

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2017**
2. Commission identification number **58648** 3. BIR Tax Identification No. **000-410-840-000**
4. Exact name of issuer as specified in its charter
Melco Resorts and Entertainment (Philippines) Corporation
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code
Asean Avenue cor. Roxas Boulevard, Brgy. Tambo **1701**
Parañaque City

8. Issuer's telephone number, including area code
(02) 866-9888
9. Former name, former address and former fiscal year, if changed since last report
N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding as of September 30, 2017
---------------------	--

<u>Common</u>	<u>5,665,914,841</u>
----------------------	-----------------------------

Outstanding Debt: ₱15 billion Senior Note

11. Are any or all of the securities listed on a Stock Exchange?

Yes [X] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

TABLE OF CONTENTS

	Page No.
PART I FINANCIAL INFORMATION	
Item 1 Financial Statements	4
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	4
PART II OTHER INFORMATION	20
SIGNATURES	21
Condensed Consolidated Financial Statements as of September 30, 2017 (Unaudited)	Appendix I

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements as of September 30, 2017 and for the three and nine months ended September 30, 2017 and the audited consolidated balance sheet as of December 31, 2016 and the related notes to the unaudited condensed consolidated financial statements of Melco Resorts and Entertainment (Philippines) Corporation (the “**Company**” or “**MRP**”) and its subsidiaries (collectively, “**the Group**” or “**we**”) are filed as part of this Form 17-Q as Appendix I.

There are no other material events subsequent to the end of this interim period that have not been reflected in the unaudited condensed consolidated financial statements filed as part of this report.

Review of Unaudited Interim Financial Information

The Group’s unaudited condensed consolidated financial statements have been reviewed and approved by the Company’s Audit and Risk Committee and reviewed by the Group’s external auditors in accordance with Philippine Standard on Review Engagements (“**PSRE**”) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing and Assurance Standards Council of the Philippines. The Group’s unaudited condensed consolidated financial statements are included as part of this Form 17-Q, which have been reviewed and approved by the Company’s Board of Directors.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management’s discussion and analysis relates to the consolidated financial information and operating results of the Group and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes of the Group as of September 30, 2017 and for the three and nine months ended September 30, 2017.

Overview and Plan of Operation

The Company, through its subsidiaries, is engaged in the development and operation of City of Dreams Manila, an integrated hotel, gaming, retail and entertainment complex within the Entertainment City. The Company’s subsidiaries, MPHIL Holdings No. 1 Corporation, formerly MCE Holdings (Philippines) Corporation (“**MPHIL Holdings**”), MPHIL Holdings No. 2 Corporation, formerly MCE Holdings No. 2 (Philippines) Corporation (“**MPHIL Holdings No. 2**”), and Melco Resorts Leisure (PHP) Corporation, formerly MCE Leisure (Philippines) Corporation (“**Melco Leisure**”) (MPHIL Holdings, MPHIL Holdings No. 2 and Melco Leisure are collectively referred to as the “**Melco Holdings Group**”), together with 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**”) (Melco Holdings Group and the Philippine Parties are collectively referred to as the “**Licensees**”), are the holders of the regular license issued by the Philippine Amusement and Gaming Corporation (“**PAGCOR**”) for the development of City of Dreams Manila (the “**Regular License**”).

The Company is an indirect subsidiary of Melco Resorts & Entertainment Limited (“**Melco**”), a leading developer of integrated gaming resorts in Macau and other parts of Asia with its American Depositary Shares traded on the NASDAQ Global Select Market in the United States of America. The Group, through Melco Leisure, is responsible for the management and operation of City of Dreams Manila and its fit-out, including furniture, fixtures and equipment (including gaming equipment), as well as working capital expenses, non-real property improvements and personal property. Belle was responsible for provision of the land and building structures of City of Dreams Manila, including maintenance of the land where City of Dreams Manila is located.

Prior to May 2016, the ultimate holding company of MRP was Melco. Melco, in turn, was majority held by Melco International Development Limited ("**Melco International**"), a Hong Kong-listed company, and Crown Resorts Limited ("**Crown**"), an Australian-listed corporation through their respective subsidiaries.

In May 2016, as a result of the completion of shares repurchase by Melco from Crown, followed by cancellation of such shares and with certain changes in the composition of the board of directors of Melco, Melco International became Melco's single largest shareholder and the Company's ultimate holding company.

On February 1, 2017, the Board of Directors of the Company approved the change of the Company's name to Melco Resorts and Entertainment (Philippines) Corporation. Such change was also approved by the Company's stockholders at the Special Stockholders' Meeting on April 7, 2017 and by the Philippine Securities and Exchange Commission ("**SEC**") on May 19, 2017.

On April 7, 2017, the boards of directors and stockholders of MPHIL Holdings, MPHIL Holdings No. 2 and Melco Leisure respectively approved the change of their corporate names to the present ones. On May 25, 2017, the SEC approved the change of corporate names of MPHIL Holdings and MPHIL Holdings No. 2 while the change of corporate name of Melco Leisure was approved by the SEC on May 30, 2017.

City of Dreams Manila had its grand opening on February 2, 2015. This integrated casino resort at Entertainment City, Manila Bay, Manila, is solely operated and managed by Melco Leisure. The dynamic and innovative resort complex, located on an approximately 6.2 hectare site at the gateway to Entertainment City, includes entertainment, hotel, retail and dining and lifestyle experiences with aggregated gaming space, including VIP and mass market gaming facilities with up to approximately 380 gaming tables, 1,700 slot machines and 1,700 electronic table games. As of September 30, 2017, City of Dreams Manila has around 289 gaming tables, 1,620 slot machines and 176 electronic table games in operation. The integrated resort features three distinctive entertainment venues, namely, DreamPlay by DreamWorks, Manila's first branded family entertainment center; Centerplay, a live performance central lounge inside the casino; and nightclubs Chaos and Pangaea Ultra-Lounge (a night club that has active gaming tables), both situated within the Fortune Egg, an architecturally-unique dome-like structure, which is accented with a creative exterior lighting design and is considered as an iconic landmark of the Manila Bay area.

City of Dreams Manila also includes an approximately 260 room Crown Towers hotel, Hyatt City of Dreams Manila, a 365 room hotel managed by Hyatt International Corporation ("**Hyatt**"), and Asia's first Nobu Hotel with 321 rooms. The Crown Towers hotel at City of Dreams Manila is designed to cater to the premium end of the market in Manila and leverages the Crown Towers brand and service standards. Hyatt City of Dreams Manila is a modern and international full service hotel and leverages Hyatt's international experience and knowledge of the operation of full service hotels throughout the world. The Nobu Hotel offers a fusion of laid-back luxury and exclusive guestroom and spa services.

City of Dreams Manila delivers a distinct entertainment and hospitality experience to the Philippines and will ultimately play a key role in strengthening the depth and diversity of Manila's leisure, business and tourism offerings, enhancing its growing position as one of Asia's premier leisure destinations. It has been developed to specifically meet the needs of the large, rapidly growing and increasingly diverse audience of leisure and entertainment seekers both in the Philippines and those visiting Manila from across the Asia region and around the world.

Subsidiaries of MRP

As of September 30, 2017 and December 31, 2016, MRP's wholly-owned subsidiaries comprise the Melco Holdings Group. MPHIL Holdings, MPHIL Holdings No. 2 and Melco Leisure, all incorporated in the Philippines and registered with the SEC. The primary purposes of MPHIL Holdings and MPHIL Holdings No. 2 are investment holding and the primary purpose of Melco Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

Activities of Melco Holdings Group

On July 5, 2012, Melco, through its indirect subsidiary, entered into a memorandum of agreement (the “**MOA**”) with SMIC and certain of its subsidiaries (the “**SM Group**”), Belle and PLAI for the development of City of Dreams Manila. Further to the MOA, on October 25, 2012, the Melco Holdings Group entered into a cooperation agreement (the “**Cooperation Agreement**”) and other related arrangements with the SM Group, Belle and PLAI. Melco Leisure also entered into a lease agreement on October 25, 2012 with Belle for the lease of the land and buildings for City of Dreams Manila (the “**Lease Agreement**”).

On March 13, 2013, the Cooperation Agreement and the Lease Agreement became effective upon the completion of the closing arrangement conditions, with minor changes to the original terms (except for certain provisions of the Cooperation Agreement which were effective on signing). In addition, the Melco Holdings Group and the Philippine Parties entered into an operating agreement on March 13, 2013, pursuant to which Melco Leisure has been granted the exclusive right to manage, operate and control City of Dreams Manila (the “**Operating Agreement**”).

On December 19, 2013, Melco Leisure priced its ₱15 billion aggregate principal amount of Senior Notes at par, with a maturity date of January 24, 2019 (the “**Senior Notes**”). The issuance of the Senior Notes was completed on January 24, 2014. The net proceeds from the issuance of Senior Notes were used for funding the City of Dreams Manila project, refinancing of debt and general corporate purposes. On October 9, 2017, Melco Leisure partially redeemed ₱7.5 billion in aggregate principal amount of the ₱15 billion Senior Notes.

PAGCOR issued the Regular License dated April 29, 2015 in replacement of the provisional license (“**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.

Key Performance Indicators (KPIs)

We use the following KPIs to evaluate our casino operations, including table games and gaming machines:

- a. Adjusted EBITDA: earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, net gain on disposals of property and equipment to Belle, share-based compensation expenses, corporate expenses, property charges and other and other non-operating income and expenses.
- b. Revenue Growth: measures the percentage change in revenue over a period of time. It is regularly monitored on a per product and per client basis.
- c. Net Income: measures the profitability of the Group.
- d. Basic Earnings (Loss) Per Share: measures how much a stockholder earns in the Net Profit (Loss) of the Group. Basic Earnings (Loss) per share is calculated by dividing Net Profit (Loss) by the weighted number of common shares issued and outstanding during a particular period of time.
- e. Diluted Earnings (Loss) Per Share: Diluted Earnings (Loss) per share is calculated in the same manner as per Basic Earnings (Loss) Per Share, adjusted for the dilutive effect of any potential common shares.
- f. Rolling Chip Volume: the amount of non-negotiable chips wagered and lost by the rolling chip market segment.
- g. Rolling Chip Win Rate: rolling chip table games win (calculated before discounts and commissions) as a percentage of rolling chip volume.
- h. Mass Market Table Games Drop: the amount of table games drop in the mass market table games segment.

