2,984,711)	(3,374,013)	(2,904,922)
Rooms	(78,377)	(32,641)	(33,218)
Food and beverage	(161,126)	(57,927)	(65,781)
Entertainment, retail and other	(92,436)	(88,268)	(109,817)
General and administrative	(500,624)	(467,121)	(446,591)
Payments to the Philippine Parties	(60,778)	(51,661)	(34,403)
Pre-opening costs	(37,369)	(2,274)	(3,883)
Development costs	(23,029)	(31,115)	(95)
Amortization of gaming subconcession	(56,809)	(57,237)	(57,237)
Amortization of land use rights	(22,646)	(22,817)	(22,816)
Depreciation and amortization	(484,621)	(460,521)	(472,219)
Property charges and other	(29,147)	(31,616)	(5,298)
Total operating costs and expenses	(4,531,673)	(4,677,211)	(4,156,280)
OPERATING INCOME	626,836	607,612	363,116
NON-OPERATING INCOME (EXPENSES)			
Interest income	5,471	3,579	5,951
Interest expenses, net of capitalized interest	(264,880)	(255,764)	(271,912)
Loan commitment and other finance fees	(4,630)	(6,079)	(7,451)
Foreign exchange (losses) gains, net	(9,612)	12,783	7,356
Other income, net	3,682	5,282	3,572
Loss on extinguishment of debt	(3,461)	(49,337)	(17,435)
Costs associated with debt modification	–	(2,793)	(8,101)
Total non-operating expenses, net	$ (273,430)	$ (292,329)	$ (288,020)

	Year Ended December 31,		
	2018	2017	2016
INCOME BEFORE INCOME TAX	$ 353,406	$ 315,283	$ 75,096
INCOME TAX CREDIT (EXPENSE)	445	10	(8,178)
NET INCOME	353,851	315,293	66,918
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2,336)	31,709	108,988
NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED	$ 351,515	$ 347,002	$ 175,906
NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED PER SHARE:			
Basic	$ 0.242	$ 0.236	$ 0.116
Diluted	$ 0.240	$ 0.235	$ 0.115
WEIGHTED AVERAGE SHARES OUTSTANDING USED IN NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED PER SHARE CALCULATION:			
Basic	1,451,051,051	1,467,653,209	1,516,714,277
Diluted	1,460,909,324	1,479,342,209	1,525,284,272

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2018	**2017**	**2016**
Net income	$ 353,851	$ 315,293	$ 66,918
Other comprehensive (loss) income:			
Foreign currency translation adjustments, before and after tax	(36,373)	(746)	(5,803)
Changes in fair values of interest rate swap agreements, before and after tax	–	–	61
Unrealized losses on investment securities, before and after tax	–	(1,150)	–
Other comprehensive loss	(36,373)	(1,896)	(5,742)
Total comprehensive income	317,478	313,397	61,176
Comprehensive loss attributable to noncontrolling interests	9,693	31,763	111,896
Comprehensive income attributable to Melco Resorts & Entertainment Limited	$ 327,171	$ 345,160	$ 173,072

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands of U.S. dollars, except share and per share data)

	Melco Resorts & Entertainment Limited Shareholders' Equity								
	Ordinary Shares		Treasury Shares		Additional Paid-in	Accumulated Other Comprehensive	Retained Earnings (Accumulated	Noncontrolling	Total
	Shares	Amount	Shares	Amount	Capital	Losses	losses)	Interests	Equity
BALANCE AT JANUARY 1, 2016	1,630,924,523	$ 16,309	(12,935,230)	$ (275)	$ 3,075,459	$ (21,934)	$ 1,270,074	$ 592,226	$ 4,931,859
Net income for the year	–	–	–	–	–	–	175,906	(108,988)	66,918
Foreign currency translation adjustment	–	–	–	–	–	(2,871)	–	(2,932)	(5,803)
Changes in fair values of interest rate swap agreements	–	–	–	–	–	37	–	24	61
Share-based compensation	–	–	–	–	17,900	–	–	579	18,479
Transfer of shares purchased under trust arrangement for restricted shares vested	–	–	18,213	146	(146)	–	–	–	–
Retirement of repurchased shares	(155,000,000)	(1,550)	–	–	(203,496)	–	(598,125)	–	(803,171)
Issuance of shares for restricted shares vested	–	–	303,318	3	(3)	–	–	–	–
Exercise of share options	–	–	1,789,929	18	3,236	–	–	–	3,254
Transfer of property and equipment between subsidiaries	–	–	–	–	55	–	–	(55)	–
Changes in shareholdings of the Philippine subsidiaries	–	–	–	–	(1,304)	–	–	(1,310)	(2,614)
Dividends declared ($0.2408 per share)	–	–	–	–	(108,639)	–	(276,930)	–	(385,569)
BALANCE AT DECEMBER 31, 2016	1,475,924,523	14,759	(10,823,770)	(108)	2,783,062	(24,768)	570,925	479,544	3,823,414
Net income for the year	–	–	–	–	–	–	347,002	(31,709)	315,293
Foreign currency translation adjustment	–	–	–	–	–	(692)	–	(54)	(746)
Unrealized losses on investment securities	–	–	–	–	–	(1,150)	–	–	(1,150)
Share-based compensation	–	–	–	–	17,164	–	–	141	17,305
Shares issued	165,303,543	1,653	–	–	1,161,533	–	–	–	1,163,186
Retirement of repurchased shares	(165,303,544)	(1,653)	–	–	(204,533)	–	(957,000)	–	(1,163,186)
Shares issued for future vesting of restricted shares and exercise of share options	2,504,721	25	(2,504,721)	(25)	–	–	–	–	–
Issuance of shares for restricted shares vested	–	–	950,320	9	(9)	–	–	–	–
Exercise of share options	–	–	3,363,159	34	2,622	–	–	–	2,656
Changes in shareholdings of the Philippine subsidiaries	–	–	–	–	29	–	–	143	172
Dividends declared ($0.5604 per share)	–	–	–	–	(88,063)	–	(733,265)	–	(821,328)
BALANCE AT DECEMBER 31, 2017	1,478,429,243	14,784	(9,015,012)	(90)	3,671,805	(26,610)	(772,338)	448,065	3,335,616
Cumulative-effect adjustment upon adoption of new standard on equity investments (as disclosed in Note 2(ab))	–	–	–	–	–	1,150	(1,150)	–	–
Cumulative-effect adjustment upon adoption of New Revenue Standard (as disclosed in Note 2(ab))	–	–	–	–	–	–	(11,286)	(1,684)	(12,970)
Net income for the year	–	–	–	–	–	–	351,515	2,336	353,851
Foreign currency translation adjustment	–	–	–	–	–	(24,344)	–	(12,029)	(36,373)
Share-based compensation	–	–	–	–	24,830	–	–	(55)	24,775
Reclassification of share-based compensation plan from equity-settled to cash-settled	–	–	–	–	(505)	–	–	–	(505)
Shares repurchased by the Company	–	–	(96,571,065)	(657,322)	–	–	–	–	(657,322)
Shares issued for future vesting of restricted shares and exercise of share options	4,570,191	46	(4,570,191)	(46)	–	–	–	–	–
Issuance of shares for restricted shares vested	–	–	2,115,809	21	(58)	–	–	–	(37)
Exercise of share options	–	–	4,803,288	48	1,834	–	–	–	1,882
Changes in shareholdings of the Philippine subsidiaries	–	–	–	–	(141,572)	–	–	(57,695)	(199,267)
Changes in shareholdings of Studio City International	–	–	–	–	(31,845)	–	–	239,429	207,584
Dividends declared ($0.1867 per share)	–	–	–	–	(1,214)	–	(270,317)	–	(271,531)
BALANCE AT DECEMBER 31, 2018	1,482,999,434	$ 14,830	(103,237,171)	$ (657,389)	$ 3,523,275	$ (49,804)	$ (703,576)	$ 618,367	$ 2,745,703

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Year Ended December 31, 2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 353,851	$ 315,293	$ 66,918
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	564,076	540,575	552,272
Amortization of deferred financing costs and original issue premiums	22,311	26,022	48,345
Interest accretion on capital lease obligations	5,161	6,878	9,449
Net loss (gain) on disposal of property and equipment	1,518	5,409	(8,509)
Impairment loss recognized on property and equipment	–	23,197	3,245
(Credit) provision for doubtful debts	(2,637)	(2,028)	67,838
Provision for input value-added tax	4,095	2,813	5,459
Loss on extinguishment of debt	3,461	49,337	17,435
Costs associated with debt modification	–	2,793	8,101
Share-based compensation	25,143	17,305	18,487
Unrealized losses on investment securities	111	–	–
Changes in operating assets and liabilities:			
Accounts receivable	(60,475)	54,903	(18,339)
Inventories and prepaid expenses and other	(27,847)	(2,076)	(6,006)
Long-term prepayments, deposits and other assets	14,866	(49,370)	(22,087)
Accounts payable and accrued expenses and other	161,542	181,661	448,339
Other long-term liabilities	(8,478)	(10,212)	(32,808)
Net cash provided by operating activities	$ 1,056,698	$ 1,162,500	$ 1,158,139

	Year Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property and equipment	$ (275,980)	$ (157,075)	$ (131,592)
Payments for capitalized construction costs	(233,488)	(329,275)	(368,616)
Deposits for acquisition of property and equipment	(77,546)	(16,405)	(4,212)
Payments for investment securities	(45,048)	(91,024)	–
Payment for internal-use software costs	(26,552)	–	–
Placement of bank deposits with original maturities over three months	(24,823)	(62,591)	(260,197)
Payments for entertainment production costs and security deposit	(1,542)	–	(33)
Proceeds from sale of property and equipment	595	932	28,906
Withdrawals of bank deposits with original maturities over three months	34,675	263,547	774,093
Proceeds from sale of investment securities	40,013	–	–
Advance payments for construction costs	–	(12,234)	(31,586)
Insurance proceeds received for damaged property and equipment	–	108	–
Payments for land use rights	–	–	(3,788)
Net cash (used in) provided by investing activities	$ (609,696)	$ (404,017)	$ 2,975
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares	$ (655,652)	$ –	$ (803,171)
Principal payments on long-term debt	(592,573)	(896,276)	(124,286)
Dividends paid	(271,531)	(821,328)	(385,569)
Purchase of shares of a subsidiary	(199,267)	–	(2,614)
Principal payments on capital lease obligations	(107)	(120)	(47)
Proceeds from exercise of share options	5,018	3,610	3,254
Net proceeds from issuance of shares of a subsidiary	213,527	–	–
Proceeds from long-term debt	1,095,714	702,625	–
Payments of deferred financing costs	–	(34,552)	(27,284)
Net cash used in financing activities	(404,871)	(1,046,041)	(1,339,717)
EFFECT OF FOREIGN EXCHANGE ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(11,160)	(281)	(7,949)

	Year Ended December 31,		
	2018	2017	2016
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	$ 30,971	$ (287,839)	$ (186,552)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	1,453,753	1,741,592	1,928,144
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 1,484,724	$ 1,453,753	$ 1,741,592
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS			
Cash paid for interest, net of amounts capitalized	$ (239,338)	$ (239,780)	$ (209,697)
Cash paid for income taxes, net of refunds	(275)	(6,537)	(3,414)
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Change in accrued expenses and other current liabilities and other long-term liabilities related to property and equipment	50,509	34,147	48,801
Change in accrued expenses and other current liabilities and other long-term liabilities related to construction costs	5,449	62,714	27,794
Change in amounts due to affiliated companies related to construction costs	3,339	10,847	–
Offering expenses capitalized for the issuance of shares of a subsidiary included in accrued expenses and other current liabilities	5,943	–	–
Repurchase of shares included in accrued expenses and other current liabilities	1,670	–	–
Deferred financing costs included in accrued expenses and other current liabilities	–	26	3,180
Consideration on sale of property and equipment offset by escrow funds refundable to the Philippine Parties	–	–	24,644

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

	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 1,436,558	$ 1,408,211
Current portion of restricted cash	48,037	45,412
Non-current portion of restricted cash	129	130
Total cash, cash equivalents and restricted cash	$ 1,484,724	$ 1,453,753

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except share and per share data)

1. COMPANY INFORMATION

Melco Resorts & Entertainment Limited (the "Company") was incorporated in the Cayman Islands, with its American depositary shares ("ADS") listed on the NASDAQ Global Select Market under the symbol "MLCO" in the United States of America.

The Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia. The Group currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Grand Dragon Casino (formerly known as Taipa Square Casino), a casino located at Taipa, Macau. The Group's business also includes the Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. The Company, through its subsidiaries, including Studio City International Holdings Limited ("Studio City International"), which completed its initial public offering with its ADS listed on the New York Stock Exchange in October 2018, also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, a majority-owned subsidiary of the Company operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila.

As of December 31, 2018 and 2017, Melco International Development Limited ("Melco International"), a company listed in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), is the single largest shareholder of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP").

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation.

Effective January 1, 2018, the Group adopted the accounting standards update on the classification and presentation of restricted cash in the statement of cash flows, using the retrospective method, and the updated classification and presentation are reflected for the years presented in the consolidated statements of cash flows. Details of the adoption of this guidance are disclosed in Note 2(ab).

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. These estimates and judgments are based on historical information, information that is currently available to the Group and on various other assumptions that the Group believes to be reasonable under the circumstances. Accordingly, actual results could differ from those estimates.

(c) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The Group estimated the fair values using appropriate valuation methodologies and market information available as of the balance sheet date.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less.

Cash equivalents are placed with financial institutions with high-credit ratings and quality.

(e) Investment Securities

Investment securities consist of investments in mutual funds that mainly invest in bonds and fixed interest securities. The investment securities are considered as marketable equity securities. Management determines the appropriate classification of its investment securities at the time of purchase and reevaluates the classifications at each balance sheet date. Investment securities are classified as either short-term or long-term based on the nature of each security and its availability for use in current operations. As disclosed in Note 2(ab), with effect from January 1, 2018, investment securities are measured at fair value with changes in fair values recognized through net income in the consolidated statements of operations.

(f) Restricted Cash

The current portion of restricted cash represents cash deposited into bank accounts which are restricted as to withdrawal and use and the Group expects these funds will be released or utilized in accordance with the terms of the respective agreements within the next twelve months, while the non-current portion of restricted cash represents funds that will not be released or utilized within the next twelve months. Restricted cash mainly consists of i) bank accounts that are restricted for withdrawals and for payment of project costs or debt servicing associated with borrowings under the respective senior notes and credit facilities; and (ii) collateral bank accounts associated with borrowings under the credit facilities.

(g) Accounts Receivable and Credit Risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of casino receivables. The Group issues credit in the form of markers to approved casino customers following investigations of creditworthiness. Credit is also given to its gaming promoters in Macau and the Philippines, which receivables can be offset against commissions payable and any other value items held by the Group to the respective customers and for which the Group intends to set off when required. As of December 31, 2018 and 2017, a substantial portion of the Group's markers were due from customers and gaming promoters residing in foreign countries. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries.

Accounts receivable, including casino, hotel and other receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems it is probable the receivables are uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful debts is maintained to reduce the Group's receivables to their carrying amounts, which approximate fair values. The allowance is estimated based on specific reviews of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions. Management believes that as of December 31, 2018 and 2017, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

(h) Inventories

Inventories consist of retail merchandise, food and beverage items and certain operating supplies, which are stated at the lower of cost or net realizable value. Cost is calculated using the first-in, first-out, weighted average and specific identification methods.

(i) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization, and impairment losses, if any. Gains or losses on dispositions of property and equipment are included in the consolidated statements of operations. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

During the construction and development stage of the Group's casino gaming and entertainment casino resort facilities, direct and incremental costs related to the design and construction, including costs under the construction contracts, duties and tariffs, equipment installation, shipping costs, payroll and payroll-benefit related costs, applicable portions of interest and amortization of deferred financing costs, are capitalized in property and equipment. The capitalization of such costs begins when the construction and development of a project starts and ceases once the construction is substantially completed or development activity is suspended for more than a brief period.

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

Property and equipment are depreciated and amortized over the following estimated useful lives on a straight-line basis:

Freehold land	Not depreciated
Buildings	4 to 40 years
Transportation	5 to 10 years
Leasehold improvements	3 to 10 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	2 to 15 years
Plant and gaming machinery	3 to 5 years

(j) Capitalized Interest

Interest, including amortization of deferred financing costs, associated with major development and construction projects is capitalized and included in the cost of the projects. The capitalization of interest ceases when the project is substantially completed or the development activity is suspended for more than a brief period. The amount to be capitalized is determined by applying the weighted average interest rate of the Group's outstanding borrowings to the average amount of accumulated qualifying capital expenditures for assets under construction during the year. Total interest expenses incurred amounted to $285,947, $293,247 and $300,945, of which $21,067, $37,483 and $29,033 were capitalized during the years ended December 31, 2018, 2017 and 2016, respectively.

(k) Gaming Subconcession

The deemed cost of the gaming subconcession in Macau is capitalized based on the fair value of the gaming subconcession agreement as of the date of acquisition of Melco Resorts (Macau) Limited ("Melco Resorts Macau"), a subsidiary of the Company and the holder of the gaming subconcession in Macau, in 2006, and amortized over the term of agreement which is due to expire in June 2022 on a straight-line basis.

(l) Internal-Use Software

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful lives of the software of 15 years on a straight-line basis. The capitalization of such costs begins during the application development stage of the software project and ceases once the software project is substantially complete and ready for its intended use. Costs of specified upgrades and enhancements to the internal-use software are capitalized, while costs associated with preliminary project stage activities, training, maintenance and all other post-implementation stage activities are expensed as incurred.

(m) Goodwill and Intangible Assets

Goodwill represents the excess of the acquisition cost over the fair value of tangible and identifiable intangible net assets of any business acquired. Goodwill is not amortized, but is tested for impairment at the reporting unit level on an annual basis, and between annual tests when circumstances indicate that the carrying value of goodwill may not be recoverable.

Intangible assets other than goodwill are amortized over their useful lives unless their lives are determined to be indefinite in which case they are not amortized. Intangible assets are carried at cost, less accumulated amortization. The Group's finite-lived intangible assets consist of the gaming subconcession and internal-use software. Finite-lived intangible assets are amortized over the shorter of their contractual terms or estimated useful lives. The Group's intangible assets with indefinite lives represent Mocha Clubs trademarks, which are tested for impairment on an annual basis or when circumstances indicate the carrying value of the intangible assets may not be recoverable.

When performing the impairment analysis for goodwill and intangible assets with indefinite lives, the Group may first perform a qualitative assessment to determine whether it is more likely than not that the asset is impaired. If it is determined that it is more likely than not that the asset is impaired after assessing the qualitative factors, the Group then performs a quantitative impairment test that consists of a comparison of the implied fair value of goodwill and the fair values of the intangible assets with indefinite lives with their carrying amounts. An impairment loss is recognized in an amount equal to the excess of the carrying amount over the implied fair value for goodwill or the excess of the carrying amounts over the fair values of the intangible assets with indefinite lives.

For the years ended December 31, 2018 and 2017, the Group performed qualitative assessments for goodwill and trademarks and determined that it was not more likely than not that goodwill and trademarks were impaired. The assessments included the evaluation of qualitative factors including, but not limited to, the results of the most recent quantitative impairment tests, operating results and projected operating results, and macro-economic and industry conditions.

For the year ended December 31, 2016, the detailed quantitative impairment tests were performed and computed the fair value of the reporting unit was in excess of the carrying amount and fair values of the trademarks were in excess of their carrying amounts. For the quantitative impairment test of goodwill, the Group estimated the fair value of the reporting unit with the income and market valuation approaches through the application of capitalized earnings and discounted cash flow methods, which based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, discount rates, long-term growth rates and market comparables. For the quantitative impairment test of the trademarks of Mocha Clubs, the Group estimated the fair values of the trademarks using the relief-from-royalty method, which based on a number of estimates and assumptions, including the incremental after-tax cash flows representing the royalties that the Group was relieved from paying given it is the owner of the trademarks, the projected future revenues of the trademarks, royalty rates, discount rates and long-term growth rates.

As a result of these assessments, no impairment losses have been recognized during the years ended December 31, 2018, 2017 and 2016.

(n) Impairment of Long-lived Assets (Other Than Goodwill)

The Group evaluates the long-lived assets with finite lives to be held and used for impairment whenever indicators of impairment exist. The Group then compares the estimated future cash flows of the assets, on an undiscounted basis, to the carrying values of the assets. If the undiscounted cash flows exceed the carrying values, no impairments are indicated. If the undiscounted cash flows do not exceed the carrying values, then an impairment charge is recorded based on the fair values of the assets, typically measured using a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs.

During the years ended December 31, 2018, 2017 and 2016, impairment losses of nil, $23,197 and $3,245 were recognized, mainly due to reconfigurations and renovations at the Group's operating properties, and included in the consolidated statements of operations.

(o) Deferred Financing Costs

Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are capitalized and amortized to interest expenses over the terms of the related debt agreements using the effective interest method. Deferred financing costs incurred in connection with the issuance of revolving credit facilities are included in long-term prepayments, deposits and other assets in the consolidated balance sheets. All other deferred financing costs are presented as a reduction of long-term debt in the consolidated balance sheets.

(p) Land Use Rights

Land use rights are recorded at cost less accumulated amortization. Amortization is provided over the estimated term of the land use rights of 40 years on a straight-line basis.

(q) Revenue Recognition

On January 1, 2018, the Group adopted the Accounting Standards Codification 606, *Revenue from Contracts with Customers*, using the modified retrospective method. The Group's revenues from contracts with customers consist of casino wagers, sales of rooms, food and beverage, entertainment, retail and other goods and services.

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

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

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

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

The Group follows the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for operations of certain hotels and Grand Dragon Casino and concluded that it is controlling entity and is the principal to these arrangements. For the operations of certain hotels, the Group is the owner of the hotel properties, and the hotel managers operate the hotels under certain management agreements providing management services to the Group, and the Group receives all rewards and takes substantial risks associated with the hotels' business; it is the principal and the transactions are, therefore, recognized on a gross basis. For the operations of Grand Dragon Casino, given the Group operates the casino under a right to use agreement with the owner of the casino premises and has full responsibility for the casino operations in accordance with its gaming subconcession, it is the principal and casino revenue is, therefore, recognized on a gross basis.

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

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

Contract and Contract-Related Liabilities

In providing goods and services to its customers, there may be a timing difference between cash receipts from customers and recognition of revenues, resulting in a contract or contract-related liability.

The Group primarily has three types of liabilities related to contracts with customers: (1) outstanding gaming chips and tokens, which represent the amounts owed in exchange for gaming chips held by a customer, (2) loyalty program liabilities, which represent the deferred allocation of revenues relating to incentive earned from the Loyalty Programs, and (3) advance customer deposits and ticket sales, which represent casino front money deposits that are funds deposited by customers before gaming play occurs and advance payments on goods and services yet to be provided such as advance ticket sales and deposits on rooms and convention space. These liabilities are generally expected to be recognized as revenues within one year of being purchased, earned, or deposited and are recorded as accrued expenses and other current liabilities on the consolidated balance sheets. Decreases in these balances generally represent the recognition of revenues and increases in the balances represent additional chips and tokens held by customers, increases in unredeemed incentives relating to the Loyalty Programs and additional deposits made by customers.

The following table summarizes the activities related to contract and contract-related liabilities:

	December 31, 2018	**January 1, 2018**	**Increase/ (decrease)**
Outstanding gaming chips and tokens	$ 638,629	$ 464,613	$ 174,016
Loyalty program liabilities	46,625	42,929	3,696
Advance customer deposits and ticket sales	386,869	423,603	(36,734)
	$ 1,072,123	$ 931,145	$ 140,978

The major changes from the previous basis, as a result of the adoption of the new revenue standard are summarized in Note 2(ab).

(r) Gaming Taxes and License Fees

The Group is subject to taxes and license fees based on gross gaming revenue and other metrics in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. The gaming taxes and the majority of the license fees are determined from an assessment of the Group's gaming revenue and are recognized as casino expense in the accompanying consolidated statements of operations. These taxes and license fees totaled $2,364,142, $2,222,498 and $1,826,061 for the years ended December 31, 2018, 2017 and 2016, respectively.

(s) Pre-opening Costs

Pre-opening costs represent personnel, marketing and other costs incurred prior to the opening of new or start-up operations and are expensed as incurred. During the years ended December 31, 2018, 2017 and 2016, the Group incurred pre-opening costs primarily in connection with the development of further expansions to City of Dreams and Studio City. The Group also incurs pre-opening costs on other one-off activities related to the marketing of new facilities and operations.

(t) Development Costs

Development costs include the costs associated with the Group's evaluation and pursuit of new business opportunities, which are expensed as incurred.

(u) Advertising and Promotional Costs

The Group expenses advertising and promotional costs the first time the advertising takes place or as incurred. Advertising and promotional costs included in the accompanying consolidated statements of operations were $110,905, $87,773 and $83,068 for the years ended December 31, 2018, 2017 and 2016, respectively.

(v) Foreign Currency Transactions and Translations

All transactions in currencies other than functional currencies of the Company and its subsidiaries during the year are remeasured at the exchange rates prevailing on the respective transaction dates. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than functional currencies are remeasured at the exchange rates existing on that date. Exchange differences are recorded in the consolidated statements of operations.

The functional currencies of the Company and its major subsidiaries are the United States dollar ("$" or "US$"), the Hong Kong dollar ("HK$"), the Macau Pataca ("MOP") or the Philippine Peso ("PHP"), respectively. All assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date and all income and expense items are translated at the average rates of exchange over the year. All exchange differences arising from the translation of subsidiaries' financial statements are recorded as a component of comprehensive income (loss).

(w) Share-based Compensation Expenses

The Group measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award and recognizes that cost over the service period. Compensation is attributed to the periods of associated service and such expense is recognized over the vesting period of the awards on a straight-line basis. Forfeitures are recognized when they occur.

Further information on the Group's share-based compensation arrangements is included in Note 16.

(x) Income Tax

The Group is subject to income taxes in Hong Kong, Macau, the Philippines and other jurisdictions where it operates.

Deferred income taxes are recognized for all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

The Group's income tax returns are subject to examination by tax authorities in the jurisdictions where it operates. The Group assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes. These accounting standards utilize a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be, based on the technical merits of position, sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely, based on cumulative probability.

(y) Net Income Attributable to Melco Resorts & Entertainment Limited Per Share

Basic net income attributable to Melco Resorts & Entertainment Limited per share is calculated by dividing the net income attributable to Melco Resorts & Entertainment Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted net income attributable to Melco Resorts & Entertainment Limited per share is calculated by dividing the net income attributable to Melco Resorts & Entertainment Limited by the weighted average number of ordinary shares outstanding during the year adjusted to include the potentially dilutive effect of outstanding share-based awards.

The weighted average number of ordinary and ordinary equivalent shares used in the calculation of basic and diluted net income attributable to Melco Resorts & Entertainment Limited per share consisted of the following:

	Year Ended December 31,		
	2018	**2017**	**2016**
Weighted average number of ordinary shares outstanding used in the calculation of basic net income attributable to Melco Resorts & Entertainment Limited per share	1,451,051,051	1,467,653,209	1,516,714,277
Incremental weighted average number of ordinary shares from assumed vesting of restricted shares and exercise of share options using the treasury stock method	9,858,273	11,689,000	8,569,995
Weighted average number of ordinary shares outstanding used in the calculation of diluted net income attributable to Melco Resorts & Entertainment Limited per share	1,460,909,324	1,479,342,209	1,525,284,272
Anti-dilutive share options and restricted shares excluded from the calculation of diluted net income attributable to Melco Resorts & Entertainment Limited per share	7,200,837	6,624,345	9,500,248

(z) Accounting for Derivative Instruments and Hedging Activities

The Group uses derivative financial instruments such as floating-for-fixed interest rate swap agreements to manage its risks associated with interest rate fluctuations in accordance with lenders' requirements under the Studio City Borrower's prior senior secured credit facilities agreement. All derivative instruments are recognized in the consolidated financial statements at fair value at the balance sheet date. Any changes in fair value are recorded in the consolidated statements of operations or comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair values of interest rate swap agreements are based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields. All outstanding interest rate swap agreements expired during the year ended December 31, 2016.

(aa) Comprehensive Income and Accumulated Other Comprehensive Losses

Comprehensive income includes net income, foreign currency translation adjustments, changes in fair values of interest rate swap agreements and unrealized losses on investment securities and is reported in the consolidated statements of comprehensive income.

As of December 31, 2018 and 2017, the Group's accumulated other comprehensive losses consisted of the following components, net of tax and noncontrolling interests:

	December 31,	
	2018	**2017**
Foreign currency translation adjustments	$ 49,804	$ 25,460
Unrealized losses on investment securities	–	1,150
	$ 49,804	$ 26,610

(ab) Recent Changes in Accounting Standards

Newly Adopted Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update (as subsequently amended) which outlined a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and superseded most current revenue recognition guidance, including industry-specific guidance ("New Revenue Standard"). The core principle of this new revenue recognition model is that an entity should recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. This update also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows arising from an entity's contracts with customers.

On January 1, 2018, the Group adopted the New Revenue Standard using the modified retrospective method applying to those contracts not yet completed as of January 1, 2018. The Group recognized the cumulative effect of adopting the New Revenue Standard as an adjustment to the opening balance of accumulated losses. Amounts for the periods beginning on or after January 1, 2018 are presented under the New Revenue Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. The major changes as a result of the adoption of the New Revenue Standard are as follows:

(1) The New Revenue Standard changed the presentation of, and accounting for, goods and services furnished to guests without charge that were previously included in gross revenues and deducted as promotional allowances in the accompanying consolidated statements of operations. Under the New Revenue Standard, the promotional allowances line item was eliminated with the amounts being netted against casino revenues in primarily all cases and are measured based on standalone selling prices. Additionally, the estimated cost of providing the promotional allowances is no longer included in casino expenses but, instead is included in the respective operating departments expense categories.

(2) A portion of commissions paid or payable to gaming promoters, representing the estimated incentives that were returned to customers, was previously reported as reductions in casino revenue, with the balance of commissions expense reflected as a casino expense. Under the New Revenue Standard, all commissions paid or payable to gaming promoters are reflected as reductions in casino revenue.

(3) The estimated liability for unredeemed non-discretionary incentives under the Loyalty Programs were previously accrued based on the estimated costs of providing such benefits and expected redemption rates. Under the New Revenue Standard, non-discretionary incentives represent a separate performance obligation and the resulting liabilities are recorded using the standalone selling prices of such benefits less estimated breakage and are offset against casino revenue. When the benefits are redeemed, revenues are measured on the same basis and recognized in the resulting category of the goods or services provided. At the adoption date on January 1, 2018, the Group recognized an increase to the opening balance of accumulated losses and noncontrolling interests of $11,286 and $1,684, respectively, with a corresponding increase in accrued expenses and other current liabilities.

The amounts of affected financial statement line items for the current period before and after the adoption of the New Revenue Standard are as follows:

	Year Ended December 31, 2018		
	Balances under New Revenue Standard (As reported)	Balances under previous basis	Effect of change higher/ (lower)
Statement of Operations			
Operating Revenues			
Casino	$ 4,463,704	$ 5,217,101	$ (753,397)
Rooms	311,028	313,121	(2,093)
Food and beverage	204,171	205,877	(1,706)
Entertainment, retail and other	179,606	178,400	1,206
Promotional allowances	–	354,930	(354,930)
Operating costs and expenses			
Casino	$ 2,984,711	$ 3,526,215	$ (541,504)
Rooms	78,377	41,613	36,764
Food and beverage	161,126	64,389	96,737
Entertainment, retail and other	92,436	87,364	5,072
General and administrative	500,624	498,632	1,992
Net income	353,851	353,972	(121)

	Year Ended December 31, 2018		
	Balances under New Revenue Standard (As reported)	Balances under previous basis	Effect of change higher/ (lower)
Net income attributable to noncontrolling interests	$ 2,336	$ 2,375	$ (39)
Net income attributable to Melco Resorts & Entertainment Limited	351,515	351,597	(82)
Basic net income attributable to Melco Resorts & Entertainment Limited per share	0.242	0.242	–
Diluted net income attributable to Melco Resorts & Entertainment Limited per share	0.240	0.241	(0.001)
Balance Sheet			
Current Liabilities			
Accrued expenses and other current liabilities	1,658,550	1,645,459	13,091
Shareholders' Equity			
Accumulated losses	$ 703,576	$ 692,208	$ 11,368
Noncontrolling interests	618,367	620,090	(1,723)

In August 2016, the FASB issued an accounting standards update which amended the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance was effective as of January 1, 2018 and the Group adopted this new guidance on a retrospective basis. The adoption of this guidance did not have a material impact on the Group's consolidated financial statements.

In January 2016, the FASB issued an accounting standards update which amended certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This guidance requires equity investments to be measured at fair value with changes in fair values recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). This guidance also eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair values that are required to be disclosed for financial instruments measured at amortized cost on the balance sheet. Further, the guidance requires separate presentation of financial assets and financial liabilities grouped by measurement category and form of financial asset on the balance sheet or in notes to the financial statements. On January 1, 2018, the Group adopted this new guidance using a modified retrospective method, with certain exceptions as specified in the guidance and reclassified the unrealized losses of $1,150 on investment securities which were previously accounted for as available-for-sale investments, from accumulated other comprehensive losses to the opening balance of accumulated losses. The adoption of this guidance primarily increased the volatility of the Group's other income (expense), net as a result of the remeasurement of marketable equity securities at fair values.

In November 2016, the FASB issued an accounting standards update which amended and clarified the guidance on the classification and presentation of restricted cash in the statement of cash flows. The guidance required that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. Accordingly, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance was effective as of January 1, 2018 and the Group adopted this new guidance on a retrospective basis. The adoption of this guidance impacted the presentation and classification of restricted cash in the Group's consolidated statements of cash flows. For the years ended December 31, 2017 and 2016, substantially all of the changes in restricted cash of $6,260 and $277,836, respectively, were previously reported within net cash (used in) provided by investing activities in the consolidated statements of cash flows.

Recent Accounting Pronouncements Not Yet Adopted:

In February 2016, the FASB issued an accounting standards update on leases, which amends various aspects of existing accounting guidance for leases. The guidance requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. The guidance is effective for interim and fiscal years beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB issued an accounting standards update which provides entities with an additional transition method to adopt the new leases standard. The amendments also provide lessors with a practical expedient to not separate non-lease components from the associated lease components if certain conditions are met. The Group has adopted this guidance using the modified retrospective method, recognizing the cumulative effect of initially applying the guidance at the date of initial application on January 1, 2019. The Group has elected the package of practical expedients, which allows the Group not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any existing leases as of the adoption date. While the Group is currently assessing the quantitative impact the guidance will have on its consolidated financial statements and related disclosures, the Group expects the most significant changes will be related to the recognition of right-of-use assets and lease liabilities for operating leases on the Group's consolidated balance sheet, with no material impact to net income or cash flows.

In January 2017, the FASB issued an accounting standards update which eliminates step two from the goodwill impairment test and instead requires an entity to recognize an impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value, limited to the total amount of goodwill allocated to that reporting unit. This guidance is effective for interim and fiscal years beginning after December 15, 2019, with early adoption permitted. The guidance should be applied prospectively. Management is currently assessing the potential impact of adopting this guidance on the Group's consolidated financial statements. The adoption of this guidance would only impact the Group's consolidated financial statements in situations where an impairment of a reporting unit's assets is determined and the measurement of the impairment charge.

In August 2018, the FASB issued an accounting standards update which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this new guidance. This guidance is effective for interim and fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Group's consolidated financial statements.

3. INVESTMENT SECURITIES

Investment securities solely represent investments in marketable equity securities. The components of (losses) gains on marketable equity securities were as follows:

	Year Ended December 31, 2018
Net losses recognized on marketable equity securities	$ (111)
Less: Net losses recognized on marketable equity securities sold during the year	1,345
Unrealized gains recognized on marketable equity securities still held at the reporting date	$ 1,234

4. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable, net are as follows:

	December 31, 2018	December 31, 2017
Casino	$ 433,565	$ 375,689
Hotel	5,714	4,934
Other	5,847	6,918
Sub-total	445,126	387,541
Less: allowances for doubtful debts	(203,037)	(210,997)
	$ 242,089	$ 176,544

Movement in the allowances for doubtful debts were as follows:

	Year Ended December 31, 2018	2017	2016
At beginning of year	$ 210,997	$ 265,931	$ 210,757
(Credit) additional provision	(2,479)	(4,178)	67,791
Write-offs, net of recoveries	(2,115)	(57,696)	(3,044)
Reclassified (to) from long-term receivables, net	(2,062)	6,940	(9,573)
Exchange adjustments	(1,304)	–	–
At end of year	$ 203,037	$ 210,997	$ 265,931

5. PROPERTY AND EQUIPMENT, NET

	December 31,	
	2018	2017
Cost		
Buildings	$ 6,244,348	$ 5,178,450
Furniture, fixtures and equipment	993,672	905,319
Leasehold improvements	939,602	829,706
Plant and gaming machinery	218,739	207,314
Transportation	101,800	97,132
Construction in progress	40,225	1,030,203
Freehold land	24,061	–
Sub-total	8,562,447	8,248,124
Less: accumulated depreciation and amortization	(2,900,794)	(2,517,364)
Property and equipment, net	$ 5,661,653	$ 5,730,760

As of December 31, 2018 and 2017, construction in progress in relation to City of Dreams and Studio City included interest capitalized in accordance with applicable accounting standards and other direct incidental costs capitalized which, in the aggregate, amounted to $5,312 and $135,200, respectively.

