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## **Melco International Development Limited**

*(Incorporated in Hong Kong with limited liability)*

Website : [www.melco-group.com](http://www.melco-group.com)

(Stock Code : 200)

### **VOLUNTARY ANNOUNCEMENT**

#### **BUSINESS UPDATE IN RESPECT OF STUDIO CITY COMPANY LIMITED**

This is a voluntary announcement made by Melco International Development Limited (“**Melco International**”).

In its Form 6-K dated 7 February 2022 furnished by Melco Resorts & Entertainment Limited (“**Melco Resorts**”) with the United States Securities and Exchange Commission, Melco Resorts disclosed, in connection with a proposed issue of senior secured notes by Studio City Company Limited (“**Studio City Company**”), a summary of recent developments in respect of Studio City Company. Relevant extracts of such summary are reproduced below for the information of Melco International’s shareholders.

In the extracts of the summary of recent developments in respect of Studio City Company reproduced below “**we**,” “**us**,” “**our**,” and “**Group**” refer to Studio City Company, a wholly-owned subsidiary of Studio City International Holdings Limited, and Studio City Company’s consolidated subsidiaries, collectively.

#### **Summary of Recent Developments in respect of Studio City Company**

##### *Impact of the Covid-19 Outbreak and Preliminary Fourth Quarter of 2021 Information*

Our operations have been impacted by on-and-off travel restrictions and quarantine requirements as imposed by the governments of Macau, Hong Kong and the PRC in response to isolated cases. The appearance of COVID-19 cases in Macau in early August 2021 and late September 2021 led to city-wide mandatory testing, mandatory closure of most entertainment and leisure venues (casinos and gaming areas excluded), and strict travel restrictions and requirements being implemented to enter and exit Macau. Since 19 October 2021, authorities have eased pandemic prevention measures such that travelers no longer require a 14-day quarantine on arrival in Zhuhai, and the validity of nucleic acid tests to enter Zhuhai was extended from 24 hours to 7 days. In addition, health-related precautionary measures remain in place and non-Macau resident individuals who are not residents of Taiwan, Hong Kong, or the PRC continue to be unable to enter Macau, except if they have been in Hong Kong or mainland PRC in the preceding 21 days and are eligible for an exemption application.

The pace of recovery from COVID-19-related disruptions continues to depend on future events, including duration of travel and visa restrictions, the pace of vaccination progress, development of new medicines for COVID-19 as well as customer sentiment and consumer behavior related to discretionary spending and travel, all of which remain highly uncertain. We are currently unable to reasonably estimate the financial impact to our future results of operations, cash flows and financial condition.

In January 2020, Melco Resorts (Macau) Limited agreed to continue the VIP rolling chip operations at the Studio City Casino, originally expired on 15 January 2020, until 15 January 2021, and in December 2020 agreed to extend until 31 December 2021. In December 2021, continuation of VIP rolling chip operations at Studio City Casino by Melco Resorts (Macau) Limited was further extended to 31 December 2022, subject to early termination with 30 days' prior notice by either the Group or Melco Resorts (Macau) Limited. In addition, in December 2021, Melco Resorts (Macau) Limited ceased all gaming promoters arrangements at the Studio City Casino.

As of 30 November 2021, we held cash and cash equivalents of US\$552.8 million and restricted cash of US\$0.1 million. Restricted cash represents certain bank account balances required to be maintained in accordance with the terms of the 2021 credit facility. We also had a HK\$233.0 million (US\$29.9 million) revolving credit facility under the 2021 credit facility, all of which was available for drawdown as of 30 November 2021, subject to certain conditions precedent. As of 30 November 2021, the total principal amount of our outstanding indebtedness was US\$2.10 billion, consisting primarily of the 2020 intercompany notes with a principal amount of US\$1.0 billion, and 2021 intercompany note with a principal amount of US\$1.1 billion.