- i.* Mass Market Table Games Hold Percentage: mass market table games win as a percentage of mass market table games drop.
- j.* Table Games Win: the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.
- k.* Gaming Machine Handle: the total amount wagered in gaming machines.
- l.* Gaming Machine Win Rate: gaming machine win expressed as a percentage of gaming machine handle.
- m.* 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.
- n.* Occupancy Rate: the average percentage of available hotel rooms occupied, including complimentary rooms, during a period.
- o.* 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.

Operating Results for the Three Months Ended September 30, 2017 Compared to the Three Months Ended September 30, 2016

(in thousands of Philippine peso, except per share and % change data)						
			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the three months ended September 30,	For the three months ended September 30,	% to Revenues		% of Change from Prior Period	
	2017	2016	2017	2016	Inc / (Dec)	%
Net operating revenues						
Casino	6,995,518	5,624,846	93%	92%	1,370,672	24%
Rooms	250,686	239,271	3%	4%	11,415	5%
Food and beverage	168,599	170,569	2%	2%	(1,970)	-1%
Entertainment, retail and other	121,698	105,569	2%	2%	16,129	15%
Total net operating revenues	7,536,501	6,140,255	100%	100%	1,396,246	23%
Operating costs and expenses						
Gaming tax and license fees	(1,887,581)	(1,481,984)	-25%	-24%	(405,597)	27%
Inventories consumed	(236,061)	(208,484)	-3%	-4%	(27,577)	13%
Employee benefit expenses	(953,048)	(852,847)	-13%	-14%	(100,201)	12%
Depreciation and amortization	(1,065,662)	(1,050,990)	-14%	-17%	(14,672)	1%
Other expenses	(1,895,869)	(1,623,319)	-25%	-26%	(272,550)	17%
Payments to the Philippine Parties	(676,442)	(427,929)	-9%	-7%	(248,513)	58%
Total operating costs and expenses	(6,714,663)	(5,645,553)	-89%	-92%	(1,069,110)	19%
Operating profit	821,838	494,702	11%	8%	327,136	66%
Non-operating income (expenses)						
Interest income	17,505	6,714	0%	0%	10,791	161%
Interest expenses, net of capitalized interest	(733,776)	(720,265)	-10%	-12%	(13,511)	2%
Amortization of deferred financing costs	(17,827)	(16,662)	0%	0%	(1,165)	7%
Other finance fees	(11,958)	(11,958)	0%	0%	-	0%
Foreign exchange gains, net	66,902	90,531	1%	1%	(23,629)	-26%
Total non-operating expenses, net	(679,154)	(651,640)	-9%	-11%	(27,514)	4%
Profit (loss) before income tax	142,684	(156,938)	2%	-3%	299,622	-191%
Income tax expense	(25,344)	(16,595)	0%	0%	(8,749)	53%
Net profit (loss)	117,340	(173,533)	2%	-3%	290,873	-168%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive income (loss)	117,340	(173,533)	2%	-3%	290,873	-168%
Basic/diluted earnings (loss) per share	₱0.02	(₱0.03)	0%	0%	₱0.05	-167%

Net profit for the three months ended September 30, 2017 was ₱117.3 million, compared to a net loss of ₱173.5 million for the three months ended September 30, 2016, which is primarily related to improved operating revenues generated during the current period and higher interest income for the period, partially offset by associated increases in operating costs, employee benefit expenses, payments to the Philippine Parties and lower net foreign exchange gains.

Revenues

Total net operating revenues were ₱7,536.5 million for the three months ended September 30, 2017, representing an increase of ₱1,396.2 million, from ₱6,140.3 million for the three months ended September 30, 2016. The increase in total net operating revenues was primarily driven by the improved casino revenues as discussed below.

Total net operating revenues for the three months ended September 30, 2017 was comprised of ₱6,995.5 million of casino revenues, representing 93% of total net operating revenues, and ₱541.0 million of non-casino revenues. Total net operating revenues for the three months ended September 30, 2016 was comprised of ₱5,624.8 million of casino revenues, representing 92% of the total net operating revenues, and ₱515.4 million of non-casino revenues.

Casino - Casino revenues for the three months ended September 30, 2017 were ₱6,995.5 million, an increase of ₱1,370.7 million, or 24%, from ₱5,624.8 million for the three months ended September 30, 2016.

Rolling chip volume for the three months ended September 30, 2017 was ₱151.5 billion, as compared to ₱74.3 billion for the three months ended September 30, 2016. Rolling chip win rate (calculated before discounts and commissions) was 2.5%, as compared to 4.0% for the three months ended September 30, 2016.

In the mass market table games segment, mass market table games drop was ₱8.9 billion for the three months ended September 30, 2017 which represented an increase of ₱2.0 billion from ₱6.9 billion for the three months ended September 30, 2016. The mass market table games hold percentage was 29.9% for the three months ended September 30, 2017, as compared to 26.9% for the three months ended September 30, 2016.

Gaming machine handle for the three months ended September 30, 2017 was ₱38.6 billion, compared with ₱28.2 billion for the three months ended September 30, 2016. The gaming machine win rate was 5.6% for the three months ended September 30, 2017 versus 5.8% for the three months ended September 30, 2016.

The average number of table games and average number of gaming machines for the three months ended September 30, 2017 were 290 and 1,792, as compared to 262 and 1,656, respectively, for the three months ended September 30, 2016. Average net win per table game per day and average net win per gaming machine per day for the three months ended September 30, 2017 were ₱239,528 and ₱13,047 as compared to ₱199,822 and ₱10,664, respectively, for the three months ended September 30, 2016.

Rooms - Room revenues arising from Crown Towers hotel, Nobu Hotel and Hyatt City of Dreams Manila amounted to ₱250.7 million for the three months ended September 30, 2017 representing an increase of ₱11.4 million, or 5%, from ₱239.3 million for the three months ended September 30, 2016, primarily due to improved occupancy rates as compared to the three months ended September 30, 2016. City of Dreams Manila's average daily rate, occupancy rate and REVPAR for the three months ended September 30, 2017 were ₱8,040, 95.8% and ₱7,698 as compared to ₱7,472, 92.1% and ₱6,884, respectively, for the three months ended September 30, 2016.

Food, beverage and others - Other non-casino revenues for the three months ended September 30, 2017 included food and beverage revenues of ₱168.6 million and entertainment, retail and other revenues of ₱121.7 million. Other non-casino revenues for the three months ended September 30, 2016 included food and beverage revenues of ₱170.6 million and entertainment, retail and other revenues of ₱105.6 million. The increase was primarily attributable from more limousine hire rental income during the period.

Operating costs and expenses

Total operating costs and expenses were ₱6,714.7 million for the three months ended September 30, 2017, representing an increase of ₱1,069.1 million from ₱5,645.6 million for the three months ended September 30, 2016. The increase in operating costs was generally in line with the increased net operating revenues in the current period.

Gaming tax and license fees for the three months ended September 30, 2017 amounted to ₱1,887.6 million, representing an increase of ₱405.6 million, or 27%, from ₱1,482.0 million for the three months ended September 30, 2016. The increase was in line with the increased casino revenues.

Inventories consumed for the three months ended September 30, 2017 and 2016 amounted to ₱236.1 million and ₱208.5 million, respectively. The increase was attributable to the use of more playing cards and dice together with food and beverage items consumed during the period.

Employee benefit expenses for the three months ended September 30, 2017 amounted to ₱953.0 million, as compared to ₱852.8 million for the three months ended September 30, 2016. The increase was mainly due to increases in basic salaries, allowances, bonuses and other amenities expenses and share-based compensation expenses.

Depreciation and amortization for the three months ended September 30, 2017 and 2016 amounted to ₱1,065.7 million and ₱1,051.0 million, respectively. The increase was primarily due to more gaming equipment put into use during the period.

Other expenses for the three months ended September 30, 2017 amounted to ₱1,895.9 million, as compared to ₱1,623.3 million for the three months ended September 30, 2016. The increase was primarily attributable to (i) ₱138.4 million of higher trademark license fees; (ii) ₱64.5 million of higher facilities and supplies expenses, (iii) ₱53.9 million of higher management fee expenses, (iv) ₱13.3 million of higher advertising, marketing, promotional and entertainment expenses as well as (v) higher other general operating costs. Refer to Note 10 to the unaudited condensed consolidated financial statements for the nature and details.

Payments to the Philippine Parties represented the agreed-upon payments to PLAI calculated in accordance with the Operating Agreement and related supplementary agreements. The increase was primarily due to improved casino revenues during the period.

Non-operating expenses, net

Interest income was ₱17.5 million for the three months ended September 30, 2017 as compared to ₱6.7 million for the three months ended September 30, 2016. The increase was due to more long-term deposits being placed at banks during the three months ended September 30, 2017 compared to the same period in 2016.

Interest expenses (net of capitalized interest), represented by interest expenses on Senior Notes and obligations under a finance lease in relation to the Lease Agreement, amounted to ₱733.8 million for the three months ended September 30, 2017 as compared to ₱720.3 million for the three months ended September 30, 2016. The increase was primarily due to higher effective interest on obligations under a finance lease during the period.

Amortization of deferred financing costs amounted to ₱17.8 million and ₱16.7 million for the three months ended September 30, 2017 and 2016, respectively, representing amortization of deferred financing costs for the Senior Notes.

