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**Melco Crown Entertainment**  
**新濠博亞娛樂**

**Melco Crown Entertainment Limited**

**新濠博亞娛樂有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(SEHK Stock Code: 6883)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

### **Studio City Finance Limited's Quarterly Report for the Three Months Ended March 31, 2014**

This announcement serves to provide holders of Studio City Finance Limited's US\$825,000,000 8.50% senior notes due 2020 (the "Studio City Notes") with Studio City Finance Limited's unaudited condensed consolidated financial statements, comprising condensed consolidated balance sheets, condensed consolidated statements of operations and condensed consolidated statements of cash flows, for the three months ended March 31, 2014, together with the related information, pursuant to the terms of the indenture, dated November 26, 2012, relating to the Studio City Notes. Studio City Finance Limited is a subsidiary of Melco Crown Entertainment Limited.

Macau, May 30, 2014

*As of the date of this announcement, the board of directors comprises one executive director, namely Mr. Lawrence Yau Lung Ho (Co-Chairman and Chief Executive Officer); five non-executive directors, namely Mr. James Douglas Packer (Co-Chairman), Mr. John Peter Ben Wang, Mr. Clarence Yuk Man Chung, Mr. William Todd Nisbet, and Mr. Rowen Bruce Craigie and four independent non-executive directors, namely Mr. James Andrew Charles MacKenzie, Mr. Thomas Jefferson Wu, Mr. Alec Yiu Wa Tsui, and Mr. Robert Wason Mactier.*

**EXPLANATORY NOTE**  
**Studio City Finance Limited's Quarterly Report**  
**for the Three Months Ended March 31, 2014**

This quarterly report serves to provide holders of Studio City Finance Limited's US\$825,000,000 8.50% senior notes due 2020 (the "Studio City Notes") with Studio City Finance Limited's unaudited condensed consolidated financial statements, comprising condensed consolidated balance sheets, condensed consolidated statements of operations and condensed consolidated statements of cash flows, for the three months ended March 31, 2014, together with the related information, pursuant to the terms of the indenture, dated November 26, 2012, relating to the Studio City Notes. Studio City Finance Limited is a subsidiary of Melco Crown Entertainment Limited.

# **Studio City Finance Limited**

## **Report for the First Quarter of 2014**

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# INTRODUCTION

In this quarterly report, unless otherwise indicated:

- “Additional Development” refers to the additional second phase development project on the Studio City site, which is expected to include an additional 5-star luxury hotel and related facilities, retail, entertainment and gaming expansion capacity;
- “Cotai” refers to an area of reclaimed land located between the islands of Taipa and Coloane in Macau;
- “HK\$” and “H.K. dollars” refer to the legal currency of Hong Kong;
- “HKSE” refers to The Stock Exchange of Hong Kong Limited;
- “Hong Kong” refers to the Hong Kong Special Administrative Region of the People’s Republic of China;
- “Macau” and “Macau SAR” refer to the Macau Special Administrative Region of the People’s Republic of China;
- “MCE” refers to Melco Crown Entertainment Limited, a company incorporated in the Cayman Islands whose shares are listed on both the NASDAQ Global Market and HKSE, and which, through its subsidiary MCE Cotai Investments Limited, owns a 60% interest in SCI;
- “New Cotai Holdings” refers to New Cotai Holdings, LLC, a company incorporated in Delaware, the United States on March 24, 2006 under the laws of Delaware, primarily owned by U.S. investment funds managed by Silver Point Capital, L.P. and Oaktree Capital Management, L.P.;
- “New Cotai” refers to New Cotai, LLC, a Delaware limited liability company owned by New Cotai Holdings;
- “Patacas” and “MOP” refer to the legal currency of Macau;
- “Project Costs” refer to the construction and development costs and other project costs, including licensing, financing, interest, fees and pre-opening costs, of the Studio City Project, as subsequently amended in accordance with the Studio City Project Facility;
- “SCI” refers to Studio City International Holdings Limited (formerly known as Cyber One Agents Limited), a company incorporated in the British Virgin Islands with limited liability, and an indirect parent of our company;
- “Studio City” refers to a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau to be developed, consisting of the Studio City Project and the Additional Development;