We expect that gross gaming revenues in Macau will continue to be negatively impacted by the significant travel bans or restrictions, visa restrictions and quarantine and social distancing requirements so long as these restrictions remain in place. We have taken various mitigating measures to manage through the COVID-19 outbreak challenges, such as implementing a cost reduction program to minimize cash outflow of non-essential items and rationalizing our capital expenditure program with deferrals and reductions which benefits our balance sheet. As a result of these measures, and reflecting a revenue mix based on our current results, we expect to achieve break-even Adjusted EBITDA upon reaching approximately 30% to 35% of our historical gross gaming revenues run-rate and upon reaching approximately 25% to 30% of our historical gross gaming revenues run-rate before certain corporate shared service charges and fees, among other items, billed by Melco Resorts and its subsidiaries to the Group. Furthermore, we have been able to reduce the project budget of the remaining project at Studio City to approximately US\$1.2 billion. As of 30 November 2021, we had incurred US\$661.2 million of aggregate costs relating to the development of our remaining project, primarily related to the initial design and planning costs and construction costs.

Macau's gross gaming revenue increased by 1.7% quarter-to-quarter, from US\$2.34 billion in the third quarter of 2021 to US\$2.38 billion in the fourth quarter of 2021, and by 43.7% year-on-year from US\$7.54 billion in 2020 to US\$10.83 billion in 2021. The total visitation from mainland China to Macau increased year-on-year by 4.0% from approximately 1.73 million in the fourth quarter of 2020 and quarter to quarter by 7.6% from approximately 1.68 million in the third quarter of 2021 to approximately 1.80 million in the fourth quarter of 2021.

### *Proposed Changes to the Macau Gaming Law*

In January 2022, the Macau government put forth a proposed law amending the Macau Gaming Law for approval by the Macau Legislative Assembly. Such proposed law is under review and pending final approval by the Macau Legislative Assembly. Changes proposed under such proposed law include, among others, the following:

- the number of gaming concessions that may be awarded by the Macau government is up to six;
- the term of the concessions may be up to ten years, subject to extension(s) of up to three years in total;
- the registered share capital of each concessionaire shall be in the minimum of MOP5 billion (US\$623.5 million);
- the managing director of each concessionaire must be a Macau permanent resident and hold at least 15% of the concessionaire's registered share capital;
- significant transactions should be notified by concessionaires to the Macau government in advance;
- an administrative sanctions regime is to be established;
- national security is one of the main objectives of the Macau gaming legal framework and a concession may be terminated without compensation in case it is considered a threat to national security;
- a per gaming table and per gaming machine special premium is due should gross gaming revenue fall below the gross gaming revenue limit set by the Macau government;
- after a transition period of three years from the effective date of the law amending the gaming law, gaming activities must be operated by a concessionaire within premises owned by the gaming concessionaire, such premises to revert to the Macau government without compensation upon the concession expiration or earlier termination;
- the Macau government sets the maximum number of gaming tables and gaming machines allocated to each concessionaire and the allocation of such gaming tables and gaming machines to a specific casino is subject to the approval of the Macau government;
- the Macau government may reduce the number of gaming tables or gaming machines operated by a concessionaire in certain circumstances;
- the amount of gaming chips of each concessionaire in circulation is subject to Macau government approval; and
- listing of concessionaire or entities in which such concessionaires are a dominant shareholder will be subject to certain requirements, including Macau government approval.

## **General Information**

Melco Resorts is a listed subsidiary of Melco International with its American depositary shares listed on the Nasdaq Global Select Market in the United States of America.

Studio City International Holdings Limited is a listed subsidiary of Melco International with its American depositary shares listed on the New York Stock Exchange in the United States of America.

Studio City Company, the proposed issuer of senior secured notes, is a wholly-owned subsidiary of Studio City International Holdings Limited.

Studio City Casino refers to the gaming areas being operated within Studio City, a cinematically-themed integrated resort in Cotai, Macau Special Administrative Region of the People's Republic of China.

By Order of the Board of  
**Melco International Development Limited**  
**Leung Hoi Wai, Vincent**  
*Company Secretary*

Hong Kong, 8 February 2022

*As at the date of this announcement, the board of directors of Melco International comprises three Executive Directors, namely Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Evan Andrew Winkler (President and Managing Director) and Mr. Chung Yuk Man, Clarence; one Non-executive Director, namely Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely Mr. John William Crawford, Mr. Tsui Che Yin, Frank and Ms. Karuna Evelyne Shinsho.*