Other finance fees amounted to ₱12.0 million for both three month periods ended September 30, 2017 and 2016, representing the gross receipt taxes in relation to interest payments on the Senior Notes.

The net foreign exchange gains of ₱66.9 million and ₱90.5 million for the three months ended September 30, 2017 and 2016, respectively, mainly arose from the translation of foreign currency denominated bank balances and payables at the period end closing rate as a result of the Philippine peso decline against the H.K. dollar and the U.S. dollar during the three months ended September 30, 2017 and 2016.

Income tax expense

The income tax expense for the three months ended September 30, 2017 and 2016 primarily represents the deferred tax liability arising from net unrealized foreign exchange gains.

Net profit (loss)

As a result of the foregoing, the Group had a net profit of ₱117.3 million for the three months ended September 30, 2017, as compared to a net loss of ₱173.5 million for the three months ended September 30, 2016.

Operating Results for the Nine Months Ended September 30, 2017 Compared to the Nine Months Ended September 30, 2016

(in thousands of Philippine peso, except per share and % change data)						
	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016	VERTICAL ANALYSIS		HORIZONTAL	
			% to Revenues		% of Change from Prior Period	
			2017	2016	Inc / (Dec)	%
Net operating revenues						
Casino	22,555,248	14,785,458	93%	91%	7,769,790	53%
Rooms	771,035	710,896	3%	4%	60,139	8%
Food and beverage	508,917	507,884	2%	3%	1,033	0%
Entertainment, retail and other	378,007	294,284	2%	2%	83,723	28%
Total net operating revenues	24,213,207	16,298,522	100%	100%	7,914,685	49%
Operating costs and expenses						
Gaming tax and license fees	(5,922,539)	(4,006,681)	-24%	-25%	(1,915,858)	48%
Inventories consumed	(674,183)	(591,731)	-3%	-4%	(82,452)	14%
Employee benefit expenses	(2,644,061)	(2,552,737)	-11%	-16%	(91,324)	4%
Depreciation and amortization	(3,209,131)	(3,320,865)	-13%	-20%	111,734	-3%
Other expenses	(7,032,987)	(4,112,408)	-29%	-25%	(2,920,579)	71%
Payments to the Philippine Parties	(2,141,775)	(1,152,171)	-9%	-7%	(989,604)	86%
Total operating costs and expenses	(21,624,676)	(15,736,593)	-89%	-97%	(5,888,083)	37%
Operating profit	2,588,531	561,929	11%	3%	2,026,602	361%
Non-operating income (expenses)						
Interest income	38,622	12,727	0%	0%	25,895	203%
Interest expenses, net of capitalized interest	(2,190,550)	(2,150,045)	-10%	-13%	(40,505)	2%
Amortization of deferred financing costs	(52,614)	(49,178)	0%	0%	(3,436)	7%
Other finance fees	(35,874)	(35,874)	0%	0%	-	0%
Foreign exchange gains, net	176,773	80,358	1%	0%	96,415	120%
Total non-operating expenses, net	(2,063,643)	(2,142,012)	-9%	-13%	78,369	-4%
Profit (loss) before income tax	524,888	(1,580,083)	2%	-10%	2,104,971	-133%
Income tax expense	(55,332)	(17,764)	0%	0%	(37,568)	211%
Net profit (loss)	469,556	(1,597,847)	2%	-10%	2,067,403	-129%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive income (loss)	469,556	(1,597,847)	2%	-10%	2,067,403	-129%
Basic/diluted earnings (loss) per share	₱0.08	(₱0.28)	0%	0%	₱0.36	-129%

Net profit for the nine months ended September 30, 2017 was ₱469.6 million, an increase of ₱2,067.4 million, or 129%, from the net loss of ₱1,597.8 million for the nine months ended September 30, 2016, which is primarily related to improved operating revenues generated during the current period, higher net foreign exchange gains and higher interest income for the period, partially offset by the associated increase in operating costs, employee benefit expenses, payments to the Philippine Parties, as well as interest expenses (net of capitalized interest) during the period.

Revenues

Total net operating revenues were ₱24,213.2 million for the nine months ended September 30, 2017, representing an increase of ₱7,914.7 million, from ₱16,298.5 million for the nine months ended September 30, 2016. The increase in total net operating revenues was primarily driven by the improved casino revenues as discussed below.

Total net operating revenues for the nine months ended September 30, 2017 was comprised of ₱22,555.2 million of casino revenues, representing 93% of total net operating revenues, and ₱1,658.0 million of non-casino revenues. Total net operating revenues for the nine months ended September 30, 2016 was comprised of ₱14,785.5 million of casino revenues, representing 91% of total net operating revenues, and ₱1,513.0 million of non-casino revenues.

Casino - Casino revenues for the nine months ended September 30, 2017 were ₱22,555.2 million, an increase of ₱7,769.8 million, or 53%, from ₱14,785.5 million for the nine months ended September 30, 2016.

Rolling chip volume for the nine months ended September 30, 2017 was ₱434.6 billion, as compared to ₱224.6 billion for the nine months ended September 30, 2016. Rolling chip win rate (calculated before discounts and commissions) was 3.1%, as compared to 3.4% for the nine months ended September 30, 2016.

In the mass market table games segment, mass market table games drop was ₱25.1 billion for the nine months ended September 30, 2017 which represented an increase of ₱6.2 billion, or 33%, from ₱18.9 billion for the nine months ended September 30, 2016. The mass market table games hold percentage was 29.1% for the nine months ended September 30, 2017, as compared to 28.1% for the nine months ended September 30, 2016.

Gaming machine handle for the nine months ended September 30, 2017 was ₱113.1 billion, compared with ₱73.6 billion for the nine months ended September 30, 2016. The gaming machine win rate was 5.9% for both nine months ended September 30, 2017 and 2016.

The average number of table games and average number of gaming machines for the nine months ended September 30, 2017 were 280 and 1,781 as compared to 269 and 1,646, respectively, for the nine months ended September 30, 2016. Average net win per table games per day and average net win per gaming machine per day for the nine months ended September 30, 2017 were ₱272,549 and ₱13,713 as compared to ₱175,132 and ₱9,595, respectively, for the nine months ended September 30, 2016.

Rooms - Room revenues arising from Crown Towers Hotel, Nobu Hotel and Hyatt City of Dreams Manila amounted to ₱771.0 million for the nine months ended September 30, 2017 and represented an increase of ₱60.1 million, or 8%, from ₱710.9 million for the nine months ended September 30, 2016, primarily due to improved occupancy rates as compared to the nine months ended September 30, 2016. City of Dreams Manila's average daily rate, occupancy rate and REVPAR for the nine months ended September 30, 2017 were ₱7,855, 96.1% and ₱7,552 as compared to ₱7,561, 89.6% and ₱6,775, respectively, for the nine months ended September 30, 2016.

Food, beverage and others - Other non-casino revenues for the nine months ended September 30, 2017 included food and beverage revenues of ₱508.9 million and entertainment, retail and other revenues of ₱378.0 million. Other non-casino revenues for the nine months ended September 30, 2016 included food and beverage revenues of ₱507.9 million and entertainment, retail and other revenues of ₱294.3 million. The increase was primarily attributable from more limousine hire rental income during the period.

Operating costs and expenses

Total operating costs and expenses were ₱21,624.7 million for the nine months ended September 30, 2017, representing an increase of ₱5,888.1 million, from ₱15,736.6 million for the nine months ended September 30, 2016. The increase in operating costs was generally in-line with increased net operating revenues in the current period.

Gaming tax and license fees for the nine months ended September 30, 2017 amounted to ₱5,922.5 million, representing an increase of ₱1,915.9 million, or 48%, from ₱4,006.7 million for the nine months ended September 30, 2016. The increase was in-line with the increased casino revenue.

Inventories consumed for the nine months ended September 30, 2017 and 2016 amounted to ₱674.2 million and ₱591.7 million, respectively. The increase was attributable to the use of more playing cards and dice together with food and beverage items consumed during the period.

Employee benefit expenses for the nine months ended September 30, 2017 amounted to ₱2,644.1 million, as compared to ₱2,552.7 million for the nine months ended September 30, 2016. The increase was mainly due to increase in basic salaries, allowances, bonuses and other amenities expenses and share-based compensation expenses.

Depreciation and amortization for the nine months ended September 30, 2017 and 2016 amounted to ₱3,209.1 million and ₱3,320.9 million, respectively. No material fluctuations were noted for the period.

Other expenses for the nine months ended September 30, 2017 amounted to ₱7,033.0 million, as compared to ₱4,112.4 million for the nine months ended September 30, 2016. The increase was primarily attributable to (i) ₱486.6 million of higher trademark license fees; (ii) ₱1,398.6 million of higher other gaming operations expenses; (iii) ₱256.1 million higher management fee expenses; (iv) ₱174.8 million of higher facilities and supplies expenses; and (v) higher other general operating costs. Refer to Note 10 to the unaudited condensed consolidated financial statements for the nature and details.

Payments to the Philippine Parties represented the agreed upon payments to PLAI calculated in accordance with the Operating Agreement and related supplementary agreements. The increase was in-line with the improved casino revenues during the period.

Non-operating expenses, net

Interest income of ₱38.6 million for the nine months ended September 30, 2017, as compared to ₱12.7 million for the nine months ended September 30, 2016. The increase was due to more long-term deposits being placed at banks during the nine months ended September 30, 2017 compared to the same period in 2016.

Interest expenses (net of capitalized interest), represented by interest expenses on Senior Notes and obligations under a finance lease in relation to the Lease Agreement, amounted to ₱2,190.6 million for the nine months ended September 30, 2017 as compared to ₱2,150.0 million for the nine months ended September 30, 2016. The increase was primarily due to higher effective interest on obligations under a finance lease during the period.

Amortization of deferred financing costs amounted to ₱52.6 million and ₱49.2 million for the nine months ended September 30, 2017 and 2016, respectively, representing amortization of deferred financing costs for the Senior Notes.