The cost and accumulated depreciation and amortization of property and equipment held under capital lease arrangements were $224,752 and $49,288 as of December 31, 2018 and $237,335 and $39,214 as of December 31, 2017, respectively. Further information of the lease arrangements is included in Note 12.

6. GAMING SUBCONCESSION, NET

	December 31,	
	2018	2017
Deemed cost	$ 894,079	$ 900,000
Less: accumulated amortization	(696,546)	(643,917)
Gaming subconcession, net	$ 197,533	$ 256,083

The Group expects that amortization of the gaming subconcession will be approximately $56,861 each year from 2019 through 2021, and approximately $26,950 in 2022.

7. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill is related to Mocha Clubs, a reporting unit. As of December 31, 2017, other intangible assets with indefinite useful lives are related to trademarks of Mocha Clubs. As of December 31, 2018, intangible assets comprised the carrying amounts of trademarks of Mocha Clubs of $4,193 and internal-use software, a finite-lived intangible asset, of $25,879. Goodwill and trademarks arose from the acquisition of Mocha Slot Group Limited and its subsidiaries by the Group in 2006. The changes in carrying amounts of goodwill and trademarks represented the exchange differences arising from foreign currency translation at the balance sheet date.

As of December 31, 2018, the costs and the accumulated amortization of internal-use software amounted to $26,576 and $697, respectively. The amortization expense of internal-use software recognized for the year ended December 31, 2018 was $697. The Group expects the amortization of the internal-use software will be approximately $1,692 in 2019 and $1,792 each year from 2020 through 2023 and $17,019 thereafter.

8. LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS

Long-term prepayments, deposits and other assets consisted of the following:

	December 31,	
	2018	**2017**
Entertainment production costs	$ 76,379	$ 76,884
Less: accumulated amortization	(65,027)	(58,601)
Entertainment production costs, net	11,352	18,283
Deposits for acquisition of property and equipment	51,580	13,089
Deferred rent assets	46,864	54,467
Other long-term prepayments and other assets	30,391	44,938
Input value-added tax, net	20,097	21,005
Other deposits	14,896	14,775
Deferred financing costs, net	11,330	19,364
Long-term receivables, net	5	3,724
Long-term prepayments, deposits and other assets	$ 186,515	$ 189,645

Entertainment production costs represent amounts incurred and capitalized for entertainment shows in City of Dreams. The Group amortized the entertainment production costs over 10 years or the respective estimated useful live of the entertainment show, whichever is shorter.

Input value-added tax, net represents the value-added tax recoverable from the tax authority in the Philippines mainly connected with the purchase of assets or services for City of Dreams Manila. During the years ended December 31, 2018, 2017 and 2016, provisions for input value-added tax expected to be non-recoverable amounting to $4,095, $2,813 and $5,459, respectively, were recognized in the consolidated statements of operations.

Long-term receivables, net represent casino receivables from casino customers where settlements are not expected within the next year. During the year ended December 31, 2018, net amount of long-term receivables of $1,633 was reclassified to current; and net amount of allowances for doubtful debts of $2,062 was reclassified from current to non-current. During the year ended December 31, 2017, net amount of long-term receivables of $8,771 and net amount of allowances for doubtful debts of $6,940, were reclassified to current. During the year ended December 31, 2016, net amount of current accounts receivable of $6,128 and net amount of allowances for doubtful debts of $9,573, were reclassified to non-current. Reclassifications to current accounts receivable, net, are made when settlement of such balances are expected to occur within one year.

9. LAND USE RIGHTS, NET

	December 31,	
	2018	2017
Altira Macau ("Taipa Land")	$ 145,511	$ 146,475
City of Dreams ("Cotai Land")	396,949	399,578
Studio City ("Studio City Land")	649,263	653,564
	1,191,723	1,199,617
Less: accumulated amortization	(432,072)	(412,118)
Land use rights, net	$ 759,651	$ 787,499

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2018	2017
Outstanding gaming chips and tokens	$ 638,629	$ 464,613
Advance customer deposits and ticket sales	386,869	423,603
Gaming tax and license fee accruals	222,607	188,521
Operating expense and other accruals and liabilities	118,288	102,419
Staff cost accruals	144,755	147,040
Property and equipment payables	60,562	45,205
Loyalty program liabilities	46,625	29,959
Construction costs payables	25,461	144,300
Interest expenses payable	14,754	17,925
	$ 1,658,550	$ 1,563,585

11. LONG-TERM DEBT, NET

Long-term debt, net consisted of the following:

	December 31, 2018	December 31, 2017
Credit Facilities		
2015 Credit Facilities (net of unamortized deferred financing costs of $4,428 and $6,919, respectively)	$ 1,471,466	$ 426,692
2016 Studio City Credit Facilities	128	129
Aircraft Term Loan	3,503	10,167
Senior Notes		
2017 Senior Notes, due 2025 (net of unamortized deferred financing costs and original issue premiums of $22,904 and $25,821, respectively)	977,096	974,179
2012 Studio City Notes, due 2020 (net of unamortized deferred financing costs of $3,436 and $9,747, respectively)	421,564	815,253
2016 7.250% SC Secured Notes, due 2021 (net of unamortized deferred financing costs of $10,580 and $13,702, respectively)	839,420	836,298
2016 5.875% SC Secured Notes, due 2019 (net of unamortized deferred financing costs of $2,260 and $4,580, respectively)	347,740	345,420
Philippine Notes, due 2019 (net of unamortized deferred financing costs of $808)	–	149,424
	4,060,917	3,557,562
Current portion of long-term debt (net of unamortized deferred financing costs of $2,775 and $720, respectively)	(395,547)	(51,032)
	$ 3,665,370	$ 3,506,530

(a) Credit Facilities

2015 Credit Facilities

On June 29, 2015, Melco Resorts Macau (the "Borrower") amended and restated the Borrower's prior senior secured credit facilities agreement from HK$9,362,160,000 (equivalent to $1,203,362) to HK$13,650,000,000 (equivalent to $1,750,000 based on the exchange rate on the transaction date) senior secured credit facilities agreement (the "2015 Credit Facilities"). The 2015 Credit Facilities, comprise a HK$3,900,000,000 (equivalent to $500,000 based on the exchange rate on the transaction date) term loan facility (the "2015 Term Loan Facility") and a HK$9,750,000,000 (equivalent to $1,250,000 based on the exchange rate on the transaction date) multicurrency revolving credit facility (the "2015 Revolving Credit Facility"). The 2015 Credit Facilities provide for additional incremental facilities to be made available, upon further agreement with any of the existing lenders under the 2015 Credit Facilities or other entities, of up to $1,300,000 (the "2015 Incremental Facility").

The final maturity date of the 2015 Credit Facilities is: (i) June 29, 2021 in respect of the 2015 Term Loan Facility; and (ii) June 29, 2020 in respect of the 2015 Revolving Credit Facility, or if earlier, the date of repayment, prepayment or cancellation in full of the 2015 Credit Facilities. The maturity date, amount, margin, currency, form and other terms of the 2015 Incremental Facility will be further specified and agreed by the Borrower and the lenders under the 2015 Credit Facilities and additional lenders, if any, upon drawdown on the 2015 Incremental Facility. The 2015 Term Loan Facility is repayable in quarterly installments according to an amortization schedule. Each loan made under the 2015 Revolving Credit Facility is repayable in full on the last day of an agreed upon interest period in respect of the loan, generally ranging from one to six months, or rolling over subject to compliance with certain covenants and satisfaction of conditions precedent. The Borrower is also subject to mandatory prepayment requirements in respect of various amounts as specified in the 2015 Credit Facilities; in the event of the disposal of all or substantially all of the business and assets of the borrowing group which includes the Borrower and certain of its subsidiaries as defined under the 2015 Credit Facilities (the "2015 Borrowing Group"), the 2015 Credit Facilities are required to be repaid in full. In the event of a change of control, the Borrower may be required, at the election of any lender under the 2015 Credit Facilities, to repay such lender in full.

As of December 31, 2018, the 2015 Term Loan Facility had been fully drawn down with an outstanding amount of HK$3,022,500,000 (equivalent to $385,940). On June 8, 2017, part of the 2015 Revolving Credit Facility of HK$2,723,000,000 (equivalent to $350,000) was drawn down and used to partly fund Melco Resorts Finance Limited ("Melco Resorts Finance"), a subsidiary of the Company, for the redemption of the 2013 Senior Notes (as described below) on June 14, 2017. On July 3, 2017, Melco Resorts Finance completed the issuance of the Second 2017 Senior Notes at a principal amount of $350,000 (priced at 100.75%) (as described below), of which part of the net proceeds were used to repay in full the drawn 2015 Revolving Credit Facility of HK$2,723,000,000 (equivalent to $350,000) on July 10, 2017. During the year ended December 31, 2018, part of the 2015 Revolving Credit Facility of HK$8,536,000,000 (equivalent to $1,095,714) was drawn down. The 2015 Revolving Credit Facility of HK$1,214,000,000 (equivalent to $155,014) remains available for future drawdown as of December 31, 2018.

The indebtedness under the 2015 Credit Facilities is guaranteed by the 2015 Borrowing Group. Security for the 2015 Credit Facilities includes: a first-priority interest in substantially all assets of the 2015 Borrowing Group, the issued share capital and equity interests and certain buildings, fixtures and equipment of the 2015 Borrowing Group and certain other excluded assets and customary security.

The 2015 Credit Facilities contain certain covenants customary for such financings including, but not limited to: the 2015 Borrowing Group's limitations on, except as permitted (i) incurring additional liens; (ii) incurring additional indebtedness (including guarantees); (iii) making certain investments; (iv) paying dividends and other restricted payments; (v) creating any subsidiaries; and (vi) selling assets. The 2015 Credit Facilities also contains conditions and events of default customary for such financings and the financial covenants including a leverage ratio, total leverage ratio and interest cover ratio.

There are provisions that limit certain payments of dividends and other distributions by the 2015 Borrowing Group to companies or persons who are not members of the 2015 Borrowing Group. As of December 31, 2018, there were no material net assets of the 2015 Borrowing Group restricted from being distributed under the terms of the 2015 Credit Facilities as certain financial tests and conditions are satisfied.

Borrowings under the 2015 Credit Facilities bear interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin ranging from 1.25% to 2.50% per annum as adjusted in accordance with the leverage ratio in respect of the 2015 Borrowing Group. The Borrower may select an interest period for borrowings under the 2015 Credit Facilities ranging from one to six months or any other agreed period. The Borrower is obligated to pay a commitment fee on the undrawn amount of the 2015 Revolving Credit Facility and recognized loan commitment fees on the 2015 Credit Facilities of $3,870, $4,819 and $4,800 during the years ended December 31, 2018, 2017 and 2016, respectively.

2016 Studio City Credit Facilities

On November 30, 2016, the Studio City Company Limited ("Studio City Company" or the "Studio City Borrower"), a majority-owned subsidiary of the Company, amended and restated the Studio City Borrower's prior senior secured credit facilities agreement from HK$10,855,880,000 (equivalent to $1,395,357) to HK$234,000,000 (equivalent to $30,077) senior secured credit facilities agreement (the "2016 Studio City Credit Facilities"), comprising a HK$1,000,000 (equivalent to $129) term loan facility (the "2016 SC Term Loan Facility") and a HK$233,000,000 (equivalent to $29,948) revolving credit facility (the "2016 SC Revolving Credit Facility"). The Group recorded a loss on extinguishment of debt of $17,435 and costs associated with debt modification of $8,101 during the year ended December 31, 2016 in connection with such amendments. As of December 31, 2018, the 2016 SC Term Loan Facility had been fully drawn down with an outstanding amount of HK$1,000,000 (equivalent to $128), and the entire 2016 SC Revolving Credit Facility of HK$233,000,000 (equivalent to $29,752) remains available for future drawdown as of December 31, 2018.

The 2016 SC Term Loan Facility and the 2016 SC Revolving Credit Facility mature on November 30, 2021 (December 1, 2021 Hong Kong time). The 2016 SC Term Loan Facility has to be repaid at maturity with no interim amortization payments. The 2016 SC Revolving Credit Facility is available from January 1, 2017 up to the date that is one month prior to the 2016 SC Revolving Credit Facility's final maturity date. The 2016 SC Term Loan Facility is collateralized by cash collateral equal to HK$1,012,500 (equivalent to $129) (representing the principal amount of the 2016 SC Term Loan Facility plus expected interest expense in respect of the 2016 SC Term Loan Facility for one financial quarter). The Studio City Borrower is subject to mandatory prepayment requirements in respect of various amounts of the 2016 SC Revolving Credit Facility as specified in the 2016 Studio City Credit Facilities; in the event of the disposal of all or substantially all of the business and assets of the Studio City borrowing group which includes the Studio City Borrower and certain of its subsidiaries as defined under the 2016 Studio City Credit Facilities (the "2016 Studio City Borrowing Group"), the 2016 Studio City Credit Facilities are required to be repaid in full. In the event of a change of control, the Studio City Borrower may be required, at the election of any lender under the 2016 Studio City Credit Facilities, to repay such lender in full (other than the principal amount of the 2016 SC Term Loan Facility).

The indebtedness under the 2016 Studio City Credit Facilities is guaranteed by Studio City Investments and its subsidiaries (other than the Studio City Borrower). Security for the 2016 Studio City Credit Facilities includes a first-priority mortgage over any rights under the land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. The 2016 Studio City Credit Facilities contain certain affirmative and negative covenants customary for such financings, as well as affirmative, negative and financial covenants equivalent to those contained in the 2016 Studio City Secured Notes. All bank accounts of Melco Resorts Macau related solely to the operations of the Studio City gaming area are pledged under 2016 Studio City Credit Facilities and related finance documents. The 2016 Studio City Credit Facilities are secured, on an equal basis with the 2016 Studio City Secured Notes (as described below), by substantially all of the material assets of Studio City Investments and its subsidiaries (although obligations under the 2016 Studio City Credit Facilities that are secured by common collateral securing the 2016 Studio City Secured Notes will have priority over the 2016 Studio City Secured Notes with respect to any proceeds received upon any enforcement action of such common collateral).

The 2016 Studio City Credit Facilities contain certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Company, Studio City Investments and their respective restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments (including dividends and distribution with respect to shares of Studio City Company) and investments; (iii) prepay or redeem subordinated debt or equity and make payments of principal of the 2012 Studio City Notes; (iv) issue or sell capital stock; (v) transfer, lease or sell assets; (vi) create or incur certain liens; (vii) impair the security interests in the Collateral as defined below; (viii) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (ix) change the nature of the business of the relevant group; (x) enter into transactions with shareholders or affiliates; and (xi) effect a consolidation or merger. The 2016 Studio City Credit Facilities also contains conditions and events of default customary for such financings.

There are provisions that limit certain payments of dividends and other distributions by the 2016 Studio City Borrowing Group to companies or persons who are not members of the 2016 Studio City Borrowing Group. As of December 31, 2018, the net assets of Studio City Investments and its restricted subsidiaries of approximately $1,044,000 were restricted from being distributed under the terms of the 2016 Studio City Credit Facilities.

Borrowings under the 2016 Studio City Credit Facilities bear interest at HIBOR plus a margin of 4% per annum. The Studio City Borrower may select an interest period for borrowings under the 2016 Studio City Credit Facilities ranging from one to six months or any other agreed period. The Studio City Borrower is obligated to pay a commitment fee from January 1, 2017 on the undrawn amount of the 2016 SC Revolving Credit Facility and recognized loan commitment fees on the 2016 SC Revolving Credit Facility of $419 and $419 during the years ended December 31, 2018 and 2017, respectively.

Philippine Credit Facility

On October 14, 2015, Melco Resorts and Entertainment (Philippines) Corporation ("MRP"), a majority-owned subsidiary of the Company, with its common shares listed on the Philippine Stock Exchange, Inc. (the "PSE") until its trading suspension on December 10, 2018 with details as disclosed in Note 24, entered into an on-demand, unsecured credit facility agreement of PHP2,350,000,000 (equivalent to $44,572), as amended from time to time (the "Philippine Credit Facility") with a lender to finance advances to Melco Resorts Leisure (PHP) Corporation ("Melco Resorts Leisure"), a majority-owned subsidiary of the Company. As of December 31, 2018, the Philippine Credit Facility availability period, as amended from time to time, is up to May 31, 2019, and the maturity date of each individual drawdown, as amended from time to time, to be the earlier of: (i) the date which is one year from the date of drawdown, and (ii) the date which is 360 days after the end of the availability period. The individual drawdowns under the Philippine Credit Facility are subject to certain conditions precedents, including issuance of a promissory note in favor of the lender evidencing such drawdown. As of December 31, 2018, borrowings under the Philippine Credit Facility bear interest, as amended, at the higher of: (i) the Philippine Dealing System Treasury Reference Rate PM (the "PDST-R2") of the selected interest period plus the applicable PDST-R2 margin of 1.25% per annum, and (ii) Philippines Term Deposit Facility Rate (the "TDF") of the selected interest period plus the applicable TDF margin ranging from 0.50% to 0.75% per annum, such rate to be set one business day prior to the relevant interest period. The Philippine Credit Facility includes a tax gross-up provision requiring MRP to pay without any deduction or withholding for or on account of tax.

As of December 31, 2018 and 2017, the Philippine Credit Facility has not been drawn.

Aircraft Term Loan

On June 25, 2012, MCE Transportation Limited ("MCE Transportation"), a subsidiary of the Company, entered into a $43,000 term loan facility agreement to partly finance the acquisition of an aircraft (the "Aircraft Term Loan"). Principal and interest repayments are payable quarterly in arrears until maturity on June 27, 2019, interest is calculated based on London Interbank Offered Rate plus a margin of 2.80% per annum. The Aircraft Term Loan is guaranteed by the Company and security includes a first-priority mortgage on the aircraft itself; pledge over the bank accounts of MCE Transportation; assignment of insurances (other than third party liability insurance); and an assignment of airframe and engine warranties. The Aircraft Term Loan must be prepaid in full if any of the following events occurs: (i) a change of control; (ii) the sale of all or substantially all of the components of the aircraft; (iii) the loss, damage or destruction of the entire or substantially the entire aircraft. Other covenants include lender's approval for any capital expenditure not incurred in the ordinary course of business or any subsequent indebtedness exceeding certain amount by MCE Transportation. As of December 31, 2018, the Aircraft Term Loan has been fully drawn down and the carrying value of aircraft was $20,091.

(b) Senior Notes

2013 Senior Notes

On February 7, 2013, Melco Resorts Finance issued $1,000,000 in aggregate principal amount of 5% senior notes due 2021 and priced at 100% (the "2013 Senior Notes"). On June 6, 2017, Melco Resorts Finance completed the issuance of the First 2017 Senior Notes at a principal amount of $650,000 (as described below). On June 14, 2017, together with the net proceeds from the issuance of the First 2017 Senior Notes along with the proceeds in the amount of $350,000 from a partial drawdown of the 2015 Revolving Credit Facility under the 2015 Credit Facilities and cash on hand, Melco Resorts Finance redeemed all of its outstanding 2013 Senior Notes. The 2013 Senior Notes would have matured on February 15, 2021 and the interest on the 2013 Senior Notes was accrued at a rate of 5% per annum, payable semi-annually in arrears on February 15 and August 15 of each year. As a result of the refinancing of the 2013 Senior Notes, the Group recorded a $48,398 loss on extinguishment of debt and a $2,793 cost associated with debt modification during the year ended December 31, 2017.

2017 Senior Notes

On June 6, 2017, Melco Resorts Finance issued $650,000 in aggregate principal amount of 4.875% senior notes due 2025 and priced at 100% (the "First 2017 Senior Notes"); and on July 3, 2017, Melco Resorts Finance further issued $350,000 in aggregate principal amount of 4.875% senior notes due 2025 and priced at 100.75% (the "Second 2017 Senior Notes" and together with the First 2017 Senior Notes, collectively referred to as the "2017 Senior Notes"). The 2017 Senior Notes mature on June 6, 2025 and the interest on the 2017 Senior Notes is accrued at a rate of 4.875% per annum, payable semi-annually in arrears on June 6 and December 6 of each year, commenced on December 6, 2017. The 2017 Senior Notes are general obligations of Melco Resorts Finance, rank equally in right of payment to all existing and future senior indebtedness of Melco Resorts Finance and rank senior in right of payment to any existing and future subordinated indebtedness of Melco Resorts Finance and effectively subordinated to all of Melco Resorts Finance's existing and future secured indebtedness to the extent of the value of the assets securing such debt and all of the indebtedness of Melco Resorts Finance's subsidiaries.

The Group used the net proceeds from the offering of the First 2017 Senior Notes to partly fund the redemption of the 2013 Senior Notes on June 14, 2017 and used the net proceeds from the offering of the Second 2017 Senior Notes to fund the repayment of the 2015 Revolving Credit Facility on July 10, 2017 (the drawdown of the 2015 Revolving Credit Facility was used to partly fund the redemption of the 2013 Senior Notes as described above).

Melco Resorts Finance has the option to redeem all or a portion of the 2017 Senior Notes at any time prior to June 6, 2020, at a "make-whole" redemption price. On or after June 6, 2020, Melco Resorts Finance has the option to redeem all or a portion of the 2017 Senior Notes at any time at fixed redemption prices that decline ratably over time. In addition, Melco Resorts Finance has the option to redeem up to 35% of the 2017 Senior Notes with the net cash proceeds from one or more equity offerings at a fixed redemption price at any time prior to June 6, 2020. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture, Melco Resorts Finance also has the option to redeem in whole, but not in part the 2017 Senior Notes at fixed redemption prices. In certain events that relate to the gaming subconcession of Melco Resorts Macau and subject to certain exceptions as more fully described in the indenture, each holder of the 2017 Senior Notes will have the right to require Melco Resorts Finance to repurchase all or any part of such holder's 2017 Senior Notes at a fixed redemption price.

The indenture governing the 2017 Senior Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Melco Resorts Finance to, among other things, effect a consolidation or merger or sell assets. The indenture governing the 2017 Senior Notes also contains conditions and events of default customary for such financings.

2012 Studio City Notes

On November 26, 2012, Studio City Finance Limited ("Studio City Finance"), a majority-owned subsidiary of the Company, issued $825,000 in aggregate principal amount of 8.5% senior notes due 2020 and priced at 100% (the "2012 Studio City Notes"). Studio City Finance used the net proceeds from the offering to fund the Studio City project with conditions and sequence for disbursements in accordance with an agreement. On December 31, 2018, Studio City Finance partially redeemed the 2012 Studio City Notes in aggregate principal amount of $400,000 at a price of 100%, together with accrued interest. The Group recorded a loss on extinguishment of debt of $3,233 during the year ended December 31, 2018 in connection with this redemption.

On January 22, 2019, Studio City Finance initiated a conditional tender offer to purchase the outstanding balance of 2012 Studio City Notes in aggregate principal amount of $425,000, with $216,534 aggregated principal amount of the 2012 Studio City Notes tendered on February 4, 2019, and the remaining outstanding 2012 Studio City Notes in aggregate principal amount of $208,466 were redeemed in full on March 13, 2019. Further details are disclosed in Note 25.

The 2012 Studio City Notes would have matured on December 1, 2020 and the interest on the 2012 Studio City Notes was accrued at a rate of 8.5% per annum, payable semi-annually in arrears on June 1 and December 1 of each year. The 2012 Studio City Notes were general obligations of Studio City Finance, secured by a first-priority security interest in certain specified bank accounts incidental to the 2012 Studio City Notes and a pledge of certain intercompany loans as defined under the 2012 Studio City Notes, ranked equally in right of payment to all existing and future senior indebtedness of Studio City Finance and ranked senior in right of payment to any existing and future subordinated indebtedness of Studio City Finance. The 2012 Studio City Notes were effectively subordinated to all of Studio City Finance's existing and future secured indebtedness to the extent of the value of the property and assets securing such indebtedness.

All of the existing subsidiaries of Studio City Finance and any other future restricted subsidiaries that provided guarantees of certain specified indebtedness (including the 2016 Studio City Credit Facilities (as described below)) (the "2012 Studio City Notes Guarantors") jointly, severally and unconditionally guaranteed the 2012 Studio City Notes on a senior basis (the "2012 Studio City Notes Guarantees"). The 2012 Studio City Notes Guarantees were general obligations of the 2012 Studio City Notes Guarantors, ranked equally in right of payment with all existing and future senior indebtedness of the 2012 Studio City Notes Guarantors and ranked senior in right of payment to any existing and future subordinated indebtedness of the 2012 Studio City Notes Guarantors. The 2012 Studio City Notes Guarantees were effectively subordinated to the 2012 Studio City Notes Guarantors' obligations under the 2016 Studio City Credit Facilities and the 2016 Studio City Secured Notes (as described below) and any future secured indebtedness that was secured by property and assets of the 2012 Studio City Notes Guarantors to the extent of the value of such property and assets.

At any time on or after December 1, 2015, Studio City Finance had the option to redeem all or a portion of the 2012 Studio City Notes at any time at fixed redemption prices that declined ratably over time and also had the option to redeem in whole, but not in part the 2012 Studio City Notes at fixed redemption prices under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the 2012 Studio City Notes.

The indenture governing the 2012 Studio City Notes contained certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Finance and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. The indenture governing the 2012 Studio City Notes also contained conditions and events of default customary for such financings.

There were provisions under the indenture governing the 2012 Studio City Notes that limited or prohibited certain payments of dividends and other distributions by Studio City Finance and its restricted subsidiaries to companies or persons who were not Studio City Finance or restricted subsidiaries of Studio City Finance, subject to certain exceptions and conditions. As of December 31, 2018, the net assets of Studio City Finance and its restricted subsidiaries of approximately $1,117,000 were restricted from being distributed under the terms of the 2012 Studio City Notes.

2016 Studio City Secured Notes

On November 30, 2016, Studio City Company issued $350,000 in aggregate principal amount of 5.875% senior secured notes due 2019 and priced at 100% (the "2016 5.875% SC Secured Notes") and $850,000 in aggregate principal amount of 7.250% senior secured notes due 2021 and priced at 100% (the "2016 7.250% SC Secured Notes" and together with the 2016 5.875% SC Secured Notes, the "2016 Studio City Secured Notes"). The Group used the net proceeds from the offering, together with cash on hand, to fund the repayment of the Studio City Borrower's prior senior secured credit facilities. The 2016 5.875% SC Secured Notes and 2016 7.250% SC Secured Notes mature on November 30, 2019 and November 30, 2021, respectively, and the interest on the 2016 5.875% SC Secured Notes and 2016 7.250% SC Secured Notes is accrued at a rate of 5.875% and 7.250% per annum, respectively, and is payable semi-annually in arrears on May 30 and November 30 of each year, commenced on May 30, 2017.

The 2016 Studio City Secured Notes are senior secured obligations of Studio City Company, rank equally in right of payment with all existing and future senior indebtedness of Studio City Company (although any liabilities in respect of obligations under the 2016 Studio City Credit Facilities that are secured by common collateral securing the 2016 Studio City Secured Notes will have priority over the 2016 Studio City Secured Notes with respect to any proceeds received upon any enforcement action of such common collateral) and rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Company and effectively subordinated to Studio City Company's existing and future secured indebtedness that is secured by assets that do not secure the 2016 Studio City Secured Notes, to the extent of the assets securing such indebtedness.

All of the existing subsidiaries of Studio City Investments (other than Studio City Company) and any other future restricted subsidiaries that provide guarantees of certain specified indebtedness (including the 2016 Studio City Credit Facilities) (the "2016 Studio City Secured Notes Guarantors") jointly, severally and unconditionally guarantee the 2016 Studio City Secured Notes on a senior basis (the "2016 Studio City Secured Notes Guarantees"). The 2016 Studio City Secured Notes Guarantees are senior obligations of the 2016 Studio City Secured Notes Guarantors, rank equally in right of payment with all existing and future senior indebtedness of the 2016 Studio City Secured Notes Guarantors and rank senior in right of payment to any existing and future subordinated indebtedness of the 2016 Studio City Secured Notes Guarantors. The 2016 Studio City Secured Notes Guarantees are pari passu to the 2016 Studio City Secured Notes Guarantors' obligations under the 2016 Studio City Credit Facilities, and effectively subordinated to any future secured indebtedness that is secured by assets that do not secure the 2016 Studio City Secured Notes and the 2016 Studio City Secured Notes Guarantees, to the extent of the value of the assets.

The 2016 Studio City Secured Notes are secured, on an equal basis with the 2016 Studio City Credit Facilities, by substantially all of the material assets of Studio City Investments and its subsidiaries (although obligations under the 2016 Studio City Credit Facilities that are secured by common collateral securing the 2016 Studio City Secured Notes will have priority over the 2016 Studio City Secured Notes with respect to any proceeds received upon any enforcement action of such common collateral). The common collateral (shared with the 2016 Studio City Credit Facilities) includes a first-priority mortgage over any rights under the land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. Each series of the 2016 Studio City Secured Notes is secured by the common collateral and, in addition, certain bank accounts (together with the common collateral, the "Collateral"). All bank accounts of Melco Resorts Macau related solely to the operations of the Studio City Casino are pledged under 2016 Studio City Credit Facilities and related finance documents. In addition, the 2016 Studio City Secured Notes are also separately secured by certain specified bank accounts.

At any time prior to November 30, 2018, Studio City Company had the options i) to redeem all or a portion of the 2016 7.250% SC Secured Notes at a "make-whole" redemption price; and (ii) to redeem up to 35% of the 2016 7.250% SC Secured Notes with the net cash proceeds of certain equity offerings at a fixed redemption price. Thereafter, Studio City Company has the option to redeem all or a portion of the 2016 7.250% SC Secured Notes at any time at fixed redemption prices that decline ratably over time. At any time prior to November 30, 2019, Studio City Company has the options i) to redeem all or a portion of the 2016 5.875% SC Secured Notes at a "make-whole" redemption price; and (ii) to redeem up to 35% of the 2016 5.875% SC Secured Notes with the net cash proceeds of certain equity offerings at a fixed redemption price. Further, under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the 2016 Studio City Secured Notes, Studio City Company also has the option to redeem in whole, but not in part the 2016 Studio City Secured Notes at fixed redemption prices.

In the event that the 2012 Studio City Notes were not refinanced or repaid in full by June 1, 2020 in accordance with the terms of the 2016 7.250% SC Secured Notes (and in the case of a refinancing, with refinancing indebtedness with a weighted average life to maturity no earlier than 90 days after the stated maturity date of the 2016 7.250% SC Secured Notes), each holder of the 2016 7.250% SC Secured Notes would have the right to require Studio City Company to repurchase all or any part of such holder's 2016 7.250% SC Secured Notes at a fixed redemption price.

The indenture governing the 2016 Studio City Secured Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Company, Studio City Investments and their respective restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness and issue certain preferred stock; (ii) make specified restricted payments (including dividends and distribution with respect to shares of Studio City Company) and investments; (iii) prepay or redeem subordinated debt or equity and make payments of principal of the 2012 Studio City Notes; (iv) issue or sell capital stock; (v) transfer, lease or sell assets; (vi) create or incur certain liens; (vii) impair the security interests in the Collateral; (viii) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (ix) change the nature of the business of the relevant group; (x) enter into transactions with shareholders or affiliates; and (xi) effect a consolidation or merger. The indenture governing the 2016 Studio City Secured Notes also contains conditions and events of default customary for such financings.

There are provisions under the indenture governing the 2016 Studio City Secured Notes that limit or prohibit certain payments of dividends and other distributions by Studio City Company, Studio City Investments and their respective restricted subsidiaries to companies or persons who are not Studio City Company, Studio City Investments and their respective restricted subsidiaries, subject to certain exceptions and conditions. As of December 31, 2018, the net assets of Studio City Investments and its restricted subsidiaries of approximately $1,044,000 were restricted from being distributed under the terms of the 2016 Studio City Secured Notes.

Philippine Notes

On January 24, 2014, Melco Resorts Leisure issued PHP15 billion in aggregate principal amount of 5% senior notes due 2019 (equivalent to $336,825 based on the exchange rate on the transaction date) and priced at 100% and offered to certain primary institutional lenders as noteholders via private placement in the Philippines (the "Philippine Notes"). The net proceeds from the offering of the Philippine Notes were mainly used for funding the City of Dreams Manila project.

On August 31, 2018 and October 9, 2017, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP5.5 billion and PHP7.5 billion (equivalent to $102,933 and $144,790 based on the exchange rate on the transaction dates), respectively, and on December 28, 2018 further redeemed in full the remaining portion of the Philippine Notes in an aggregate principal amount of PHP2.0 billion (equivalent to $37,934 based on the exchange rate on the transaction date), together with accrued interest. Accordingly, the Group recorded a loss on extinguishment of debt of $228 and $939 during the years ended December 31, 2018 and 2017, respectively, in connection with these redemption.

The Philippine Notes would have matured on January 24, 2019, and the interest on the Philippine Notes was accrued at a rate of 5% per annum, payable semi-annually in arrears. In addition, the Philippine Notes included a tax gross-up provision requiring Melco Resorts Leisure to pay without any deduction or withholding for or on account of tax.

(c) **Borrowing Rates and Scheduled Maturities of Long-term Debt**

During the years ended December 31, 2018, 2017 and 2016, the Group's average borrowing rates were approximately 5.97%, 6.01% and 5.37% per annum, respectively.

Scheduled maturities of the long-term debt (excluding unamortized deferred financing costs and original issue premiums) as of December 31, 2018 are as follows:

Year ending December 31,		
2019	$	398,322
2020		1,559,773
2021		1,146,430
2022		–
2023		–
Over 2023		1,000,000
	$	4,104,525

12. CAPITAL LEASE OBLIGATIONS

On March 13, 2013, Melco Resorts Leisure entered into a lease agreement with Belle Corporation ("Belle", one of the Philippine Parties as defined in Note 20(a)), as amended from time to time (the "MRP Lease Agreement"), for lease of certain of the building structures for City of Dreams Manila and this lease is expected to expire on July 11, 2033.

In addition to the MRP Lease Agreement, the Group has entered into other lease agreements with third parties for the lease of certain property and equipment.

The Group made assessments at inception of the leases and capitalized the portion related to property and equipment under capital leases at the lower of the fair value or the present value of the future minimum lease payments.

Future minimum lease payments under capital lease obligations for the Group as of December 31, 2018 are as follows:

Year ending December 31,		
2019	$	37,242
2020		40,996
2021		45,191
2022		46,248
2023		47,411
Over 2023		466,632
Total minimum lease payments		683,720
Less: amounts representing interest		(395,687)
Present value of minimum lease payments		288,033
Current portion		(34,659)
Non-current portion	$	253,374

13. FAIR VALUE MEASUREMENTS

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

The carrying values of cash and cash equivalents, bank deposits with original maturities over three months and restricted cash approximated fair value and were classified as level 1 in the fair value hierarchy. The carrying values of long-term deposits, long-term receivables and other long-term liabilities approximated fair value and were classified as level 2 in the fair value hierarchy. The estimated fair value of long-term debt as of December 31, 2018 and 2017, which included the 2015 Credit Facilities, the 2016 Studio City Credit Facilities, the Aircraft Term Loan, the 2017 Senior Notes, the 2012 Studio City Notes, the 2016 Studio City Secured Notes and the Philippine Notes were approximately $4,043,427 and $3,714,018, respectively, as compared to its carrying value, excluding unamortized deferred financing costs and original issue premiums, of $4,104,525 and $3,619,139, respectively. Fair values were estimated using quoted market prices and were classified as level 1 in the fair value hierarchy for the 2017 Senior Notes, the 2012 Studio City Notes and the 2016 Studio City Secured Notes. Fair values for the 2015 Credit Facilities, the 2016 Studio City Credit Facilities, the Aircraft Term Loan and the Philippine Notes approximated the carrying values as the instruments carried either variable interest rates or the fixed interest rates approximated the market rates and were classified as level 2 in the fair value hierarchy.

As of December 31, 2018 and 2017, the Group did not have any non-financial assets or liabilities that were recognized or disclosed at fair value in the consolidated financial statements.

The Group's financial assets and liabilities recorded at fair value have been categorized based upon fair values in accordance with the applicable accounting standards. As of December 31, 2018 and 2017, investment securities were carried at fair value. Fair values of investment securities were estimated using quoted market prices and were classified as level 1 in the fair value hierarchy.