- “Studio City Holdings” refers to Studio City Holdings Limited, a company incorporated in the British Virgin Islands and our immediate holding company;
- “Studio City Project Facility” refers to the senior secured project facility, dated January 28, 2013, entered into between, among others, Studio City Company Limited as borrower and certain subsidiaries as guarantors for a total sum of HK\$10,855,880,000 (equivalent to approximately US\$1.4 billion) and consisting of a delayed draw term loan facility and revolving credit facility;
- “Studio City Project” or the “Project” refers to the first phase of our project to develop the Studio City site into a large-scale integrated leisure resort called “Studio City” combining 5-star luxury hotel and related facilities, gaming capacity, retail, attractions and entertainment venues (including a multipurpose entertainment studio);
- “US\$” and “U.S. dollars” refer to the legal currency of the United States;
- “U.S. GAAP” refers to the accounting principles generally accepted in the United States; and
- “we”, “us”, “our company” and “our” refer to Studio City Finance Limited and, as the context requires, its predecessor entities and its consolidated subsidiaries.

This quarterly report includes our unaudited condensed consolidated financial statements for the three months ended March 31, 2014.

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

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This quarterly report contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Moreover, because we operate in a heavily regulated and evolving industry, may become highly leveraged, and operate in Macau, a market that has recently experienced extremely rapid growth and intense competition, new risk factors may emerge from time to time. It is not possible for our management to predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed or implied in any forward-looking statement. Forward-looking statements involve inherent risks and uncertainties, and a number of factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to, (i) growth of the gaming market and visitation in Macau, (ii) capital and credit market volatility, (iii) local and global economic conditions, (iv) our anticipated growth strategies, and (v) our future business development, results of operations and financial condition. In some cases, forward-looking statements can be identified by words or phrases such as “may”, “will”, “expect”, “anticipate”, “target”, “aim”, “estimate”, “intend”, “plan”, “believe”, “potential”, “continue”, “is/are likely to” or other similar expressions.

The forward-looking statements made in this quarterly report relate only to events or information as of the date on which the statements are made in this quarterly report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this quarterly report with the understanding that our actual future results may be materially different from what we expect.

## EXCHANGE RATE INFORMATION

Although we will have certain expenses and revenues denominated in Patacas, our revenues and expenses will be denominated predominantly in H.K. dollars and in connection with a portion of our indebtedness and certain expenses, U.S. dollars. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars and from U.S. dollars to H.K. dollars in this quarterly report were made at a rate of HK\$7.78 to US\$1.00.

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

The noon buying rate on March 31, 2014 in New York City for cable transfers in H.K. dollar per U.S. dollar, as certified for customs purposes by the H.10 weekly statistical release of the Federal Reserve Board of the United States, or the Federal Reserve Board, was HK\$7.7567 to US\$1.00. On May 16, 2014, the noon buying rate was HK\$7.7520 to US\$1.00. We make no representation that any H.K. dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or H.K. dollars, as the case may be, at any particular rate or at all.

The Pataca is pegged to the H.K. dollar at a rate of HK\$1.00 = MOP1.03. All translations from Patacas to U.S. dollars in this quarterly report were made at the exchange rate of MOP8.0134 = US\$1.00. The Federal Reserve Board does not certify for customs purposes a noon buying rate for cable transfers in Patacas.

## FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with our unaudited condensed consolidated financial statements included elsewhere in this quarterly report. Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The historical results are not necessarily indicative of the results of operations to be expected in the future. Certain statements in this “Financial Condition and Results of Operations” are forward-looking statements.