Other finance fees amounted to ₱35.9 million for both nine month periods ended September 30, 2017 and 2016, representing the gross receipt taxes in relation to the interest payments on the Senior Notes.

The net foreign exchange gains of ₱176.8 million and ₱80.4 million for the nine months ended September 30, 2017 and 2016, respectively, mainly arose from the translation of foreign currency denominated bank balances and payables at the period end closing rate as a result of the Philippine peso decline against the H.K. dollar and the U.S. dollar during the nine months ended September 30, 2017 and 2016.

Income tax expense

The income tax expense for the nine months ended September 30, 2017 and 2016 primarily represents the deferred tax liability arising from net unrealized foreign exchange gains.

Net profit (loss)

As a result of the foregoing, the Group had a net profit of ₱469.6 million for the nine months ended September 30, 2017, as compared to a net loss of ₱1,597.8 million for the nine months ended September 30, 2016.

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, net gain on disposals of property and equipment to Belle, share-based compensation expenses, corporate expenses, property charges and other, and other non-operating income and expenses. Adjusted EBITDAs were ₱2,898.8 million and ₱2,097.3 million for the three months ended September 30, 2017 and 2016, respectively. Adjusted EBITDAs were ₱9,117.1 million and ₱5,102.9 million for the nine months ended September 30, 2017 and 2016, respectively.

Our management uses Adjusted EBITDA to measure the operating performance of City of Dreams Manila, and to compare the operating performance of our property with those of competitors. Adjusted EBITDA is also presented as a supplemental disclosure because management believes it is widely used to measure performance and as a basis for valuation of gaming companies. Our management also uses Adjusted EBITDA because it is 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. However, Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our Philippine Financial Reporting Standards operating performance, other operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this quarterly 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 financial statements and other information in this quarterly report, less reliance should be placed on Adjusted EBITDA as a measure in assessing our overall financial performance.

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

The Group is exposed to a number of trends, events and uncertainties, which can affect its recurring revenues and profits. These include levels of general economic activity, political stability, market competition, possibilities of any natural disasters, terrorists or other armed and arson attacks, legal and license terms compliance, tax rates, as well as certain cost items, such as operating costs, labor, fuel and power. The Group collects revenues and pay expenses in various currencies and the appreciation and depreciation of other major currencies against the Philippine peso may have a negative impact on the Group's reported levels of revenues and profits.

Financial Condition and Balance Sheet

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	September 30,	December 31,	% to Total Assets		% of Change from Prior Period	
ASSETS	2017	2016	2017	2016	Inc / (Dec)	%
Current assets						
Cash and cash equivalents	11,977,268	10,351,414	28%	24%	1,625,854	16%
Bank deposits with original maturities over three months	1,312,931	-	3%	0%	1,312,931	N/A
Restricted cash	473,956	240,025	1%	1%	233,931	97%
Accounts receivable, net	1,590,808	1,391,213	4%	3%	199,595	14%
Inventories	272,620	230,411	1%	1%	42,209	18%
Prepayments and other current assets	355,880	322,692	1%	1%	33,188	10%
Amount due from a shareholder	5,593	5,590	0%	0%	3	0%
Amount due from an intermediate holding company	144,918	139,264	0%	0%	5,654	4%
Amount due from immediate holding company	3,000	3,000	0%	0%	-	0%
Amount due from an affiliated company	9,482	1,117	0%	0%	8,365	749%
Total current assets	16,146,456	12,684,726	38%	30%	3,461,730	27%
Non-current assets						
Property and equipment, net	24,206,560	26,866,578	57%	65%	(2,660,018)	-10%
Contract acquisition costs, net	824,803	863,872	2%	2%	(39,069)	-5%
Other intangible assets, net	2,990	5,436	0%	0%	(2,446)	-45%
Other non-current assets	1,378,206	1,270,048	3%	3%	108,158	9%
Total non-current assets	26,412,559	29,005,934	62%	70%	(2,593,375)	-9%
Total assets	42,559,015	41,690,660	100%	100%	868,355	2%
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	81,565	139,270	0%	0%	(57,705)	-41%
Accrued expenses, other payables and other current liabilities	6,609,038	5,414,657	16%	13%	1,194,381	22%
Current portion of obligations under a finance lease	1,630,829	1,524,893	4%	4%	105,936	7%
Current portion of long-term debt, net	7,450,557	-	17%	0%	7,450,557	N/A
Amounts due to affiliated companies	136,953	1,282,040	0%	3%	(1,145,087)	-89%
Income tax payable	19	160	0%	0%	(141)	-88%
Total current liabilities	15,908,961	8,361,020	37%	20%	7,547,941	90%
Non-current liabilities						
Non-current portion of obligations under a finance lease	13,207,903	13,061,462	31%	31%	146,441	1%
Long-term debt, net	7,450,557	14,848,500	18%	36%	(7,397,943)	-50%
Deferred rent liabilities	241,528	219,258	1%	1%	22,270	10%
Retirement liabilities	57,170	41,644	0%	0%	15,526	37%
Other non-current liabilities	31,901	43,485	0%	0%	(11,584)	-27%
Deferred tax liability, net	136,661	81,188	0%	0%	55,473	68%
Total non-current liabilities	21,125,720	28,295,537	50%	68%	(7,169,817)	-25%
Equity						
Capital stock	5,665,915	5,662,897	13%	14%	3,018	0%
Additional paid-in capital	22,105,992	22,076,822	52%	53%	29,170	0%
Share-based compensation reserve	390,934	416,835	1%	1%	(25,901)	-6%
Equity reserve	(3,613,990)	(3,613,990)	-8%	-9%	-	0%
Accumulated deficit	(19,024,517)	(19,508,461)	-45%	-47%	483,944	-2%
Total equity	5,524,334	5,034,103	13%	12%	490,231	10%
Total equity and liabilities	42,559,015	41,690,660	100%	100%	868,355	2%

Current assets

Cash and cash equivalents increased by ₱1,625.9 million, which is primarily the net result of operating cash inflows, placement of bank deposits with original maturities over three months and payments made for capital expenditures. Refer below to “Liquidity and Capital Sources” for cash flow analysis for the nine months ended September 30, 2017.

Bank deposits with original maturities over three months of ₱1,312.9 million were placed with a bank as of September 30, 2017 to generate interest income.

Restricted cash represents an escrow account that is restricted for foundation fees payable in accordance with the terms of the Regular License. The increase during the period represented the foundation's contributed amount received for the current period.

Accounts receivable, net, primarily attributable to casino, hotel and other receivables, increased by ₱199.6 million, primarily from increased casino receivables, in line with the increased VIP gaming revenues. Refer to Note 5 to the unaudited condensed consolidated financial statements for the details of the accounts receivable as of September 30, 2017.

Inventories of ₱272.6 million mainly consisted of gaming inventories, retail merchandise, food and beverage items and certain operating supplies. The increase during the period represented the promotional inventories purchased for the period.

Prepayments and other current assets increased by ₱33.2 million, primarily due to increases in (i) prepaid operating expenses and receivables of ₱35.8 million mainly pertaining to prepaid annual insurance premiums and related fees during the period; (ii) prepaid facilities expenses of ₱16.9 million; (iii) deposits for acquisitions of inventory ₱18.0 million; (iv) creditable withholding tax of ₱19.3 million; and (v) interest receivable of ₱6.4 million. These increases were partially offset by a decrease in insurance claims received during the period of ₱67.6 million.

Amount due from an affiliated company represented the payments made on behalf an affiliated company during the period.

Non-current assets

Property and equipment, net, decreased by ₱2,660.0 million mainly due to depreciation of ₱3,167.6 million on the building, leasehold improvement and operating equipment during the period, partially offset by additions to property and equipment of ₱588.8 million.

Contract acquisition costs, net, decreased by ₱39.1 million solely due to amortization charges for the nine months ended September 30, 2017.

Other intangible assets, net, decreased by ₱2.4 million during the period as a result of amortization on the straight-line basis over the license term.

Other non-current assets increased by ₱108.2 million primarily due to (i) further recognition of net input VAT of ₱65.4 million during the nine months ended September 30, 2017 and (ii) increase in deposits for acquisitions of property and equipment of ₱52.6 million.

Current liabilities

Accounts payable of ₱81.6 million represented payables to suppliers for products and services such as playing cards and marketing. The decrease in the balance was due to settlements made to suppliers during the period.

Accrued expenses, other payables and other current liabilities increased by ₱1,194.4 million, mainly related to increases in (i) outstanding gaming chips and tokens of ₱911.3 million as a result of rolling from revenue share junkets in September 2017; (ii) accruals for gaming tax and license fees of ₱238.7 million as a result of increased casino revenues; (iii) accruals for acquisition of property and equipment of ₱109.1 million, partially offset by the decrease in (iv) interest expenses payable of ₱187.5 million as a result of interest payments made during the period. Refer to Note 7 to the unaudited condensed consolidated financial statements for the nature and details of these items.

Current portion of obligations under a finance lease represented building lease payments due within one year. The increase during the period was due to finance lease charges of ₱1,343.4 million recognized during the period, partially offset by lease payments made of ₱1,237.5 million during the period.

Current portion of long-term debt, net, of ₱7,450.6 million, represents the aggregate principal amount of Senior Notes of ₱7.5 billion for partial redemption, net of unamortized deferred financing costs of ₱49.4 million. Refer to Note 15 to the unaudited condensed consolidated financial statements for the details of the long-term debt, net, as of September 30, 2017.

Amounts due to affiliated companies decreased by ₱1,145.1 million primarily as a result of settlement of balances outstanding as of December 31, 2016, partially offset by management fees and trademark license fees recharged from affiliate companies during the period. Refer to Note 11 to the unaudited condensed consolidated financial statements for the nature and details of related party transactions for the nine months ended September 30, 2017.

Non-current liabilities

The non-current portion of obligations under a finance lease increase of ₱146.4 million solely represented finance lease charges during the period.