14. CAPITAL STRUCTURE

Offering and Share Repurchase Transactions

On May 15, 2017, the Company completed the offer and sale of 27,769,248 ADSs (equivalent to 83,307,744 ordinary shares) and 81,995,799 ordinary shares, representing a total of 165,303,543 ordinary shares in aggregate with gross proceeds amounting to $1,163,186, with offering expenses of $3,686 for the offering being reimbursed by a subsidiary of Crown Resorts Limited ("Crown"), an Australian-listed corporation and the then major shareholder of the Company, as described below (the "Offering"). The Offering was made as follows: i) 15,769,248 ADSs (equivalent to 47,307,744 ordinary shares) to the underwriters for resale in an underwritten public offering; ii) 81,995,799 ordinary shares to the underwriters which they used to satisfy the return obligations of their respective affiliates for ADSs borrowed by such affiliates representing 81,995,799 ordinary shares from Melco Leisure and Entertainment Group Limited, the single largest shareholder of the Company which is wholly owned by Melco International, in conjunction with the termination and hedge unwind of certain cash-settled swap transactions entered into in December 2016; and (iii) 12,000,000 additional ADSs purchased by one of the underwriters. The Company repurchased 165,303,544 ordinary shares from a subsidiary of Crown concurrently with the Offering at an aggregate price of $1,163,186 which was partially settled by the net proceeds of $1,159,500 from the Offering and the remaining amount of $3,686 being reimbursed by a subsidiary of Crown and not reflected in the transaction costs as described above. Following the completion of this share repurchase, the 165,303,544 repurchased shares were cancelled.

On May 9, 2016, the Company completed a repurchase of 155,000,000 of its ordinary shares (equivalent to 51,666,666 ADSs) from a subsidiary of Crown for an aggregate purchase price of $800,839, at an average market price of $15.50 per ADS or $5.1667 per share. The total cost for these repurchased shares, which comprised the purchase price and all incidental expenses, amounted to $803,171 was recorded as treasury shares. Following the completion of this share repurchase transaction, the 155,000,000 repurchased shares were cancelled.

Treasury Shares

The Company's treasury shares represent i) new shares issued by the Company and held by the depositary bank to facilitate the administration and operations of the Company's share incentive plans, and are to be delivered to the directors, eligible employees and consultants on the vesting of restricted shares and upon the exercise of share options; ii) the shares purchased under a trust arrangement for the benefit of certain beneficiaries who were awardees under the 2011 Share Incentive Plan as described in Note 16 and held by a trustee until the termination of the trust in April 2016 following the delisting of the Company's ordinary shares from the Stock Exchange of Hong Kong Limited; and (iii) the shares repurchased by the Company under the respective share repurchase programs.

New Shares Issued by the Company

During the years ended December 31, 2018, 2017 and 2016, the Company issued 4,570,191, 2,504,721 and nil ordinary shares to its depositary bank for future vesting of restricted shares and exercise of share options, respectively. The Company issued 2,115,809, 950,320 and 303,318 of these ordinary shares upon vesting of restricted shares; and 4,803,288, 3,363,159 and 1,789,929 of these ordinary shares upon exercise of share options during the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, the Company had balances of 6,666,106 and 9,015,012 in newly issued ordinary shares which continue to be held by the Company for future issuance upon vesting of restricted shares and exercise of share options, respectively.

Shares Repurchased by the Company

On March 21, 2018, the Board of Directors of the Company authorized the repurchase of the Company's ordinary shares and/or ADSs of up to an aggregate of $500,000 over a three-year period which commenced on March 21, 2018 under a share repurchase program. On November 8, 2018, the Board of Directors of the Company further authorized the repurchase of the Company's ordinary shares and/or ADSs of up to an aggregate of $500,000 over a three-year period commenced on November 8, 2018 under an additional share repurchase program (this share repurchase program together with the share repurchase program authorized on March 21, 2018, the "2018 Share Repurchase Programs"). Purchases under the 2018 Share Repurchase Programs may be made from time to time on the open market at prevailing market prices, including pursuant to a trading plan in accordance with Rule 10b-18 of the U.S. Securities Exchange Act, and/or in privately-negotiated transactions. The timing and the amount of ordinary shares and/or ADSs purchased were determined by the Company's management based on its evaluation of market conditions, trading prices, applicable securities laws and other factors. The 2018 Share Repurchase Programs may be suspended, modified or terminated by the Company at any time prior to its expiration.

During the year ended December 31, 2018, 32,190,355 ADSs, equivalent to 96,571,065 ordinary shares were repurchased under the 2018 Share Repurchase Programs, of which nil ordinary shares repurchased were retired. As of December 31, 2018, there was 96,571,065 outstanding repurchased ordinary shares under the 2018 Share Repurchase Programs.

As of December 31, 2018 and 2017, the Company had 1,482,999,434 and 1,478,429,243 issued ordinary shares, and 103,237,171 and 9,015,012 treasury shares, with 1,379,762,263 and 1,469,414,231 ordinary shares outstanding, respectively.

15. INCOME TAXES

Income before income tax consisted of:

	Year Ended December 31,		
	2018	**2017**	**2016**
Macau operations	$ 522,393	$ 562,140	$ 334,409
Hong Kong operations	(48,385)	(26,111)	(10,511)
Philippine operations	83,759	36,035	(18,226)
Other jurisdictions operations	(204,361)	(256,781)	(230,576)
Income before income tax	$ 353,406	$ 315,283	$ 75,096

The income tax (credit) expense consisted of:

	Year Ended December 31,		
	2018	2017	2016
Income tax expense – current:			
Macau Complementary Tax	$ 676	$ 13	$ 2,832
Lump sum in lieu of Macau Complementary Tax on dividends	2,341	2,359	2,795
Hong Kong Profits Tax	46	2,516	1,889
Income tax in other jurisdictions	408	54	36
Sub-total	3,471	4,942	7,552
Under (over) provision of income taxes in prior years:			
Macau Complementary Tax	793	(2,575)	(224)
Hong Kong Profits Tax	(2,303)	30	39
Income tax in other jurisdictions	39	(77)	(4)
Sub-total	(1,471)	(2,622)	(189)
Income tax (credit) expense – deferred:			
Macau Complementary Tax	(629)	(3,020)	(1,074)
Hong Kong Profits Tax	(2,554)	245	(69)
Income tax in other jurisdictions	738	445	1,958
Sub-total	(2,445)	(2,330)	815
Total income tax (credit) expense	$ (445)	$ (10)	$ 8,178

A reconciliation of the income tax (credit) expense from income before income tax per the consolidated statements of operations is as follows:

	Year Ended December 31,		
	2018	2017	2016
Income before income tax	$ 353,406	$ 315,283	$ 75,096
Macau Complementary Tax rate	12%	12%	12%
Income tax expense at Macau Complementary Tax rate	42,409	37,834	9,012
Lump sum in lieu of Macau Complementary Tax on dividends	2,341	2,359	2,795
Effect of different tax rates of subsidiaries operating in other jurisdictions	7,138	197	(5,823)
Over provision in prior years	(1,471)	(2,622)	(189)
Effect of income for which no income tax expense is payable	(2,607)	(12,526)	(1,960)
Effect of expenses for which no income tax benefit is receivable	37,731	44,142	30,475
Effect of profits generated by gaming operations exempted	(157,367)	(128,145)	(93,611)
Changes in valuation allowances	71,381	58,751	67,479
Income tax (credit) expense	$ (445)	$ (10)	$ 8,178

The Company and certain of its subsidiaries are exempt from tax in the Cayman Islands or British Virgin Islands, where they are incorporated, however, the Company is subject to Hong Kong Profits Tax on profits from its activities conducted in Hong Kong. Certain subsidiaries incorporated or conducting businesses in Hong Kong, Macau, the Philippines and other jurisdictions are subject to Hong Kong Profits Tax, Macau Complementary Tax, Philippine Corporate Income Tax and income tax in other jurisdictions, respectively, during the years ended December 31, 2018, 2017 and 2016.

Macau Complementary Tax, Hong Kong Profits Tax, Philippine Corporate Income Tax and income tax in other jurisdictions have been provided at 12%, 16.5%, 30% and the respective tax rate in other jurisdictions, on the estimated taxable income earned in or derived from Macau, Hong Kong, the Philippines and other jurisdictions, respectively, during the years ended December 31, 2018, 2017 and 2016, if applicable.

Melco Resorts Macau has been exempted from Macau Complementary Tax on profits generated by gaming operations from 2007 to 2011, and 2012 to 2016 pursuant to the approval notices issued by the Macau government in June 2007 and April 2011, respectively. Melco Resorts Macau continues to benefit from this exemption for another five years from 2017 to 2021 pursuant to the approval notice issued by the Macau government in September 2016. One of the Company's subsidiaries in Macau has also been exempted from Macau Complementary Tax on profits generated from income received from Melco Resorts Macau until 2016, to the extent that such income is derived from Studio City gaming operations and has been subject to gaming tax pursuant to a notice issued by the Macau government in January 2015. Additionally, this subsidiary received an exemption for an additional five years from 2017 to 2021 pursuant to the approval notice issued by the Macau government in January 2017. The exemption coincides with Melco Resorts Macau's exemption from Macau Complementary Tax. The non-gaming profits and dividend distributions of such subsidiary to its shareholders continue to be subject to Macau Complementary Tax. Melco Resorts Macau's non-gaming profits also remain subject to Macau Complementary Tax and Melco Resorts Macau casino revenues remain subject to the Macau special gaming tax and other levies in accordance with its gaming subconcession agreement.

The casino operations of Melco Resorts Leisure, the operator of City of Dreams Manila, were previously subject to Philippine Corporate Income Tax in the Philippines at the rate of 30% based on Revenue Memorandum Circular No. 33-2013 issued by the Bureau of Internal Revenue ("BIR") in April 2013. On August 10, 2016, the Supreme Court of the Philippines (the "Supreme Court") found in the case of Bloomberry Resorts and Hotels, Inc. vs. the BIR, G. R. No. 212530 that all contractees and licensees of the Philippine Amusement and Gaming Corporation ("PAGCOR"), should be exempt from tax, including Philippine Corporate Income Tax realized from the casino operations, upon payment of the 5% franchise tax. The BIR subsequently filed a Motion for Reconsideration of the said decision, which was denied by the Supreme Court with finality in its resolution dated November 28, 2016. Based on the Supreme Court decision, management believes Melco Resorts Leisure's gaming operations should be exempt from Philippine Corporate Income Tax, among other taxes, provided the license fees which are inclusive of the 5% franchise tax under the terms of the PAGCOR charter, are paid.

During the years ended December 31, 2018, 2017 and 2016, had the Group not received the income tax exemption on profits generated by gaming operations in Macau and the Philippines, the Group's consolidated net income attributable to Melco Resorts & Entertainment Limited for the years ended December 31, 2018, 2017 and 2016 would have been reduced by $129,241, $105,364 and $81,230, and diluted earnings per share would have been reduced by $0.088, $0.071 and $0.053 per share, respectively.

In January 2014, Melco Resorts Macau entered into an agreement with the Macau government that provided for an annual payment of MOP22,400,000 (equivalent to $2,795), effective retroactively from 2012 through 2016 coinciding with the 5-year tax holiday mentioned above, as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Resorts Macau on dividend distributions from gaming profits. In August 2017, Melco Resorts Macau received an extension of the agreement for an additional five years applicable to tax years 2017 through 2021. The extension agreement provides for an annual payment of MOP18,900,000 (equivalent to $2,341). Such annual payment is required regardless of whether dividends are actually distributed or whether Melco Resorts Macau has distributable profits in the relevant year.

The effective tax rates for the years ended December 31, 2018, 2017 and 2016 were (0.1)%, 0% and 10.9%, respectively. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax and Philippine Corporate Income Tax, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefits are receivable, the effect of income for which no income tax expense is payable and the effect of different tax rates of subsidiaries operating in other jurisdictions for the years ended December 31, 2018, 2017 and 2016.

The net deferred tax liabilities as of December 31, 2018 and 2017 consisted of the following:

	December 31,	
	2018	**2017**
Deferred tax assets		
Net operating losses carried forward	$ 152,652	$ 155,380
Depreciation and amortization	39,802	32,827
Deferred deductible expenses	–	1,052
Deferred rents	36,567	32,470
Others	7,801	9,051
Sub-total	236,822	230,780
Valuation allowances	(230,384)	(226,617)
Total deferred tax assets	6,438	4,163
Deferred tax liabilities		
Land use rights	(47,554)	(49,258)
Intangible assets	(503)	(505)
Unrealized capital allowances	(2,572)	(1,834)
Others	(6,880)	(6,549)
Total deferred tax liabilities	(57,509)	(58,146)
Deferred tax liabilities, net	$ (51,071)	$ (53,983)

As of December 31, 2018 and 2017, valuation allowances of $230,384 and $226,617 were provided, respectively, as management believes it is more likely than not that these deferred tax assets will not be realized. During the year ended December 31, 2017, certain subsidiaries of the Company incorporated in Macau (the "Incorporated Companies") completed two mergers and merged with COD Resorts Limited and Altira Resorts Limited (the "Incorporating Companies") (the "Mergers"). As a result of the Mergers, the adjusted operating tax losses for the Group were reduced by the tax losses of the Incorporated Companies, amounting to $90,834, $90,039, $47,382 and $34,064 that would have expired in 2017, 2018, 2019 and 2020, respectively, during the year ended December 31, 2017 as such losses cannot be utilized. As of December 31, 2018, adjusted operating tax losses carried forward of $38,923 have no expiry date and the remaining tax losses amounting to $241,367, $220,673, $360,957, $126 and $2,651 will expire in 2019, 2020, 2021, 2027 and 2028, respectively. Adjusted operating tax losses carried forward of $321,537 expired during the year ended December 31, 2018.

Deferred tax, where applicable, is provided under the asset and liability method at the enacted statutory income tax rate of the respective tax jurisdictions, applicable to the respective financial years, on the difference between the consolidated financial statements carrying amounts and income tax base of assets and liabilities.

Aggregate undistributed earnings of the Company's foreign subsidiaries available for distribution to the Company of approximately $655,735 and $343,616 as at December 31, 2018 and 2017, respectively, are considered to be indefinitely reinvested and the amounts exclude the undistributed earnings of Melco Resorts Macau. Accordingly, no provision has been made for the dividend withholding taxes that would be payable upon the distribution of those amounts to the Company. If those earnings were to be distributed or they were determined to be no longer permanently reinvested, the Company would have to record a deferred income tax liability in respect of those undistributed earnings of approximately $79,417 and $41,432 as at December 31, 2018 and 2017, respectively.

An evaluation of the tax positions for recognition was conducted by the Group by determining if the weight of available evidence indicates it is more likely than not that the positions will be sustained on audit, including resolution of related appeals or litigation processes, if any. Uncertain tax benefits associated with the tax positions were measured based solely on the technical merits of being sustained on examinations. The Group concluded that there were no significant uncertain tax positions requiring recognition in the consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 and there are no material unrecognized tax benefits which would favorably affect the effective income tax rates in future periods. As of December 31, 2018 and 2017, there were no interest and penalties related to uncertain tax positions recognized in the consolidated financial statements. The Group does not anticipate any significant increases or decreases to its liability for unrecognized tax benefits within the next twelve months.

The Company and its subsidiaries' major tax jurisdictions are Hong Kong, Macau and the Philippines. Income tax returns of the Company and its subsidiaries remain open and subject to examination by the local tax authorities of Hong Kong, Macau and the Philippines until the statute of limitations expire in each corresponding jurisdiction. The statute of limitations in Hong Kong, Macau and the Philippines are six years, five years and three years, respectively.

16. SHARE-BASED COMPENSATION

2006 Share Incentive Plan

The Company adopted a share incentive plan in 2006 ("2006 Share Incentive Plan"), as amended, for grants of share options and nonvested shares of the Company's ordinary shares to eligible directors, employees and consultants of the Group and its affiliates. The maximum term of an award was 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for all awards under the 2006 Share Incentive Plan was 100,000,000 over 10 years. On December 7, 2011, the Group adopted a new share incentive plan ("2011 Share Incentive Plan") as described below and no further awards may be granted under the 2006 Share Incentive Plan on or after such date as all subsequent awards will be issued under the 2011 Share Incentive Plan.

Share Options

A summary of the share options activity under the 2006 Share Incentive Plan for the year ended December 31, 2018, is presented as follows:

	Number of Share Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2018	6,929,538	$ 0.80		
Exercised	(4,634,085)	0.38		
Forfeited or expired	(5,985)	0.24		
Outstanding as of December 31, 2018	2,289,468	$ 1.64	2.09	$ 9,701
Fully vested and exercisable as of December 31, 2018	2,289,468	$ 1.64	2.09	$ 9,701

The following information is provided for share options under the 2006 Share Incentive Plan:

	Year Ended December 31, 2018	2017	2016
Proceeds from the exercise of share options	$ 1,195	$ 2,192	$ 3,036
Intrinsic value of share options exercised	$ 37,239	$ 18,004	$ 6,205

As of December 31, 2018, there were no unrecognized compensation costs related to share options under the 2006 Share Incentive Plan.

2011 Share Incentive Plan

The Company adopted the 2011 Share Incentive Plan, effective on December 7, 2011, which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase the Company's ordinary shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of the Group and its affiliates. The maximum term of an award is 10 years from the date of the grant. The maximum aggregate number of ordinary shares to be available for all awards under the 2011 Share Incentive Plan is 100,000,000 over 10 years, which could be raised up to 10% of the issued share capital upon shareholders' approval. As of December 31, 2018, there were 66,681,053 ordinary shares available for grants of various share-based awards under the 2011 Share Incentive Plan.

Share Options

During the years ended December 31, 2018, 2017 and 2016, the exercise prices for share options granted under the 2011 Share Incentive Plan were determined at the market closing prices of the Company's ADS trading on the NASDAQ Global Select Market on the dates of grant. These share options became exercisable over vesting periods of two to three years. The share options granted expire 10 years from the date of grant.

The Group uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of the Company's ADS trading on the NASDAQ Global Select Market. Expected term is based upon the vesting term or the historical expected term of publicly traded companies. The risk-free interest rate used for each period presented is based on the United States of America Treasury yield curve at the time of grant for the period equal to the expected term.

The fair values of share options granted under the 2011 Share Incentive Plan were estimated on the dates of grant using the following weighted average assumptions as follows:

	Year Ended December 31,		
	2018	**2017**	**2016**
Expected dividend yield	2.04%	2.00%	1.00%
Expected stock price volatility	40.17%	47.94%	46.08%
Risk-free interest rate	2.62%	2.09%	1.47%
Expected term (years)	5.56	6.1	5.6

On March 18, 2016, the Board of Directors of the Company approved a modification to lower the exercise prices and extend the vesting periods of certain outstanding underwater share options held by active employees as of March 18, 2016. Share options eligible for modification were those that were granted during the years ended December 31, 2015, 2014 and 2013 under the 2011 Share Incentive Plan, including those unvested, or vested but not exercised. The total of 4,572,234 eligible share options were modified with an exercise price of $17.27 per ADS or $5.7567 per share, which was the closing price of the Company's ADS trading on the NASDAQ Global Select Market on the date of modification. The vesting period for the relevant share options (including certain vested share options) was extended as part of the modification. The number of the Company's ordinary share subject to the modified share options and the expiration dates of such modified share options will remain the same as the original share options. A total incremental share-based compensation expense resulting from the modification was approximately $689, representing the excess of the fair value of the modified share options, using Black-Scholes valuation model, over the fair value of the share options immediately before its modification. The incremental share-based compensation expense and the unrecognized compensation costs remaining from the original share options are being recognized on a straight-line basis over a new vesting period of three years from the date of modification. The significant weighted average assumptions used to determine the fair value of the modified share options includes expected dividend of 1%, expected stock price volatility of 45.8%, risk-free interest rate of 1.31% and expected term of 5.6 years.

A summary of the share options activity under the 2011 Share Incentive Plan for the year ended December 31, 2018, is presented as follows:

	Number of Share Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2018	13,446,511	$ 5.55		
Granted	5,461,929	9.25		
Exercised	(778,269)	5.07		
Forfeited or expired	(1,095,211)	6.25		
Outstanding as of December 31, 2018	17,034,960	$ 6.72	7.67	$ 5,300
Fully vested and expected to vest as of December 31, 2018	17,034,960	$ 6.72	7.67	$ 5,300
Exercisable as of December 31, 2018	3,663,867	$ 5.02	5.71	$ 3,131

The following information is provided for share options under the 2011 Share Incentive Plan:

	Year Ended December 31,		
	2018	2017	2016
Weighted average grant date fair value (excluding options granted under modification)	$ 3.09	$ 2.45	$ 2.29
Proceeds from the exercise of share options	$ 3,823	$ 2,195	$ 218
Intrinsic value of share options exercised	$ 3,744	$ 1,246	$ 28

As of December 31, 2018, there were $18,015 unrecognized compensation costs related to share options under the 2011 Share Incentive Plan and the costs are expected to be recognized over a weighted average period of 1.85 years.

Restricted Shares

During the years ended December 31, 2018, 2017 and 2016, the grant date fair values for restricted shares granted under the 2011 Share Incentive Plan, with vesting periods of two to three years, were determined with reference to the market closing prices of the Company's ADS trading on the NASDAQ Global Select Market on the dates of grant.

A summary of the restricted shares activity under the 2011 Share Incentive Plan for the year ended December 31, 2018, is presented as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2018	5,864,888	$ 6.24
Granted	1,879,176	9.50
Vested	(2,159,189)	6.46
Forfeited	(345,801)	6.46
Unvested as of December 31, 2018	5,239,074	$ 7.30

The following information is provided for restricted shares under the 2011 Share Incentive Plan:

	Year Ended December 31,		
	2018	2017	2016
Weighted average grant date fair value	$ 9.50	$ 6.30	$ 5.74
Grant date fair value of restricted shares vested	$ 13,952	$ 9,236	$ 2,751

As of December 31, 2018, there were $19,445 unrecognized compensation costs related to restricted shares under the 2011 Share Incentive Plan and the costs are expected to be recognized over a weighted average period of 1.83 years.

MRP Share Incentive Plan

MRP adopted a share incentive plan (the "MRP Share Incentive Plan"), effective on June 24, 2013, which has been subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase MRP common shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of MRP and its subsidiaries, and the Group and its affiliates. The maximum term of an award is 10 years from the date of grant. The maximum aggregate number of common shares to be available for all awards under the MRP Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of MRP from time to time over 10 years. As of December 31, 2018, there were 151,992,134 MRP common shares available for grants of various share-based awards under the MRP Share Incentive Plan.

Share Options

During the years ended December 31, 2018 and 2017, the exercise prices for share options granted under the MRP Share Incentive Plan were determined with reference to the market closing prices of MRP common shares on the dates of grant as defined in the MRP Share Incentive Plan. There were no share options granted under the MRP Share Incentive Plan during the year ended December 31, 2016. These share options generally became exercisable over vesting periods of two to three years. The share options granted expire 10 years from the date of grant.

MRP uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of grant. Expected volatility is based on the historical volatility of MRP common shares trading on the PSE and a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical expected term of the Company. The risk-free interest rate used for each period presented is based on the Philippine government bond yield at the time of grant for the period equal to the expected term.

The fair values of share options granted under the MRP Share Incentive Plan were estimated on the dates of grant using the following weighted average assumptions as follows:

	Year Ended December 31,	
	2018	**2017**
Expected dividend yield	–	–
Expected stock price volatility	45.00%	45.00%
Risk-free interest rate	5.69%	4.47%
Expected term (years)	5.6	5.9

On August 2, 2016, the board of MRP approved a proposal to allow for an option exchange program, designed to provide the eligible personnel an opportunity to exchange certain outstanding underwater share options for new restricted shares to be granted (the "Option Exchange Program"). Share options eligible for exchange were those that were granted during the years ended December 31, 2013 and 2014 under the MRP Share Incentive Plan, including those unvested, or vested but not exercised. The acquiescence of the Philippine SEC on the Option Exchange Program was obtained by MRP on September 30, 2016. The exchange was subject to the eligible personnel's consent and became effective on October 21, 2016, which was the deadline for acceptance of the exchange by the eligible personnel. A total of 96,593,629 eligible share options were tendered by eligible personnel, representing 99.2% of the total share options eligible for exchange. MRP granted an aggregate of 43,700,116 new restricted shares in exchange for the eligible share options surrendered. The new restricted shares have vesting periods of 3 years. A total incremental share-based compensation expense resulting from the Option Exchange Program was approximately $883, representing the excess of the fair value of the new restricted shares over the fair value of the surrendered share options immediately before the exchange. The fair value of the new restricted shares is determined with reference to the market closing price of the MRP common shares at the effective date of the exchange. The incremental share-based compensation expense and unrecognized compensation costs remaining from the surrendered share options as a result of the exchange are being recognized on a straight-line basis over the new vesting period.

A summary of the share options activity under the MRP Share Incentive Plan for the year ended December 31, 2018, is presented as follows:

	Number of Share Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2018	15,067,193	$ 0.12		
Granted	2,158,552	0.15		
Forfeited or expired	(190,240)	0.17		
Outstanding as of December 31, 2018	17,035,505	$ 0.12	7.69	$ 535
Fully vested and expected to vest as of December 31, 2018	17,035,505	$ 0.12	7.69	$ 535
Exercisable as of December 31, 2018	7,923,724	$ 0.08	6.54	$ 489

The following information is provided for share options under the MRP Share Incentive Plan:

	Year Ended December 31,		
	2018	2017	2016
Weighted average grant date fair value	$ 0.07	$ 0.08	$ –
Proceeds from the exercise of share options	$ –	$ 173	$ –
Intrinsic value of share options exercised	$ –	$ 6	$ –

As of December 31, 2018, there were $374 unrecognized compensation costs related to share options under the MRP Share Incentive Plan and the costs are expected to be recognized over a weighted average period of 1.75 years.

Restricted Shares

During the years ended December 31, 2018 and 2017, the grant date fair values for restricted shares granted under the MRP Share Incentive Plan, with vesting periods of two to three years, were determined with reference to the market closing prices of MRP common shares on the dates of grant as defined in the MRP Share Incentive Plan. There were no restricted shares granted under the MRP Share Incentive Plan during the year ended December 31, 2016.

A summary of the restricted shares activity under the MRP Share Incentive Plan for the year ended December 31, 2018, is presented as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2018	48,646,363	$ 0.10
Granted	6,482,482	0.14
Vested	(20,506,393)	0.09
Forfeited	(5,177,792)	0.08
Unvested as of December 31, 2018	29,444,660	$ 0.11

The following information is provided for restricted shares under the MRP Share Incentive Plan:

	Year Ended December 31,		
	2018	2017	2016
Weighted average grant date fair value	$ 0.14	$ 0.16	$ –
Grant date fair value of restricted shares vested	$ 1,747	$ 454	$ 3,280

As of December 31, 2018, there were $1,361 unrecognized compensation costs related to restricted shares under the MRP Share Incentive Plan and the costs are expected to be recognized over a weighted average period of 1.81 years.

The share-based compensation cost for the Group was recognized as follows:

	Year Ended December 31,		
	2018	2017	2016
Share-based compensation cost:			
2011 Share Incentive Plan	$ 25,284	$ 16,789	$ 16,399
MRP Share Incentive Plan	(141)	516	2,088
Total share-based compensation expenses recognized in general and administrative expenses	$ 25,143	$ 17,305	$ 18,487

17. EMPLOYEE BENEFIT PLANS

The Group has obligations to make the required contributions with respect to the below defined contribution retirement benefits schemes.

The Group operates defined contribution fund schemes, which allow eligible employees to participate in defined contribution plans (the "Defined Contribution Fund Schemes"). The Group either contributes a fixed percentage of the eligible employees' relevant income, a fixed amount or an amount which matches the contributions of the employees up to a certain percentage of relevant income to the Defined Contribution Fund Schemes. The Group's contributions to the Defined Contribution Fund Schemes are vested with employees in accordance to a vesting schedule, achieving full vesting 10 years from the date of employment. The Defined Contribution Fund Schemes were established under trusts with the fund assets being held separately from those of the Group by independent trustees.

Employees employed by the Group in Macau and the Philippines are members of government-managed social security fund schemes (the "Social Security Fund Schemes"), which are operated by the respective governments. The Group is required to pay a monthly fixed contribution or certain percentage of the employees' relevant income and meet the minimum mandatory requirements of the respective Social Security Fund Schemes to fund the benefits.

During the years ended December 31, 2018, 2017 and 2016, the Group's contributions into the defined contribution retirement benefits schemes were $22,223, $21,853 and $16,105, respectively.

18. DISTRIBUTION OF PROFITS

All subsidiaries of the Company incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after tax to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the board of directors of the relevant subsidiaries. As of December 31, 2018 and 2017, the aggregate balance of the reserves amounted to $31,522 and $31,209, respectively.

The Group's borrowings, subject to certain exceptions and conditions, contain certain restrictions on paying dividends and other distributions, as defined in the respective indentures governing the relevant senior notes, credit facility agreements and other associated agreements, details of which are disclosed in Note 11 under each of the respective borrowings.

19. DIVIDENDS

On March 7, 2018, May 23, 2018, August 15, 2018 and November 29, 2018, the Company paid the quarterly dividends of $0.045, $0.045, $0.04835 and $0.04835 per share, respectively, and during the year ended December 31, 2018, the Company recorded total amount of quarterly dividends of $271,531, with $1,214 and $270,317 as distributions against additional paid-in capital and retained earnings, respectively.

On February 10, 2017, the Company paid a special dividend of $0.4404 per share and on March 15, 2017, May 31, 2017, August 23, 2017 and November 30, 2017, the Company paid quarterly dividends of $0.03, $0.03, $0.03 and $0.03 per share, respectively. During the year ended December 31, 2017, the Company recorded total amount of special and quarterly dividends of $821,328, with $733,265 and $88,063 as distributions against retained earnings and additional paid-in capital, respectively.

On March 16, 2016, the Company paid a special dividend of $0.2146 per share and on May 31, 2016, August 31, 2016 and November 30, 2016, the Company paid quarterly dividends of $0.0073, $0.0063 and $0.0126 per share, respectively. During the year ended December 31, 2016, the Company recorded total amount of special and quarterly dividends of $385,569, with $108,639 and $276,930 as distributions against additional paid-in capital and retained earnings, respectively.

On February 19, 2019, a quarterly dividend of $0.0517 per share has been declared by the Board of Directors of the Company and was paid to the shareholders of record as of March 4, 2019.

20. REGULAR LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MRP LEASE AGREEMENT FOR CITY OF DREAMS MANILA

Pursuant to a memorandum of agreement entered into by a subsidiary of the Company with the Philippine Parties as described below and certain of its subsidiaries in 2012 for the development of City of Dreams Manila, the relevant parties of the Licensees as described below and certain of its subsidiaries, entered into the following agreements which became effective on March 13, 2013 and ends on the date of expiry of the Regular License as described below, currently expected to be on July 11, 2033 unless terminated earlier in accordance with the respective terms of the individual agreements.

(a) Regular License

On April 29, 2015, PAGCOR issued a regular casino gaming license, as amended (the "Regular License") in replacement of a provisional license granted as of March 13, 2013, to the co-licensees (the "Licensees") namely, MPHIL Holdings No.1 Corporation, a subsidiary of MRP, and its subsidiaries including Melco Resorts Leisure (collectively the "MPHIL Holdings Group"), SM Investments Corporation ("SMIC"), Belle Corporation ("Belle") and PremiumLeisure and Amusement, Inc. ("PLAI") (SMIC, Belle and PLAI are collectively referred to as the "Philippine Parties") for the establishment and operation of City of Dreams Manila, with Melco Resorts Leisure, a co-licensee, as the "special purpose entity" to operate the casino business and as representative for itself and on behalf of the other co-licensees in dealings with PAGCOR. The Regular License has the same terms and conditions as the provisional license, and is valid until July 11, 2033. Further details of the terms and commitments under the Regular License are included in Note 21(c).

(b) Cooperation Agreement

The Licensees and certain of its subsidiaries entered into a cooperation agreement (the "Cooperation Agreement") and other related arrangements which govern the rights and obligations of the Licensees. Under the Cooperation Agreement, Melco Resorts Leisure is appointed as the sole and exclusive representative of the Licensees in connection with the Regular License and is designated as the operator to operate and manage City of Dreams Manila. Further details of the commitments under the Cooperation Agreement are included in Note 21(c).

(c) Operating Agreement

The Licensees entered into an operating agreement (the "Operating Agreement") which governs the operation and management of City of Dreams Manila by Melco Resorts Leisure. Under the Operating Agreement, Melco Resorts Leisure is appointed as the sole and exclusive operator and manager of City of Dreams Manila, and is responsible for, and has sole discretion (subject to certain exceptions) and control over, all matters relating to the operation and management of City of Dreams Manila (including the gaming and non-gaming operations). The Operating Agreement also includes terms of certain monthly payments to PLAI from Melco Resorts Leisure, based on the performance of gaming operations of City of Dreams Manila and is included in "Payments to the Philippine Parties" in the consolidated statements of operations, and further provides that Melco Resorts Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

(d) MRP Lease Agreement

Under the MRP Lease Agreement, Belle agreed to lease to Melco Resorts Leisure the land and certain of the building structures for City of Dreams Manila. The leased property is used by Melco Resorts Leisure and any of its affiliates exclusively as a hotel, casino and resort complex.

21. COMMITMENTS AND CONTINGENCIES

(a) Capital Commitments

As of December 31, 2018, the Group had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams and City of Dreams Manila totaling $83,819.

(b) Operating Lease and Other Arrangements Commitments

Lessee Arrangements

The Group leased a portion of land for City of Dreams Manila, Mocha Clubs sites, office space, warehouses, staff quarters and various equipment under non-cancellable operating leases and right to use agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractual agreed incremental rates and on the general inflation rate once agreed by the Group and its lessor and in some cases contingent rental expenses stated as a percentage of turnover. During the years ended December 31, 2018, 2017 and 2016, the Group incurred rental and right to use expenses amounting to $44,374, $45,783 and $37,349, respectively, which consisted of minimum rental and right to use expenses of $28,454, $30,532 and $32,228 and contingent rental and right to use expenses of $15,920, $15,251 and $5,121, respectively.

As of December 31, 2018, future minimum lease payments under non-cancellable operating leases and right to use agreements were as follows:

Year ending December 31,	
2019	$ 24,523
2020	16,325
2021	14,757
2022	9,288
2023	5,365
Over 2023	33,211
	$ 103,469

Lessor Arrangements

The Group entered into non-cancellable operating leases and right to use agreements mainly for mall spaces in the sites of City of Dreams, City of Dreams Manila and Studio City with various retailers that expire at various dates through November 2026. Certain of the operating leases and right to use agreements include minimum base fees with escalated contingent fee clauses.

As of December 31, 2018, future minimum fees to be received under non-cancellable operating leases and right to use agreements were as follows:

Year ending December 31,		
2019	$	54,410
2020		47,133
2021		37,300
2022		35,482
2023		37,248
Over 2023		97,670
	$	309,243

The total future minimum fees do not include the escalated contingent fee clauses. During the years ended December 31, 2018, 2017 and 2016, the Group earned contingent fees of $12,654, $27,457 and $23,461, respectively.

(c) Other Commitments

Gaming Subconcession

On September 8, 2006, the Macau government granted a gaming subconcession to Melco Resorts Macau to operate its gaming business in Macau. Pursuant to the gaming subconcession agreement, Melco Resorts Macau committed to pay the Macau government the following:

i) A fixed annual premium of MOP30,000,000 (equivalent to $3,719).

ii) A variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:

- MOP300,000 (equivalent to $37) per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kinds of games or to certain players;

- MOP150,000 (equivalent to $19) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kinds of games or to certain players; and

- MOP1,000 (equivalent to $0.1) per year for each electrical or mechanical gaming machine, including the slot machine.

iii) A special gaming tax of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.

iv) A sum of 4% of the gross revenues of the gaming business operations to utilities designated by the Macau government (a portion of which must be used for promotion of tourism in Macau) on a monthly basis.

v) Melco Resorts Macau must maintain a guarantee issued by a Macau bank in favor of the Macau government in a maximum amount of MOP300,000,000 (equivalent to $37,191) until the 180th day after the termination date of the gaming subconcession.

As a result of the bank guarantee issued by the bank to the Macau government as disclosed in Note 21(c)(v) above, a sum of 1.75% of the guarantee amount will be payable by Melco Resorts Macau quarterly to the bank.

Land Concession Contracts

The Company's subsidiaries have entered into concession contracts for the land in Macau on which Altira Macau, City of Dreams and Studio City properties and development projects are located. The title to the land lease right is obtained once the related land concession contract is published in the Macau official gazette. The contracts have a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The Company's land holding subsidiaries are required to i) pay an upfront land premium, which is recognized as a land use right in the consolidated balance sheets and an annual government land use fee, which is recognized as general and administrative expense and may be adjusted every five years; and (ii) place a guarantee deposit upon acceptance of the land lease terms, which is subject to adjustments from time to time in line with the amounts paid as annual land use fees. During the land concession term, amendments may be sought which have or may result in revisions to the development conditions, land premium and government land use fees.