### Results of Operations

We are currently in the development stage, and as a result there is no revenue and cash provided by our intended operations. Accordingly, the activities reflected in our consolidated statements of operations mainly relate to general and administrative expenses, amortization of land use right, interest expenses, other finance costs and pre-opening costs. Consequently, as is typical for a development stage company, we have incurred losses to date and expect these losses to continue to increase until we commence commercial operations with the planned opening of the Studio City Project in mid-2015.

### *Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013*

For the three months ended March 31, 2014, we had a net loss of US\$13.5 million, a decrease of US\$8.0 million from a net loss of US\$21.5 million for the three months ended March 31, 2013, primarily due to higher interest capitalization upon our continuous development on Studio City.

Amortization of land use right expenses for the three months ended March 31, 2014 were US\$3.0 million, in-line with the same period in 2013.

Pre-opening costs for the three months ended March 31, 2014 were US\$0.9 million, compared to US\$0.6 million incurred for the three months ended March 31, 2013.

Interest expenses (net of capitalized interest) for the three months ended March 31, 2014 were US\$2.2 million, compared to US\$12.9 million for the three months ended March 31, 2013. The decrease in interest expenses (net of capitalized interest) of US\$10.7 million was primarily due to a higher interest capitalization of US\$10.1 million associated with the Studio City construction and development projects and a lower interest expenses on Studio City land use right payable of US\$0.6 million.

Other finance costs for the three months ended March 31, 2014 of US\$6.7 million, included US\$0.4 million of amortization of deferred financing costs associated with the Studio City Notes issued in November 2012 and loan commitment fees of US\$6.3 million associated with the Studio City Project Facility which became effective from January 28, 2013.

## Liquidity and Capital Resources

We have relied and intend to rely on shareholder equity contributions and/or subordinated loans from our shareholders, net proceeds from Studio City Notes and a portion of the Studio City Project Facility to meet our development project needs through the opening of the Studio City Project. As a development stage company relying on such financing sources, our working capital balance may be negative from time to time as the source of funds will be from long-term debt while our liabilities are current. In addition, we expect our cash outflow to increase as we will have substantial payment obligations relating to various development capital expenditure, pre-opening and working capital expenses and debt financing obligations during the construction period.

As of March 31, 2014, we held restricted cash and cash equivalents of approximately US\$634.6 million. The restricted cash is comprised of unspent proceeds from offering of Studio City Notes, which were restricted only for payment of Project Costs of the Studio City Project in accordance with Studio City Notes and Studio City Project Facility terms.

## Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(In thousands of US\$)</b>	
Net cash used in operating activities	\$ (7,256)	\$ (375)
Net cash provided by (used in) investing activities	8,197	(71,801)
Net cash (used in) provided by financing activities	(941)	72,176
	<hr/>	<hr/>
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ —</u>

## *Operating Activities*

We are currently developing the Studio City Project and therefore there is no revenue and cash generated from our intended operations. Net cash used in operating activities during the presented periods in this quarterly report mainly represents general and administrative expenses, pre-opening costs and loan commitment fees associated with Studio City Project Facility paid during the period. For the three months ended March 31, 2014 and 2013, net cash used in operating activities were US\$7.3 million and US\$0.4 million respectively.

### ***Investing Activities***

Net cash provided by investing activities was US\$8.2 million for the three months ended March 31, 2014, as compared to US\$71.8 million used in investing activities for the three months ended March 31, 2013, primarily due to decrease in restricted cash of US\$134.3 million, partially offset by capital expenditure payment of US\$79.7 million, advance payments for construction of US\$23.2 million and land use right payment of US\$23.2 million.

The decrease in restricted cash of US\$134.3 million was primarily due to withdrawal and payment of Studio City Project Costs during the three months ended March 31, 2014 from bank accounts that are restricted for Studio City Project Costs in accordance with the terms of Studio City Notes and Studio City Project Facility.