Long-term debt, net, of ₱7,450.6 million represents the Senior Notes which will mature in 2019 and were priced at par of 100% of the principal amount of ₱7.5 billion (net of ₱49.4 million in unamortized deferred financing costs). The decrease during the period was due to the reclassification of the partial redemption portion of the Senior Notes to current liabilities, as discussed in the aforesaid section.

Deferred rent liabilities increased by ₱22.3 million primarily due to effective rent recognized during the period.

Retirement liabilities increased by ₱15.5 million primarily due to such service costs recognized during the period.

Other non-current liabilities represented retail tenant deposits and other payables which are due beyond one year. The decrease was primarily due to a portion of retail tenant deposits being reclassified as current as of September 30, 2017.

Deferred tax liability, net, mainly represented the deferred tax charges on net unrealized foreign exchange gains.

Equity

Capital stock and additional paid-in capital increased by ₱3.0 million and ₱29.2 million, respectively, as of September 30, 2017 as compared to December 31, 2016, which was mainly due to 3,017,563 restricted shares/share options having been vested/exercised during the nine months ended September 30, 2017.

The share-based compensation reserve decreased by ₱25.9 million due to transfer of ₱23.5 million to capital stock/additional paid-in capital as a result of the 3,017,563 restricted share/share options vested/exercised as mentioned above and the transfer of ₱14.4 million to the accumulated deficit as a result of the expiry of certain share options during the period, partially offset by the recognition of share-based payments of ₱12.0 million during the nine months ended September 30, 2017.

The equity reserve consisted of the net difference between the cost of MRP to acquire Melco Holdings Group and the legal capital of the latter (i.e., common stock and additional paid-in capital) at the date of reverse acquisition, plus the retained earnings of MRP as of December 19, 2012, the date when MRP was acquired by Melco. The amount remained unchanged as of September 30, 2017 as compared to December 31, 2016.

The accumulated deficit decreased by ₱483.9 million to ₱19,024.5 million as of September 30, 2017, from ₱19,508.5 million as of December 31, 2016, primarily due to the net profit of ₱469.6 million recognized during the nine months ended September 30, 2017 and the transfer of ₱14.4 million from the share-based compensation reserve as mentioned above.

Liquidity and Capital Sources

The table below shows the Group's unaudited condensed consolidated cash flows for the nine months ended September 30, 2017 and 2016.

<i>In thousands of Philippine peso, except % change data</i>	For the Nine Months Ended September 30, 2017	For the Nine Months Ended September 30, 2016	% Change
Net cash provided by operating activities	5,796,611	5,284,294	10%
Net cash used in investing activities	(2,097,251)	(1,117,084)	88%
Net cash used in financing activities	(2,214,144)	(2,245,712)	-1%
Effect of foreign exchange on cash and cash equivalents	140,638	85,682	64%
Net increase in cash and cash equivalents	1,625,854	2,007,180	-19%
Cash and cash equivalents at beginning of period	10,351,414	7,460,229	39%
Cash and cash equivalents at end of period	11,977,268	9,467,409	27%

Cash and cash equivalents increased by 16% as of September 30, 2017 compared to December 31, 2016 mainly due to the net effect of the following:

- For the nine months ended September 30, 2017, the Group recorded cash flow from operating activities of ₱5,796.6 million primarily attributable to the operating performance at City of Dreams Manila as discussed in the aforesaid sections.
- Net cash used in investing activities amounted to ₱2,097.3 million for the nine months ended September 30, 2017, which primarily includes: (i) net placement of bank deposits with original maturities over three months of ₱1,290.3 million; (ii) capital expenditure payments of ₱503.8 million; (iii) deposits for acquisitions of property and equipment of ₱75.1 million; and (iv) an increase in restricted cash of ₱233.9 million for the foundation fees payable.
- Net cash used in financing activities for the nine months ended September 30, 2017 primarily represented interest and other finance fee payments for the Senior Notes of ₱985.3 million and repayments of obligations under a finance lease of ₱1,237.4 million.

The table below shows the Group's capital sources as of September 30, 2017 and December 31, 2016.

<i>In thousands of Philippine peso, except % change data</i>	As of September 30, 2017	As of December 31, 2016	% Change
Current and non-current portion of long-term debt, net	14,901,114	14,848,500	0%
Equity	5,524,334	5,034,103	10%
	20,425,448	19,882,603	3%

Total long-term debt, net, and equity increased by 3% to ₱20,425.4 million as of September 30, 2017, from ₱19,882.6 million as of December 31, 2016. The increase was mainly due to the net profit of ₱469.6 million during the nine months ended September 30, 2017.

Risks Related to Financial Instruments

The Group has financial assets and financial liabilities such as cash and cash equivalents, bank deposits with original maturities over three months, restricted cash, accounts receivable, deposits and receivables, security deposit, amount due from a shareholder, amount due from an intermediate holding company, amount due from immediate holding company, amounts due from/to affiliated companies, accounts payable and accrued expenses, other payables and other current liabilities, current and non-current portion of obligations under a finance lease and long-term debt, which arise directly from its operations.

The main risks arising from the Group's financial instruments as of and for the nine months ended September 30, 2017 are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks.

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 flows to fund the operation of City of Dreams Manila. We are a growing company with significant financial needs. We expect to have additional capital expenditures in the future as we continue to develop City of Dreams Manila.

We have relied and intend in the future to rely on our operating cash flows 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/or equity financing activities will be dependent on our funding needs, 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. Such activities may include refinancing existing debt, monetizing assets, issuance of stock, sale and lease-back transactions or other similar activities.

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

As of September 30, 2017, we had capital commitments contracted for, but not provided, mainly for the acquisitions of property and equipment of City of Dreams Manila totaling ₱289.8 million.

There were no material off-balance sheet transactions, arrangements, obligations or other relationships of the Group with unconsolidated entities or other persons that the Group is aware of during the reporting period.

Other Financial Information

Aging of Accounts Receivable

The aging analysis of accounts receivable of the Group, presented based on payment due date is as follows:

	As of September 30, 2017
<i>In thousands of Philippine peso</i>	
Current	1,488,981
Past due:	
1-30 days	41,042
31-60 days	5,401
61-90 days	50,571
Over 90 days	71,219
Total	1,657,214

PART II - OTHER INFORMATION

There is no other information which has not been previously reported in SEC Form 17-C that needs to be reported in this section.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION

(Issuer)



Clarence Yuk Man Chung
President

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION
(Issuer)



Donald Nori Tateishi
Treasurer

Melco Resorts and Entertainment (Philippines) Corporation
and Subsidiaries
(Formerly known as Melco Crown (Philippines) Resorts
Corporation)

Condensed Consolidated Financial Statements
As at September 30, 2017 (Unaudited) and December 31, 2016
and for the Three and Nine Months Ended September 30, 2017 and 2016 (Unaudited)

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

CONDENSED CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

(In thousands of Philippine peso, except share and per share data)

	Notes	September 30, 2017 <u>(Unaudited)</u>	December 31, 2016 <u>(Audited)</u>
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱11,977,268	₱10,351,414
Bank deposits with original maturities over three months		1,312,931	–
Restricted cash		473,956	240,025
Accounts receivable, net	5	1,590,808	1,391,213
Inventories		272,620	230,411
Prepayments and other current assets		355,880	322,692
Amount due from a shareholder	11	5,593	5,590
Amount due from an intermediate holding company	11	144,918	139,264
Amount due from immediate holding company	11	3,000	3,000
Amount due from an affiliated company	11	9,482	1,117
Total Current Assets		<u>16,146,456</u>	<u>12,684,726</u>
Non-current Assets			
Property and equipment, net	6	24,206,560	26,866,578
Contract acquisition costs, net		824,803	863,872
Other intangible assets, net		2,990	5,436
Other non-current assets		1,378,206	1,270,048
Total Non-current Assets		<u>26,412,559</u>	<u>29,005,934</u>
		<u>₱42,559,015</u>	<u>₱41,690,660</u>
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable		₱81,565	₱139,270
Accrued expenses, other payables and other current liabilities	7	6,609,038	5,414,657
Current portion of obligations under a finance lease	14	1,630,829	1,524,893
Current portion of long-term debt, net	15	7,450,557	–
Amounts due to affiliated companies	11	136,953	1,282,040
Income tax payable		19	160
Total Current Liabilities		<u>15,908,961</u>	<u>8,361,020</u>
Non-current Liabilities			
Non-current portion of obligations under a finance lease	14	13,207,903	13,061,462
Long-term debt, net	15	7,450,557	14,848,500
Deferred rent liabilities		241,528	219,258
Retirement liabilities		57,170	41,644
Other non-current liabilities		31,901	43,485
Deferred tax liability, net		136,661	81,188
Total Non-current Liabilities		<u>₱21,125,720</u>	<u>₱28,295,537</u>

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

CONDENSED CONSOLIDATED BALANCE SHEETS – continued

SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

(In thousands of Philippine peso, except share and per share data)

	<u>Notes</u>	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Equity			
Capital stock	8	P5,665,915	P5,662,897
Additional paid-in capital		22,105,992	22,076,822
Share-based compensation reserve		390,934	416,835
Equity reserve		(3,613,990)	(3,613,990)
Accumulated deficit		(19,024,517)	(19,508,461)
Total Equity		5,524,334	5,034,103
		P42,559,015	P41,690,660

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME**

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(In thousands of Philippine peso, except share and per share data)