Altira Macau

On December 18, 2013, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Taipa Land on which Altira Macau is located. According to the revised land amendment, the government land use fees were approximately $190 per annum. As of December 31, 2018, the Group's total commitment for government land use fees for the Altira Macau site to be paid during the initial term of the land concession contract which expires in March 2031 was $2,245.

City of Dreams

On January 29, 2014, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Cotai Land on which City of Dreams is located. The amendment required an additional land premium of approximately $23,344, which was fully paid in January 2016. According to the revised land amendment, the government land use fees were approximately $1,180 per annum during the development period of an additional hotel at City of Dreams; and approximately $1,230 per annum after the completion of the development. In January 2018, the Macau government granted an extension of the development period under the land concession contract for Cotai Land to June 11, 2018. As of December 31, 2018, the Group's total commitment for government land use fees for the City of Dreams site to be paid during the initial term of the land concession contract which expires in August 2033 was $17,896.

Studio City

On September 23, 2015, the Macau government published in the Macau official gazette the final amendment for revision of the land concession contract for Studio City Land on which Studio City is located. According to the revised land amendment, the government land use fees were approximately $490 per annum during the development period of Studio City; and approximately $1,100 per annum after the development period. In February 2018, the Macau government granted an extension of the development period under the land concession contract for Studio City Land to July 24, 2021. As of December 31, 2018, the Group's total commitment for government land use fees for the Studio City site to be paid during the initial term of the land concession contract which expires in October 2026 was $8,226.

Regular License

Other commitments required by PAGCOR under the Regular License includes as follows:

- To secure a surety bond in favor of PAGCOR in the amount of PHP100,000,000 (equivalent to $1,897) to ensure prompt and punctual remittances/payments of all license fees.

- License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operations. The license fees are inclusive of the 5% franchise tax under the terms of the PAGCOR charter.

- The Licensees are required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the Licensees and approved by PAGCOR.

- PAGCOR may collect a 5% fee on non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues from hotel operations should not be subject to the 5% fee except for rental income received from retail concessionaires.

- Grounds for revocation of the Regular License, among others, are as follows: (a) failure to comply with material provisions of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt or insolvent; and (d) if the debt-to-equity ratio is more than 70:30. As of December 31, 2018 and 2017, MPHIL Holdings Group, as one of the Licensee parties, has complied with the required debt-to-equity ratio under the definition as agreed with PAGCOR.

Cooperation Agreement

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any losses suffered or incurred by that Licensees arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular License. Also, each of the Philippine Parties and MPHIL Holdings Group agree to indemnify the non-breaching party for any losses suffered or incurred as a result of a breach of any warranties.

(d) Guarantees

Except as disclosed in Notes 11 and 21(c), the Group has made the following significant guarantees as of December 31, 2018:

- Melco Resorts Macau has issued a promissory note ("Livrança") of MOP550,000,000 (equivalent to $68,184) to a bank in respect of the bank guarantee issued to the Macau government under its gaming subconcession.

- The Company has entered into two deeds of guarantee with third parties amounting to $35,000 to guarantee certain payment obligations of the City of Dreams' operations.

- In October 2013, one of the Company's subsidiaries entered into a trade credit facility agreement for HK$200,000,000 (equivalent to $25,538) ("Trade Credit Facility") with a bank to meet certain payment obligations of the Studio City project. The Trade Credit Facility which matured on August 31, 2017 was further extended to August 31, 2019, and is guaranteed by Studio City Company. As of December 31, 2018, approximately $638 of the Trade Credit Facility had been utilized.

- Melco Resorts Leisure has issued a corporate guarantee of PHP100,000,000 (equivalent to $1,897) to a bank in respect of a surety bond issued to PAGCOR as disclosed in Note 21(c) under Regular License.

(e) Litigation

As of December 31, 2018, the Group is a party to certain other legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings have no material impacts on the Group's consolidated financial statements as a whole.

22. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2018, 2017 and 2016, the Group entered into the following significant related party transactions:

		Year Ended December 31,		
Related companies	**Nature of transactions**	**2018**	**2017**	**2016**
Transactions with affiliated companies				
Melco International and its subsidiaries	Management fee expenses	$ 4,339[(1)]	$ 1,787[(2)]	$ 1,191[(2)]
	Shared service fee income for corporate office	3,044	951	232
	Design and construction service fee income for Cyprus Project[(3)]	2,625	–	–
	Management fee income for Cyprus Project[(4)]	1,903	1,487	–
A joint venture and a subsidiary of MECOM Power and Construction Limited ("MECOM")[(5)(6)]	Construction and renovation work performed and recognized as property and equipment	13,454	35,510	–
	Consultancy fee expense	11,723	2,228	–

Notes

(1) The amount mainly represents management fee expenses for the services provided by the senior management of Melco International and for the operation of the office of the Company's Chief Executive Officer.

(2) The amount mainly included the Company's reimbursement to Melco International's subsidiary for service fees incurred on its behalf for the operation of the office of the Company's Chief Executive Officer.

(3) The amount mainly represents management fee income for design and construction services provided by the Group to a subsidiary of Melco International for development of an integrated casino resort and up to four satellite casinos in the Republic of Cyprus ("Cyprus Project").

(4) The amount mainly represents management fee income for services provided by the Group to a subsidiary of Melco International for management and operation for the Cyprus Project.

(5) A company in which Mr. Lawrence Yau Lung Ho, the Company's Chief Executive Officer, has a shareholding interest of approximately 20%.

(6) In July 2018, the Group entered into a term contract with EHY Construction and Engineering Company Limited ("EHY Construction"), a subsidiary of MECOM, pursuant to which EHY Construction agreed to provide certain services to the Group, including but not limited to structural steelworks, civil engeering construction and fitting out and renovation work for a term of three years. The performance by EHY Construction of these services under the term contract is subject to (i) individual work orders as may be issued to EHY Construction from time to time; and (ii) the maximum aggregate contract amount of HK$600,000,000 (equivalent to $76,613). The amounts included the services provided by EHY Construction of $23,015 during the year ended December 31, 2018.

Commitments with Related Parties

As of December 31, 2018, the Group had capital commitments contracted but not incurred with a joint venture and a subsidiary of MECOM mainly for the construction for Studio City totaling $2,024.

(a) Amounts Due from Affiliated Companies

The outstanding balances mainly arising from operating income or prepayment of operating expenses as of December 31, 2018 and 2017 are unsecured, non-interest bearing and repayable on demand with details as follows:

	December 31,	
	2018	**2017**
Melco International and its subsidiaries	$ 7,603	$ 2,367
Others	–	10
	$ 7,603	$ 2,377

(b) Amounts Due to Affiliated Companies

The current portion of amounts due to affiliated companies mainly arising from construction and renovation work performed, operating expenses and expenses paid by affiliated companies on behalf of the Group as of December 31, 2018 and 2017, are unsecured, non-interest bearing and repayable on demand with details as follows:

	December 31,	
	2018	**2017**
A joint venture and subsidiaries of MECOM	$ 8,118	$ 14,675
A subsidiary of Melco International	3,340	1,293
Others	11	822
	$ 11,469	$ 16,790

The non-current portion of amounts due to affiliated companies arising from construction cost retentions payable as of December 31, 2017 was unsecured and non-interest bearing. No part of the amount was repayable within the next twelve months from the balance sheet date and, accordingly, the amount was shown as a non-current liability in the consolidated balance sheet.

23. SEGMENT INFORMATION

The Group is principally engaged in the gaming and hospitality business in Asia and its principal operating and developmental activities occur in two geographic areas: Macau and the Philippines. The Group monitors its operations and evaluates earnings by reviewing the assets and operations of Mocha Clubs, Altira Macau, City of Dreams, Studio City and City of Dreams Manila. Grand Dragon Casino is included in the Corporate and Other category.

The Group's segment information for total assets and capital expenditures is as follows:

Total Assets

	December 31,		
	2018	**2017**	**2016**
Macau:			
Mocha Clubs	$ 120,789	$ 121,980	$ 135,707
Altira Macau	376,655	427,668	473,731
City of Dreams	3,636,735	3,453,135	3,193,895
Studio City	3,378,646	3,475,321	3,466,291
Sub-total	7,512,825	7,478,104	7,269,624
The Philippines:			
City of Dreams Manila	644,482	682,204	825,247
Corporate and Other	720,076	734,748	1,245,470
Total consolidated assets	$ 8,877,383	$ 8,895,056	$ 9,340,341

Capital Expenditures

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

The Group's segment information and reconciliation to net income attributable to Melco Resorts & Entertainment Limited is as follows:

	Year Ended December 31,		
	2018	2017	2016
NET REVENUES			
Macau:			
Mocha Clubs	$ 113,432	$ 121,250	$ 120,491
Altira Macau	471,292	446,132	439,127
City of Dreams	2,543,652	2,666,309	2,590,824
Studio City	1,368,400	1,363,405	838,179
Sub-total	4,496,776	4,597,096	3,988,621
The Philippines:			
City of Dreams Manila	612,948	649,276	491,235
Corporate and Other	48,785	38,451	39,540
Total net revenues	$ 5,158,509	$5,284,823	$4,519,396
ADJUSTED PROPERTY EBITDA[1]			
Macau:			
Mocha Clubs	$ 21,490	$ 26,639	$ 23,789
Altira Macau	55,547	20,671	5,116
City of Dreams	756,381	804,872	742,291
Studio City	375,288	335,568	155,985
Sub-total	1,208,706	1,187,750	927,181
The Philippines:			
City of Dreams Manila	269,200	235,019	160,336
Total adjusted property EBITDA	1,477,906	1,422,769	1,087,517
OPERATING COSTS AND EXPENSES			
Payments to the Philippine Parties	(60,778)	(51,661)	(34,403)
Pre-opening costs	(37,369)	(2,274)	(3,883)
Development costs	(23,029)	(31,115)	(95)
Amortization of gaming subconcession	(56,809)	(57,237)	(57,237)
Amortization of land use rights	(22,646)	(22,817)	(22,816)
Depreciation and amortization	(484,621)	(460,521)	(472,219)
Land rent to Belle	(3,001)	(3,143)	(3,327)
Share-based compensation	(25,143)	(17,305)	(18,487)
Property charges and other	(29,147)	(31,616)	(5,298)
Net gain on disposal of property and equipment to Belle	–	–	8,134
Corporate and Other expenses	(108,527)	(137,468)	(114,770)
Total operating costs and expenses	(851,070)	(815,157)	(724,401)
OPERATING INCOME	$ 626,836	$ 607,612	$ 363,116

	Year Ended December 31,		
	2018	2017	2016
NON-OPERATING INCOME (EXPENSES)			
Interest income	$ 5,471	$ 3,579	$ 5,951
Interest expenses, net of capitalized interest	(264,880)	(255,764)	(271,912)
Loan commitment and other finance fees	(4,630)	(6,079)	(7,451)
Foreign exchange (losses) gains, net	(9,612)	12,783	7,356
Other income, net	3,682	5,282	3,572
Loss on extinguishment of debt	(3,461)	(49,337)	(17,435)
Costs associated with debt modification	–	(2,793)	(8,101)
Total non-operating expenses, net	(273,430)	(292,329)	(288,020)
INCOME BEFORE INCOME TAX	353,406	315,283	75,096
INCOME TAX CREDIT (EXPENSE)	445	10	(8,178)
NET INCOME	353,851	315,293	66,918
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2,336)	31,709	108,988
NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED	$ 351,515	$ 347,002	$ 175,906

Note

(1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine Parties, land rent to Belle, net gain on disposal of property and equipment to Belle, Corporate and Other expenses, and other non-operating income and expenses. The Group uses Adjusted property EBITDA to measure the operating performance of Mocha Clubs, Altira Macau, City of Dreams, Studio City and City of Dreams Manila and to compare the operating performance of its properties with those of its competitors.

The Group's geographic information for long-lived assets is as follows:

Long-lived Assets

	December 31,		
	2018	2017	2016
Macau	$ 6,287,324	$ 6,389,846	$ 6,330,624
The Philippines	381,866	458,242	533,477
Hong Kong and other foreign countries	61,095	12,389	1,493
Total long-lived assets	$ 6,730,285	$ 6,860,477	$ 6,865,594

24. CHANGE IN SHAREHOLDING OF THE SUBSIDIARIES

The Philippine subsidiaries

During the year ended December 31, 2016, the Company through MCO (Philippines) Investments Limited ("MCO Investments"), purchased 50,263,000 common shares of MRP at a total consideration of PHP123,307,331 (equivalent to $2,614 based on the exchange rate on the transaction date) from the open market, which increased the Company's shareholding in MRP and the Group recognized a decrease of $761 in the Company's additional paid-in capital which reflected the adjustment to the carrying amount of the noncontrolling interest in MRP.

During the year ended December 31, 2017, 1,040,485 share options under the MRP Share Incentive Plan were exercised, which decreased the Company's shareholding in MRP and the Group recognized an increase of $96 in the Company's additional paid-in capital which reflected the adjustment to the carrying amount of the noncontrolling interest in MRP.

During the years ended December 31, 2018, 2017 and 2016, 20,506,393, 2,826,644 and 19,541,800 restricted shares under the MRP Share Incentive Plan were vested, which decreased the Company's shareholding in MRP and the Group recognized a decrease of $573, $67 and $543, respectively, in the Company's additional paid-in capital which reflected the adjustment to the carrying amount of the noncontrolling interest in MRP.

In September 2018, MRP filed with the PSE (i) a tender offer report, as amended from time to time, the tender offer of MCO Investments (the "Bidder"), to acquire up to 1,569,786,768 outstanding common shares of MRP held by the public and other MRP shareholders at the offer price of PHP7.25 per MRP share for the purpose of a voluntary delisting of MRP (the "Tender Offer"); and (ii) a petition for voluntary delisting of MRP from the PSE, as amended from time to time, if at least 95% of the outstanding common shares of MRP were acquired (the "Voluntary Delisting"). In October 2018, the purpose for the Tender Offer was changed from voluntary delisting of MRP to increasing the Bidder's shareholding interest in MRP and such change led to the withdrawal of the petition for Voluntary Delisting by MRP. The Tender Offer period commenced on October 31, 2018 and expired on November 29, 2018 and 1,338,477,668 outstanding common shares of MRP were tendered (the "Tendered Shares") and acquired by MCO Investments at the offer price of PHP7.25 per MRP share for a total amount of PHP9,703,963,000 (equivalent to $184,055 based on the exchange rate on the transaction date) and crossed at the PSE on December 10, 2018. After the completion of the cross transaction of the Tendered Shares, the shares of MRP was suspended for trading on the PSE on December 10, 2018 as a result of the public float of MRP fell below the 10% minimum public ownership requirement of the PSE rules. In addition, during the year ended December 31, 2018, the Company through MCO Investments, purchased 107,475,300 common shares of MRP at a total consideration of PHP779,196,000 (equivalent to $14,779 based on the exchange rate on the transaction date) from the open market. The above transactions increased the Company's shareholding in MRP and the Group recognized a decrease of $140,999 in the Company's additional paid-in capital which reflected the adjustment to the carrying amount of the noncontrolling interest in MRP.

During the years ended December 31, 2018 and 2016, the total transfers to noncontrolling interests amounted to $141,572 and $1,304, respectively, and during the year ended December 31, 2017, the total transfers from noncontrolling interests amounted to $29, in relation to transactions as described above. The Group retains its controlling financial interests in MRP before and after the above transactions.

Studio City International

During the year ended December 31, 2018, Studio City International completed its initial public offering. In connection with its offering, Studio City International issued (i) 28,750,000 ADSs, representing 115,000,000 Class A ordinary shares, (ii) 800,376 Class A ordinary shares to Melco International to effect an assured entitlement distribution, pursuant to a concurrent private placement, and (iii) additional 4,312,500 ADSs, representing 17,250,000 Class A ordinary shares, pursuant to the full exercise by the underwriters of the over-allotment option. The offering decreased the Company's shareholding in Studio City International and the Group recognized a decrease of $31,845 in the Company's additional paid-in capital which reflected the adjustment to the carrying amount of the noncontrolling interest in Studio City International. The Group retains its controlling financial interests in Studio City International before and after the above transactions.

The schedule below discloses the effects of changes in the Company's ownership interest in MRP and Studio City International on the Company's equity:

	Year Ended December 31,		
	2018	2017	2016
Net income attributable to Melco Resorts & Entertainment Limited Transfers (to) from noncontrolling interests:	$ 351,515	$ 347,002	$ 175,906
The Philippine subsidiaries			
Decrease in Melco Resorts & Entertainment Limited additional paid-in capital resulting from purchases of common shares of MRP from the open market and the Tender Offer	(140,999)	–	(761)
Decrease in Melco Resorts & Entertainment Limited additional paid-in capital resulting from the vesting of restricted shares under the MRP Share Incentive Plan	(573)	(67)	(543)
Increase in Melco Resorts & Entertainment Limited additional paid-in capital resulting from the exercise of share options under the MRP Share Incentive Plan	–	96	–
Sub-total	(141,572)	29	(1,304)
Studio City International			
Decrease in Melco Resorts & Entertainment Limited additional paid-in capital resulting from an initial public offering of Studio City International	(31,845)	–	–
Sub-total	(31,845)	–	–
Changes from net income attributable to Melco Resorts & Entertainment Limited's shareholders and transfers from noncontrolling interests	$ 178,098	$ 347,031	$ 174,602

25. SUBSEQUENT EVENTS

On January 22, 2019, Studio City Finance initiated a conditional tender offer (the "Conditional Tender Offer") to purchase the outstanding 2012 Studio City Notes in aggregate principal amount of $425,000, with accrued interest. The Conditional Tender Offer was conditional with sufficient funding from completion of one or more financing transactions, together with cash on hand. The Conditional Tender Offer expired on February 4, 2019 with $216,534 aggregate principal amount of the 2012 Studio City Notes tendered.

On February 11, 2019, Studio City Finance issued $600,000 in aggregate principal amount of 7.250% senior notes due 2024 and priced at 100% (the "2019 Studio City Notes"). The net proceeds from the 2019 Studio City Notes were partly used to fund the Conditional Tender Offer, and to redeem in full the remaining outstanding 2012 Studio City Notes in aggregate principal amount of $208,466, with accrued interest on March 13, 2019. All of the existing subsidiaries of Studio City Finance and any other future restricted subsidiaries as defined in the 2019 Studio City Notes are guarantors to guarantee the indebtedness under the 2019 Studio City Notes.

In preparing the consolidated financial statements, the Group has evaluated events and transactions for potential recognition and disclosure through March 29, 2019, the date the consolidated financial statements were available to be issued.

5. The following is the text of the report from Deloitte Touche Tohmatsu in respect of the audited consolidated financial statements of Melco Resorts as of 31 December 2016 and for the year ended 31 December 2016.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Melco Resorts & Entertainment Limited:

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting discussed in Note 2(ab) to the consolidated financial statements, the consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows of Melco Resorts & Entertainment Limited and subsidiaries (the "Company") for the year ended December 31, 2016 (the 2016 financial statements before the effects of the adjustments discussed in Note 2(ab) to the financial statements are not presented herein). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 2016 consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting discussed in Note 2(ab) to the consolidated financial statements, present fairly, in all material respects, the consolidated results of their operations and their cash flows for the year ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review or apply any procedures to the adjustments to retrospectively apply the change in accounting discussed in Note 2(ab) to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
April 11, 2017

6. The following is the text of the report from Ernst & Young in respect of the audited consolidated financial statements of Melco Resorts as of 31 December 2018 and 2017 and for each of the two years in the period ended 31 December 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Melco Resorts & Entertainment Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Melco Resorts & Entertainment Limited (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2018 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also audited the adjustments for the retrospective application of the authoritative guidance on the presentation and classification of restricted cash as described in Note 2(a) that were applied to restate the 2016 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review or apply any procedures to the 2016 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 consolidated financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 29, 2019 expressed an unqualified opinion thereon.

Adoption of New Accounting Standards

As discussed in Note 2(a) to the consolidated financial statements, the accompanying consolidated statements of cash flows for each of the two years in the period ended December 31, 2017 have been adjusted for the retrospective application of the authoritative guidance on the presentation and classification of restricted cash which was adopted by the Company on January 1, 2018.

As discussed Note 2(ab) to the consolidated financial statements, the Company changed its method for accounting for revenues from contracts with customers due to the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), as amended, effective January 1, 2018, using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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.

Ernst & Young
We have served as the Company's auditor since 2017.

Hong Kong
March 29, 2019

B. ADDITIONAL FINANCIAL INFORMATION OF MELCO RESORTS

The Company sets out the following additional financial information of Melco Resorts required for an accountants' report under the Listing Rules for the financial years ended 31 December 2016, 2017 and 2018 but not disclosed in Melco Resorts' published audited annual financial statements prepared under US GAAP showing the financial information for the three financial years ended 31 December 2016, 2017 and 2018.

The following discussion should be read in connection with MRE 2017 financial statements and MRE 2018 financial statements, included elsewhere in this circular.

1. Capital Structure and Charge on Assets

For details of the indebtedness as of December 31, 2018, 2017 and 2016, see note 11 to the MRE 2018 financial statements and note 11 to the MRE 2017 financial statements included elsewhere in this circular, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the charge on Melco Resorts' assets and nature and extent of any restrictions on Melco Resorts' ability, and the ability of Melco Resorts' subsidiaries, to transfer funds as cash dividends, loans or advances.

2. Gearing Ratio

As of December 31, 2018 and December 31, 2017, Melco Resorts' gearing ratio (total long-term debt, net divided by total assets) were 45.7% and 40.0%, respectively. The gearing ratio increased as of December 31, 2018, primarily a result of increased indebtedness from the drawdown of the revolving credit facility under the 2015 Credit Facilities, offset by the early redemption of Philippine Notes, early partial redemption of 2012 Studio City Notes and the scheduled repayments of the term loan under the 2015 Credit Facilities.

As of December 31, 2017 and December 31, 2016, Melco Resorts' gearing ratio (total long-term debt, net divided by total assets) were 40.0% and 39.8%, respectively.

3. Employees

The following table sets forth the number of employees categorized by the areas of operations and as a percentage of Melco Resorts' workforce as of December 31, 2018, 2017 and 2016. Staff remuneration packages are determined taking into account market conditions and the performance of the individuals concerned, and are subject to review from time to time.

	As of December 31,					
	2018		2017		2016	
	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
Mocha Clubs	745	3.5%	747	3.8%	704	3.5%
Altira Macau	1,668	7.8%	1,610	8.2%	1,722	8.5%
City of Dreams	8,312	38.8%	7,202	36.7%	7,933	39.2%
Corporate and centralized services	676	3.2%	636	3.2%	712	3.5%
Studio City	4,374	20.4%	4,520	23.1%	4,812	23.7%
City of Dreams Manila	5,638	26.3%	4,894	25.0%	4,365	21.6%
Total	21,413	100.0%	19,609	100.0%	20,248	100%

Melco Resorts has implemented a number of employee attraction and retention initiatives over recent years for the benefit of its employees and their families. These initiatives include, among others, a unique in-house learning academy (which provides curriculum across multi-functional tracks such as technical training — gaming and non-gaming, sales and marketing, legal, finance, human resources, computer application, language, service, leadership and lifestyle), a foundation acceleration program designed to enhance understanding of business perspectives of Melco Resorts' employees beyond their own jobs, an on-site high school diploma program and Diploma in Casino Management program (a collaboration with The University of Macau), the Diploma in Hospitality Management (a collaboration with the Institute for Tourism Studies), scholarship awards to encourage the concept of life-long learning, as well as ample internal promotion and transfer opportunities. In September 2015, Melco Resorts launched the Melco You-niversity program with the Edinburgh Napier University, an overseas institution based in the United Kingdom which was rated 'Excellent' in Eduniversal 2014 ranking, to bring a bachelor degree program in-house.

Share-based compensation

Melco Resorts adopted the 2006 Share Incentive Plan, 2011 Share Incentive Plan and MRP Share Incentive Plan. The 2006 Share Incentive Plan has been succeeded by 2011 Share Incentive Plan. No further awards may be granted under the 2006 Share Incentive Plan. All subsequent awards will be issued under the 2011 Share Incentive Plan. For the details of share-based compensation, please refer to note 16 to the MRE 2018 financial statements and note 16 to the MRE 2017 financial statements, included elsewhere in this circular.

4. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Melco Resorts believes the primary exposure to market risk will be interest rate risk associated with the substantial indebtedness.

For the details of interest rate risk and foreign exchange risk exposure as of December 31, 2018, 2017 and 2016, please refer to the section "D. Management Discussion and Analysis of Melco Resorts" in Appendix II to this circular.

5. Accounts Receivable

During the years ended December 31, 2018, 2017 and 2016, Melco Resorts has provided allowance (credit) for doubtful debts of approximately (US$2,479,000), (US$4,178,000) and US$67,791,000, respectively.

Movement of allowance for doubtful debts are as follows:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands of US$)		
At beginning of year	$ 210,997	$ 265,931	$ 210,757
(Credit) additional provision	(2,479)	(4,178)	67,791
Write-offs, net of recoveries	(2,115)	(57,696)	(3,044)
Reclassified (to) from long-term receivables, net	(2,062)	6,940	(9,573)
Exchange adjustments	(1,304)	–	–
At end of year	203,037	$ 210,997	$ 265,931

Melco Resorts grants unsecured credit lines to gaming promoters based on pre-approved credit limits. Melco Resorts typically issues markers to gaming promoters with a credit period of 30 days. There are some gaming promoters for whom credit is granted on a revolving basis based on the monthly credit risk assessment of these gaming promoters.

Credit lines granted to all gaming promoters are subject to monthly review and settlement procedures. For certain approved casino customers, Melco Resorts typically allows a credit period of 14 to 28 days on issuance of markers following investigations of creditworthiness. An extended repayment term of typically 90 days may be offered to casino customers with large gaming losses and established credit history.

Melco Resorts' trade receivables related to the rooms, catering service, entertainment and retail are largely operated on cash on delivery or due immediately on the date of billing, except for those well-established customers to whom credit terms of 30 days would be granted.

The following is an analysis of accounts receivable by age presented based on payment due date, net of allowance:

	December 31, 2018	December 31, 2017	December 31, 2016
	(in thousands of US$)		
Current	$ 144,065	$ 140,321	$ 147,805
1 - 30 days	31,103	19,813	37,807
31 - 60 days	19,339	12,797	12,633
61 - 90 days	17,371	1,781	11,963
Over 90 days	30,211	1,832	15,230
	$ 242,089	$ 176,544	$ 225,438

6. Accounts Payable

The following is an aged analysis of accounts payable presented based on payment due date:

	December 31, 2018	December 31, 2017	December 31, 2016
	(in thousands of US$)		
Within 30 days	$ 20,587	$ 14,984	$ 14,833
31 - 60 days	1,740	719	1,710
61 - 90 days	1,032	185	134
Over 90 days	1,520	153	757
	$ 24,879	$ 16,041	$ 17,434

7. Operating Income

Operating income is arrived at after charging (crediting):

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
	(in thousands of US$)		
Auditor's remuneration	$ 1,609	$ 1,611	$ 1,623
Net loss (gain) on disposal of property and equipment	1,518	5,409	(8,509)
Impairment loss recognized on property and equipment	–	23,197	3,245

8. Directors' Emoluments

Details of the emoluments paid or payable to the Directors during the years ended December 31, 2018, 2017 and 2016 were as follows:

	Directors' Fees	Salaries and Other Benefits	Performance Bonuses	Retirement Benefit Scheme Contributions	Share-based Compensation	December 31, 2018 Total
			(in thousands of US$)			
Chairman, Chief Executive Officer and Executive Director						
Lawrence Yau Lung Ho	$ –	$ 3,745	$ 2,832	$ 2	$ 8,409	$ 14,988
Non-executive Directors						
Clarence Yuk Man Chung	–	285	400	–	347	1,032
Evan Andrew Winkler [(1)]	–	1	–	–	88	89
Independent non-executive Directors						
Thomas Jefferson Wu	133	10	–	–	138	281
Alec Yiu Wa Tsui	140	155	–	–	223	518
John William Crawford [(2)]	143	161	–	–	173	477
Francesca Galante [(9)]	32	–	–	–	–	32
	$ 448	$ 4,357	$ 3,232	$ 2	$ 9,378	$ 17,417

	Directors' Fees	Salaries and Other Benefits	Performance Bonuses	Retirement Benefit Scheme Contributions	Share-based Compensation	December 31, 2017 Total
			(in thousands of US$)			
Chairman, Chief Executive Officer and Executive Director						
Lawrence Yau Lung Ho	$ –	$ 3,547	$ 6,646	$ 2	$ 5,772	$ 15,967
Non-executive Directors						
Clarence Yuk Man Chung	–	211	300	–	241	752
Evan Andrew Winkler [(1)]	–	–	–	–	38	38
Robert John Rankin [(8)]	–	–	–	–	21	21
Independent non-executive Directors						
Thomas Jefferson Wu	128	11	–	–	127	266
Alec Yiu Wa Tsui	155	160	–	–	162	477
John William Crawford[(2)]	114	140	–	–	59	313
James Andrew Charles MacKenzie[(3)]	11	15	–	–	162	188
Robert Wason Mactier[(4)]	3	–	–	–	147	150
	$ 411	$ 4,084	$ 6,946	$ 2	$ 6,729	$ 18,172

		Directors' Fees		Salaries and Other Benefits		Performance Bonuses		Retirement Benefit Scheme Contributions		Share-based Compensation		December 31, 2016 Total
						(in thousands of US$)						
Chairman, Chief Executive Officer and Executive Director												
Lawrence Yau Lung Ho	$	–	$	2,858	$	2,500	$	2	$	4,581	$	9,941
Co-Chairman/Deputy Chairman, Non-executive Director												
James Douglas Packer[(6)]		–		3		–		–		405		408
Non-executive Directors												
Clarence Yuk Man Chung		–		205		200		–		452		857
Evan Andrew Winkler[(1)]		–		–		–		–		–		–
William Todd Nisbet[(5)]		–		439		–		–		209		648
John Peter Ben Wang[(7)]		–		5		–		–		77		82
Robert John Rankin[(8)]		–		–		–		–		32		32
Independent non-executive Directors												
Thomas Jefferson Wu		113		5		–		–		126		244
Alec Yiu Wa Tsui		113		170		–		–		200		483
James Andrew Charles MacKenzie[(3)]		125		268		–		–		200		593
Robert Wason Mactier[(4)]		85		5		–		–		126		216
	$	436	$	3,958	$	2,700	$	2	$	6,408	$	13,504

Notes:

(1) Mr. Evan Andrew Winkler was appointed as a director of Melco Resorts on August 3, 2016.

(2) Mr. John William Crawford was appointed as a director of Melco Resorts on January 12, 2017.

(3) Mr. James Andrew Charles MacKenzie resigned as a director of Melco Resorts on February 1, 2017.

(4) Mr. Robert Wason Mactier resigned as a director of Melco Resorts on January 12, 2017.

(5) Mr. William Todd Nisbet resigned as a director of Melco Resorts on May 6, 2016.

(6) Mr. James Douglas Packer resigned as a Co-Chairman and took up the position of Deputy Chairman of Melco Resorts on May 6, 2016, and subsequently resigned as Deputy Chairman and director of Melco Resorts on December 15, 2016.

(7) Mr. John Peter Ben Wang resigned as a director of Melco Resorts on August 3, 2016.

(8) Mr. Robert John Rankin resigned as a director of Melco Resorts on May 15, 2017.

(9) Ms. Francesca Galante was appointed as a director of Melco Resorts on September 5, 2018.

9. Employee's Emoluments

Emoluments of Five Highest Paid Individuals

For each of the three years ended December 31, 2018, 2017 and 2016, the five highest paid individuals included one Director of Melco Resorts. The emoluments of the remaining four highest paid individuals for the years ended December 31, 2018, 2017 and 2016 are as follows:

	Year Ended December 31,		
	2018	**2017**	**2016**
	(in thousands of US$)		
Basic salaries, allowances and benefits in kind	$ 4,018	$ 3,751	$ 2,895
Performance bonuses	2,842	3,689	1,564
Retirement benefit scheme contributions	274	251	181
Share-based compensation	4,742	2,533	2,522
	$ 11,876	$ 10,224	$ 7,162

Their emoluments were within the following bands:

	Number of Employees		
	Year Ended December 31,		
	2018	2017	2016
HK$11,500,001 (approximately US$1,468,000) to HK$12,000,000 (approximately US$1,532,000)	–	–	1
HK$13,000,001 (approximately US$1,660,000) to HK$13,500,000 (approximately US$1,724,000)	–	–	1
HK$13,500,001 (approximately US$1,724,000) to HK$14,000,000 (approximately US$1,788,000)	–	–	1
HK$17,000,001 (approximately US$2,171,000) to HK$17,500,000 (approximately US$2,235,000)	–	1	1
HK$17,500,001 (approximately US$2,235,000) to HK$18,000,000 (approximately US$2,298,000)	–	1	–
HK$18,000,001 (approximately US$2,298,000) to HK$18,500,000 (approximately US$2,362,000)	1	–	–
HK$19,000,001 (approximately US$2,426,000) to HK$19,500,000 (approximately US$2,490,000)	1	–	–
HK$19,500,001 (approximately US$2,490,000) to HK$20,000,000 (approximately US$2,554,000)	1	–	–
HK$20,500,001 (approximately US$2,618,000) to HK$21,000,000 (approximately US$2,681,000)	–	1	–
HK$24,000,001 (approximately US$3,065,000) to HK$24,500,000 (approximately US$3,128,000)	–	1	–
HK$34,500,001 (approximately US$4,405,000) to HK$35,000,000 (approximately US$4,469,000)	1	–	–
	4	4	4

10. Subsequent Events

Other than those subsequent events disclosed in note 25 to the MRE 2018 financial statements included elsewhere in this circular, Melco Resorts did not have any material subsequent events after December 31, 2018.

C. DIFFERENCES BETWEEN THE ACCOUNTING POLICIES ADOPTED BY THE COMPANY (HKFRS) AND MELCO RESORTS (US GAAP)

As described in "*Letter from the Board — Waiver from Compliance with Rule 14.67(6)(a)(i) of the Listing Rules*", the Company has applied to the Stock Exchange for, and has been granted, a waiver from the requirement to produce an accountants' report on Melco Resorts prepared under HKFRS in accordance with Rule 14.67(6)(a)(i) of the Listing Rules.

Instead, this circular contains a copy of MRE 2017 financial statements and MRE 2018 financial statements prepared in accordance with US GAAP extracted from the reports of Melco Resorts on Forms 6-K and 20-F and their exhibits thereto furnished to the SEC on April 24, 2019 and March 29, 2019, respectively, and the management discussion and analysis extracted from the annual reports of Melco Resorts for each of those years (together, the "**Melco Resorts Historical Track Record Accounts**").

The Melco Resorts Historical Track Record Accounts cover the financial positions of Melco Resorts as of December 31, 2016, 2017 and 2018 and the results of Melco Resorts for each of the three years ended December 31, 2016, 2017 and 2018 (the "**Relevant Periods**").

The accounting policies adopted in the preparation of the Melco Resorts Historical Track Record Accounts differ in certain material respects from the accounting policies adopted by the Company which comply with HKFRS. Differences which would have a significant effect on the Melco Resorts Historical Track Record Accounts, had they been prepared in accordance with the accounting policies adopted by the Company rather than in accordance with US GAAP, are set out below in "*Melco Resorts' Unaudited Adjusted Financial Information under the Company's Policies*", with the following disclosures:

(a) a comparison between Melco Resorts' consolidated statements of financial position as extracted from the Melco Resorts Historical Track Record Accounts, prepared in accordance with US GAAP, and unaudited adjusted consolidated statements of financial position had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with HKFRS. The process applied in the preparation of such a comparison is set out in the "*Basis of Preparation"* and "*Reconciliation Process*" sections below;

(b) a comparison between Melco Resorts' consolidated statements of profit or loss as extracted from the Melco Resorts Historical Track Record Accounts, prepared in accordance with US GAAP, and unaudited adjusted consolidated statements of profit or loss had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with HKFRS. The process applied in the preparation of such a comparison is also set out in the "*Basis of Preparation*" and "*Reconciliation Process*" sections below; and

(c) a discussion of the material financial statement line item differences arising out of the exercise outlined in (a) and (b) above.

The above referenced items are collectively referred to as the "**Reconciliation Information**".

Basis of Preparation

The Reconciliation Information for the Relevant Periods, which presents the "*Unadjusted Financial Information under US GAAP*" of Melco Resorts as if it had been prepared in accordance with the accounting policies adopted by the Company which are in compliance with HKFRS, has been prepared on the assumption that the transition provisions of HKFRS 1 are applicable to Melco Resorts. Melco Resorts' HKFRS transition date is deemed to be January 1, 2016 and as such, Melco Resorts has applied the mandatory exceptions and certain optional exemptions afforded by HKFRS 1 for the preparation of the Reconciliation Information for the Relevant Periods.

Reconciliation Process

The Reconciliation Information has been prepared by Melco Resorts by comparing and analyzing the differences between the accounting policies adopted by Melco Resorts for the preparation of the Melco Resorts Historical Track Record Accounts in accordance with US GAAP and the accounting policies adopted by the Company which are in compliance with HKFRS, and quantifying the relevant material financial effects of such differences.