Net cash used in investing activities was US\$71.8 million for the three months ended March 31, 2013, primarily due to capital expenditure payment of US\$56.1 million, advance payments for construction of US\$25.7 million and the scheduled installment payment of US\$22.1 million for Studio City's land premium, partially offset by decrease in restricted cash of US\$32.1 million.

The decrease in restricted cash of US\$32.1 million was primarily due to withdrawal and payment of Studio City Project Costs of US\$158.1 million during the three months ended March 31, 2013 from bank accounts that are restricted for Studio City Project Costs in accordance with the terms of Studio City Notes and Studio City Project Facility, partially offset by the funds transfer from Studio City Holdings, our immediate holding company, of US\$126.0 million as described below.

### ***Financing Activities***

Net cash used in financing activities was US\$0.9 million for the three months ended March 31, 2014, primarily due to the prepaid debt issuance costs of US\$0.9 million associated with Studio City Project Facility.

Net cash provided by financing activities was US\$72.2 million for the three months ended March 31, 2013, primarily from the advances from Studio City Holdings, our immediate holding company, which are unsecured and non-interest bearing, of US\$126.0 million. The advances from Studio City Holdings of US\$126.0 million were sourced through capital injections from MCE and New Cotai, shareholders of SCI. These were offset in part by the prepaid debt issuance costs of US\$52.3 million associated with Studio City Project Facility and payment of debt issuance cost associated with Studio City Notes of US\$1.5 million.

## **Indebtedness and Capital Contributions**

As of March 31, 2014, our indebtedness amounted to US\$825.0 million, which represented the outstanding principal balance under the Studio City Notes. There was no change in our indebtedness as of March 31, 2014 as compared to December 31, 2013.

Under our Studio City Project Facility, we have HK\$10,855,880,000 (equivalent to approximately US\$1.4 billion), comprising a five year HK\$10,080,460,000 (equivalent to approximately US\$1.3 billion) delayed draw term loan facility and a HK\$775,420,000 (equivalent to approximately US\$100.0 million) revolving credit facility. The entire Studio City Project Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

As of March 31, 2014, MCE and New Cotai, shareholders of SCI, have contributed US\$1,050.0 million in total (including US\$225.0 million as completion support cash collateral maintained at a bank of SCI) to the Studio City Project in accordance with the shareholder agreement. We believe that the significant equity investments of our shareholders provide us with a balanced capital structure.

**Studio City Finance Limited**  
**(A Development Stage Company)**

**Index To Unaudited Condensed Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2014**

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**Studio City Finance Limited**  
**(A Development Stage Company)**

**Condensed Consolidated Balance Sheets**  
**(In thousands of U.S. dollars, except share and per share data)**

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Restricted cash	\$ 536,266	\$ 670,555
Amounts due from affiliated companies	1,605	1,812
Prepaid expenses and other current assets	3,119	3,922
	<u>540,990</u>	<u>676,289</u>
Total current assets	<u>540,990</u>	<u>676,289</u>
PROPERTY AND EQUIPMENT, NET	845,338	722,344
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	233,680	231,268
RESTRICTED CASH	98,370	98,370
DEFERRED FINANCING COSTS	14,724	15,129
LAND USE RIGHT, NET	151,305	154,331
	<u>1,884,407</u>	<u>1,897,731</u>
TOTAL ASSETS	<u>\$ 1,884,407</u>	<u>\$ 1,897,731</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses and other current liabilities	\$ 134,659	\$ 113,138
Amounts due to affiliated companies	1,060	102
Amount due to ultimate holding company	241	427
	<u>135,960</u>	<u>113,667</u>
Total current liabilities	<u>135,960</u>	<u>113,667</u>
LONG-TERM DEBT	825,000	825,000
ADVANCE FROM IMMEDIATE HOLDING COMPANY	743,242	743,239
OTHER LONG-TERM LIABILITIES	22,899	20,678
LAND USE RIGHT PAYABLE	—	24,376
<b>SHAREHOLDER'S EQUITY</b>		
Ordinary shares <sup>(1)</sup>	—	—
Additional paid-in capital	298,596	298,596
Accumulated other comprehensive loss	(65)	(65)
Deficit accumulated during the development stage	(141,225)	(127,760)
	<u>157,306</u>	<u>170,771</u>
Total shareholder's equity	<u>157,306</u>	<u>170,771</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 1,884,407</u>	<u>\$ 1,897,731</u>

(1) The authorized share capital of Studio City Finance Limited was 50,000 shares of US\$1 par value per share, as of March 31, 2014 and December 31, 2013, 1 share of US\$1 par value per share was issued and fully paid.