	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2017	2016	2017	2016
NET OPERATING REVENUES					
Casino		₱6,995,518	₱5,624,846	₱22,555,248	₱14,785,458
Rooms		250,686	239,271	771,035	710,896
Food and beverage		168,599	170,569	508,917	507,884
Entertainment, retail and other		121,698	105,569	378,007	294,284
Total Net Operating Revenues		7,536,501	6,140,255	24,213,207	16,298,522
OPERATING COSTS AND EXPENSES					
Gaming tax and license fees		(1,887,581)	(1,481,984)	(5,922,539)	(4,006,681)
Inventories consumed		(236,061)	(208,484)	(674,183)	(591,731)
Employee benefit expenses	9	(953,048)	(852,847)	(2,644,061)	(2,552,737)
Depreciation and amortization		(1,065,662)	(1,050,990)	(3,209,131)	(3,320,865)
Other expenses	10	(1,895,869)	(1,623,319)	(7,032,987)	(4,112,408)
Payments to the Philippine Parties		(676,442)	(427,929)	(2,141,775)	(1,152,171)
Total Operating Costs and Expenses		(6,714,663)	(5,645,553)	(21,624,676)	(15,736,593)
OPERATING PROFIT		821,838	494,702	2,588,531	561,929
NON-OPERATING INCOME (EXPENSES)					
Interest income		17,505	6,714	38,622	12,727
Interest expenses, net of capitalized interest		(733,776)	(720,265)	(2,190,550)	(2,150,045)
Amortization of deferred financing costs		(17,827)	(16,662)	(52,614)	(49,178)
Other finance fees		(11,958)	(11,958)	(35,874)	(35,874)
Foreign exchange gains, net		66,902	90,531	176,773	80,358
Total Non-operating Expenses, Net		(679,154)	(651,640)	(2,063,643)	(2,142,012)
PROFIT (LOSS) BEFORE INCOME TAX		142,684	(156,938)	524,888	(1,580,083)
INCOME TAX EXPENSE	13	(25,344)	(16,595)	(55,332)	(17,764)
NET PROFIT (LOSS)		117,340	(173,533)	469,556	(1,597,847)
OTHER COMPREHENSIVE INCOME					
		—	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)		₱117,340	(₱173,533)	₱469,556	(₱1,597,847)
Basic Earnings (Loss) Per Share	12	₱0.02	(₱0.03)	₱0.08	(₱0.28)
Diluted Earnings (Loss) Per Share	12	₱0.02	(₱0.03)	₱0.08	(₱0.28)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS CORPORATION)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**

(In thousands of Philippine peso, except share and per share data)

	<u>Notes</u>	<u>Capital Stock</u> <u>(Note 8)</u>	<u>Additional</u> <u>Paid-in</u> <u>Capital</u>	<u>Share-based</u> <u>Compensation</u> <u>Reserve</u>	<u>Equity</u> <u>Reserve</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Total</u>
Balance as of January 1, 2017		₱5,662,897	₱22,076,822	₱416,835	(₱3,613,990)	(₱19,508,461)	₱5,034,103
Net profit		—	—	—	—	469,556	469,556
Total comprehensive income		—	—	—	—	469,556	469,556
Issuance of shares for restricted shares vested	8 and 21	1,977	17,749	(19,726)	—	—	—
Exercise of share options	8 and 21	1,041	11,421	(3,826)	—	—	8,636
Share-based compensation		—	—	12,039	—	—	12,039
Transfer of share-based compensation reserve upon expiry of share options		—	—	(14,388)	—	14,388	—
Balance as of September 30, 2017		₱5,665,915	₱22,105,992	₱390,934	(₱3,613,990)	(₱19,024,517)	₱5,524,334
Balance as of January 1, 2016		₱5,643,355	₱21,932,963	₱606,279	(₱3,613,990)	(₱17,960,537)	₱6,608,070
Net loss		—	—	—	—	(1,597,847)	(1,597,847)
Total comprehensive loss		—	—	—	—	(1,597,847)	(1,597,847)
Issuance of shares for restricted shares vested		18,693	141,769	(160,462)	—	—	—
Share-based compensation		—	—	8,750	—	—	8,750
Transfer of share-based compensation reserve upon expiry of share options		—	—	(26,642)	—	26,642	—
Balance as of September 30, 2016		₱5,662,048	₱22,074,732	₱427,925	(₱3,613,990)	(₱19,531,742)	₱5,018,973

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**

(In thousands of Philippine peso, except share and per share data)

	Nine Months Ended September 30,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	<u>₱5,796,611</u>	<u>₱5,284,294</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of bank deposits with original maturities over three months	(2,644,743)	–
Payments for acquisitions of property and equipment	(503,766)	(2,066,105)
Increase in restricted cash	(233,931)	(150,677)
Deposits for acquisitions of property and equipment	(75,082)	(55,346)
Withdrawals of bank deposits with original maturities over three months	1,354,409	–
Proceeds from disposals of property and equipment	5,862	1,155,044
Net cash used in investing activities	<u>(2,097,251)</u>	<u>(1,117,084)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of obligations under a finance lease	(1,237,448)	(1,247,617)
Interest paid	(937,500)	(937,500)
Other finance fees paid	(47,832)	(47,832)
Proceeds from exercise of share options	8,636	–
Payments for transaction costs of issuance of capital stock	–	(12,763)
Net cash used in financing activities	<u>(2,214,144)</u>	<u>(2,245,712)</u>
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	<u>140,638</u>	<u>85,682</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,625,854	2,007,180
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>10,351,414</u>	<u>7,460,229</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>₱11,977,268</u>	<u>₱9,467,409</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of Philippine peso, except share and per share data)**

1. Organization and Business

Corporate Information

Melco Resorts and Entertainment (Philippines) Corporation (formerly known as Melco Crown (Philippines) Resorts Corporation) (herein referred to as “MRP” or the “Parent Company”) is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (the “SEC”). The shares of stock of the Parent Company are publicly traded on The Philippine Stock Exchange, Inc. (the “PSE”). On February 1, 2017 and April 7, 2017, the Board of Directors and stockholders of MRP, respectively, approved the change of the Parent Company’s name to Melco Resorts and Entertainment (Philippines) Corporation, which was subsequently approved by the SEC on May 19, 2017.

The Parent Company together with its subsidiaries (collectively referred to as the “Group”) is a developer, owner and operator of casino gaming and entertainment resort facilities in the Philippines. The Group currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila.

The Parent Company’s principal place of business is the Philippines and its registered office address is Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701.

As of September 30, 2017 and December 31, 2016, the Parent Company’s ultimate holding company is Melco International Development Limited (“Melco International”), a Hong Kong-listed company.

As of September 30, 2017 and December 31, 2016, the immediate holding company of the Parent Company is MCO (Philippines) Investments Limited (formerly known as MCE (Philippines) Investments Limited) (“MCO Investments”), an indirect subsidiary of Melco International.

2. Summary of Significant Accounting Policies

Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The unaudited condensed consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Parent Company and its subsidiaries. All values are rounded off to the nearest thousand, unless otherwise indicated.

Statement of Compliance

The Group’s unaudited condensed consolidated financial statements have been prepared in conformity with Philippine Accounting Standards (“PAS”) 34, *Interim Financial Reporting*.

The Group’s unaudited condensed consolidated financial statements as of September 30, 2017 do not include all the information and disclosures required in the annual consolidated financial statements and the results of operations are not necessarily indicative of the results for full year, and should be read in conjunction with the Group’s audited consolidated financial statements as of December 31, 2016.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

2. Summary of Significant Accounting Policies – continued

Statement of Compliance – continued

In preparing the Group’s unaudited condensed consolidated financial statements as of September 30, 2017, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s audited consolidated financial statements as of December 31, 2016.

Subsequent Events

Post period-end events that provide additional information about the Group’s financial position at the balance sheet date (adjusting events) are reflected in the unaudited condensed consolidated financial statements. Post period-end events that are not adjusting events are disclosed in the notes to unaudited condensed consolidated financial statements when material.

3. Accounting Policies Effective for the Period and Future Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those of the previous financial year/period except for adoption of the following new and amended PAS and Philippine Financial Reporting Standards (“PFRS”) as of January 1, 2017. The adoption of these new and amended PAS and PFRS had no significant impact on the unaudited condensed consolidated financial statements:

- Amendments to PAS 7, *Statement of Cash Flows: Disclosure Initiative*
- Amendments to PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*
- Annual Improvements to PFRSs (2014-2016 Cycle):
 - Amendments to PFRS 12, *Clarification of the Scope of the Standard*

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash on hand	₱1,475,600	₱1,517,325
Cash in banks	10,501,668	8,834,089
	₱11,977,268	₱10,351,414

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

5. Accounts Receivable, Net

Components of accounts receivable, net are as follows:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Casino	₱1,601,147	₱1,442,270
Hotel	53,733	48,687
Others	2,334	3,079
	1,657,214	1,494,036
Less: Allowance for doubtful debts	(66,406)	(102,823)
	₱1,590,808	₱1,391,213

For the nine months ended September 30, 2017 and 2016, the Group provided allowance for doubtful debts of ₱45,424 and ₱100,631, respectively, and reclassified allowance for doubtful debts of ₱81,411 and nil to long-term receivables, respectively, and no accounts receivable were directly written off in each of those periods.

6. Property and Equipment, Net

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Carrying amount as of January 1	₱26,866,578	₱32,939,887
Additions	588,830	448,264
Adjustments to project costs	(23,138)	(255,704)
Disposals	(58,094)	(1,930,817)
Depreciation and amortization	(3,167,616)	(4,335,052)
Carrying amount as of September 30/December 31	₱24,206,560	₱26,866,578
Building under a finance lease	₱10,044,724	₱10,521,782
Other property and equipment	14,161,836	16,344,796
	₱24,206,560	₱26,866,578

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

7. Accrued Expenses, Other Payables and Other Current Liabilities

This account consists of:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Outstanding gaming chips and tokens	₱2,659,521	₱1,748,215
Accruals for:		
Gaming tax and license fees	1,091,609	852,907
Employee benefit expenses	539,795	536,204
Payments to the Philippine Parties	224,826	235,868
Property and equipment	170,537	61,477
Taxes and licenses	106,356	80,123
Operating expenses and others	949,108	808,884
Customer deposits	477,897	489,369
Withholding tax payable	184,172	191,125
Interest expenses payable	139,583	327,083
Other payables and liabilities	65,634	83,402
	₱6,609,038	₱5,414,657

Accrued expenses, other payables and other current liabilities are due for payment within the next financial year.