Year ended December 31, 2016

Ernst & Young was engaged by the Company to perform agreed-upon procedures, in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the HKICPA. The agreed-upon procedures consisted of:

(i) agreeing the *"Unadjusted Financial Information under US GAAP"* as set out below in the section *"Melco Resorts' Unaudited Adjusted Financial Information under the Company's Policies"* to the MRE 2017 financial statements prepared under US GAAP;

(ii) agreeing the adjustments made in arriving at the "*Adjusted Financial Information under the Company's Policies*" set out below in the section "*Melco Resorts' Unaudited Adjusted Financial Information under the Company's Policies*" to the accounting records of Melco Resorts; and

(iii) checking arithmetic accuracy of the computation of the "*Adjusted Financial Information under the Company's Policies*".

The above procedures carried out in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" do not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, Ernst & Young did not express any assurance on the Reconciliation Information for the year ended December 31, 2016. Ernst & Young's engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the information and documents made available to Ernst & Young,

(i) Ernst & Young found the *"Unadjusted Financial Information under US GAAP"* as set out in the section *"Melco Resorts' Unaudited Adjusted Financial Information under the Company's Policies"* is in agreement with MRE 2017 financial statements prepared under US GAAP;

(ii) Ernst & Young found the adjustments set out in the section *"Melco Resorts' Unaudited Adjusted Financial Information under the Company's Policies"* are in agreement with the accounting records of Melco Resorts; and

(iii) Ernst & Young found the computation of the *"Adjusted Financial Information under the Company's Policies"* is arithmetically accurate.

Years ended December 31, 2017 and 2018

Ernst & Young was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") issued by the HKICPA on the Reconciliation Information for the years ended December 31, 2017 and 2018. The work consisted primarily of:

(i) comparing the "*Unadjusted Financial Information under US GAAP*" as set out below in the section "*Melco Resorts' Unaudited Adjusted Financial Information under the Company's Policies*" with MRE 2017 financial statements and MRE 2018 financial statements prepared under US GAAP;

(ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the "*Adjusted Financial Information under the Company's Policies*" set out below in the section "*Melco Resorts' Unaudited Adjusted Financial Information under the Company's Policies*", which included examining the differences between Melco Resorts' accounting policies and the Company's accounting policies; and

(iii) checking the arithmetic accuracy of the computation of the "*Adjusted Financial Information under the Company's Policies*".

Ernst & Young's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Ernst & Young did not express an audit opinion nor a review conclusion on the Reconciliation Information. Ernst & Young's engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, Ernst & Young has concluded that:

(i) the "*Unadjusted Financial Information under US GAAP*" as set out in the section "*Melco Resorts' Unaudited Adjusted Financial Information under the Company's Policies*" is in agreement with MRE 2017 financial statements and MRE 2018 financial statements prepared under US GAAP;

(ii) the adjustments set out in the section "*Melco Resorts' Unaudited Adjusted Financial Information under the Company's Policies*" reflect, in all material respects, the differences between Melco Resorts' accounting policies and the Company's accounting policies on the basis described in the section "*Basis of Preparation*" above; and

(iii) the computation of the "*Adjusted Financial Information under the Company's Policies*" is arithmetically accurate.

Melco Resorts' Unaudited Adjusted Financial Information under the Company's Policies

The Melco Resorts Historical Track Record Accounts for the Relevant Periods have been prepared and presented in accordance with US GAAP. The material differences between the Melco Resorts Historical Track Record Accounts, as prepared in accordance with US GAAP, compared to that applying the accounting policies adopted by the Company which are in compliance with HKFRS, are set out below:

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2016
(In thousands of US$)

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		$ 1,702,310	$	$ 1,702,310
Bank deposits with original maturities over three months		210,840		210,840
Restricted cash		39,152		39,152
Accounts receivable, net		225,438		225,438
Amounts due from affiliated companies		1,103		1,103
Inventories		32,600		32,600
Prepaid expenses and other current assets		68,111		68,111
Total current assets		$ 2,279,554	$ –	$ 2,279,554
PROPERTY AND EQUIPMENT, NET	(a), (b)	$ 5,655,823	$ 214,873	$ 5,870,696
GAMING SUBCONCESSION, NET		313,320		313,320
INTANGIBLE ASSETS		4,220		4,220
GOODWILL		81,915		81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	(e), (g)	194,911	(14,205)	180,706
RESTRICTED CASH		130		130
DEFERRED TAX ASSETS		152		152
LAND USE RIGHTS, NET	(c)	810,316	(54,821)	755,495
TOTAL ASSETS		$ 9,340,341	$ 145,847	$ 9,486,188

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable		$ 17,434	$	$ 17,434
Accrued expenses and other current liabilities	(f)	1,369,943	7,680	1,377,623
Income tax payable		7,422		7,422
Capital lease obligations, due within one year		30,730		30,730
Current portion of long-term debt, net	(e)	50,583	57	50,640
Amounts due to affiliated companies		3,028		3,028
Total current liabilities		$ 1,479,140	$ 7,737	$ 1,486,877
LONG-TERM DEBT, NET	(e)	$ 3,669,692	$ 16,826	$ 3,686,518
OTHER LONG-TERM LIABILITIES		49,287		49,287
DEFERRED TAX LIABILITIES	(c)	56,451	(50,640)	5,811
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR		262,357		262,357
TOTAL LIABILITIES		$ 5,516,927	$ (26,077)	$ 5,490,850

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
SHAREHOLDERS' EQUITY				
Ordinary shares		$ 14,759	$	$ 14,759
Treasury shares		(108)		(108)
Additional paid-in capital	(d)	2,783,062	4,450	2,787,512
Accumulated other comprehensive losses	(d)	(24,768)	79	(24,689)
Retained earnings		570,925	98,562	669,487
Total Melco Resorts & Entertainment Limited shareholders' equity		3,343,870	103,091	3,446,961
Noncontrolling interests		479,544	68,833	548,377
Total equity		3,823,414	171,924	3,995,338
TOTAL LIABILITIES AND EQUITY		$ 9,340,341	$ 145,847	$ 9,486,188
NET CURRENT ASSETS		$ 800,414	$ (7,737)	$ 792,677
TOTAL ASSETS LESS CURRENT LIABILITIES		$ 7,861,201	$ 138,110	$ 7,999,311

Unaudited Adjusted Consolidated Statement of Profit or Loss under the Company's Policies for the year ended December 31, 2016
(In thousands of US$)

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
OPERATING REVENUES				
Casino	(f)	$ 4,176,667	$ (2,078)	$ 4,174,589
Rooms		265,289		265,289
Food and beverage		177,515		177,515
Entertainment, retail and other		197,011		197,011
Gross revenues		4,816,482	(2,078)	4,814,404
Less: promotional allowances		(297,086)		(297,086)
Net revenues		4,519,396	(2,078)	4,517,318
OPERATING COSTS AND EXPENSES				
Casino	(f)	(2,904,922)	1,177	(2,903,745)
Rooms		(33,218)		(33,218)
Food and beverage		(65,781)		(65,781)
Entertainment, retail and other		(109,817)		(109,817)
General and administrative	(d)	(446,591)	(1,123)	(447,714)
Payments to the Philippine Parties		(34,403)		(34,403)
Pre-opening costs		(3,883)		(3,883)
Development costs	(g)	(95)	(41)	(136)
Amortization of gaming subconcession		(57,237)		(57,237)
Amortization of land use rights	(a), (c)	(22,816)	2,187	(20,629)
Depreciation and amortization	(a), (b)	(472,219)	(9,752)	(481,971)
Property charges and other		(5,298)		(5,298)
Total operating costs and expenses		(4,156,280)	(7,552)	(4,163,832)
OPERATING INCOME		$ 363,116	$ (9,630)	$ 353,486

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
NON-OPERATING INCOME (EXPENSES)				
Interest income		$ 5,951	$	$ 5,951
Interest expenses, net of capitalized interest	(b)	(223,567)	312	(223,255)
Amortization of deferred financing costs	(b), (e)	(48,345)	1,562	(46,783)
Loan commitment and other finance fees		(7,451)		(7,451)
Foreign exchange gains, net		7,356		7,356
Other income, net		3,572		3,572
Loss on extinguishment of debt	(e)	(17,435)	(12,520)	(29,955)
Costs associated with debt modification		(8,101)		(8,101)
Total non-operating expenses, net		(288,020)	(10,646)	(298,666)
INCOME BEFORE INCOME TAX		75,096	(20,276)	54,820
INCOME TAX EXPENSE	(c)	(8,178)	(1,386)	(9,564)
NET INCOME		66,918	(21,662)	45,256
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS		108,988	7,830	116,818
NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED		$ 175,906	$ (13,832)	$ 162,074

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2017
(In thousands of US$)

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		$ 1,408,211	$	$ 1,408,211
Investment securities		89,874		89,874
Bank deposits with original maturities over three months		9,884		9,884
Restricted cash		45,412		45,412
Accounts receivable, net		176,544		176,544
Amounts due from affiliated companies		2,377		2,377
Inventories		34,988		34,988
Prepaid expenses and other current assets		77,503		77,503
Total current assets		1,844,793	–	1,844,793
PROPERTY AND EQUIPMENT, NET	(a), (b)	5,730,760	206,064	5,936,824
GAMING SUBCONCESSION, NET		256,083		256,083
INTANGIBLE ASSETS		4,220		4,220
GOODWILL		81,915		81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	(e)	189,645	(1,065)	188,580
RESTRICTED CASH		130		130
DEFERRED TAX ASSETS		11		11
LAND USE RIGHTS, NET	(c)	787,499	(53,315)	734,184
TOTAL ASSETS		$ 8,895,056	$ 151,684	$ 9,046,740

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable		$ 16,041	$	$ 16,041
Accrued expenses and other current liabilities	(f)	1,563,585	13,007	1,576,592
Income tax payable		3,179		3,179
Capital lease obligations, due within one year		33,387		33,387
Current portion of long-term debt, net	(e)	51,032	47	51,079
Amounts due to affiliated companies		16,790		16,790
Total current liabilities		1,684,014	13,054	1,697,068
LONG-TERM DEBT, NET	(e)	3,506,530	16,374	3,522,904
OTHER LONG-TERM LIABILITIES		48,087		48,087
DEFERRED TAX LIABILITIES	(c)	53,994	(49,254)	4,740
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR		265,896		265,896
AMOUNT DUE TO AN AFFILIATED COMPANY		919		919
TOTAL LIABILITIES		$ 5,559,440	$ (19,826)	$ 5,539,614

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
SHAREHOLDERS' EQUITY				
Ordinary shares		$ 14,784	$	$ 14,784
Treasury shares		(90)		(90)
Additional paid-in capital	(d)	3,671,805	5,192	3,676,997
Accumulated other comprehensive losses	(d)	(26,610)	75	(26,535)
Accumulated losses		(772,338)	100,263	(672,075)
Total Melco Resorts & Entertainment Limited shareholders' equity		2,887,551	105,530	2,993,081
Noncontrolling interests		448,065	65,980	514,045
Total equity		3,335,616	171,510	3,507,126
TOTAL LIABILITIES AND EQUITY		$ 8,895,056	$ 151,684	$ 9,046,740
NET CURRENT ASSETS		$ 160,779	$ (13,054)	$ 147,725
TOTAL ASSETS LESS CURRENT LIABILITIES		$ 7,211,042	$ 138,630	$ 7,349,672

Unaudited Adjusted Consolidated Statement of Profit or Loss under the Company's Policies for the year ended December 31, 2017
(In thousands of US$)

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
OPERATING REVENUES				
Casino	(f)	$ 4,937,597	$ (2,614)	$ 4,934,983
Rooms		271,500		271,500
Food and beverage		184,979		184,979
Entertainment, retail and other		203,763		203,763
Gross revenues		5,597,839	(2,614)	5,595,225
Less: promotional allowances		(313,016)		(313,016)
Net revenues		5,284,823	(2,614)	5,282,209
OPERATING COSTS AND EXPENSES				
Casino	(f)	(3,374,013)	(2,712)	(3,376,725)
Rooms		(32,641)		(32,641)
Food and beverage		(57,927)		(57,927)
Entertainment, retail and other		(88,268)		(88,268)
General and administrative	(d)	(467,121)	(999)	(468,120)
Payments to the Philippine Parties		(51,661)		(51,661)
Pre-opening costs		(2,274)		(2,274)
Development costs	(g)	(31,115)	12,736	(18,379)
Amortization of gaming subconcession		(57,237)		(57,237)
Amortization of land use rights	(a), (c)	(22,817)	2,187	(20,630)
Depreciation and amortization	(a), (b)	(460,521)	(9,985)	(470,506)
Property charges and other	(b)	(31,616)	(1,080)	(32,696)
Total operating costs and expenses		(4,677,211)	147	(4,677,064)
OPERATING INCOME		$ 607,612	$ (2,467)	$ 605,145

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
NON-OPERATING INCOME (EXPENSES)				
Interest income		$ 3,579	$	$ 3,579
Interest expenses, net of capitalized interest	(b)	(229,582)	1,575	(228,007)
Amortization of deferred financing costs	(b), (e)	(26,182)	3,961	(22,221)
Loan commitment and other finance fees		(6,079)		(6,079)
Foreign exchange gains, net		12,783		12,783
Other income, net		5,282		5,282
Loss on extinguishment of debt	(e)	(49,337)	(3,094)	(52,431)
Costs associated with debt modification		(2,793)		(2,793)
Total non-operating expenses, net		(292,329)	2,442	(289,887)
INCOME BEFORE INCOME TAX		315,283	(25)	315,258
INCOME TAX CREDIT (EXPENSE)	(c)	10	(1,386)	(1,376)
NET INCOME		315,293	(1,411)	313,882
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS		31,709	2,837	34,546
NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED		$ 347,002	$ 1,426	$ 348,428

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2018
(In thousands of US$)

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		$ 1,436,558	$	$ 1,436,558
Investment securities		91,598		91,598
Restricted cash		48,037		48,037
Accounts receivable, net		242,089		242,089
Amounts due from affiliated companies		7,603		7,603
Inventories		40,828		40,828
Prepaid expenses and other current assets		90,749		90,749
Total current assets		1,957,462	–	1,957,462
PROPERTY AND EQUIPMENT, NET	(a), (b)	5,661,653	195,847	5,857,500
GAMING SUBCONCESSION, NET		197,533		197,533
INTANGIBLE ASSETS, NET		30,072		30,072
GOODWILL		81,376		81,376
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	(e)	186,515	(646)	185,869
RESTRICTED CASH		129		129
DEFERRED TAX ASSETS		2,992		2,992
LAND USE RIGHTS, NET	(c)	759,651	(51,469)	708,182
TOTAL ASSETS		$ 8,877,383	$ 143,732	$ 9,021,115

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable		$ 24,879	$	$ 24,879
Accrued expenses and other current liabilities		1,658,550		1,658,550
Income tax payable		4,903		4,903
Capital lease obligations, due within one year		34,659		34,659
Current portion of long-term debt, net	(e)	395,547	2,296	397,843
Amounts due to affiliated companies		11,469		11,469
Total current liabilities		2,130,007	2,296	2,132,303
LONG-TERM DEBT, NET	(e)	3,665,370	35,934	3,701,304
OTHER LONG-TERM LIABILITIES		28,866		28,866
DEFERRED TAX LIABILITIES	(c)	54,063	(47,554)	6,509
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR		253,374		253,374
TOTAL LIABILITIES		$ 6,131,680	$ (9,324)	$ 6,122,356
SHAREHOLDERS' EQUITY				
Ordinary shares		$ 14,830	$	$ 14,830
Treasury shares		(657,389)		(657,389)
Additional paid-in capital	(d)	3,523,275	(4,825)	3,518,450
Accumulated other comprehensive losses	(d)	(49,804)	(701)	(50,505)
Accumulated losses	(e)	(703,576)	89,191	(614,385)
Total Melco Resorts & Entertainment Limited shareholders' equity		2,127,336	83,665	2,211,001
Noncontrolling interests		618,367	69,391	687,758
Total equity		2,745,703	153,056	2,898,759
TOTAL LIABILITIES AND EQUITY		$ 8,877,383	$ 143,732	$ 9,021,115
NET CURRENT LIABILITIES		$ (172,545)	$ (2,296)	$ (174,841)
TOTAL ASSETS LESS CURRENT LIABILITIES		$ 6,747,376	$ 141,436	$ 6,888,812

Unaudited Adjusted Consolidated Statement of Profit or Loss under the Company's Policies for the year ended December 31, 2018
(In thousands of US$)

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
OPERATING REVENUES				
Casino		$ 4,463,704	$	$ 4,463,704
Rooms		311,028		311,028
Food and beverage		204,171		204,171
Entertainment, retail and other		179,606		179,606
Net revenues		5,158,509	–	5,158,509
OPERATING COSTS AND EXPENSES				
Casino		(2,984,711)		(2,984,711)
Rooms		(78,377)		(78,377)
Food and beverage		(161,126)		(161,126)
Entertainment, retail and other		(92,436)		(92,436)
General and administrative	(d)	(500,624)	1,567	(499,057)
Payments to the Philippine Parties		(60,778)		(60,778)
Pre-opening costs		(37,369)		(37,369)
Development costs		(23,029)		(23,029)
Amortization of gaming subconcession		(56,809)		(56,809)
Amortization of land use rights	(a), (c)	(22,646)	1,802	(20,844)
Depreciation and amortization	(a), (b)	(484,621)	(9,690)	(494,311)
Property charges and other		(29,147)		(29,147)
Total operating costs and expenses		(4,531,673)	(6,321)	(4,537,994)
OPERATING INCOME		$ 626,836	$ (6,321)	$ 620,515

	Notes	Unadjusted Financial Information under US GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
NON-OPERATING INCOME (EXPENSES)				
Interest income		$ 5,471	$	$ 5,471
Interest expenses, net of capitalized interest	(b), (e)	(264,880)	9,725	(255,155)
Loan commitment and other finance fees		(4,630)		(4,630)
Foreign exchange loss, net		(9,612)		(9,612)
Other income, net		3,682		3,682
Loss on extinguishment of debt		(3,461)		(3,461)
Total non-operating expenses, net		(273,430)	9,725	(263,705)
INCOME BEFORE INCOME TAX		353,406	3,404	356,810
INCOME TAX CREDIT (EXPENSE)	(c)	445	(1,374)	(929)
NET INCOME		353,851	2,030	355,881
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS		(2,336)	2,512	176
NET INCOME ATTRIBUTABLE TO MELCO RESORTS & ENTERTAINMENT LIMITED		$ 351,515	$ 4,542	$ 356,057

Notes:

(a) Capitalization of Amortization of Land Use Rights as Property and Equipment

Under US GAAP, the amortization of land use rights is recognized in the consolidated statements of profit or loss over the estimated term of the land on a straight-line basis and is not capitalized to the construction in progress during the property construction period.

Under HKFRS, the amortization of land use rights is generally recognized in the consolidated statements of profit or loss over the estimated term of the land on a straight-line basis. If the amortization of land use rights is expenditure directly attributable to bringing a property to working condition for its intended use, the related amortization is capitalized to construction in progress, until such time as the construction works are completed.

(b) Borrowing Costs

Under US GAAP, the amount of interest cost to be capitalized is determined by applying the capitalization rate to the average amount of accumulated expenditures for the asset during the construction period. If the average accumulated expenditures exceed the total amount of that borrowing, the capitalization rate to be applied to such excess shall be a weighted average of the rates applicable to other borrowings of the entity. Income earned on temporary investment of actual borrowings is not generally deducted from the amount of borrowing costs to be capitalized.

Under HKFRS, to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. If an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

(c) Deferred Income Taxes

Under US GAAP, deferred income tax is recognized for the temporary differences arising from an asset purchase that is not a business combination. The tax effect of asset purchases that are not business combinations in which the amount paid differs from the tax basis of the asset shall not result in immediate profit or loss recognition. The differences are considered to be a temporary difference and a deferred tax asset or liability should be recognized. The simultaneous-equations method shall be used to calculate the assigned value of the asset and the related deferred tax assets or deferred tax liabilities.

Under HKFRS, deferred income tax is not recognized for temporary differences resulting from the initial recognition of an asset or liability in a transaction that is not a business combination and do not affect accounting or taxable profit as of the transaction date. Therefore, the carrying value of the asset and liability is not adjusted.

The value of land use rights acquired for Altira Macau, City of Dreams and Studio City are different under US GAAP and HKFRS. Accordingly, the amount of amortization of land use rights over the estimated useful lives and the deferred income taxes are different.

For the classification of deferred tax in the consolidated statements of financial position, under HKFRS, all deferred tax assets and liabilities were classified as non-current in the consolidated statements of financial position as of December 31, 2016, 2017 and 2018. Under US GAAP, deferred tax for each jurisdiction was presented as a net current asset or liability and net non-current asset or liability in the consolidated statements of financial position as of December 31, 2016, based on the classification of the assets and liabilities to which the underlying temporary differences relate, or, in the case of loss or credit carryforwards, based on the period in which the attribute was expected to be realized. Any valuation allowance was then allocated on a pro rata basis, by jurisdiction, between current and non-current deferred tax assets. On January 1, 2017, Melco Resorts prospectively adopted an accounting standard update issued by the Financial Accounting Standards Board which requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as non-current in the consolidated statements of financial position. Accordingly, there were no differences between US GAAP and HKFRS regarding the classification of deferred tax in the consolidated statements of financial position as of December 31, 2017 and 2018.

(d) Share-based Compensation

Under US GAAP, for awards that have graded vesting features and service condition only, an entity has to choose as an accounting policy either to (1) recognize a charge on an accelerated basis to reflect the vesting as it occurs (which is similar to the method under HKFRS) or (2) amortize the entire grant on a straight-line basis over the longest vesting period.

HKFRS states that share-based compensation expense is recognized on an accelerated method where an entity recognizes compensation cost over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. Each portion is treated as a separate grant, as each portion has a different vesting period.

Melco Resorts has adopted the straight-line method in the preparation of its consolidated financial statements. Compensation expense recognized will be different under US GAAP and HKFRS.

For the awards that are modified with longer vesting period, Melco Resorts has recognized the unrecognized compensation cost remaining from the original award plus the incremental compensation cost, if any, as a result of the modification in its entirety over the remaining portion of the requisite service period of the modified award under US GAAP. However, the unrecognized compensation cost remaining from the original award is recognized over the original vesting period if the modification includes an extension of vesting period under HKFRS.

In addition, for awards that are forfeited after the vesting date, the amount previously recognized in additional paid-in capital is transferred to retained earnings under HKFRS. However, such transfer is not allowed under US GAAP.

(e) Deferred Financing Costs, Net

Deferred financing costs in relation to debt extinguishment

Under US GAAP, fees paid to lenders and other third-party costs incurred in relation to a debt refinancing are distinguished and accounted for differently depending on the classification of such debt as modified or extinguished in accordance with US GAAP. If the debt is extinguished, fees paid to lenders are included in gain or loss on extinguishment of debt and other third-party costs are capitalized as deferred financing costs and amortized as an adjustment of interest expense over the term of the amended debt instrument.

Under HKFRS, if an exchange of debt instruments or modification of terms is accounted for as an extinguishment, all fees and costs incurred are recognized as part of the gain or loss on the extinguishment, there is no difference in the treatment for fees paid to lenders and other third-party costs.

Deferred financing costs in relation to debt modification

Under US GAAP, a gain or loss arising from a modification of debt that does not result in derecognition is deferred and amortized as an adjustment of interest expense over the term of the amended debt instrument.

There were no differences between US GAAP and HKFRS for the accounting of such gain or loss before the adoption of HKFRS 9. On January 1, 2018, the Company adopted HKFRS 9 *Financial Instruments: Recognition and Measurement*. Under HKFRS 9, a gain or loss arising from a modification of debt that does not result in derecognition is immediately recognized in the consolidated statements of profit or loss. The Company did not restate comparative information in accordance with the transitional provisions in HKFRS 9 and the transition adjustments were recognized against the opening balance of related earnings at January 1, 2018.

(f) Point-loyalty Programs

Before the adoption of the new revenue recognition standard

Under US GAAP, an entity can choose between two approaches developed in practice to account for the point-loyalty programs: (1) the multiple-element approach (similar to the approach under HKFRS), in which a portion of the revenue from the initial transaction(s) is generally deferred until redemption and (2) the incremental-cost approach, in which the estimated cost of the loyalty program points is recorded as a liability.

Under HKFRS, loyalty program points granted to customers as part of a sales transaction that customers can redeem for free or discounted goods or services shall be accounted for as a separate identifiable component of the sales arrangement (i.e. multiple-element approach) and the fair value of the consideration received should be allocated between the loyalty program points and the other components in the arrangement, and recorded as deferred revenue until redemption.

Melco Resorts has adopted the incremental-cost approach in the preparation of its consolidated financial statements and accrued for loyalty program points expected to be redeemed for cash and free play as a reduction to gaming revenue and accrued for loyalty program points expected to be redeemed for free goods and services as casino expense. Accordingly, the liability of point-loyalty programs recognized and the classification of casino revenue and casino expense were different under US GAAP and HKFRS for the years ended December 31, 2016 and 2017.

After the adoption of new revenue recognition standard

On January 1, 2018, Melco Resorts adopted Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606"), using modified retrospective method. Under ASC 606, the non-discretionary incentives (including the point-loyalty programs) represent a separate performance obligation and the resulting liabilities are recorded using the standalone selling prices of such benefits less estimated breakage and are offset against casino revenue. When the benefits are redeemed, revenues are measured on the same basis and recognized in the resulting category of the goods or services provided.

On January 1, 2018, the Company adopted HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15"), using modified retrospective method. The accounting for the non-discretionary incentives (including the point-loyalty programs) under HKFRS 15 is same as ASC 606. Accordingly, there were no differences between US GAAP and HKFRS for the accounting of point-loyalty programs for the year ended December 31, 2018.

(g) Advertising and Promotional Costs

Under US GAAP, advertising and promotional costs are generally expensed as incurred or the first time the advertising takes place.

Under HKFRS, advertising and promotional costs are generally expensed when the entity has a right to access the goods or has received the services.

There are other differences between US GAAP and HKFRS relevant to the accounting policies of Melco Resorts. Such differences do not have a material impact on shareholders' equity of Melco Resorts as at December 31, 2016, 2017 and 2018 and net income attributable to Melco Resorts for the years ended December 31, 2016, 2017 and 2018 but may affect future periods and the relevant details are set out below:

Impairment of Assets

Under US GAAP, entities are required to use a two-step approach to measure impairment. In step 1, entities perform a recoverability test by comparing the expected undiscounted future cash flows to be derived from the asset with its carrying amount. If the asset fails the recoverability test, step 2 is required, and the entity must record an impairment loss calculated as the excess of the asset's carrying amount over its fair value. Fair value should be calculated as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Under HKFRS, the impairment loss is calculated as the excess of the asset's carrying amount over its recoverable amount. The recoverable amount is the higher of an asset's (1) fair value less costs of disposal and (2) value-in-use. "Fair value less costs of disposal" is defined as "the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less the costs of disposal". When entities calculate value-in-use, they discount the expected future cash flows to be generated by the asset to their present value.

Under US GAAP, if the recoverability test in step 1 is passed, impairment is not recorded even if the fair value of the asset is less than its carrying amount. Accordingly, an impairment loss may be recorded under HKFRS but may not be recorded under US GAAP under the same set of circumstances. When an impairment loss is recorded under both US GAAP and HKFRS, the amount of the impairment loss may not be the same under US GAAP and HKFRS because the fair value (under US GAAP) and recoverable amount (under HKFRS) may differ.

During the years ended December 31, 2016, 2017 and 2018, the management of the Company considered that there is no material differences between the amount of impairment loss recorded by Melco Resorts under US GAAP and HKFRS.

There are also differences between US GAAP and HKFRS in the presentation and classification of items in the consolidated statements of profit or loss, statement of financial position and statements of cash flows. In addition, there are differences on financial statement disclosure required between US GAAP and HKFRS. Such differences do not have impact on shareholders' equity of Melco Resorts as at December 31, 2016, 2017 and 2018 or net income attributable to Melco Resorts for the years ended December 31, 2016, 2017 and 2018.

D. MANAGEMENT DISCUSSION AND ANALYSIS OF MELCO RESORTS

For the purpose of this section only, unless the context requires otherwise, references to the "Company",' we", "us" and "our" refer to Melco Resorts and references to "$" refer to US$.

(1) The following is an extract of the management discussion and analysis of the results of Melco Resorts for the year ended 31 December 2016 from the 2016 annual report of Melco Resorts, except for certain cash flows data has been adjusted to reflect the retrospective adoption on 1 January 2018 of Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)*:

Summary of Financial Results

For the year ended December 31, 2016, our total net revenues were US$4.52 billion, an increase of 13.7% from US$3.97 billion of net revenues for the year ended December 31, 2015. Net income attributable to Melco Resorts & Entertainment Limited for the year ended December 31, 2016 was US$175.9 million, as compared to net income of US$105.7 million for the year ended December 31, 2015. Our improvement in profitability was attributable to substantially improved group-wide mass table games revenues and increase in non-casino revenues primarily from a full year operation of Studio City.

	Year Ended December 31,		
	2016	**2015**	**2014**
	(in thousands of US$)		
Net revenues	$ 4,519,396	$ 3,974,800	$ 4,802,309
Total operating costs and expenses	(4,156,280)	(3,876,385)	(4,116,949)
Operating income	363,116	98,415	685,360
Net income attributable to Melco Resorts & Entertainment Limited	$ 175,906	$ 105,747	$ 608,280

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

- On January 24, 2014, MCE Leisure Philippines issued the Philippine Notes
- On June 24, 2014, MCP completed the 2014 Top-up Placement
- On July 28, 2014, we drew down the entire delayed draw term loan facility under the Studio City Project Facility
- On December 14, 2014, City of Dreams Manila commenced operations with its grand opening on February 2, 2015
- In June 2015, we completed an amendment to the 2011 Credit Facilities, known as the 2015 Credit Facilities, drew down the entire term loan facility under the 2015 Credit Facilities and repaid the entire outstanding balance of the 2011 Credit Facilities

- On October 27, 2015, Studio City commenced operations with its grand opening on the same date

- On November 18, 2015, we completed an amendment to the Studio City Project Facility

- On November 23, 2015, MCP completed the 2015 Private Placement

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

- On November 30, 2016 (December 1, 2016, Hong Kong time), we repaid the Studio City Project Facility (other than the HK$1.0 million rolled over into the term loan facility of the 2021 Studio City Senior Secured Credit Facility, which was entered into on November 23, 2016) as funded by the net proceeds from the offering of 2016 Studio City Notes issued by Studio City Company on November 30, 2016 and cash on hand.

Key Performance Indicators (KPIs)

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

- *Rolling chip volume:* the amount of non-negotiable chips wagered and lost by the rolling chip market segment.

- *Rolling chip win rate:* rolling chip table games win (calculated before discounts and commissions) 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 as a percentage of mass market table games drop.

- *Table games win:* the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.

- *Gaming machine handle:* the total amount wagered in gaming machines.

- *Gaming machine win rate:* gaming machine win expressed as a percentage of gaming machine handle.

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

Our combined expected rolling chip win rate (calculated before discounts and commissions) across our properties is in the range of 2.7% to 3.0%.

We use the following KPIs to evaluate our hotel operations:

- *Average daily rate:* calculated by dividing total room revenues including the retail value of promotional allowances (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 the retail value of promotional allowances (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

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

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenues

Our total net revenues for the year ended December 31, 2016 were US$4.52 billion, an increase of US$0.54 billion, or 13.7%, from US$3.97 billion for the year ended December 31, 2015. The increase in total net revenues was primarily attributable to the net revenues generated by a fully-operating Studio City, which commenced operations in October 2015, and the increase in net revenues generated by City of Dreams Manila, which had a better performance in both gaming and non-gaming segments in the year ended December 31, 2016 compared to the previous year, partially offset by lower casino revenues at City of Dreams and Altira Macau primarily driven by deteriorating demand from Chinese players as well as restrictive policies.

Our total net revenues for the year ended December 31, 2016 consisted of US$4.18 billion of casino revenues, representing 92.4% of our total net revenues, and US$342.7 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2015 comprised US$3.77 billion of casino revenues, representing 94.8% of our total net revenues, and US$207.5 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2016 were US$4.18 billion, representing a US$0.41 billion, or 10.9%, increase from casino revenues of US$3.77 billion for the year ended December 31, 2015, primarily due to an increase in casino revenue at a fully-operating Studio City of US$599.8 million, which commenced operations on October 27, 2015 and began rolling chip operations in November 2016, and at City of Dreams Manila of US$186.1 million, which commenced junket operations in mid-2015, partially offset by a decrease in casino revenues at City of Dreams and Altira Macau of US$223.1 million, or 8.3%, and US$133.9 million, or 23.8%, respectively.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2016 was US$17.7 billion, representing a decrease of US$6.1 billion, or 25.8%, from US$23.8 billion for the year ended December 31, 2015. The rolling chip win rate (calculated before discounts and commissions) was 2.85% for the year ended December 31, 2016 and was within our expected level of 2.7% to 3.0%, and increased slightly from 2.83% for the year ended December 31, 2015. In the mass market table games segment, mass market table games drop was US$494.7 million for the year ended December 31, 2016, representing a decrease of 19.7% from US$616.1 million for the year ended December 31, 2015. The mass market table games hold percentage was 18.6% for the year ended December 31, 2016, demonstrating an increase from 17.9% for the year ended December 31, 2015. Average net win per gaming machine per day was US$93 and US$98 for the years ended December 31, 2016 and 2015, respectively.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2016 of US$41.5 billion represented a decrease of US$2.6 billion, or 5.8%, from US$44.0 billion for the year ended December 31, 2015. The rolling chip win rate (calculated before discounts and commissions) was 2.83% for the year ended December 31, 2016 and was in line with our expected range of 2.7% to 3.0%, but decreased from 2.91% for the year ended December 31, 2015. In the mass market table games segment, mass market table games drop was US$4.31 billion for the year ended December 31, 2016 which represented a decrease of US$0.41 billion, or 8.6%, from US$4.71 billion for the year ended December 31, 2015. The mass market table games hold percentage was 35.8% for the year ended December 31, 2016, demonstrating an increase from 35.1% for the year ended December 31, 2015. Average net win per gaming machine per day was US$381 and US$404 for the years ended December 31, 2016 and 2015, respectively.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2016 was US$257, a decrease of US$46, or 15.2%, from US$303 for the year ended December 31, 2015.

Studio City. Studio City commenced operations on October 27, 2015 and began rolling chip operations in November 2016. Rolling chip volume was US$1.3 billion and the rolling chip win rate (calculated before discounts and commissions) was 1.39% for the year ended December 31, 2016. In the mass market table games segment, mass market table games drop was US$2,480.0 million for the year ended December 31, 2016, and increased from US$365.3 million for the year ended December 31, 2015. The mass market table games hold percentage was 24.7% for the year ended December 31, 2016, demonstrating an increase from 22.4% for the year ended December 31, 2015. Average net win per gaming machine per day was US$189 for the year ended December 31, 2016, an increase of US$21, or 12.8%, from US$168 for the year ended December 31, 2015.

City of Dreams Manila. City of Dreams Manila's rolling chip volume for the year ended December 31, 2016 was US$6.8 billion, representing an increase of US$3.6 billion, or 110.1%, from US$3.3 billion for the year ended December 31, 2015. The rolling chip win rate (calculated before discounts and commissions) was 3.43% for the year ended December 31, 2016, and increased from 2.30% for the year ended December 31, 2015. In the mass market table games segment, mass market table games drop was US$550.5 million for the year ended December 31, 2016, representing an increase of US$109.2 million, or 24.7%, from US$441.4 million for the year ended December 31, 2015. The mass market table games hold percentage was 28.0% for the year ended December 31, 2016, demonstrating an increase from 26.3% for the year ended December 31, 2015. Average net win per gaming machine per day was US$217 for the year ended December 31, 2016, an increase of US$46, or 27.2%, from US$170 for the year ended December 31, 2015.

Rooms. Room revenues (including the retail value of promotional allowances) for the year ended December 31, 2016 were US$265.3 million, representing a US$65.6 million, or 32.8%, increase from room revenues (including the retail value of promotional allowances) of US$199.7 million for the year ended December 31, 2015. The increase was primarily due to the room revenues from a full year operation of Studio City, which consists of Celebrity Tower and the all-suite Star Tower, which offers approximately 1,600 guest rooms in total. The increase was offset in part by the decrease in room revenues at City of Dreams and Altira Macau due to the declined occupancy rate and decrease in average daily rate.