**Studio City Finance Limited**  
**(A Development Stage Company)**

**Condensed Consolidated Statements of Operations (Unaudited)**  
**(In thousands of U.S. dollars)**

	<b>Three Months Ended</b>		<b>From inception on August 22, 2000 to March 31, 2014</b>
	<b>March 31, 2014</b>	2013	2014
<b>OPERATING REVENUE</b>			
Other revenue	<u>\$ 282</u>	<u>\$ 574</u>	<u>\$ 2,030</u>
<b>OPERATING COSTS AND EXPENSES</b>			
General and administrative	(577)	(780)	(23,082)
Amortization of land use right	(3,026)	(3,026)	(27,155)
Depreciation	—	—	(238)
Pre-opening costs	<u>(856)</u>	<u>(623)</u>	<u>(7,524)</u>
Total operating costs and expenses	<u>(4,459)</u>	<u>(4,429)</u>	<u>(57,999)</u>
<b>OPERATING LOSS</b>	<u>(4,177)</u>	<u>(3,855)</u>	<u>(55,969)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest income	18	20	112
Interest expenses, net of capitalized interest	(2,226)	(12,925)	(51,320)
Other finance costs	(6,667)	(4,638)	(31,510)
Foreign exchange loss, net	<u>(413)</u>	<u>(136)</u>	<u>(1,100)</u>
Total non-operating expenses, net	<u>(9,288)</u>	<u>(17,679)</u>	<u>(83,818)</u>
<b>NET LOSS</b>	<u><u>\$ (13,465)</u></u>	<u><u>\$ (21,534)</u></u>	<u><u>\$ (139,787)</u></u>

**Studio City Finance Limited**  
**(A Development Stage Company)**

**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
**(In thousands of U.S. dollars)**

	<b>Three Months Ended</b>		From inception on August 22, 2000 to March 31, 2014
	<b>March 31,</b>	2013	2014
	<b>2014</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net cash used in operating activities	\$ (7,256)	\$ (375)	\$ (97,615)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquisition of property and equipment	(79,649)	(56,074)	(720,775)
Advance payments and deposits for acquisition of property and equipment	(23,242)	(25,707)	(173,396)
Payment for land use right	(23,201)	(22,083)	(130,238)
Changes in restricted cash	134,289	32,063	(634,636)
Proceeds from sale of property and equipment	—	—	2
Net cash provided by (used in) investing activities	<b>8,197</b>	(71,801)	(1,659,043)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Prepayment of deferred financing costs	(944)	(52,281)	(76,201)
Advance from immediate holding company	3	125,965	743,242
Payment of deferred financing costs	—	(1,508)	(16,649)
Proceeds from long-term debt	—	—	825,000
Amount due to an affiliated company	—	—	239,856
Loan from intermediate holding company	—	—	41,409
Net cash (used in) provided by financing activities	<b>(941)</b>	72,176	1,756,657

	<b>Three Months Ended</b>		From
	<b>March 31,</b>		inception on
	<b>2014</b>	2013	August 22,
			2000 to
			March 31,
			2014
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	\$ —	\$ —	\$ 1
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	—	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	—	—	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
NON-CASH INVESTING ACTIVITY			
Construction costs and property and equipment funded through accrued expenses and other current liabilities and other long-term liabilities	<u>\$ 55,009</u>	<u>\$ 29,120</u>	<u>\$ 88,272</u>