8. Equity

	<u>Note</u>	<u>Number of Shares</u>	<u>Capital Stock</u>
Ordinary shares of ₱1 per share			
Authorized:			
As of January 1, 2017 (Audited) and September 30, 2017 (Unaudited)		5,900,000,000	₱5,900,000
Issued and fully paid:			
As of January 1, 2017 (Audited)		5,662,897,278	₱5,662,897
Issuance of shares for restricted shares vested	21	1,977,078	1,977
Exercise of share options	21	1,040,485	1,041
As of September 30, 2017 (Unaudited)		5,665,914,841	₱5,665,915

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

8. **Equity** – continued

On June 26, 2017, the Board of Directors and stockholders of MRP approved an increase in the authorized capital stock of up to ₱11,900,000 divided into 11.9 billion shares with par value of ₱1 per share from the authorized capital stock of ₱5,900,000 divided into 5.9 billion shares with par value of ₱1 per share, subject to the SEC's approval.

As of September 30, 2017 and December 31, 2016, the Parent Company had 426 and 428 stockholders, respectively.

9. **Employee Benefit Expenses**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Basic salaries, allowances, bonuses and other amenities expenses	₱813,659	₱749,641	₱2,284,812	₱2,217,096
Annual leave and other paid leave expenses	46,973	32,783	115,977	102,918
Retirement costs – defined contribution plans	18,412	17,015	53,668	51,358
Share-based compensation expenses	10,164	(7,276)	18,495	(4,062)
Retirement costs – defined benefit obligations	5,175	3,705	15,526	11,113
Consultancy fees in consideration for share awards	1,300	(687)	(6,456)	12,812
Other employee benefit expenses	57,365	57,666	162,039	161,502
	<u>₱953,048</u>	<u>₱852,847</u>	<u>₱2,644,061</u>	<u>₱2,552,737</u>

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

10. Other Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Other gaming operations expenses	₱854,658	₱874,679	₱3,709,105	₱2,310,472
Facilities and supplies expenses	374,138	309,589	1,097,116	922,340
Management fee expenses	147,426	93,490	570,389	314,266
Trademark license fees	138,409	–	486,615	–
Advertising, marketing, promotional and entertainment expenses	94,885	81,614	309,473	216,599
Rental expenses	50,955	66,007	171,780	198,643
Office and administrative expenses	44,856	44,138	125,845	122,860
Taxes and licenses	24,033	37,387	62,774	76,551
Net (gain) loss on disposals of property and equipment	(361)	4,208	52,232	(375,014)
Operating expenses and others	166,870	112,207	447,658	325,691
	<u>₱1,895,869</u>	<u>₱1,623,319</u>	<u>₱7,032,987</u>	<u>₱4,112,408</u>

11. Related Party Transactions

Save as disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following significant transactions with related parties for the period:

	Amount of Transactions for the Three Months Ended September 30, 2017	Amount of Transactions for the Nine Months Ended September 30, 2017	Outstanding Balance September 30, 2017	Terms	Conditions
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>		
Amount due from a shareholder					
MPHIL Corporation (formerly known as MCE (Philippines) Investments No.2 Corporation) (“MPHIL”)					
Amount due from MPHIL	₱–	₱–	₱5,593	Repayable on demand; non-interest bearing	Unsecured, no impairment
	<u> </u>	<u> </u>	<u> </u>		

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

11. Related Party Transactions – continued

	Amount of Transactions for the Three Months Ended September 30, 2017 <u>(Unaudited)</u>	Amount of Transactions for the Nine Months Ended September 30, 2017 <u>(Unaudited)</u>	Outstanding Balance September 30, 2017 <u>(Unaudited)</u>	<u>Terms</u>	<u>Conditions</u>
<i>Amount due from an intermediate holding company</i>					
Melco Resorts & Entertainment Limited (“Melco”)					
Management fee income ⁽¹⁾	P3,260	P5,633	P–		
Management fee expenses	47,949	101,834	–		
Amount due from Melco	–	–	144,918	Repayable on demand; non-interest bearing	Unsecured, no impairment
<i>Amount due from immediate holding company</i>					
MCO Investments					
Amount due from MCO Investments	P–	P–	P3,000	Repayable on demand; non-interest bearing	Unsecured, no impairment
<i>Amount due from an affiliated company</i>					
A subsidiary of Melco International (other than MPHIL, Melco and MCO Investments)					
Management fees and other expenses ⁽²⁾	P855	P4,302	P–		
Amount due from a subsidiary of Melco International	–	–	9,482	Repayable on demand; non-interest bearing	Unsecured, no impairment
<i>Amounts due to affiliated companies</i>					
Melco International’s subsidiaries					
Management fees, trademark license fees and other expenses ⁽²⁾	P248,833	P980,215	P–		
Amounts due to Melco International’s subsidiaries	–	–	136,953	Repayable on demand; non-interest bearing	Unsecured

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

11. Related Party Transactions – continued

	Amount of Transactions for the Three Months Ended September 30, 2017 <u>(Unaudited)</u>	Amount of Transactions for the Nine Months Ended September 30, 2017 <u>(Unaudited)</u>	Outstanding Balance September 30, 2017 <u>(Unaudited)</u>	<u>Terms</u>	<u>Conditions</u>
<i>Amounts due to affiliated companies – continued</i>					
A subsidiary and an associated company of Crown Resorts Limited (“Crown”) ⁽³⁾					
Management fees, consultancy fee and facilities expenses	₱–	₱5,126	₱–		

Notes:

- (1) The amount represents the recharge of share-based compensation expenses for certain directors of MRP for the three and nine months ended September 30, 2017.
- (2) Management services are provided by Melco International group companies. These services include, but are not limited to, corporate expenses and gaming operations support.
- (3) In February 2017, Melco International completed the purchase of certain ordinary shares of Melco from a subsidiary of Crown. Upon completion of the transaction, Crown’s beneficial interests in Melco decreased to below 10%, and Crown and its subsidiary and associated company are no longer regarded as related parties of Melco and the Group.

Directors’ Remuneration

For the three and nine months ended September 30, 2017, the remuneration of directors of the Group was borne by a subsidiary of Melco International.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

12. Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net profit (loss) for the period by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated in the same manner, adjusted for the dilutive effect of any potential common shares.

The calculation of basic and diluted earnings (loss) per share is based on the following:

	Three Months Ended September 30,		Nine Months Ended Septembers 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net profit (loss)	₱117,340	(₱173,533)	₱469,556	(₱1,597,847)
Weighted average number of common shares outstanding used in the calculation of basic earnings (loss) per share	5,665,340,904	5,661,473,775	5,663,965,054	5,653,483,612
Adjustments for share options and restricted shares	55,989,409	–	54,028,877	–
Weighted average number of common shares outstanding used in the calculation of diluted earnings (loss) per share	5,721,330,313	5,661,473,775	5,717,993,931	5,653,483,612
Basic earnings (loss) per share	₱0.02	(₱0.03)	₱0.08	(₱0.28)
Diluted earnings (loss) per share	₱0.02	(₱0.03)	₱0.08	(₱0.28)

13. Income Tax

The provision for income tax for the three and nine months ended September 30, 2017 and 2016 consisted of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Provision for current income tax	₱19	₱40	₱19	₱298
Over-provision of income tax in prior year	–	–	(160)	–
Deferred tax charge	25,325	16,555	55,473	17,466
	₱25,344	₱16,595	₱55,332	₱17,764

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

13. Income Tax – continued

In June 2017, the Group received a Final Assessment Notice (“FAN”) from the Bureau of Internal Revenue (“BIR”) relating to an alleged deficiency of value-added tax (“VAT”). The Group believes the legal basis for the FAN is without merit. The Group has filed a protest letter with the BIR requesting cancellation of the FAN in July 2017.

For the nine months ended September 30, 2017, other than the alleged deficiency of VAT as mentioned above and the Supreme Court’s decision to deny the Motion for Reconsideration filed by the BIR in a resolution dated November 28, 2016, there is no significant change to the tax exposures as disclosed in the Group’s audited consolidated financial statements as of December 31, 2016.

14. Obligations Under a Finance Lease

As of September 30, 2017 and December 31, 2016, the minimum lease payments and present value of minimum lease payments on the Group’s obligations under a finance lease were as follows:

	September 30, 2017		December 31, 2016	
	(Unaudited)		(Audited)	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under a finance lease:				
Within one year	₱1,754,619	₱1,630,829	₱1,638,716	₱1,524,893
In more than one year and not more than five years	8,773,819	5,816,152	8,316,154	5,499,231
In more than five years	27,713,219	7,391,751	29,594,438	7,562,231
	38,241,657	14,838,732	39,549,308	14,586,355
Less: Finance charges	(23,402,925)	–	(24,962,953)	–
Present value of lease obligations	₱14,838,732	14,838,732	₱14,586,355	14,586,355
Less: Current portion of obligations under a finance lease		(1,630,829)		(1,524,893)
Non-current portion of obligations under a finance lease		₱13,207,903		₱13,061,462

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

15. Long-term Debt, Net

This account consists of:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Senior Notes	₱15,000,000	₱15,000,000
Less: Deferred financing costs, net	(98,886)	(151,500)
	14,901,114	14,848,500
Current portion of long-term debt	(7,450,557)	–
	₱7,450,557	₱14,848,500

On October 9, 2017, Melco Resorts Leisure (PHP) Corporation (formerly known as MCE Leisure (Philippines) Corporation) partially redeemed the Senior Notes in an aggregate principal amount of ₱7,500,000, together with accrued interest. As of September 30, 2017, such partially redeemed portion of the Senior Notes in the aggregate principal amount of ₱7,500,000, net of unamortized deferred financing costs of ₱49,443, was reclassified from long-term debt, net to current portion of long-term debt, net in the accompanying unaudited condensed consolidated balance sheet.