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

	Year Ended December 31,					
	2016	2015	2016	2015	2016	2015
	Average daily rate		Occupancy rate		REVPAR	
	(US$)				*(US$)*	
Altira Macau	205	212	94%	98%	193	209
City of Dreams	200	201	96%	99%	192	198
Studio City	136	136	98%	98%	133	133
City of Dreams Manila	159	191	91%	86%	145	164

Food, beverage and others. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2016 included food and beverage revenues of US$177.5 million and entertainment, retail and other revenues of US$197.0 million. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2015 included food and beverage revenues of US$126.8 million and entertainment, retail and other revenues of US$117.5 million. The increase of US$130.1 million in food, beverage and other revenues from the year ended December 31, 2015 to the year ended December 31, 2016 was primarily due to the first full year operation of Studio City in 2016 with its attractions including Golden Reel, Batman Dark Flight and The House of Magic, concerts held in the Studio City Event Center as well as its food and beverage outlets, together with the increased entertainment, retail and other revenues at City of Dreams mainly driven by the opening of the new retail precinct in 2016.

Operating costs and expenses

Total operating costs and expenses were US$4.16 billion for the year ended December 31, 2016, representing an increase of US$279.9 million, or 7.2%, from US$3.88 billion for the year ended December 31, 2015. The increase in operating costs was primarily due to the first full year operation of Studio City in 2016 and improved performance of City of Dreams Manila, partially offset by a decrease in operating costs at City of Dreams and Altira Macau, which was in-line with the decline in gaming volumes and associated lower revenues.

Casino. Casino expenses increased by US$250.2 million, or 9.4%, to US$2.90 billion for the year ended December 31, 2016 from US$2.65 billion for the year ended December 31, 2015 primarily due to the casino expenses at a fully-operating Studio City, increase in casino expenses at City of Dreams Manila, which had a better performance in all gaming segments in the year ended December 31, 2016 compared to the previous year, and higher provision for doubtful debt in City of Dreams and Altira Macau. The increase was offset in part by the decrease in gaming tax, payroll and other levies and commission expenses at City of Dreams and Altria Macau, which decreased as a result of decreased gaming volumes and associated lower revenues.

Rooms. Room expenses, which represent the costs of operating the hotel facilities were US$33.2 million and US$23.4 million for the years ended December 31, 2016 and 2015, respectively. The increase was primarily due to the first full year hotel operations in Studio City in 2016.

Food, beverage and others. Food, beverage and other expenses were US$175.6 million and US$120.8 million for the years ended December 31, 2016 and 2015, respectively. The increase was primarily due to payroll, performers' fees and other operating costs associated with the full year operation of Studio City.

General and administrative. General and administrative expenses increased by US$62.7 million, or 16.3%, to US$446.6 million for the year ended December 31, 2016 from US$383.9 million for the year ended December 31, 2015, primarily due to the general and administrative expenses for the full year operation of Studio City, partially offset by the decrease in general and administrative expenses in other properties as a result of our continuous efforts and measures implemented to control costs.

Payments to the Philippine Parties. Payments to the Philippine Parties increased to US$34.4 million for the year ended December 31, 2016 from US$16.5 million for the year ended December 31, 2015, due to the improvement in gaming operations and resulting increase in revenues from gaming operations in City of Dreams Manila.

Pre-opening costs. Pre-opening costs were US$3.9 million for the year ended December 31, 2016 as compared to US$168.2 million for the year ended December 31, 2015. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. The pre-opening costs were higher in the year ended December 31, 2015 mainly due to the commencement of operations of Studio City in October 2015 and the grand opening of City of Dreams Manila in February 2015.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US$57.2 million for each of the years ended December 31, 2016 and 2015.

Amortization of land use rights. Amortization of land use rights expenses were US$22.8 million and US$54.1 million for the years ended December 31, 2016 and 2015, respectively. The decrease was primarily due to the extension of the estimated terms of the land use rights in Macau which went into effect in October 2015.

Depreciation and amortization. Depreciation and amortization expenses were US$472.2 million and US$359.3 million for the years ended December 31, 2016 and 2015, respectively. The increase was primarily due to the full year depreciation of assets at Studio City, partially offset by a decrease in depreciation resulting from the extension of the estimated useful lives of building structures of Altira Macau and City of Dreams which went into effect in October 2015.

Property charges and others. Property charges and others for the year ended December 31, 2016 were US$5.3 million, which primarily included the asset write-offs and impairments of US$3.2 million as a result of the remodel of non-gaming attractions at City of Dreams, US$2.1 million termination costs as a result of departmental restructuring and US$1.7 million legal and professional fees for assisting in evaluating the capital structure of Studio City, partially offset by US$2.0 million insurance recovery on furniture, fixtures and equipment damaged by the typhoon in the Philippines. Property charges and others for the year ended December 31, 2015 were US$38.1 million, which primarily included US$30.3 million provision for input value-added tax primarily pertaining to certain construction of City of Dreams Manila, which is expected to be non-recoverable and US$5.5 million termination costs as a result of departmental restructuring.

Non-operating expenses, net

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

Interest income was US$6.0 million for the year ended December 31, 2016, as compared to US$13.9 million for the year ended December 31, 2015. The decrease was primarily due to lower level of deposits placed at banks during the year ended December 31, 2016.

Interest expenses were US$223.6 million (net of capitalized interest of US$29.0 million) for the year ended December 31, 2016, compared to US$118.3 million (net of capitalized interest of US$134.8 million) for the year ended December 31, 2015. The increase in interest expenses (net of interest capitalization) of US$105.2 million was primarily due to lower interest capitalization of US$105.8 million primarily associated with the cessation of interest capitalization for Studio City since its opening in October 2015.

Other finance costs for the year ended December 31, 2016 amounted to US$55.8 million and included US$48.3 million of amortization of deferred financing costs (nil capitalization) and US$7.5 million of loan commitment and other finance fees. Other finance costs for the year ended December 31, 2015 amounted to US$45.8 million and included US$38.5 million of amortization of deferred financing costs (net of capitalization of US$5.5 million) and US$7.3 million of loan commitment and other finance fees. The increase in amortization of deferred financing costs compared to the year ended December 31, 2015 was primarily due to the cessation of capitalization of amortization of deferred financing costs associated with the opening of Studio City in October 2015 and the increase in amortization of deferred financing costs arising from the refinancing of the 2011 Credit Facilities with the 2015 Credit Facilities in late June 2015.

Loss on extinguishment of debt for the year ended December 31, 2016 was US$17.4 million, which mainly represented a portion of the unamortized deferred financing costs of the Studio City Project Facility that were not eligible for capitalization. Loss on extinguishment of debt for the year ended December 31, 2015 was US$0.5 million, which mainly represented the unamortized deferred financing costs of the 2011 Credit Facilities that were not eligible for capitalization.

Costs associated with debt modification for the year ended December 31, 2016 were US$8.1 million, which mainly represented a portion of underwriting fee, legal and professional fees incurred for refinancing of the Studio City Project Facility that were not eligible for capitalization. Costs associated with debt modification for the year ended December 31, 2015 were US$7.6 million, which mainly represented legal and professional fees incurred for the loan documentation amendment of the Studio City Project Facility and refinancing of the 2011 Credit Facilities that were not eligible for capitalization.

Income tax expense

Income tax expense for the year ended December 31, 2016 was primarily attributable to a lump sum tax payable of US$2.8 million in lieu of Macau Complementary Tax otherwise due by Melco Crown Macau's shareholders on dividends distributable to them by Melco Crown Macau, Macau Complementary Tax of US$2.8 million, Hong Kong Profits Tax of US$1.9 million and a net deferred tax charge of US$0.8 million. The effective tax rate for the year ended December 31, 2016 was 10.9%, as compared to a negative rate of 1.7% for the year ended December 31, 2015. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax and

Philippine Corporate Income Tax, the effect of change in valuation allowance, the effect of expenses for which no income tax benefit is receivable and the effect of different tax rates of subsidiaries operating in other jurisdictions for the years ended December 31, 2016 and 2015. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippines operations. However, to the extent that the financial results of our Macau and Philippines operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance related to the net operating losses and other deferred tax assets.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US$109.0 million for the year ended December 31, 2016, compared to that of US$166.6 million for the year ended December 31, 2015, represented the share of the Studio City's expenses of US$100.0 million and City of Dreams Manila's expenses of US$9.0 million, respectively, by the respective minority shareholders for the year ended December 31, 2016. The year-on-year decrease was primarily attributable to the share of net revenues generated by Studio City and City of Dreams Manila and the decrease in noncontrolling interests' share of pre-opening costs, partially offset by the increase in the share, respectively, of Studio City's operating costs and financing costs and City of Dreams Manila's operating costs during the year ended December 31, 2016.

Net income attributable to Melco Resorts & Entertainment Limited

As a result of the foregoing, we had net income of US$175.9 million for the year ended December 31, 2016, compared to US$105.7 million for the year ended December 31, 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenues

Our total net revenues for the year ended December 31, 2015 were US$3.97 billion, a decrease of US$0.83 billion, or 17.2%, from US$4.80 billion for the year ended December 31, 2014. The decline in total net revenues was primarily attributable to lower rolling chip revenues and mass market table games revenues in City of Dreams and Altira Macau primarily driven by deteriorating demand from Chinese players as well as restrictive policies, partially offset by the net revenues generated by Studio City and City of Dreams Manila, which started operations in October 2015 and December 2014, respectively.

Our total net revenues for the year ended December 31, 2015 consisted of US$3.77 billion of casino revenues, representing 94.8% of our total net revenues, and US$207.5 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2014 comprised US$4.65 billion of casino revenues, representing 96.9% of our total net revenues, and US$148.1 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2015 were US$3.77 billion, representing a US$0.89 billion, or 19.1%, decrease from casino revenues of US$4.65 billion for the year ended December 31, 2014, primarily due to a decrease in casino revenues at City of Dreams and Altira Macau of US$1,049.1 million, or 28.2%, and US$165.9 million, or 22.8%, respectively, primarily driven by deteriorating demand from Chinese players as well as restrictive policies, partially offset by an increase in casino revenues at City of Dreams Manila of US$254.2 million since it started operations on December 14, 2014 and the casino revenues at Studio City of US$94.4 million since it started operations on October 27, 2015.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2015 was US$23.8 billion, representing a decrease of US$9.8 billion, or 29.2%, from US$33.6 billion for the year ended December 31, 2014. The rolling chip win rate (calculated before discounts and commissions) was 2.83% for the year ended December 31, 2015, within our expected level of 2.7% to 3.0%, and increased from 2.76% for the year ended December 31, 2014. In the mass market table games segment, mass market table games drop was US$616.1 million for the year ended December 31, 2015, representing a decrease of 18.6% from US$756.7 million for the year ended December 31, 2014. The mass market table games hold percentage was 17.9% for the year ended December 31, 2015, demonstrating an increase from 15.8% for the year ended December 31, 2014. Average net win per gaming machine per day was US$98 for the year ended December 31, 2015.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2015 of US$44.0 billion represented a decrease of US$38.1 billion, or 46.4%, from US$82.1 billion for the year ended December 31, 2014. The rolling chip win rate (calculated before discounts and commissions) was 2.91% for the year ended December 31, 2015, in line with our expected range of 2.7% to 3.0%, and increased from 2.83% for the year ended December 31, 2014. In the mass market table games segment, mass market table games drop was US$4.71 billion for the year ended December 31, 2015 which represented a decrease of US$0.58 billion, or 11.0%, from US$5.29 billion for the year ended December 31, 2014. The mass market table games hold percentage was 35.1% in the year ended December 31, 2015, while decreasing from 37.5% for the year ended December 31, 2014. Average net win per gaming machine per day was US$404 for the year ended December 31, 2015, a decrease of US$60, or 12.9%, from US$464 for the year ended December 31, 2014.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day remained stable at US$303 for both years ended December 31, 2015 and 2014.

Studio City. Studio City started operations on October 27, 2015. Mass market table games drop was US$365.3 million and the mass market table games hold percentage was 22.4% for the year ended December 31, 2015. Average net win per gaming machine per day was US$168 for the year ended December 31, 2015.

City of Dreams Manila. City of Dreams Manila started operations on December 14, 2014. City of Dreams Manila's rolling chip volume for the year ended December 31, 2015 was US$3.3 billion. The rolling chip win rate (calculated before discounts and commissions) was 2.30% for the year ended December 31, 2015. Our expected range was 2.7% to 3.0%. In the mass market table games segment, mass market table games drop was US$441.4 million and the mass market table games hold percentage was 26.3% for the year ended December 31, 2015. Average net win per gaming machine per day was US$170 for the year ended December 31, 2015.

Rooms. Room revenues (including the retail value of promotional allowances) for the year ended December 31, 2015 were US$199.7 million, representing a US$63.3 million, or 46.4%, increase from room revenues (including the retail value of promotional allowances) of US$136.4 million for the year ended December 31, 2014. The increase was primarily due to the room revenues at City of Dreams Manila and Studio City since they started operations on December 14, 2014 and October 27, 2015, respectively. City of Dreams Manila has three hotels comprising Crown Towers, Nobu Hotel and Hyatt City of Dreams Manila, which offer approximately 950 rooms in aggregate. Studio City consists of Celebrity Tower and the all-suite Star Tower, which offers approximately 1,600 guest rooms in total.

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

	Year Ended December 31,					
	2015	2014	2015	2014	2015	2014
	Average daily rate		Occupancy rate		REVPAR	
	(US$)				*(US$)*	
Altira Macau	212	232	98%	99%	209	229
City of Dreams	201	197	99%	99%	198	195
Studio City	136	–	98%	–	133	–
City of Dreams Manila	191	207	86%	63%	164	130

Food, beverage and others. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2015 included food and beverage revenues of US$126.8 million and entertainment, retail and other revenues of US$117.5 million. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2014 included food and beverage revenues of US$84.9 million and entertainment, retail and other revenues of US$108.4 million. The increase of US$51.1 million in food, beverage and other revenues from the year ended December 31, 2014 to the year ended December 31, 2015 was primarily from a full year operation of City of Dreams Manila which features entertainment venues including DreamPlay by DreamWorks, Centerplay and two night clubs, and newly-opened Studio City with its attractions including Golden Reel, Batman Dark Flight, The House of Magic, as well as a vast array of food and beverage outlets. The increase was offset in part by the decrease in food, beverage and other revenues at City of Dreams mainly due to lower yield of rental income, lower food and beverage revenues and the decrease in ticket sales mainly from the decrease in visitation on certain non-gaming attractions and the temporary closure of TABOO show during the year ended December 31, 2015.

Operating costs and expenses

Total operating costs and expenses were US$3.88 billion for the year ended December 31, 2015, representing a decrease of US$240.6 million, or 5.8%, from US$4.12 billion for the year ended December 31, 2014. The decrease in operating costs was in-line with the declined gaming volume and associated lower revenues at City of Dreams and Altira Macau, partially offset by operating costs from City of Dreams Manila and newly-opened Studio City and the provision for input value-added tax as well as no gain on disposal of assets held for sale for the year ended December 31, 2015.

Casino. Casino expenses decreased by US$591.6 million, or 18.2%, to US$2.65 billion for the year ended December 31, 2015 from US$3.25 billion for the year ended December 31, 2014 primarily due to decrease in gaming tax and other levies and commission expenses at City of Dreams and Altira Macau, which decreased as a result of decreased gaming volume and an associated lower revenues, partially offset by the casino expenses at City of Dreams Manila and Studio City.

Rooms. Room expenses, which represent the costs of operating the hotel facilities were US$23.4 million and US$12.7 million for the years ended December 31, 2015 and 2014, respectively. The increase was primarily from the hotel operations in City of Dreams Manila and Studio City.

Food, beverage and others. Food, beverage and other expenses were US$120.8 million and US$85.6 million for the years ended December 31, 2015 and 2014, respectively. The increase was primarily due to the payroll, performers' fee and other operating costs associated with City of Dreams Manila and Studio City, partially offset by the decrease in operating costs for the non-gaming attractions at City of Dreams, which was in-line with the decrease in business volumes.

General and administrative. General and administrative expenses increased by US$72.2 million, or 23.2%, to US$383.9 million for the year ended December 31, 2015 from US$311.7 million for the year ended December 31, 2014, primarily due to the general and administrative expenses for City of Dreams Manila and Studio City since their openings.

Payments to the Philippine Parties. Payments to the Philippine Parties increased to US$16.5 million for the year ended December 31, 2015 from US$0.9 million for the year ended December 31, 2014, due to the full year operations of City of Dreams Manila in 2015.

Pre-opening costs. Pre-opening costs were US$168.2 million for the year ended December 31, 2015 as compared to US$94.0 million for the year ended December 31, 2014. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. Pre-opening costs for the years ended December 31, 2015 and 2014 primarily related to the payroll expenses, rental, marketing, advertising and administrative costs in connection with Studio City and City of Dreams Manila. The increase was primarily due to the production cost for the short film "The Audition" and the increase in payroll expenses, marketing, advertising and other administrative costs associated with Studio City to cope with its opening on October 27, 2015, partially offset by the decrease in pre-opening costs in City of Dreams Manila, which started operations in December 2014 with the grand opening on February 2, 2015.

Development costs. Development costs were US$0.1 million and US$10.7 million for the years ended December 31, 2015 and 2014, respectively, which were predominantly for corporate business development.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US$57.2 million for each of the years ended December 31, 2015 and 2014.

Amortization of land use rights. Amortization of land use rights expenses were US$54.1 million and US$64.5 million for the years ended December 31, 2015 and 2014, respectively. The decrease was primarily due to the extension of the estimated lease term of the land use rights in Macau since October 2015.

Depreciation and amortization. Depreciation and amortization expenses were US$359.3 million and US$246.7 million for the years ended December 31, 2015 and 2014, respectively. The increase was primarily due to the full year depreciation of assets at City of Dreams Manila and approximately two months of depreciation of assets at Studio City, partially offset by the decrease due to certain assets becoming fully depreciated at City of Dreams during the year ended December 31, 2015 and the extension of estimated useful life of building structures of Altira Macau and City of Dreams since October 2015.

Property charges and others. Property charges and others generally include costs related to the remodeling and rebranding of a property, which might include the retirement, disposal or write-off of assets. Property charges and others for the year ended December 31, 2015 were US$38.1 million, which primarily included US$30.3 million provision for input value-added tax primarily pertaining to certain construction of City of Dreams Manila, which is expected to be non-recoverable and US$5.5 million termination costs as a result of departmental restructuring. Property charges and others for the year ended December 31, 2014 were US$8.7 million, which primarily included assets write-off of US$3.5 million on furniture, fixtures and equipment damaged by the typhoon in the Philippines and assets write-off and impairments of US$3.2 million as a result of the remodel of non-gaming attractions at City of Dreams.

Non-operating expenses, net

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

Interest income was US$13.9 million for the year ended December 31, 2015, as compared to US$20.0 million for the year ended December 31, 2014. The decrease was primarily due to lower level of deposits placed at banks during the year ended December 31, 2015.

Interest expenses were US$118.3 million (net of capitalized interest of US$134.8 million) for the year ended December 31, 2015, compared to US$124.1 million (net of capitalized interest of US$96.9 million) for the year ended December 31, 2014. The decrease in net interest expenses (net of interest capitalization) of US$5.8 million was primarily due to: (i) higher interest capitalization of US$37.9 million primarily associated with the Studio City and City of Dreams construction and development projects; (ii) lower interest charge of US$2.5 million arisen from the refinancing of the 2011 Credit Facilities with 2015 Credit Facilities in late June 2015; partially offset by (iii) US$35.0 million higher interest expenses on the term loan under the Studio City Project Facility drew in July 2014.

Other finance costs for the year ended December 31, 2015 of US$45.8 million, included US$38.5 million of amortization of deferred financing costs (net of capitalization of US$5.5 million) and US$7.3 million of loan commitment and other finance fees. Other finance costs for the year ended December 31, 2014 of US$47.0 million, included US$28.0 million of amortization of deferred financing costs (nil capitalization) and US$19.0 million of loan commitment and other finance fees. The increase in amortization of deferred financing costs compared to the year ended December 31, 2014 was primarily due to the recognition of amortized deferred financing costs incurred for the term loan under the Studio City Project Facility drawn in July 2014, which were offset in part by the capitalization of amortization of deferred financing costs for the year. The decrease in loan commitment and other finance fees compared to the year ended December 31, 2014 was primarily associated with the drawdown of term loan under the Studio City Project Facility in July 2014.

Loss on extinguishment of debt for the year ended December 31, 2015 was US$0.5 million, which mainly represented the unamortized deferred financing costs of the 2011 Credit Facilities that are not eligible for capitalization. There was no loss on extinguishment of debt for the year ended December 31, 2014.

Costs associated with debt modification for the year ended December 31, 2015 were US$7.6 million, which mainly represented legal and professional fees incurred for the loan documentation amendment of Studio City Project Facility and refinancing the 2011 Credit Facilities with 2015 Credit Facilities that are not eligible for capitalization. There were no costs associated with debt modification for the year ended December 31, 2014.

Income tax expense

Income tax expense for the year ended December 31, 2015 was primarily attributable to a lump sum tax payable of US$2.8 million in lieu of Macau Complementary Tax otherwise due by Melco Crown Macau's shareholders on dividends distributable to them by Melco Crown Macau and Hong Kong Profits Tax of US$0.8 million, partially offset by a deferred tax credit of US$2.8 million. The effective tax rate for the year ended December 31, 2015 was a negative rate of 1.7%, as compared to a positive rate of 0.6% for the year ended December 31, 2014. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax of US$64.4 million and US$109.2 million during the years ended December 31, 2015 and 2014, respectively, which is set to expire in 2016, the effect of change in valuation allowance, the effect of different tax rates of subsidiaries operating in other jurisdictions, and the effect of expenses for which no income tax benefit is receivable for the years ended December 31, 2015 and 2014. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippines operations; however, to the extent that the financial results of our Macau and Philippines operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance through earnings.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US$166.6 million for the year ended December 31, 2015, which compared to that of US$80.9 million for the year ended December 31, 2014, was primarily due to the share of the Studio City expenses of US$104.3 million and City of Dreams Manila expenses of US$62.3 million, respectively, by the respective minority shareholders for the year ended December 31, 2015. The year-over-year increase was primarily attributable to the increase in noncontrolling interests' share of Studio City's pre-opening costs, depreciation and amortization and other operating costs as well as the share of City of Dreams Manila's operating costs and financing costs mainly due to lower interest capitalization, partially offset by the share of net revenues generated by Studio City and City of Dreams Manila.

Net income attributable to Melco Resorts & Entertainment Limited

As a result of the foregoing, we had net income of US$105.7 million for the year ended December 31, 2015, compared to US$608.3 million for the year ended December 31, 2014.

Adjusted Property EBITDA and Adjusted EBITDA

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, net gain on disposal of property and equipment to Belle Corporation, gain on disposal of assets held for sale, Corporate and Others expenses and other non-operating income and expenses, or Adjusted property EBITDA were US$1,087.5 million, US$932.0 million and US$1,285.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. Adjusted property EBITDA of Altira Macau, City of Dreams and Mocha Clubs were US$5.1 million, US$742.3 million and US$23.8 million, respectively, for the year ended December 31, 2016, US$36.3 million, US$798.5 million and US$30.3 million, respectively, for the year ended December 31, 2015 and US$84.8 million, US$1,165.6 million and US$36.3 million, respectively, for the year ended December 31, 2014. Studio City and City of Dreams Manila commenced operations on October 27, 2015 and December 14, 2014, respectively, and recorded Adjusted property EBITDA of US$156.0 million and US$160.3 million, respectively, for the year ended December 31, 2016, US$11.6 million and US$55.4 million, respectively, for the year ended December 31, 2015 and negative US$1.3 million and US$6,000, respectively, for the year ended December 31, 2014.

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, net gain on disposal of property and equipment to Belle Corporation, gain on disposal of assets held for sale and other non-operating income and expenses, or Adjusted EBITDA, were US$972.7 million, US$816.2 million and US$1,166.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

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

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

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

	Year Ended December 31,		
	2016	**2015**	**2014**
	(in thousands of US$)		
Net income attributable to Melco Resorts & Entertainment Limited	$ 175,906	$ 105,747	$ 608,280
Net loss attributable to noncontrolling interest	(108,988)	(166,555)	(80,894)
Net income (loss)	66,918	(60,808)	527,386
Income tax expense	8,178	1,031	3,036
Interest and other non-operating expenses, net	288,020	158,192	154,938
Gain on disposal of assets held for sale	–	–	(22,072)
Property charges and others	5,298	38,068	8,698
Share-based compensation	18,487	20,827	20,401
Depreciation and amortization	552,272	470,634	368,394
Development costs	95	110	10,734
Pre-opening costs	3,883	168,172	90,556
Net gain on disposal of property and equipment to Belle Corporation	(8,134)	–	–
Land rent to Belle Corporation	3,327	3,476	3,562
Payments to the Philippine Parties	34,403	16,547	870
Adjusted EBITDA	972,747	816,249	1,166,503
Corporate and Others expenses	114,770	115,735	118,971
Adjusted property EBITDA	$ 1,087,517	$ 931,984	$ 1,285,474

B. LIQUIDITY AND CAPITAL RESOURCES

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

As of December 31, 2016, we held cash and cash equivalents, bank deposits with original maturities over three months and restricted cash of approximately US$1,702.3 million, US$210.8 million and US$39.3 million, respectively, and the HK$9.75 billion (equivalent to approximately US$1.25 billion) revolving credit facility under the 2015 Credit Facilities remains available for future drawdown, subject to satisfaction of certain conditions precedent. Further, the 2015 Credit Facilities includes an incremental facility of up to US$1.3 billion to be made available upon further agreement with any of the existing lenders under the 2015 Credit Facilities or with other entities.

On November 23, 2016, Studio City Company entered into an amendment and restatement agreement with, among others, a lender to, upon the satisfaction of certain conditions precedent, amend, restate and extend the Studio City Project Facility to the 2021 Studio City Senior Secured Credit Facility in an aggregate amount of HK$234.0 million which consist of (i) a HK$233.0 million revolving credit facility and (ii) a HK$1.0 million term loan facility. The 2021 Studio City Senior Secured Credit Facility became effective on November 30, 2016 (December 1, 2016 Hong Kong Time). On November 30, 2016 (December 1, 2016 Hong Kong Time), Studio City Company repaid the Studio City Project Facility in full (other than HK$1.0 million rolled over into a term loan facility under the 2021 Studio City Senior Secured Credit Facility) from the net proceeds amounting to US$1,188.0 million raised through an offering of the 2016 Studio City Notes, together with cash on hand. The revolving credit facility under the 2021 Studio City Senior Secured Credit Facility is available for future drawdown from January 1, 2017, subject to satisfaction of certain conditions precedent.

MCP entered a PHP2.35 billion (equivalent to approximately US$47.2 million) credit facility with the availability up to February 28, 2018, which remains available for future drawdown, subject to satisfaction of certain conditions precedent. None of the PHP2.35 billion credit facility has been drawn as of December 31, 2016.

In August 2014, we received an indictment from the Taipei District Prosecutor's Office against the Taiwan branch office of one of our subsidiaries and certain of its employees for alleged violations of certain Taiwan banking and foreign exchange laws. In January 2013, the same Prosecutor's Office froze one of such Taiwan branch office's deposit accounts, which had a balance of approximately New Taiwan dollar 2.98 billion (equivalent to approximately US$102.2 million) at the time the account was frozen, in connection with the investigation related to this indictment. In October 2015, the Taipei District Court rendered a not guilty verdict in favor of the defendants, on all charges alleging violation of Taiwan banking and foreign exchange laws. The Taipei District Court also lifted the freeze order over such deposit account in October 2015. Such deposit was released from restricted cash in our financial statements upon lifting of the freeze order. In October 2015, the prosecutor appealed the Taipei District Court's not guilty judgment. In mid-June 2016, the Taiwan High Court dismissed the prosecutor's appeal, affirmed the not guilty verdict in favor of the Taiwan branch office and its employees. Following the Taiwan High Court's decision, the prosecutor has not filed a further appeal, and we understand that the deadline for such appeal has since lapsed under the relevant local statute. See "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal and Administrative Proceedings" for more details.

As of December 31, 2016, restricted cash primarily represented the unspent cash from the capital injection for the remaining project for Studio City from our Company and SCI minority shareholder in accordance with our shareholder agreement, which was restricted only for payment of development costs and other project costs of the Studio City project; and certain bank account balances required to be maintained in accordance with the Studio City Notes to serve the interest repayment obligations.

We have been able to meet our working capital needs, and we believe that our operating cash flow, existing cash balances, funds available under various credit facilities and any additional equity or debt financings will be adequate to satisfy our current and anticipated operating, debt and capital commitments, including our development project plans, as described in "— Other Financing and Liquidity Matters" below. For any additional financing requirements, we cannot provide assurance that future borrowings will be available. See "Item 3. Key Information — D. Risk Factors — Risks Relating to Our Financing and Indebtedness" for more information. We have significant indebtedness and will continue to evaluate our capital structure and opportunities to enhance it in the normal course of our activities.

Cash Flows

The following table sets forth a summary of our cash flows for the years presented. The consolidated cash flows data for the year ended December 31, 2016, 2015 and 2014 have been adjusted to reflect the retrospective adoption on January 1, 2018 of Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)*. As a result of the adoption, restricted cash is included with cash and cash equivalents in the beginning and ending balances, and the changes in restricted cash that were previously reported within cash flows from investing activities in the consolidated statements of cash flows have been eliminated.

	Year Ended December 31,		
	2016	**2015**	**2014**
	(in thousands of US$)		
Net cash provided by operating activities	$ 1,158,139	$ 522,031	$ 894,781
Net cash provided by (used in) investing activities	2,975	(1,965,300)	(927,118)
Net cash (used in) provided by financing activities	(1,339,717)	(29,688)	926,950
Effect of foreign exchange on cash, cash equivalents and restricted cash	(7,949)	(13,137)	(5,797)
Net (decrease) increase in cash, cash equivalents and restricted cash	(186,552)	(1,486,094)	888,816
Cash, cash equivalents and restricted cash at beginning of year	1,928,144	3,414,238	2,525,422
Cash, cash equivalents and restricted cash at end of year	$ 1,741,592	$ 1,928,144	$ 3,414,238

Operating Activities

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

Net cash provided by operating activities was US$1,158.1 million for the year ended December 31, 2016, compared to US$522.0 million for the year ended December 31, 2015. The increase in net cash provided by operating activities was primarily contributed from an improvement in underlying operating performance as described in the foregoing section, including the contribution from the full-year operation of Studio City, and decreased working capital for operations. Net cash provided by operating activities was US$522.0 million for the year ended December 31, 2015, compared to US$894.8 million for the year ended December 31, 2014. The decrease in net cash provided by operating activities was mainly due to decline in underlying operating performance as described in the foregoing section net with decreased working capital for operations.

Investing Activities

Net cash provided by investing activities was US$3.0 million for the year ended December 31, 2016, compared to net cash used in investing activities of US$1,965.3 million for the year ended December 31, 2015. The change was primarily due to the net withdrawals of bank deposits with original maturities over three months and the decrease in capital expenditure payments upon Studio City opening in October 2015. Net cash provided by investing activities for the year ended December 31, 2016 mainly included the net withdrawal of bank deposits with original maturities over three months of US$513.9 million and proceeds from sale of property and equipment of US$28.9 million, which were offset in part by capital expenditure payments of US$500.2 million, advance payments for construction costs of US$31.6 million, deposits for acquisition of property and equipment of US$4.2 million and the land use rights payment of US$3.8 million.

Our total capital expenditure payments for the year ended December 31, 2016 were US$500.2 million. Such expenditures were mainly associated with our development projects, including Morpheus, which is the fifth hotel tower at City of Dreams, as well as enhancement to our integrated resort offerings. We also paid US$3.8 million for the scheduled installment of City of Dreams' land premium payments during the year ended December 31, 2016.

Net cash used in investing activities was US$1,965.3 million for the year ended December 31, 2015, compared to net cash used in investing activities of US$927.1 million for the year ended December 31, 2014. The increase was primarily due to an increase in net placement of bank deposits with original maturities over three months and capital expenditure payments, partially offset by a decrease in advance payments for construction costs and deposits for acquisition of property and equipment. Net cash used in investing activities for the year ended December 31, 2015 included capital expenditure payments of US$1,291.4 million, net increase of bank deposits with original maturities over three months of US$614.1 million, land use rights payment of US$31.7 million, deposits for acquisition of property and equipment of US$28.8 million and advance payments for construction costs of US$19.7 million, which were offset in part by the escrow funds refundable to the Philippine Parties of US$24.6 million.

Our total capital expenditure payments for the year ended December 31, 2015 were US$1,291.4 million. Such expenditures were associated with our development and construction projects as well as enhancements to our integrated resort offerings of our properties. Deposits for acquisition of property and equipment were US$28.8 million for the year ended December 31, 2015 mainly associated with Studio City. We also paid US$24.4 million and US$7.3 million for the scheduled installment of Studio City's and City of Dreams' land premium payments during the year ended December 31, 2015.

We expect to incur significant capital expenditures for the development of Morpheus at City of Dreams in Cotai, Macau and the future development of the remaining land of Studio City. See "— Other Financing and Liquidity Matters" below for more information.

The following table sets forth our capital expenditures incurred by segment on an accrual basis for the years ended December 31, 2016, 2015 and 2014.

	Year Ended December 31,		
	2016	**2015**	**2014**
	(in thousands of US$)		
Macau:			
Mocha Clubs	$ 7,763	$ 6,446	$ 13,116
Altira Macau	3,031	18,404	21,984
City of Dreams	359,258	331,503	264,922
Studio City	62,754	968,696	907,455
Sub-total	432,806	1,325,049	1,207,477
The Philippines:			
City of Dreams Manila	3,621	98,884	405,196
Corporate and Others	1,485	31,909	24,632
Total capital expenditures	$ 437,912	$ 1,455,842	$ 1,637,305

Our capital expenditures for the year ended December 31, 2016 decreased from that of the year ended December 31, 2015 primarily due to the completion of Studio City and City of Dreams Manila, net with the increase for the development of various projects at City of Dreams, including Morpheus. Our capital expenditures for the year ended December 31, 2015 decreased from that of the year ended December 31, 2014 primarily due to the completion of City of Dreams Manila, net with the increase for the development of Studio City and various projects at City of Dreams, including Morpheus.

Advance payments for construction costs for the year ended December 31, 2016 were US$31.6 million, compared to US$19.7 million for the year ended December 31, 2015. Such payments were incurred primarily for the development of various projects at City of Dreams, including Morpheus for both years ended December 31, 2016 and 2015. Advance payments for construction costs for the year ended December 31, 2014 were US$107.6 million, which were incurred primarily for the development of Studio City, City of Dreams Manila and various projects at City of Dreams, including Morpheus.

Financing Activities

Net cash used in financing activities amounted to US$1,339.7 million for the year ended December 31, 2016, primarily due to (i) the repurchase of shares for retirement of US$803.2 million; (ii) dividend payments of US$385.6 million; (iii) scheduled repayments and early repayment in full of the Studio City Project Facility (other than HK$1.0 million rolled over into a term loan facility under the 2021 Studio City Senior Secured Credit Facility) of US$1,295.6 million with proceeds of US$1,200.0 million from the issuance of the 2016 Studio City Notes; (iv) scheduled repayments of the term loan under the 2015 Credit Facilities of US$22.6 million and (v) payment of debt issuance costs primarily associated with the 2016 Studio City Notes and the 2021 Studio City Senior Secured Credit Facility as well as payment of legal and professional fees for amending the loan documentation for the Studio City Project Facility of US$27.3 million.

Net cash used in financing activities amounted to US$29.7 million for the year ended December 31, 2015, primarily due to (i) the scheduled repayment of the term loan under 2011 Credit Facilities of US$64.2 million; (ii) dividend payments of US$62.9 million; (iii) the payment of debt issuance cost primarily associated with the 2015 Credit Facilities of US$49.9 million, which were offset in part by (iv) net proceeds from the refinancing of 2011 Credit Facilities with 2015 Credit Facilities of US$148.3 million.

Net cash provided by financing activities amounted to US$927.0 million for the year ended December 31, 2014, primarily due to (i) the proceeds of the drawdown of the term loan under the Studio City Project Facility of US$1,295.7 million; (ii) the proceeds of the issuance of the Philippine Notes of US$336.8 million; (iii) net proceeds from the issuance of shares of MCP of US$122.2 million; and (iv) the capital injection of US$92.0 million from the SCI minority shareholder, in accordance with our shareholder agreement, which were offset in part by (v) dividend payments of US$342.7 million; (vi) repurchase of shares of US$300.5 million (including commission costs); (vii) the scheduled repayments of the term loan under 2011 Credit Facilities of US$256.7 million; and (viii) the payment of debt issuance cost primarily associated with the Philippine Notes and Studio City Project Facility of US$12.7 million.

Indebtedness

The following table presents a summary of our gross indebtedness, before the reduction of debt issuance costs as of December 31, 2016:

	As of December 31, 2016
	(in thousands of US$)
2016 Studio City Notes	$ 1,200,000
2013 Senior Notes	1,000,000
2012 Studio City Notes	825,000
2015 Credit Facilities	478,727
Philippine Notes	301,126
Aircraft Term Loan	16,537
2021 Studio City Senior Secured Credit Facility	129
	$ 3,821,519

Major changes in our indebtedness during the year ended and subsequent to December 31, 2016 are summarized below.