For the three and nine months ended September 30, 2017, other than the change in classification of long-term debt as a result of the partial redemption of the Senior Notes in October 2017 as mentioned above, there were no significant changes to the long-term debt as disclosed in the Group's audited consolidated financial statements as of December 31, 2016. As of September 30, 2017, the Shareholder Loan Facility and the Credit Facility have not yet been drawn.

16. Cooperation Agreement, Operating Agreement and Lease Agreement

For the three and nine months ended September 30, 2017, there were no significant changes to the terms and conditions of the Cooperation Agreement, the Operating Agreement and the Lease Agreement as disclosed in the Group's audited consolidated financial statements as of December 31, 2016.

17. Commitments and Contingencies

(a) Capital Commitments

As of September 30, 2017, the Group had capital commitments contracted for but not provided mainly for the acquisitions of property and equipment for City of Dreams Manila totaling ₱289,797.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

17. Commitments and Contingencies – continued

(b) Lease Commitments

Operating Leases – As a Lessee

As of September 30, 2017, minimum lease payments under all non-cancelable leases were as follows:

	September 30, 2017
Within one year	₱147,804
In more than one year and not more than five years	668,350
In more than five years	1,955,152
	<u>₱2,771,306</u>

(c) Other Commitments and Guarantees

As of September 30, 2017, there were no significant changes to other commitments and guarantees for the Regular License and the Cooperation Agreement as disclosed in the Group's audited consolidated financial statements as of December 31, 2016.

(d) Litigation

As of September 30, 2017, the Group is a party to certain legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings have no material impacts on the Group's unaudited condensed consolidated financial statements as a whole.

18. Financial Risk Management Objectives and Policies

As of September 30, 2017 and for the three and nine months ended September 30, 2017, there were no significant changes to the Group's financial risk management objectives and policies as disclosed in the Group's audited consolidated financial statements as of December 31, 2016.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

19. Financial Instruments

Fair Value of Financial Instruments

Cash and cash equivalents, Bank deposits with original maturities over three months, Restricted cash, Accounts receivable, Deposits and receivables, Amount due from a shareholder, Amount due from an intermediate holding company, Amount due from immediate holding company, Amounts due from/to affiliated companies, Accounts payable and Accrued expenses, other payables and other current liabilities. As of September 30, 2017 and December 31, 2016, the carrying values approximate their fair values at the reporting dates due to the relatively short-term maturities of the transactions.

Security deposit, Current and Non-current portion of obligations under a finance lease and Long-term debt. As of September 30, 2017 and December 31, 2016, the carrying values approximate their fair values, which are measured by discounting estimated future cash flows to present value using a credit-adjusted discount rate.

As of September 30, 2017 and December 31, 2016, the Group does not have financial instruments that are carried and measured at fair value. For the three and nine months ended September 30, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

20. Note to Unaudited Condensed Consolidated Statements of Cash Flows

- (a) For the nine months ended September 30, 2017, fit-out construction costs and cost of property and equipment totaling ₱127,053, nil and nil were funded through accrued expenses, other payables and other current liabilities, amounts due to affiliated companies and other non-current liabilities, respectively (For the nine months ended September 30, 2016: ₱11,403, ₱23,097 and ₱1,483, respectively).
- (b) For the nine months ended September 30, 2017, accruals for property and equipment of ₱23,138 were reversed for project costs adjustments (For the nine months ended September 30, 2016: ₱205,995).
- (c) For the nine months ended September 30, 2016, amount due to immediate holding company of ₱10,357 was offset with amount due from ultimate holding company.
- (d) For the nine months ended September 30, 2016, part of the Reimbursable Amount for consideration of disposals of property and equipment to Belle of ₱1,152,700 were offset by escrow funds refundable to the Philippine Parties.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

21. Share Incentive Plan

Share Options

During the nine months ended September 30, 2017, the exercise price for share options granted under the Share Incentive Plan was determined with reference to the market closing price of the Parent Company's common shares on the date of grant. These share options generally became exercisable over vesting periods of 2 to 3 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 the grant. Expected volatility is based on the historical volatility of the Parent Company's common shares trading on the PSE and the historical volatility of a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical of expected term of the Parent Company. The risk-free interest rate 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 Share Incentive Plan were estimated on the date of grant using the following weighted average assumptions:

	<u>Nine Months Ended September 30, 2017</u>
Expected dividend yield	–
Expected stock price volatility	45%
Risk-free interest rate	4.47%
Expected average term (years)	5.9
Weighted average share price per share	₱8.27
Weighted average exercise price per share	₱8.27

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
– continued
(In thousands of Philippine peso, except share and per share data)

21. **Share Incentive Plan** – continued

Share Options – continued

A summary of share options activity under the Share Incentive Plan as of September 30, 2017, and changes for the nine months ended September 30, 2017 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share
Outstanding as of January 1, 2017	12,374,710	P5.72
Granted	7,143,469	8.27
Exercised.....	(1,040,485)	8.30
Expired.....	(3,410,501)	8.59
Outstanding as of September 30, 2017	15,067,193	P6.10
Exercisable as of September 30, 2017	2,826,325	P5.39

The range of exercise prices and the weighted average remaining contractual terms of the above share options outstanding as at the dates indicated are as follows:

	September 30, 2017	
	Number of Share Options <u>Outstanding</u>	Weighted Average Remaining Contractual <u>Term</u>
Exercise price per share:		
P3.46	6,796,532	8.13
P5.66	1,531,112	9.46
P8.30	1,127,192	5.75
P8.98	5,612,357	9.84
	15,067,193	8.73

Share options exercised during the nine months ended September 30, 2017 resulted in 1,040,485 common shares of the Parent Company being issued at a weighted average price of P8.30. The related weighted average share price at the time of exercise was P8.60 during the period.

No share options were vested for the nine months ended September 30, 2017.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

21. Share Incentive Plan – continued

Restricted Shares

During the nine months ended September 30, 2017, the grant date fair values for restricted shares granted under the Share Incentive Plan were determined with reference to the market closing prices of the Parent Company's common shares on the dates of grant. These restricted shares generally have vesting periods of 2 to 3 years.

A summary of restricted shares activity under the Share Incentive Plan as of September 30, 2017, and changes for the nine months ended September 30, 2017 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2017	49,255,708	P4.57
Granted	7,298,372	8.22
Vested	(1,977,078)	9.98
Forfeited.....	(2,076,556)	4.49
Unvested as of September 30, 2017.....	<u>52,500,446</u>	<u>P4.86</u>

22. Segment Information

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

CAPITAL EXPENDITURES

	Three Months Ended		Nine Months Ended	
	September 30,	2016	September 30,	2016
	<u>(Unaudited)</u>	(Unaudited)	<u>(Unaudited)</u>	(Unaudited)
Total capital expenditures – All in the Philippines at City of Dreams Manila ^(Note)	<u>P348,568</u>	<u>P52,252</u>	<u>P588,830</u>	<u>P384,030</u>

Note – For the three and nine months ended September 30, 2017 and 2016, the amount of total capital expenditures did not include the adjustments to project costs of reversal of P21,219 (2016: nil) and reversal of P23,138 (2016: reversal of P205,995), respectively.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

22. Segment Information – continued

The Group's segment information on its results of operations is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
NET OPERATING REVENUES				
The Philippines – City of Dreams Manila	₱7,536,501	₱6,140,255	₱24,213,207	₱16,298,522
Total Net Operating Revenues	₱7,536,501	₱6,140,255	₱24,213,207	₱16,298,522
ADJUSTED EBITDA ^(Note)				
The Philippines – City of Dreams Manila	₱2,898,800	₱2,097,330	₱9,117,101	₱5,102,899
OPERATING COSTS AND EXPENSES				
Payments to the Philippine Parties	(676,442)	(427,929)	(2,141,775)	(1,152,171)
Land rent to Belle	(39,617)	(39,616)	(118,851)	(118,849)
Net gain on disposals of property and equipment to Belle	–	–	–	380,454
Depreciation and amortization	(1,065,662)	(1,050,990)	(3,209,131)	(3,320,865)
Share-based compensation expenses	(10,164)	7,276	(18,495)	4,062
Consultancy fees in consideration for share awards	(1,300)	687	6,456	(12,812)
Corporate expenses	(283,777)	(90,468)	(1,046,774)	(294,188)
Property charges and other	–	(1,588)	–	(26,601)
Total Operating Costs and Expenses	(2,076,962)	(1,602,628)	(6,528,570)	(4,540,970)
OPERATING PROFIT	821,838	494,702	2,588,531	561,929
NON-OPERATING INCOME (EXPENSES)				
Interest income	17,505	6,714	38,622	12,727
Interest expenses, net of capitalized interest	(733,776)	(720,265)	(2,190,550)	(2,150,045)
Amortization of deferred financing costs	(17,827)	(16,662)	(52,614)	(49,178)
Other finance fees	(11,958)	(11,958)	(35,874)	(35,874)
Foreign exchange gains, net	66,902	90,531	176,773	80,358
Total Non-operating Expenses, Net	(679,154)	(651,640)	(2,063,643)	(2,142,012)
PROFIT (LOSS) BEFORE INCOME TAX	142,684	(156,938)	524,888	(1,580,083)
INCOME TAX EXPENSE	(25,344)	(16,595)	(55,332)	(17,764)
NET PROFIT (LOSS)	₱117,340	(₱173,533)	₱469,556	(₱1,597,847)

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION)**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

(In thousands of Philippine peso, except share and per share data)

22. Segment Information – continued

Note – “Adjusted EBITDA” is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, net gain on disposals of property and equipment to Belle, share-based compensation expenses, corporate expenses, property charges and other and other non-operating income and expenses. The chief operating decision maker uses Adjusted EBITDA to measure the operating performance of City of Dreams Manila and to compare the operating performance of its property with those of its competitors.