On November 30, 2016, Studio City Company issued the 2016 Studio City Notes priced at 100%. The 2016 Studio City Notes were listed on the Official List of the Singapore Exchange Securities Trading Limited on December 1, 2016. The 2016 Studio City Notes are senior secured obligations of Studio City Company, rank equally in right of payment with all of Studio City Company's existing and future senior indebtedness (although any liabilities in respect of obligations under the 2021 Studio City Senior Secured Credit Facility that are secured by common collateral securing the 2016 Studio City Notes will have priority over the 2016 Studio City Notes with respect to any proceeds received upon any enforcement action of such common collateral) and rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Company and effectively subordinated to Studio City Company's existing and future secured indebtedness that is secured by assets that do not secure the 2016 Studio City Notes, to the extent of the assets securing such indebtedness. The 2016 Studio City Notes are guaranteed by Studio City Investments and all of its subsidiaries (other than Studio City Company) on a senior basis. The common collateral (shared with the 2021 Studio City Senior Secured Credit Facility) includes substantially all of the material assets of Studio City Investments and its subsidiaries. In addition, the 2016 Studio City Notes are also separately secured by certain specific bank accounts.

On November 30, 2016 (December 1, 2016 Hong Kong Time), Studio City Company used the net proceeds of US$1,188.0 million from the offering of the 2016 Studio City Notes, together with cash on hand, to fund the repayment in full of the Studio City Project Facility (other than the HK$1.0 million rolled over into the term loan facility of the 2021 Studio City Senior Secured Credit Facility).

On November 23, 2016, Studio City Company entered into an amendment and restatement agreement with, among others, a lender to, upon the satisfaction of certain conditions precedent, amend, restate and extent the Studio City Project Facility to provide for the 2021 Studio City Senior Secured Credit Facility in an aggregate of HK$234.0 million which consist of (i) a HK$223.0 million revolving credit facility and (ii) a HK$1.0 million term loan facility. The 2021 Studio City Senior Secured Credit Facility became effective on November 30, 2016 (December 1, 2016 Hong Kong Time). The 2021 Studio City Senior Secured Credit Facility matures on the date which is five years after the effective date of the definitive documentation of the 2021 Studio City Senior Secured Credit Facility. The term loan facility under the 2021 Studio City Senior Secured Credit Facility has to be repaid at maturity with no interim amortization payments and is collateralized by cash collateral equal to HK$1,012,500 (representing the principal amount plus expected interest expense for one financial quarter). Borrowings under the 2021 Studio City Senior Secured Credit Facility bear interest at HIBOR plus a margin of 4% per annum. The indebtedness under the 2021 Studio City Senior Secured Credit Facility is guaranteed by Studio City Investments and its subsidiaries (other than Studio City Company). Security for the 2021 Studio City Senior Secured Credit Facility includes substantially all of the material assets of Studio City Investments and its subsidiaries.

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

Other Financing and Liquidity Matters

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

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

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

In May 2016, we repurchased 155,000,000 ordinary shares (equivalent to 51,666,666 ADSs) from Crown Asia Investments for the aggregate purchase price of US$800.8 million, representing a per share price of US$5.1667 (equivalent to approximately US$15.50 per ADS). These shares were subsequently cancelled by us.

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

As of December 31, 2016, we had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for City of Dreams totaling US$317.2 million. In addition, we have contingent liabilities arising in the ordinary course of business. For further details for our commitments and contingencies, see note 22 to the consolidated financial statements included elsewhere in this annual report.

Each of Melco Crown Macau and Studio City Company has a corporate rating of "BB" and "BB-" by Standard & Poor's, respectively, and each of MCE Finance and Studio City Finance has a corporate rating of "Ba3" and "B2" by Moody's Investors Service, respectively. For future borrowings, any decrease in our corporate rating could result in an increase in borrowing costs.

Restrictions on Distributions

For discussion on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and the impact such restrictions have on our ability to meet our cash obligations, see "Item 4. Information on the Company — B. Business Overview — Restrictions on Distribution of Profits." See also "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy" and note 19 to the consolidated financial statements included elsewhere in this annual report.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We believe our and our subsidiaries' primary exposure to market risk will be interest rate risk associated with our substantial indebtedness.

Interest Rate Risk

Our exposure to interest rate risk is associated with our substantial indebtedness bearing interest based on floating rates. We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and we may supplement by hedging activities in a manner we deem prudent. We cannot be sure that these risk management strategies have had the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

As of December 31, 2016, we are subject to fluctuations in HIBOR and LIBOR as a result of our 2015 Credit Facilities, Aircraft Term Loan and 2021 Studio City Senior Secured Credit Facility. During the year ended December 31, 2016, we entered into interest rate swap agreements in connection with portion of our drawdown under our Studio City Project Facility in accordance with our lenders' requirements at such time under the Studio City Project Facility; all the interest rate swap agreements had expired following the full repayment of the outstanding Studio City Project Facility.

As of December 31, 2016, approximately 87% of our total indebtedness was based on fixed rates. Based on our December 31, 2016 indebtedness level, an assumed 100 basis point change in HIBOR and LIBOR would cause our annual interest cost to change by approximately US$5.0 million.

To the extent that we effect hedging in respect of our credit facilities, the counterparties to such hedging will also benefit from the security and guarantees we provide to the lenders under such credit facilities, which could increase our aggregate secured indebtedness. We do not intend to engage in transactions in derivatives or other financial instruments for trading or speculative purposes and we expect the provisions of our existing and any future credit facilities to restrict or prohibit the use of derivatives and financial instruments for purposes other than hedging.

Foreign Exchange Risk

Our exposure to foreign exchange rate risk is associated with the currency of our operations and our indebtedness and as a result of the presentation of our financial statements in U.S. dollar. The majority of our revenues are denominated in H.K. dollar, given the H.K. dollar is the predominant currency used in Macau and is often used interchangeably with the Pataca in Macau, while our expenses are denominated predominantly in Pataca, H.K. dollar and Philippine peso. In addition, a significant portion of our indebtedness, including the 2013 Senior Notes and the Studio City Notes, and certain expenses, have been and are denominated in U.S. dollar, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollar. We also have a certain portion of our assets and liabilities, including the Philippine Notes, denominated in Philippine peso.

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

We accept foreign currencies from our customers and as of December 31, 2016, in addition to H.K. dollar, Pataca and Philippine peso, we also hold other foreign currencies. However, any foreign exchange risk exposure associated with those currencies is minimal.

We have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations during the year ended December 31, 2016. Instead, we maintain a certain amount of our operating funds in the same currencies in which we have obligations, thereby reducing our exposure to currency fluctuations. However, we occasionally enter into foreign exchange transactions as part of financing transactions and capital expenditure programs.

See note 11 to the consolidated financial statements included elsewhere in this annual report for further details related to our indebtedness as of December 31, 2016.

Major currencies in which our cash and bank balances (including bank deposits with original maturities over three months and restricted cash) held as of December 31, 2016 were U.S. dollar, H.K. dollar, New Taiwan dollar, Philippine peso and Pataca. Based on the cash and bank balances as of December 31, 2016, an assumed 1% change in the exchange rates between currencies other than U.S. dollar against the U.S. dollar would cause a maximum foreign transaction gain or loss of approximately US$17.0 million for the year ended December 31, 2016.

Based on the balances of indebtedness denominated in currencies other than U.S. dollar as of December 31, 2016, an assumed 1% change in the exchange rates between currencies other than U.S. dollar against the U.S. dollar would cause a foreign transaction gain or loss of approximately US$7.8 million for the year ended December 31, 2016.

(2) The following is an extract of the management discussion and analysis of the results of Melco Resorts for the year ended 31 December 2017 from the 2017 annual report of Melco Resorts, except for certain cash flows data has been adjusted to reflect the retrospective adoption on 1 January 2018 of Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)*:

Summary of Financial Results

For the year ended December 31, 2017, our total net revenues were US$5.28 billion, an increase of 16.9% from US$4.52 billion of net revenues for the year ended December 31, 2016. Net income attributable to Melco Resorts & Entertainment Limited for the year ended December 31, 2017 was US$347.0 million, as compared to net income of US$175.9 million for the year ended December 31, 2016. Our improvement in profitability was primarily a result of the substantial improvements in operating performance, particularly from our gaming operations.

	Year Ended December 31,		
	2017	2016	2015
	(in thousands of US$)		
Net revenues	$ 5,284,823	$ 4,519,396	$ 3,974,800
Total operating costs and expenses	(4,677,211)	(4,156,280)	(3,876,385)
Operating income	607,612	363,116	98,415
Net income attributable to Melco Resorts & Entertainment Limited	$ 347,002	$ 175,906	$ 105,747

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

- In June 2015, we completed an amendment to the 2011 Credit Facilities, known as the 2015 Credit Facilities, drew down the entire term loan facility under the 2015 Credit Facilities and repaid the entire outstanding balance of the 2011 Credit Facilities

- On October 27, 2015, Studio City commenced operations with its grand opening on the same date

- On November 18, 2015, we completed an amendment to the Studio City Project Facility

- On November 23, 2015, MRP completed the 2015 Private Placement

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

- On November 30, 2016 (December 1, 2016, Hong Kong time), we repaid the Studio City Project Facility (other than the HK$1.0 million rolled over into the term loan facility of the 2021 Studio City Senior Secured Credit Facility, which was entered into on November 23, 2016) as funded by the net proceeds from the offering of 2016 Studio City Notes issued by Studio City Company on November 30, 2016 and cash on hand

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

- On June 6, 2017, Melco Resorts Finance issued US$650.0 million in aggregate principal amount of the 2017 Senior Notes

- On June 14, 2017, together with the net proceeds from the issuance of US$650.0 million in aggregate principal amount of the 2017 Senior Notes along with the proceeds in the amount of US$350.0 million from a partial drawdown of the revolving credit facility under the 2015 Credit Facilities and cash on hand, Melco Resorts Finance redeemed all of our outstanding 2013 Senior Notes

- On July 3, 2017, Melco Resorts Finance issued US$350.0 million in aggregate principal amount of the 2017 Senior Notes, the net proceeds from which were used to repay in full the US$350.0 million drawdown from the revolving credit facility under the 2015 Credit Facilities

- On October 9, 2017, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP7.5 billion, together with accrued interest

Key Performance Indicators (KPIs)

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

- *Rolling chip volume:* the amount of non-negotiable chips wagered and lost by the rolling chip market segment.

- *Rolling chip win rate:* rolling chip table games win (calculated before discounts and commissions) 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 as a percentage of mass market table games drop.

- *Table games win:* the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.

- *Gaming machine handle:* the total amount wagered in gaming machines.

- *Gaming machine win rate:* gaming machine win expressed as a percentage of gaming machine handle.

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

Our combined expected rolling chip win rate (calculated before discounts and commissions) across our properties is in the range of 2.7% to 3.0%.

We use the following KPIs to evaluate our hotel operations:

- *Average daily rate:* calculated by dividing total room revenues including the retail value of 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 the retail value of complimentary rooms (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

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

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

Revenues

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

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

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

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2017 was US$17.2 billion, representing a decrease of US$0.4 billion, or 2.5%, from US$17.7 billion for the year ended December 31, 2016. The rolling chip win rate (calculated before discounts and commissions) was 3.06% for the year ended December 31, 2017, and increased from 2.85% for the year ended December 31, 2016. Our expected range was 2.7% to 3.0%. In the mass market table games segment, drop was US$429.2 million for the year ended December 31, 2017, representing a decrease of 13.3% from US$494.7 million for the year ended December 31, 2016. The mass market table games hold percentage was 17.5% for the year ended December 31, 2017, decreasing from 18.6% for the year ended December 31, 2016. Average net win per gaming machine per day was US$106 for the year ended December 31, 2017, an increase of US$13, or 14.1%, from US$93 for the year ended December 31, 2016.

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

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

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

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

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

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

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

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

Operating costs and expenses

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

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

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

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

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

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

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

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

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

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

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

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

Non-operating expenses, net

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

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

Interest expenses were US$229.6 million (net of capitalized interest of US$37.5 million) for the year ended December 31, 2017, compared to US$223.6 million (net of capitalized interest of US$29.0 million) for the year ended December 31, 2016. The increase in interest expenses (net of interest capitalization) of US$6.0 million was primarily due to higher interest expenses arisen from the higher borrowing rate as a result of the refinancing of the Studio City Project Facility with 2016 Studio City Notes and 2021 Studio City Senior Secured Credit Facility in November 2016, partially offset with higher interest capitalization of US$8.5 million primarily for the development of Morpheus.

Other finance costs for the year ended December 31, 2017 amounted to US$32.3 million and included US$26.2 million of amortization of deferred financing costs and US$6.1 million of loan commitment and other finance fees. Other finance costs for the year ended December 31, 2016 amounted to US$55.8 million and included US$48.3 million of amortization of deferred financing costs and US$7.5 million of loan commitment and other finance fees. The decrease in amortization of deferred financing costs compared to the year ended December 31, 2016 was primarily due to no amortization of deferred financing costs for the Studio City Project Facility after its refinancing in November 2016. The deferred financing costs related to the 2016 Studio City Notes and 2021 Studio City Senior Secured Credit Facility were lower compared to the deferred financing costs for the Studio City Project Facility.

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

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

Income tax credit (expense)

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

Net loss attributable to noncontrolling interests

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

Net income attributable to Melco Resorts & Entertainment Limited

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

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenues

Our total net revenues for the year ended December 31, 2016 were US$4.52 billion, an increase of US$0.54 billion, or 13.7%, from US$3.97 billion for the year ended December 31, 2015. The increase in total net revenues was primarily attributable to the net revenues generated by a fully-operating Studio City, which commenced operations in October 2015, and the increase in net revenues generated by City of Dreams Manila, which had a better performance in both gaming and non-gaming segments in the year ended December 31, 2016 compared to the previous year, partially offset by lower casino revenues at City of Dreams and Altira Macau primarily driven by deteriorating demand from Chinese players as well as restrictive policies.

Our total net revenues for the year ended December 31, 2016 consisted of US$4.18 billion of casino revenues, representing 92.4% of our total net revenues, and US$342.7 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2015 comprised US$3.77 billion of casino revenues, representing 94.8% of our total net revenues, and US$207.5 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2016 were US$4.18 billion, representing a US$0.41 billion, or 10.9%, increase from casino revenues of US$3.77 billion for the year ended December 31, 2015, primarily due to an increase in casino revenue at a fully-operating Studio City of US$599.8 million, which commenced operations on October 27, 2015 and began rolling chip operations in November 2016, and at City of Dreams Manila of US$186.1 million, which commenced junket operations in mid-2015, partially offset by a decrease in casino revenues at City of Dreams and Altira Macau of US$223.1 million, or 8.3%, and US$133.9 million, or 23.8%, respectively.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2016 was US$17.7 billion, representing a decrease of US$6.1 billion, or 25.8%, from US$23.8 billion for the year ended December 31, 2015. The rolling chip win rate (calculated before discounts and commissions) was 2.85% for the year ended December 31, 2016 and was within our expected level of 2.7% to 3.0%, and increased slightly from 2.83% for the year ended December 31, 2015. In the mass market table games segment, drop was US$494.7 million for the year ended December 31, 2016, representing a decrease of 19.7% from US$616.1 million for the year ended December 31, 2015. The mass market table games hold percentage was 18.6% for the year ended December 31, 2016, demonstrating an increase from 17.9% for the year ended December 31, 2015. Average net win per gaming machine per day was US$93 and US$98 for the years ended December 31, 2016 and 2015, respectively.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2016 of US$41.5 billion represented a decrease of US$2.6 billion, or 5.8%, from US$44.0 billion for the year ended December 31, 2015. The rolling chip win rate (calculated before discounts and commissions) was 2.83% for the year ended December 31, 2016 and was in line with our expected range of 2.7% to 3.0%, but decreased from 2.91% for the year ended December 31, 2015. In the mass market table games segment, drop was US$4.31 billion for the year ended December 31, 2016 which represented a decrease of US$0.41 billion, or 8.6%, from US$4.71 billion for the year ended December 31, 2015. The mass market table games hold percentage was 35.8% for the year ended December 31, 2016, demonstrating an increase from 35.1% for the year ended December 31, 2015. Average net win per gaming machine per day was US$381 and US$404 for the years ended December 31, 2016 and 2015, respectively.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2016 was US$257, a decrease of US$46, or 15.2%, from US$303 for the year ended December 31, 2015.

Studio City. Studio City commenced operations on October 27, 2015 and began rolling chip operations in November 2016. Rolling chip volume was US$1.3 billion and the rolling chip win rate (calculated before discounts and commissions) was 1.39% for the year ended December 31, 2016. In the mass market table games segment, drop was US$2,480.0 million for the year ended December 31, 2016, and increased from US$365.3 million for the year ended December 31, 2015. The mass market table games hold percentage was 24.7% for the year ended December 31, 2016, demonstrating an increase from 22.4% for the year ended December 31, 2015. Average net win per gaming machine per day was US$189 for the year ended December 31, 2016, an increase of US$21, or 12.8%, from US$168 for the year ended December 31, 2015.

City of Dreams Manila. City of Dreams Manila's rolling chip volume for the year ended December 31, 2016 was US$6.8 billion, representing an increase of US$3.6 billion, or 110.1%, from US$3.3 billion for the year ended December 31, 2015. The rolling chip win rate (calculated before discounts and commissions) was 3.43% for the year ended December 31, 2016, and increased from 2.30% for the year ended December 31, 2015. In the mass market table games segment, drop was US$550.5 million for the year ended December 31, 2016, representing an increase of US$109.2 million, or 24.7%, from US$441.4 million for the year ended December 31, 2015. The mass market table games hold percentage was 28.0% for the year ended December 31, 2016, demonstrating an increase from 26.3% for the year ended December 31, 2015. Average net win per gaming machine per day was US$217 for the year ended December 31, 2016, an increase of US$46, or 27.2%, from US$170 for the year ended December 31, 2015.

Rooms. Room revenues (including the retail value of promotional allowances) for the year ended December 31, 2016 were US$265.3 million, representing a US$65.6 million, or 32.8%, increase from room revenues (including the retail value of promotional allowances) of US$199.7 million for the year ended December 31, 2015. The increase was primarily due to the room revenues from a full year operation of Studio City, which consists of Celebrity Tower and the all-suite Star Tower, which offers approximately 1,600 guest rooms in total. The increase was offset in part by the decrease in room revenues at City of Dreams and Altira Macau due to the declined occupancy rate and decrease in average daily rate.

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

	Year Ended December 31,					
	2016	2015	2016	2015	2016	2015
	Average daily rate		Occupancy rate		REVPAR	
	(US$)				*(US$)*	
Altira Macau	205	212	94%	98%	193	209
City of Dreams	200	201	96%	99%	192	198
Studio City	136	136	98%	98%	133	133
City of Dreams Manila	159	191	91%	86%	145	164

Food, beverage and others. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2016 included food and beverage revenues of US$177.5 million and entertainment, retail and other revenues of US$197.0 million. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2015 included food and beverage revenues of US$126.8 million and entertainment, retail and other revenues of US$117.5 million. The increase of US$130.1 million in food, beverage and other revenues from the year ended December 31, 2015 to the year ended December 31, 2016 was primarily due to the first full year operation of Studio City in 2016 with its attractions including Golden Reel, Batman Dark Flight and The House of Magic, concerts held in the Studio City Event Center as well as its food and beverage outlets, together with the increased entertainment, retail and other revenues at City of Dreams mainly driven by the opening of the new retail precinct in 2016.

Operating costs and expenses

Total operating costs and expenses were US$4.16 billion for the year ended December 31, 2016, representing an increase of US$279.9 million, or 7.2%, from US$3.88 billion for the year ended December 31, 2015. The increase in operating costs was primarily due to the first full year operation of Studio City in 2016 and improved performance of City of Dreams Manila, partially offset by a decrease in operating costs at City of Dreams and Altira Macau, which was in-line with the decline in gaming volumes and associated lower revenues.

Casino. Casino expenses increased by US$250.2 million, or 9.4%, to US$2.90 billion for the year ended December 31, 2016 from US$2.65 billion for the year ended December 31, 2015 primarily due to the casino expenses at a fully-operating Studio City, increase in casino expenses at City of Dreams Manila, which had a better performance in all gaming segments in the year ended December 31, 2016 compared to the previous year, and higher provision for doubtful debt in City of Dreams and Altira Macau. The increase was offset in part by the decrease in gaming tax, payroll and other levies and commission expenses at City of Dreams and Altria Macau, which decreased as a result of decreased gaming volumes and associated lower revenues.

Rooms. Room expenses, which represent the costs of operating the hotel facilities were US$33.2 million and US$23.4 million for the years ended December 31, 2016 and 2015, respectively. The increase was primarily due to the first full year hotel operations in Studio City in 2016.

Food, beverage and others. Food, beverage and other expenses were US$175.6 million and US$120.8 million for the years ended December 31, 2016 and 2015, respectively. The increase was primarily due to payroll, performers' fees and other operating costs associated with the full year operation of Studio City.

General and administrative. General and administrative expenses increased by US$62.7 million, or 16.3%, to US$446.6 million for the year ended December 31, 2016 from US$383.9 million for the year ended December 31, 2015, primarily due to the general and administrative expenses for the full year operation of Studio City, partially offset by the decrease in general and administrative expenses in other properties as a result of our continuous efforts and measures implemented to control costs.

Payments to the Philippine Parties. Payments to the Philippine Parties increased to US$34.4 million for the year ended December 31, 2016 from US$16.5 million for the year ended December 31, 2015, due to the improvement in gaming operations and resulting increase in revenues from gaming operations in City of Dreams Manila.

Pre-opening costs. Pre-opening costs were US$3.9 million for the year ended December 31, 2016 as compared to US$168.2 million for the year ended December 31, 2015. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. The pre-opening costs were higher in the year ended December 31, 2015 mainly due to the commencement of operations of Studio City in October 2015 and the grand opening of City of Dreams Manila in February 2015.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US$57.2 million for each of the years ended December 31, 2016 and 2015.

Amortization of land use rights. Amortization of land use rights expenses were US$22.8 million and US$54.1 million for the years ended December 31, 2016 and 2015, respectively. The decrease was primarily due to the extension of the estimated terms of the land use rights in Macau which went into effect in October 2015.

Depreciation and amortization. Depreciation and amortization expenses were US$472.2 million and US$359.3 million for the years ended December 31, 2016 and 2015, respectively. The increase was primarily due to the full year depreciation of assets at Studio City, partially offset by a decrease in depreciation resulting from the extension of the estimated useful lives of building structures of Altira Macau and City of Dreams which went into effect in October 2015.

Property charges and other. Property charges and other for the year ended December 31, 2016 were US$5.3 million, which primarily included the asset write-offs and impairments of US$3.2 million as a result of the remodel of non-gaming attractions at City of Dreams, US$2.1 million termination costs as a result of departmental restructuring and US$1.7 million legal and professional fees for assisting in evaluating the capital structure of Studio City, partially offset by US$2.0 million insurance recovery on furniture, fixtures and equipment damaged by the typhoon in the Philippines. Property charges and other for the year ended December 31, 2015 were US$38.1 million, which primarily included US$30.3 million provision for input value-added tax primarily pertaining to certain construction of City of Dreams Manila, which is expected to be non-recoverable and US$5.5 million termination costs as a result of departmental restructuring.

Non-operating expenses, net

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

Interest income was US$6.0 million for the year ended December 31, 2016, as compared to US$13.9 million for the year ended December 31, 2015. The decrease was primarily due to lower level of deposits placed at banks during the year ended December 31, 2016.

Interest expenses were US$223.6 million (net of capitalized interest of US$29.0 million) for the year ended December 31, 2016, compared to US$118.3 million (net of capitalized interest of US$134.8 million) for the year ended December 31, 2015. The increase in interest expenses (net of interest capitalization) of US$105.2 million was primarily due to lower interest capitalization of US$105.8 million primarily associated with the cessation of interest capitalization for Studio City since its opening in October 2015.

Other finance costs for the year ended December 31, 2016 amounted to US$55.8 million and included US$48.3 million of amortization of deferred financing costs (nil capitalization) and US$7.5 million of loan commitment and other finance fees. Other finance costs for the year ended December 31, 2015 amounted to US$45.8 million and included US$38.5 million of amortization of deferred financing costs (net of capitalization of US$5.5 million) and US$7.3 million of loan commitment and other finance fees. The increase in amortization of deferred financing costs compared to the year ended December 31, 2015 was primarily due to the cessation of capitalization of amortization of deferred financing costs associated with the opening of Studio City in October 2015 and the increase in amortization of deferred financing costs arising from the refinancing of the 2011 Credit Facilities with the 2015 Credit Facilities in late June 2015.

Loss on extinguishment of debt for the year ended December 31, 2016 was US$17.4 million, represented break costs and a portion of the unamortized deferred financing costs of the Studio City Project Facility that were not eligible for capitalization. Loss on extinguishment of debt for the year ended December 31, 2015 was US$0.5 million, which represented the unamortized deferred financing costs of the 2011 Credit Facilities that were not eligible for capitalization.

Costs associated with debt modification for the year ended December 31, 2016 were US$8.1 million, represented a portion of underwriting fee, legal and professional fees incurred for refinancing of the Studio City Project Facility that were not eligible for capitalization. Costs associated with debt modification for the year ended December 31, 2015 were US$7.6 million, represented legal and professional fees incurred for the loan documentation amendment of the Studio City Project Facility and refinancing of the 2011 Credit Facilities that were not eligible for capitalization.

Income tax expense

Income tax expense for the year ended December 31, 2016 was primarily attributable to a lump sum tax payable of US$2.8 million in lieu of Macau Complementary Tax otherwise due by Melco Resorts Macau's shareholders on dividends distributable to them by Melco Resorts Macau, Macau Complementary Tax of US$2.8 million, Hong Kong Profits Tax of US$1.9 million and a net deferred tax charge of US$0.8 million. The effective tax rate for the year ended December 31, 2016 was 10.9%, as compared to a credit rate of (1.7%) for the year ended December 31, 2015. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax and Philippine Corporate Income Tax, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefits are receivable and the effect of different tax rates of subsidiaries operating in other jurisdictions for the years ended December 31, 2016 and 2015. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippines operations. However, to the extent that the financial results of our Macau and Philippines operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance related to the net operating losses and other deferred tax assets.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US$109.0 million for the year ended December 31, 2016, compared to that of US$166.6 million for the year ended December 31, 2015, represented the share of the Studio City's expenses of US$100.0 million and City of Dreams Manila's expenses of US$9.0 million, respectively, by the respective minority shareholders for the year ended December 31, 2016. The year-on-year decrease was primarily attributable to the share of net revenues generated by Studio City and City of Dreams Manila and the decrease in noncontrolling interests' share of pre-opening costs, partially offset by the increase in the share, respectively, of Studio City's operating costs and financing costs and City of Dreams Manila's operating costs during the year ended December 31, 2016.

Net income attributable to Melco Resorts & Entertainment Limited

As a result of the foregoing, we had net income of US$175.9 million for the year ended December 31, 2016, compared to US$105.7 million for the year ended December 31, 2015.

Adjusted Property EBITDA and Adjusted EBITDA

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, net gain on disposal of property and equipment to Belle Corporation, Corporate and Other expenses and other non-operating income and expenses, or Adjusted property EBITDA, were US$1,422.8 million, US$1,087.5 million and US$932.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. Adjusted property EBITDA of Altira Macau, City of Dreams, Mocha Clubs and City of Dreams Manila were US$20.7 million, US$804.9 million, US$26.6 million and US$235.0 million, respectively, for the year ended December 31, 2017, US$5.1 million, US$742.3 million, US$23.8 million and US$160.3 million, respectively, for the year ended December 31, 2016 and US$36.3 million, US$798.5 million, US$30.3 million and US$55.4 million, respectively, for the year ended December 31, 2015. Studio City commenced operations on October 27, 2015 and recorded Adjusted property EBITDA of US$335.6 million, US$156.0 million and US$11.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, net gain on disposal of property and equipment to Belle Corporation and other non-operating income and expenses, or Adjusted EBITDA, were US$1,285.3 million, US$972.7 million and US$816.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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

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

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

	Year Ended December 31,		
	2017	2016	2015
	(in thousands of US$)		
Net income attributable to Melco Resorts & Entertainment Limited	$ 347,002	$ 175,906	$ 105,747
Net loss attributable to noncontrolling interests	(31,709)	(108,988)	(166,555)
Net income (loss)	315,293	66,918	(60,808)
Income tax (credit) expense	(10)	8,178	1,031
Interest and other non-operating expenses, net	292,329	288,020	158,192
Property charges and other	31,616	5,298	38,068
Share-based compensation	17,305	18,487	20,827
Depreciation and amortization	540,575	552,272	470,634
Development costs	31,115	95	110
Pre-opening costs	2,274	3,883	168,172
Net gain on disposal of preoperty and equipment to Belle Corporation	–	(8,134)	–
Land rent to Belle Corporation	3,143	3,327	3,476
Payments to the Philippine Parties	51,661	34,403	16,547
Adjusted EBITDA	1,285,301	972,747	816,249
Corporate and Other expenses	137,468	114,770	115,735
Adjusted property EBITDA	$ 1,422,769	$ 1,087,517	$ 931,984

B. LIQUIDITY AND CAPITAL RESOURCES

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

As of December 31, 2017, we held cash and cash equivalents, investments in mutual funds that mainly invest in bonds and fixed-interest securities, bank deposits with original maturities over three months and restricted cash of approximately US$1,408.2 million, US$89.9 million, US$9.9 million and US$45.5 million, respectively, and the HK$9.75 billion (equivalent to approximately US$1.25 billion) revolving credit facility under the 2015 Credit Facilities remains available for future drawdown, subject to satisfaction of certain conditions precedent. Further, the 2015 Credit Facilities includes an incremental facility of up to US$1.3 billion to be made available upon further agreement with any of the existing lenders under the 2015 Credit Facilities or with other entities.

The HK$233.0 million (equivalent to approximately US$29.9 million) revolving credit facility under the 2021 Studio City Senior Secured Credit Facility is available for future drawdown as of December 31, 2017, subject to satisfaction of certain conditions precedent.

MRP entered into a PHP2.35 billion (equivalent to approximately US$47.2 million) bank credit facility with the availability up to May 29, 2018, which remains available for future drawdown as of December 31, 2017, subject to satisfaction of certain conditions precedent.

As of December 31, 2017, restricted cash primarily represented the unspent cash from the capital injection for the remaining project for Studio City from our Company and SCI minority shareholder in accordance with our shareholder agreement, which was restricted only for the initial development costs and other project costs of the remaining project of Studio City; and certain bank account balances required to be maintained in accordance with the Studio City Notes to serve the interest repayment obligations.

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

Cash Flows

The following table sets forth a summary of our cash flows for the years presented. The consolidated cash flows data for the year ended December 31, 2017, 2016 and 2015 have been adjusted to reflect the retrospective adoption on January 1, 2018 of Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)*. As a result of the adoption, restricted cash is included with cash and cash equivalents in the beginning and ending balances, and the changes in restricted cash that were previously reported within cash flows from investing activities in the consolidated statements of cash flows have been eliminated.

	Year Ended December 31,		
	2017	**2016**	**2015**
	(in thousands of US$)		
Net cash provided by operating activities	$ 1,162,500	$ 1,158,139	$ 522,031
Net cash (used in) provided by investing activities	(404,017)	2,975	(1,965,300)
Net cash used in financing activities	(1,046,041)	(1,339,717)	(29,688)
Effect of foreign exchange on cash, cash equivalents and restricted cash	(281)	(7,949)	(13,137)
Net decrease in cash, cash equivalents and restricted cash	(287,839)	(186,552)	(1,486,094)
Cash, cash equivalents and restricted cash at beginning of year	1,741,592	1,928,144	3,414,238
Cash, cash equivalents and restricted cash at end of year	$ 1,453,753	$ 1,741,592	$ 1,928,144

Operating Activities

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

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

Net cash provided by operating activities was US$1,158.1 million for the year ended December 31, 2016, compared to US$522.0 million for the year ended December 31, 2015. The increase in net cash provided by operating activities was primarily contributed from an improvement in underlying operating performance as described in the foregoing section, including the contribution from the full-year operation of Studio City, and decreased working capital for operations.

Investing Activities

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

Net cash provided by investing activities was US$3.0 million for the year ended December 31, 2016, compared to net cash used in investing activities of US$1,965.3 million for the year ended December 31, 2015. The change was primarily due to the net withdrawals of bank deposits with original maturities over three months and the decrease in capital expenditure payments upon Studio City opening in October 2015. Net cash provided by investing activities for the year ended December 31, 2016 mainly included the net withdrawal of bank deposits with original maturities over three months of US$513.9 million and proceeds from sale of property and equipment of US$28.9 million, which were offset in part by capital expenditure payments of US$500.2 million, advance payments for construction costs of US$31.6 million, deposits for acquisition of property and equipment of US$4.2 million and the land use rights payment of US$3.8 million.

Our total capital expenditure payments were US$486.4 million and US$500.2 million for the years ended December 31, 2017 and 2016, respectively. Such expenditures were mainly associated with our development projects, including Morpheus, which is the third phase of City of Dreams, as well as enhancement to our integrated resort offerings. We also paid US$3.8 million for the scheduled installment of City of Dreams' land premium payments during the year ended December 31, 2016.

We expect to incur significant capital expenditures for the development of Morpheus, the redevelopment and rebranding of The Countdown and the future development of the remaining land of Studio City. See "— Other Financing and Liquidity Matters" below for more information.

The following table sets forth our capital expenditures incurred by segment on an accrual basis for the years ended December 31, 2017, 2016 and 2015.

	Year Ended December 31,		
	2017	2016	2015
	(in thousands of US$)		
Macau:			
Mocha Clubs	$ 4,690	$ 7,763	$ 6,446
Altira Macau	5,776	3,031	18,404
City of Dreams	467,780	359,258	331,503
Studio City	37,174	62,754	968,696
Sub-total	515,420	432,806	1,325,049
The Philippines:			
City of Dreams Manila	13,571	3,621	98,884
Corporate and Other	30,051	1,485	31,909
Total capital expenditures	$ 559,042	$ 437,912	$ 1,455,842

Our capital expenditures for the year ended December 31, 2017 increased from that for the year ended December 31, 2016 primarily due to the development of various projects at City of Dreams, including Morpheus. Our capital expenditures for the year ended December 31, 2016 decreased from that for the year ended December 31, 2015 primarily due to the completion of Studio City and City of Dreams Manila, net with the increase for the development of various projects at City of Dreams, including Morpheus.

Advance payments for construction costs were US$12.2 million, US$31.6 million and US$19.7 million for the years ended December 31, 2017, 2016 and 2015, respectively. Such payments were incurred primarily for the development of various projects at City of Dreams, including Morpheus.

Financing Activities

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

Net cash used in financing activities amounted to US$1,339.7 million for the year ended December 31, 2016, primarily due to (i) the repurchase of shares for retirement of US$803.2 million; (ii) dividend payments of US$385.6 million; (iii) scheduled repayments and early repayment in full of the Studio City Project Facility (other than HK$1.0 million rolled over into a term loan facility under the 2021 Studio City Senior Secured Credit Facility) of US$1,295.6 million with proceeds of US$1,200.0 million from the issuance of the 2016 Studio City Notes; (iv) scheduled repayments of the term loan under the 2015 Credit Facilities of US$22.6 million and (v) payment of debt issuance costs primarily associated with the 2016 Studio City Notes and the 2021 Studio City Senior Secured Credit Facility as well as payment of legal and professional fees for amending the loan documentation for the Studio City Project Facility of US$27.3 million.

Net cash used in financing activities amounted to US$29.7 million for the year ended December 31, 2015, primarily due to (i) the scheduled repayment of the term loan under 2011 Credit Facilities of US$64.2 million; (ii) dividend payments of US$62.9 million; (iii) the payment of debt issuance cost primarily associated with the 2015 Credit Facilities of US$49.9 million, which were offset in part by (iv) net proceeds from the refinancing of 2011 Credit Facilities with 2015 Credit Facilities of US$148.3 million.

Indebtedness

The following table presents a summary of our gross indebtedness as of December 31, 2017:

	As of December 31, 2017
	(in thousands of US$)
2016 Studio City Notes	$ 1,200,000
2017 Senior Notes	1,000,000
2012 Studio City Notes	825,000
2015 Credit Facilities	433,611
Philippine Notes	150,232
Aircraft Term Loan	10,167
2021 Studio City Senior Secured Credit Facility	129
	$ 3,619,139

Major changes in our indebtedness during the year ended and subsequent to December 31, 2017 are summarized below.

On June 6, 2017, Melco Resorts Finance issued US$650.0 million in aggregate principal amount of the 2017 Senior Notes. On June 14, 2017, together with the proceeds from the issuance of US$650.0 million in aggregate principal amount of the 2017 Senior Notes along with the proceeds in the amount of US$350.0 million from a partial drawdown of the revolving credit facility under the 2015 Credit Facilities and cash on hand, Melco Resorts Finance redeemed all of its outstanding 2013 Senior Notes.

On July 3, 2017, Melco Resorts Finance issued an additional US$350.0 million in aggregate principal amount of the 2017 Senior Notes, the net proceeds from which were used to repay in full the US$350.0 million drawdown from the revolving credit facility under the 2015 Credit Facilities.

On October 9, 2017, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP7.5 billion, together with accrued interest.

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

Other Financing and Liquidity Matters

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

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

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

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

On August 14, 2017, SCI announced it submitted on a confidential basis to the Securities and Exchange Commission a draft registration statement for a possible initial public offering of American depositary shares representing ordinary shares of SCI.

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

As of December 31, 2017, we had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for City of Dreams totaling US$138.0 million. In addition, we have contingent liabilities arising in the ordinary course of business. For further details for our commitments and contingencies, see note 21 to the consolidated financial statements included elsewhere in this annual report.

Each of Melco Resorts Macau and Studio City Company has a corporate rating of “BB” and “BB-” by Standard & Poor’s, respectively, and each of Melco Resorts Finance and Studio City Finance has a corporate rating of “Ba3” and “B2” by Moody’s Investors Service, respectively. For future borrowings, any decrease in our corporate rating could result in an increase in borrowing costs.

Restrictions on Distributions

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

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We believe our and our subsidiaries’ primary exposure to market risk will be interest rate risk associated with our substantial indebtedness.

Interest Rate Risk

Our exposure to interest rate risk is associated with our substantial indebtedness bearing interest based on floating rates. We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and we may supplement by hedging activities in a manner we deem prudent. We cannot be sure that these risk management strategies have had the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

As of December 31, 2017, we are subject to fluctuations in HIBOR and LIBOR as a result of our 2015 Credit Facilities, Aircraft Term Loan and 2021 Studio City Senior Secured Credit Facility. As of December 31, 2017, approximately 88% of our total indebtedness was based on fixed rates. Based on our December 31, 2017 indebtedness level, an assumed 100 basis point change in HIBOR and LIBOR would cause our annual interest cost to change by approximately US$4.4 million.

To the extent that we effect hedging in respect of our credit facilities, the counterparties to such hedging will also benefit from the security and guarantees we provide to the lenders under such credit facilities, which could increase our aggregate secured indebtedness. We do not intend to engage in transactions in derivatives or other financial instruments for trading or speculative purposes and we expect the provisions of our existing and any future credit facilities to restrict or prohibit the use of derivatives and financial instruments for purposes other than hedging.

Foreign Exchange Risk

Our exposure to foreign exchange rate risk is associated with the currency of our operations and our indebtedness and as a result of the presentation of our financial statements in U.S. dollar. The majority of our revenues are denominated in H.K. dollar, given the H.K. dollar is the predominant currency used in Macau and is often used interchangeably with the Pataca in Macau, while our expenses are denominated predominantly in Pataca, H.K. dollar and Philippine peso. In addition, a significant portion of our indebtedness, including the 2017 Senior Notes and the Studio City Notes, and certain expenses, have been and are denominated in U.S. dollar, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollar. We also have a certain portion of our assets and liabilities, including the Philippine Notes, denominated in Philippine peso.

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

We accept foreign currencies from our customers and as of December 31, 2017, in addition to H.K. dollar, Pataca and Philippine peso, we also hold other foreign currencies. However, any foreign exchange risk exposure associated with those currencies is minimal.

We have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations during the year ended December 31, 2017. Instead, we maintain a certain amount of our operating funds in the same currencies in which we have obligations, thereby reducing our exposure to currency fluctuations. However, we occasionally enter into foreign exchange transactions as part of financing transactions and capital expenditure programs.

See note 11 to the consolidated financial statements included elsewhere in this annual report for further details related to our indebtedness as of December 31, 2017.

Major currencies in which our cash and bank balances (including bank deposits with original maturities over three months and restricted cash) held as of December 31, 2017 were U.S. dollar, H.K. dollar, New Taiwan dollar, Philippine peso and Pataca. Based on the cash and bank balances as of December 31, 2017, an assumed 1% change in the exchange rates between currencies other than U.S. dollar against the U.S. dollar would cause a maximum foreign transaction gain or loss of approximately US$12.7 million for the year ended December 31, 2017.

Based on the balances of indebtedness denominated in currencies other than U.S. dollar as of December 31, 2017, an assumed 1% change in the exchange rates between currencies other than U.S. dollar against the U.S. dollar would cause a foreign transaction gain or loss of approximately US$5.8 million for the year ended December 31, 2017.

(3) The following is an extract of the management discussion and analysis of the results of Melco Resorts for the year ended 31 December 2018 from the 2018 annual report of Melco Resorts:

Summary of Financial Results

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

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

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

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

- On November 30, 2016 (December 1, 2016, Hong Kong time), we repaid the Studio City Project Facility (other than the HK$1.0 million rolled over into the term loan facility of the 2021 Studio City Senior Secured Credit Facility, which was entered into on November 23, 2016) as funded by the net proceeds from the offering of 2016 Studio City Notes issued by Studio City Company on November 30, 2016 and cash on hand

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

- On June 6, 2017, Melco Resorts Finance issued US$650.0 million in aggregate principal amount of the 2017 Senior Notes

- On June 14, 2017, together with the net proceeds from the issuance of US$650.0 million in aggregate principal amount of the 2017 Senior Notes along with the proceeds in the amount of US$350.0 million from a partial drawdown of the revolving credit facility under the 2015 Credit Facilities and cash on hand, Melco Resorts Finance redeemed all of our outstanding 2013 Senior Notes

- On July 3, 2017, Melco Resorts Finance issued US$350.0 million in aggregate principal amount of the 2017 Senior Notes, the net proceeds from which were used to repay in full the US$350.0 million drawdown from the revolving credit facility under the 2015 Credit Facilities

- On October 9, 2017, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP7.5 billion, together with accrued interest

- On June 15, 2018, Morpheus commenced operations with its grand opening on the same date

- On August 31, 2018, Melco Resorts Leisure partially redeemed the Philippine Notes in an aggregate principal amount of PHP5.5 billion, together with accrued interest

- In October 2018, SCI completed its initial public offering of 28,750,000 SC ADSs (equivalent to 115,000,000 Class A ordinary shares of SCI)

- In November 2018, SCI completed the exercise by the underwriters of their over-allotment option in full to purchase an additional 4,312,500 SC ADSs from SCI

- On December 13, 2018, MCO Investments completed the MRP Tender Offer and, together with an additional of 107,475,300 MRP Shares acquired by MCO Investments on or after December 6, 2018, increased the Company's equity interest in MRP from approximately 72.8% immediately prior to the announcement of the MRP Tender Offer to approximately 97.9% as of December 31, 2018

- On December 28, 2018, Melco Resorts Leisure redeemed all of the Philippine Notes which remained outstanding

- On December 31, 2018, Studio City Finance partially redeemed the 2012 Studio City Notes in an aggregate principal amount of US$400.0 million, together with accrued interest

Key Performance Indicators (KPIs)

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

- *Rolling chip volume:* the amount of non-negotiable chips wagered and lost by the rolling chip market segment.

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

- *Mass market table games drop:* the amount of table games drop in the mass market table games segment.

- *Mass market table games hold percentage:* mass market table games win (calculated before discounts, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of mass market table games drop.

- *Table games win:* the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.

- *Gaming machine handle:* the total amount wagered in gaming machines.

- *Gaming machine win rate:* gaming machine win (calculated before non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) expressed as a percentage of gaming machine handle.

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

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

We use the following KPIs to evaluate our hotel operations:

- *Average daily rate:* calculated by dividing total room revenues including complimentary rooms (less service charges, if any) by total rooms occupied, including complimentary rooms, i.e., average price of occupied rooms per day.

- *Occupancy rate:* the average percentage of available hotel rooms occupied, including complimentary rooms, during a period.

- *Revenue per available room, or REVPAR:* calculated by dividing total room revenues including complimentary rooms (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

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

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

Revenues

Our total net revenues for the year ended December 31, 2018 were US$5.16 billion, a decrease of US$0.13 billion, or 2.4%, from US$5.28 billion for the year ended December 31, 2017. The decrease in total net revenues was primarily attributable to higher commissions reported as a reduction in revenue upon the Company's adoption of the New Revenue Standard, partially offset by higher gross gaming revenues in all gaming segments. The Company adopted the New Revenue Standard on January 1, 2018 under the modified retrospective method. Results for the periods beginning on or after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis. Under the previous basis, before the adoption of the New Revenue Standard, total net revenues for the year ended December 31, 2018 would have been US$5.56 billion, which would have represented an increase of US$0.27 billion, or 5.2%, from US$5.28 billion for the year ended December 31, 2017.

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

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

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

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

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

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

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

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

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

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

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

Operating costs and expenses

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

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

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

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

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

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

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

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

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

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

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

Property charges and other. Property charges and other for the year ended December 31, 2018 were US$29.1 million, which primarily included repairs and maintenance costs incurred for our Macau properties as a result Typhoon Hato and Typhoon Mangkhut net with the insurance recovery received in 2018 of US$10.6 million, labor remuneration adjustments in City of Dreams Manila resulting from increased business volumes and general wage inflation of US$7.2 million and termination costs for a lease agreement of US$4.2 million. Property charges and other for the year ended December 31, 2017 were US$31.6 million, which primarily included the asset write-offs and impairments of US$30.9 million as a result of the remodel of gaming and non-gaming attractions as well as retail and food and beverage outlets at our properties, US$3.8 million Typhoon Hato donation, US$3.7 million license termination fee and consulting fee as a result of the rebranding of our hotel properties at City of Dreams, US$3.1 million termination costs as a result of departmental restructuring, partially offset by the net gain of US$10.3 million from the insurance recovery on property damage and other costs incurred for our Macau properties as a result of Typhoon Hato.

Non-operating expenses, net

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

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

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

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

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

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

Income tax credit

Income tax credit for the year ended December 31, 2018 was primarily attributable to a net deferred tax credit of US$2.4 million and over provision of income tax in prior years of US$1.5 million, partially offset by a lump sum tax payable of US$2.3 million in lieu of Macau Complementary Tax otherwise due by Melco Resorts Macau's shareholders on dividends distributable to them by Melco Resorts Macau and Macau Complimentary Tax of US$0.7 million. The effective tax rate for the year ended December 31, 2018 was (0.1)%, as compared to 0% for the year ended December 31, 2017. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax and Philippine Corporate Income Tax, the effect of changes in valuation allowances, the effect of expenses for which no income tax benefits are receivable, the effect of income for which no income tax expense is payable and the effect of different tax rates of subsidiaries operating in other jurisdictions for the years ended December 31, 2018 and 2017. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippine operations. However, to the extent that the financial results of our Macau and Philippine operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance related to the net operating losses and other deferred tax assets.

Net (income) loss attributable to noncontrolling interests

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

Net income attributable to Melco Resorts & Entertainment Limited

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

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

Revenues

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

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

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

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2017 was US$17.2 billion, representing a decrease of US$0.4 billion, or 2.5%, from US$17.7 billion for the year ended December 31, 2016. The rolling chip win rate was 3.06% for the year ended December 31, 2017, and increased from 2.85% for the year ended December 31, 2016. Our expected range was 2.7% to 3.0%. In the mass market table games segment, drop was US$429.2 million for the year ended December 31, 2017, representing a decrease of 13.3% from US$494.7 million for the year ended December 31, 2016. The mass market table games hold percentage was 17.5% for the year ended December 31, 2017, decreasing from 18.6% for the year ended December 31, 2016. Average net win per gaming machine per day was US$106 for the year ended December 31, 2017, an increase of US$13, or 14.1%, from US$93 for the year ended December 31, 2016.

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

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

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

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

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

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

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

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

Operating costs and expenses

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

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

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

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

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

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

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

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

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

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

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

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

Non-operating expenses, net

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

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

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

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

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

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

Income tax credit (expense)

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

Net loss attributable to noncontrolling interests

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

Net income attributable to Melco Resorts & Entertainment Limited

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

Adjusted Property EBITDA and Adjusted EBITDA

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

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

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

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

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

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

B. LIQUIDITY AND CAPITAL RESOURCES

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

As of December 31, 2018, we held cash and cash equivalents, investments in mutual funds that mainly invest in bonds and fixed-interest securities and restricted cash of approximately US$1,436.6 million, US$91.6 million and US$48.2 million, respectively, and the HK$1.21 billion (equivalent to approximately US$155.0 million) revolving credit facility under the 2015 Credit Facilities remains available for future drawdown, subject to satisfaction of certain conditions precedent. Further, the 2015 Credit Facilities includes an incremental facility of up to US$1.3 billion to be made available upon further agreement with any of the existing lenders under the 2015 Credit Facilities or with other entities. Major currencies in which our cash and bank balances (including restricted cash) held as of December 31, 2018 were U.S. dollar, H.K. dollar, the Philippine peso and Pataca.

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

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

As of December 31, 2018, restricted cash primarily represented the unspent cash from the capital injection for the remaining project for Studio City from our Company and the SCI minority shareholder, which was restricted only for the initial development costs and other project costs of the remaining project of Studio City; and certain bank account balances required to be maintained in accordance with the 2012 Studio City Notes and the 2016 Studio City Notes to serve the interest repayment obligations.

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

Cash Flows

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

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

Operating Activities

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

Net cash provided by operating activities was US$1,056.7 million for the year ended December 31, 2018, compared to US$1,162.5 million for the year ended December 31, 2017. The decrease in net cash provided by operating activities was primarily due to increased working capital for operations.

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

Investing Activities

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

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

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

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

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

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

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

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

Financing Activities

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

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

Net cash used in financing activities amounted to US$1,339.7 million for the year ended December 31, 2016, primarily due to (i) the repurchase of shares for retirement of US$803.2 million; (ii) dividend payments of US$385.6 million; (iii) scheduled repayments and early repayment in full of the Studio City Project Facility (other than HK$1.0 million rolled over into a term loan facility under the 2021 Studio City Senior Secured Credit Facility) of US$1,295.6 million with proceeds of US$1,200.0 million from the issuance of the 2016 Studio City Notes; (iv) scheduled repayments of the term loan under the 2015 Credit Facilities of US$22.6 million and (v) payment of debt issuance costs primarily associated with the 2016 Studio City Notes and the 2021 Studio City Senior Secured Credit Facility as well as payment of legal and professional fees for amending the loan documentation for the Studio City Project Facility of US$27.3 million.

Indebtedness

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

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

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

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

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

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

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

Other Financing and Liquidity Matters

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

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

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

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

As of December 31, 2018, we had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams and City of Dreams Manila totaling US$83.8 million. In addition, we have contingent liabilities arising in the ordinary course of business. For further details for our commitments and contingencies, see note 21 to the consolidated financial statements included elsewhere in this annual report.

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

Restrictions on Distributions

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

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We believe our and our subsidiaries' primary exposure to market risk will be interest rate risk associated with our substantial indebtedness.

Interest Rate Risk

Our exposure to interest rate risk is associated with our substantial indebtedness bearing interest based on floating rates. We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and we may supplement by hedging activities in a manner we deem prudent. We cannot be sure that these risk management strategies have had the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

As of December 31, 2018, we are subject to fluctuations in HIBOR and LIBOR as a result of our 2015 Credit Facilities, Aircraft Term Loan and 2021 Studio City Senior Secured Credit Facility. As of December 31, 2018, approximately 64% of our total indebtedness was based on fixed rates. Based on our December 31, 2018 indebtedness level, an assumed 100 basis point change in HIBOR and LIBOR would cause our annual interest cost to change by approximately US$14.8 million.

To the extent that we effect hedging in respect of our credit facilities, the counterparties to such hedging will also benefit from the security and guarantees we provide to the lenders under such credit facilities, which could increase our aggregate secured indebtedness. We do not intend to engage in transactions in derivatives or other financial instruments for trading or speculative purposes and we expect the provisions of our existing and any future credit facilities to restrict or prohibit the use of derivatives and financial instruments for purposes other than hedging.

Foreign Exchange Risk

Our exposure to foreign exchange rate risk is associated with the currency of our operations and our indebtedness and as a result of the presentation of our financial statements in U.S. dollar. The majority of our revenues are denominated in H.K. dollar, given the H.K. dollar is the predominant currency used in Macau and is often used interchangeably with the Pataca in Macau, while our expenses are denominated predominantly in Pataca, H.K. dollar and the Philippine peso. In addition, a significant portion of our indebtedness, including the 2017 Senior Notes and the Studio City Notes, and certain expenses, have been and are denominated in U.S. dollar, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollar. We also have a certain portion of our assets and liabilities denominated in the Philippine peso.

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

We accept foreign currencies from our customers and as of December 31, 2018, in addition to H.K. dollar, Pataca and the Philippine peso, we also hold other foreign currencies. However, any foreign exchange risk exposure associated with those currencies is minimal.

We have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations during the year ended December 31, 2018. Instead, we maintain a certain amount of our operating funds in the same currencies in which we have obligations, thereby reducing our exposure to currency fluctuations. However, we occasionally enter into foreign exchange transactions as part of financing transactions and capital expenditure programs.

See note 11 to the consolidated financial statements included elsewhere in this annual report for further details related to our indebtedness as of December 31, 2018.

Major currencies in which our cash and bank balances (including restricted cash) held as of December 31, 2018 were U.S. dollar, H.K. dollar, the Philippine peso and Pataca. Based on the cash and bank balances as of December 31, 2018, an assumed 1% change in the exchange rates between currencies other than U.S. dollar against the U.S. dollar would cause a maximum foreign transaction gain or loss of approximately US$13.2 million for the year ended December 31, 2018.

Based on the balances of indebtedness denominated in currencies other than U.S. dollar as of December 31, 2018, an assumed 1% change in the exchange rates between currencies other than U.S. dollar against the U.S. dollar would cause a foreign transaction gain or loss of approximately US$14.8 million for the year ended December 31, 2018.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma consolidated statement of financial position of the Group (the "Statement") has been prepared to illustrate the effect of implementation of Melco Resorts' New Share Repurchase Program in full, assuming the transaction had been completed on 31 December 2018, might have affected the financial information of the Group.

The Statement is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 after making a pro forma adjustment resulting from the full implementation of Melco Resorts' New Share Repurchase Program.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the full implementation of Melco Resorts' New Share Repurchase Program actually occurred on 31 December 2018 or any future dates. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group and Melco Resorts as set out in Appendix I and II to this circular respectively and other financial information included elsewhere in the circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Consolidated statement of financial position of the Group as at 31 December 2018	Pro forma adjustment	Pro forma consolidated statement of financial position of the Group as at 31 December 2018
	HK$'000 *(Audited)*	*HK$'000*	*HK$'000* *(Unaudited)*
	Note (a)	*Note (b)*	
NON-CURRENT ASSETS			
Property, plant and equipment	48,069,934	–	48,069,934
Investment properties	310,000	–	310,000
Land use rights	5,387,867	–	5,387,867
Gaming license and subconcession	3,813,886	–	3,813,886
Goodwill	5,299,451	–	5,299,451
Trademarks	16,992,458	–	16,992,458
Other intangible assets	225,068	–	225,068
Investment in a joint venture	–	–	–
Investments in associates	13,869	–	13,869
Trade receivables	41	–	41
Prepayments, deposits and other receivables	1,478,875	–	1,478,875
Other financial assets	205,381	–	205,381
Deferred tax assets	23,431	–	23,431
Total non-current assets	81,820,261	–	81,820,261
CURRENT ASSETS			
Land use rights	166,057	–	166,057
Inventories	323,279	–	323,279
Trade receivables	1,899,851	–	1,899,851
Prepayments, deposits and other receivables	789,348	–	789,348
Tax recoverable	160	–	160
Other financial assets	1,094,507	–	1,094,507
Bank deposits with original maturities over three months	40,000	–	40,000
Cash and bank balances	11,892,778	(2,695,836)	9,196,942
Total current assets	16,205,980	(2,695,836)	13,510,144

	Consolidated statement of financial position of the Group as at 31 December 2018	Pro forma adjustment	Pro forma consolidated statement of financial position of the Group as at 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)		*(Unaudited)*
	Note (a)	*Note (b)*	
CURRENT LIABILITIES			
Trade payables	198,341	–	198,341
Other payables, accruals and deposits received	13,359,787	–	13,359,787
Tax payable	51,227	–	51,227
Interest-bearing borrowings	3,537,301	–	3,537,301
Obligations under finance leases	271,434	–	271,434
Total current liabilities	17,418,090	–	17,418,090
NET CURRENT LIABILITIES	(1,212,110)	(2,695,836)	(3,907,946)
TOTAL ASSETS LESS CURRENT LIABILITIES	80,608,151	(2,695,836)	77,912,315
NON-CURRENT LIABILITIES			
Other payables, accruals and deposits received	231,984	–	231,984
Interest-bearing borrowings	35,264,619	–	35,264,619
Obligations under finance leases	1,984,308	–	1,984,308
Deferred tax liabilities	2,424,214	–	2,424,214
Total non-current liabilities	39,905,125	–	39,905,125
Net assets	40,703,026	(2,695,836)	38,007,190

	Consolidated statement of financial position of the Group as at 31 December 2018	Pro forma adjustment	Pro forma consolidated statement of financial position of the Group as at 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)		*(Unaudited)*
	Note (a)	*Note (b)*	
EQUITY			
Share capital	5,660,190	–	5,660,190
Reserves	10,572,040	(571,167)	10,000,873
Equity attributable to owners of the Company	16,232,230	(571,167)	15,661,063
Non-controlling interests	24,470,796	(2,124,669)	22,346,127
Total equity	40,703,026	(2,695,836)	38,007,190

Note a:

The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2018 as set out in the 2018 annual report of the Company.

Note b:

The approved amount of the New Share Repurchase Program but not yet implemented by Melco Resorts as of 31 December 2018 is US$343.6 million (equivalent to approximately HK$2,691,254,000) (the "Outstanding Repurchase Amount").

This adjustment represents the financial impact to the consolidated statement of financial position of the Group as at 31 December 2018 as if Melco Resorts repurchases its shares and/or ADSs by fully utilizing the Outstanding Repurchase Amount on 31 December 2018. The key assumptions of the adjustment are as follows:

(i) that repurchases are funded by cash and bank balances and made at the closing price per ADS quoted on the NASDAQ Global Select Market on 31 December 2018 (being US$17.62, equivalent to approximately HK$137.99);

(ii) repurchases of Melco Resorts Shares and/or ADSs made by Melco Resorts within the previous 12 month period and full implementation of the New Share Repurchase Program, or which are otherwise related have been cancelled or held as treasury shares; and

(iii) no other changes to Melco Resorts' outstanding share capital.

As a result of the above transaction, the Group's ownership interest in Melco Resorts would be increased from 54.88% to 57.31% as at 31 December 2018 and the Group's special reserve and non-controlling interests would be decreased by approximately HK$571,167,000 and approximately HK$2,124,669,000, respectively.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, for inclusion in this circular, in respect of the unaudited pro forma financial information of the Group.

To the Directors of Melco International Development Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Melco International Development Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position of the Group as at 31 December 2018 and related notes as set out in section A of Appendix III to the circular dated 25 April 2019 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in section A of Appendix III to the circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the full implementation of Melco Resorts & Entertainment Limited's New Share Repurchase Program on the Group's financial position as at 31 December 2018 as if the transaction had taken place on 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2018, on which an audit report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the circular is solely to illustrate the impact of the full implementation of Melco Resorts & Entertainment Limited's New Share Repurchase Program on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

25 April 2019

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short position of each Director and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the Director and chief executive of the Company are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register(s) maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(I) Long positions in the shares and underlying shares of the Company

(a) Ordinary shares of the Company

	Number of ordinary shares held				
Name of Director	Personal interests [2]	Corporate interests [3]	Other interests [4]	Total	Approximate % of total issued shares [1]
Mr. Ho	46,739,132	484,748,077 [5]	309,476,187 [6]	840,963,396	55.33%
Mr. Evan Andrew Winkler	5,431,000	–	–	5,431,000	0.36%
Mr. Chung Yuk Man, Clarence	3,534,440	–	–	3,534,440	0.23%
Mr. Tsui Che Yin, Frank	7,163,660	–	–	7,163,660	0.47%
Mr. Ng Ching Wo	259,000	–	–	259,000	0.02%
Mr. Chow Kwong Fai, Edward	24,000	–	–	24,000	0.00%
Dr. Tyen Kan Hee, Anthony	13,000	–	–	13,000	0.00%
Ms. Karuna Evelyne Shinsho	2,000	–	–	2,000	0.00%

(b) Share options and awarded shares granted by the Company

Name of Director	Number of underlying shares held pursuant to share options [(2)]	Number of awarded shares held [(2)]	Total	Approximate% of total issued shares [(1)]
Mr. Ho	3,000,000	2,200,000	5,200,000	0.34%
Mr. Evan Andrew Winkler	6,721,000	212,000	6,933,000	0.46%
Mr. Chung Yuk Man, Clarence	3,253,000	85,000	3,338,000	0.22%
Mr. Tsui Che Yin, Frank	1,074,000	6,000	1,080,000	0.07%
Mr. Ng Ching Wo	1,135,000	19,000	1,154,000	0.08%
Mr. Chow Kwong Fai, Edward	104,000	15,000	119,000	0.01%
Dr. Tyen Kan Hee, Anthony	722,000	19,000	741,000	0.05%
Ms. Karuna Evelyne Shinsho	22,000	6,000	28,000	0.00%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of the Company was 1,519,802,055.

2. This represents interests held by the relevant Director as beneficial owner.

3. This represents interests held by the relevant Director through his controlled corporations.

4. This represents interests held by the relevant Director through a discretionary trust of which the relevant Director is one of the beneficiaries.

5. The 484,748,077 shares relate to the 297,851,606 shares, 120,333,024 shares, 50,830,447 shares, 7,294,000 shares, 6,873,000 shares and 1,566,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited, The L3G Capital Trust, LH Family Investment Inc. and Maple Peak Investments Inc. respectively, representing approximately 19.60%, 7.92%, 3.34%, 0.48%, 0.45% and 0.10% of the total issued shares of the Company. All of such companies/trust are owned by Mr. Ho and/or persons and/or trusts associated with Ho. By virtue of the SFO, Mr. Ho was deemed to be interested in the shares held by the aforesaid companies and trust.

6. In addition to the deemed interests as stated in note 5 above, Mr. Ho is also taken to have interests in the 309,476,187 shares held by Great Respect Limited, representing approximately 20.36% of the total issued shares of the Company, by virtue of him being one of the beneficiaries of a discretionary family trust for the purpose of the SFO. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho and his immediate family members.

(II) Long positions in the shares, underlying shares and debentures of associated corporations of the Company

(A) Melco Resorts

(a) Ordinary shares of Melco Resorts

Name of Director	Number of ordinary shares held: Personal interests [(2)]	Corporate interests [(3)]	Total	Approximate% of total issued shares [(1)]
Mr. Ho	8,651,213	757,229,043 [(4)]	765,880,256	54.66%
Mr. Evan Andrew Winkler	21,357	–	21,357	0.00%
Mr. Chung Yuk Man, Clarence	277,633	–	277,633	0.02%

(b) Stock options and restricted shares granted by Melco Resorts

Name of Director	Number of underlying shares held pursuant to stock options [(2)]	Number of restricted shares held [(2)]	Total	Approximate% of total issued shares [(1)]
Mr. Ho	7,536,981	2,528,058	10,065,039	0.72%
Mr. Evan Andrew Winkler	–	50,682	50,682	0.00%
Mr. Chung Yuk Man, Clarence	–	94,830	94,830	0.01%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of Melco Resorts was 1,401,047,204.

2. This represents interests held by the relevant Director as beneficial owner.

3. This represents interests held by the relevant Director through his controlled corporations.

4. By virtue of the SFO, Mr. Ho is taken to be interested in 757,229,043 shares of Melco Resorts which are being held by Melco Leisure and Entertainment Group Limited, a wholly-owned subsidiary of the Company, as a result of his interest in approximately 55.33% of the total issued shares of the Company.

(B) Melco Resorts and Entertainment (Philippines) Corporation ("Melco Resorts Philippines")

Restricted shares granted by Melco Resorts Philippines

Name of Director	Number of restricted shares held (2)	Approximate% of total issued shares (1)
Mr. Ho	2,731,273	0.05%
Mr. Chung Yuk Man, Clarence	3,909,335 (3)	0.07%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of Melco Resorts Philippines was 5,687,270,800.

2. This represents interests held by the relevant Director as beneficial owner.

3. 669,320 restricted shares were deemed vested on 29 March 2019 pending future cancellation thereof by way of payment of cash to Mr. Chung Yuk Man, Clarence, subject to the approval of the Philippine Securities and Exchange Commission.

(C) Studio City International Holdings Limited ("Studio City International Holdings")

Class A ordinary shares of Studio City International Holdings

Name of Director	Number of Class A ordinary shares held (2 & 3)	Approximate% of total issued shares (1)
Mr. Chung Yuk Man, Clarence	3,360	0.00%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of Studio City International Holdings was 314,329,776 (including 241,818,016 Class A ordinary shares and 72,511,760 Class B ordinary shares).

2. This represents interests held by the relevant Director as beneficial owner.

3. On 2 November 2018, the Company announced the declaration of a distribution in specie of the American depositary share(s) of Studio City International Holdings (each representing four Class A ordinary shares of Studio City International Holdings) (the "Distribution ADSs") to its qualifying shareholders relating to the spin-off and separate listing of Studio City International Holdings on the New York Stock Exchange. Mr. Chung Yuk Man, Clarence elected to receive 840 Distribution ADSs representing 3,360 Class A ordinary shares of Studio City International Holdings on 6 December 2018 and such Distribution ADSs were delivered to him on 3 January 2019.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company and their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register(s) required to be kept under Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, save as disclosed below, none of the Directors was a director or an employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Names of companies which had such discloseable interest or short position	Position in such companies
Mr. Ho	Better Joy Overseas Ltd.	director
	Lasting Legend Ltd.	director

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into, with any member of the Group, a service contract which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

5. COMPETING INTERESTS

Mr. Ho has effective beneficial interests in Shun Tak Holdings Limited ("STHL"), Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") and SJM Holdings Limited ("SJM") of not more than 3%. These interests are held through a number of intermediary companies in which Mr. Ho has interest. STHL, STDM and SJM are involved in hotel and/or casino business, which competes with the business of the Company's Subsidiary, Melco Resorts, in Macau. Mr. Ho is not a director of STHL, STDM and SJM and has no involvement with, and does not exercise any control or influence on, management and operation of STHL, STDM and SJM.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in the business, which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder).

6. MATERIAL INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date, which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the Company or its Subsidiaries within the two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the underwriting agreement dated 8 May 2017 entered into among Melco Resorts as the issuer and Deutsche Bank Securities Inc, UBS Securities LLC and Morgan Stanley & Co. LLC as the underwriters in respect of an underwritten offering of (i) 15,769,248 newly issued ADSs by Melco Resorts; (ii) 81,995,799 newly issued Melco Resorts Shares by Melco Resorts; and (iii) 12,000,000 ADSs;

(b) the share repurchase agreement dated 8 May 2017 entered into among Melco Resorts, Crown Asia Investments Pty. Ltd. ("Crown Sub") and Crown Resorts Limited regarding the repurchase of an aggregate of 165,303,544 Melco Resorts Shares by Melco Resorts from Crown Sub, at the aggregate consideration of US$1,163,185,938 less the amount of fees, costs and expenses incurred by Melco Resorts of approximately US$3,000,000;

(c) the sale and purchase agreement dated 29 May 2017 entered into between Melco LottVentures Holdings Limited, 500.com and the Company in relation to the sale by Melco LottVentures Holdings Limited of 1,278,714,329 shares in MelcoLot Limited to 500.com at a price of HK$0.252 per share of MelcoLot Limited for an aggregate consideration of HK$322,236,010.91;

(d) the subscription agreement dated 18 December 2017 between the Company, The Cyprus Phassouri (Zakaki) Limited ("CPZ") and ICR Cyprus Holdings Limited ("ICR Holdings"), relating to the subscription for shares of the ICR Holdings respectively by the Company at the consideration of contributing €160 million (equivalent to approximately HK$1,459,200,000) in cash and by CPZ at the consideration of contributing in kind of the project land;

(e) the shareholders' agreement dated 18 December 2017 between the Company, CPZ and ICR Holdings, relating to the operation and management of ICR Holdings and its subsidiaries;

(f) the implementation agreement dated 6 September 2018 entered into among Melco Resorts, MCE Cotai Investments Limited ("MCE Cotai"), New Cotai, LLC, MSC Cotai Limited ("MSC Cotai") and Studio City International Holdings to govern the arrangements with respect to a series of organizational transactions in connection with the initial public offering (the "Studio City IPO") of the American depositary shares and the listing of such American depositary shares on the New York Stock Exchange by Studio City International Holdings, being a subsidiary of the Company;

(g) the participation agreement dated 12 October 2018 entered into among Studio City International Holdings, MSC Cotai and New Cotai, whereby New Cotai was granted a non-voting, non-shareholding economic participation interest in MSC Cotai, in connection with the Studio City IPO;

(h) the transfer agreement dated 12 October 2018 between Studio City International Holdings and MSC Cotai to provide for the transfer by Studio City International Holdings and the assumption by MSC Cotai of substantially all of the assets and liabilities by Studio City International Holdings, in exchange for newly-issued ordinary shares in MSC Cotai, in connection with the Studio City IPO;

(i) the amended and restated shareholders' agreement dated 16 October 2018 among Melco Resorts, MCE Cotai, New Cotai and Studio City International Holdings governing certain relations between MCE Cotai and New Cotai as shareholders of Studio City International Holdings;

(j) the subscription agreement dated 17 October 2018 entered into between Studio City International Holdings and the Company, pursuant to which the Company purchased from Studio City International Holdings 800,376 Class A ordinary shares, equivalent to 200,094 American depositary shares, of Studio City International Holdings, at approximately US$2.5 million (equivalent to approximately HK$19.5 million) for the purpose of providing the Shareholders with an assured entitlement by way of a distribution in specie; and

(k) the indenture dated February 11, 2019, among Studio City Finance Limited, as issuer, the subsidiary guarantors parties thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the US$600 million aggregate principal amount of 7.250% senior secured notes due 2024.

8. EXPERT QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	**Qualification**
Ernst & Young	Certified Public Accountants
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, each of Ernst & Young and Deloitte Touche Tohmatsu did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Ernst & Young and Deloitte Touche Tohmatsu did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2018, being the date on which the latest published audited financial statements of the Group were made up.

Each of Ernst & Young and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letters and references to its name in the form and context in which they respectively appear.

9. MISCELLANEOUS

(a) The registered office of the Company is at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

(b) The company secretary of the Company is Mr. Leung Hoi Wai, Vincent. Mr. Leung is a qualified solicitor in Hong Kong and England and Wales with almost 20 years of experience in the legal profession specializing in corporate finance, infrastructure projects, listing and compliance matters, as well as cross-border mergers and acquisitions. He holds a postgraduate certificate in laws and a bachelor of laws degree, both from The University of Hong Kong.

(c) The share registrar and transfer office of the Company in Hong Kong is Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, on any weekday (except public holidays) up to and including 9 May 2019:

(a) the articles of association of the Company;

(b) the letter from the Board, the text of which is set out in "*Letter from the Board*" in this circular;

(c) the annual reports of the Company for each of the three financial years ended 31 December 2016, 2017 and 2018;

(d) the audited consolidated financial statements of Melco Resorts for each of the financial years ended 31 December 2016, 2017 and 2018 prepared in accordance with US GAAP, as set out in Appendix II to this circular;

(e) the report from Deloitte Touche Tohmatsu in respect of the audited consolidated financial statements of Melco Resorts as of 31 December 2016 and for each of the two years in the period ended December 31, 2016, as set out in Appendix II to this circular;

(f) the report from Ernst & Young in respect of audited consolidated financial statements of Melco Resorts as of 31 December 2017 and for the year ended 31 December 2017, as set out in Appendix II to this circular;

(g) the report from Deloitte Touche Tohmatsu in respect of the audited consolidated financial statements of Melco Resorts as of 31 December 2016 and for the year ended 31 December 2016, as set out in Appendix II to this circular;

(h) the report from Ernst & Young in respect of the audited consolidated financial statements of Melco Resorts as of 31 December 2018 and 2017 and for each of the two years in the period ended 31 December 2018, as set out in Appendix II to this circular;

(i) the unaudited adjusted consolidated income statements and the unaudited adjusted consolidated statements of financial position of Melco Resorts under the Company's accounting policies, as set out in Appendix II to this circular;

(j) the report from Ernst & Young in relation to the unaudited pro forma financial information of the Group, as set out in Appendix III to this circular;

(k) the written consent of Ernst & Young referred to in the section headed "Expert Qualification and Consent" in this Appendix;

(l) the written consent of Deloitte Touche Tohmatsu referred to in the section headed "Expert Qualification and Consent" in this Appendix;

(m) the material contracts referred to in the section headed "Material Contracts" in this Appendix; and

(n) this circular.