

COVER SHEET

C S 5 8 6 4 8
S.E.C. Registration Number

M E L C O R E S O R T S A N D
E N T E R T A I N M E N T (P H I L I P P I N E S)
C O R P O R A T I O N

A S E A N A V E N U E C O R . R O X A S
B O U L E V A R D , B R G Y . T A M B O ,
P A R A Ñ A Q U E , C I T Y 1 7 0 1

(Business Address : No. Street City / Town / Province)

MARISSA T. ACADEMIA
Contact Person

691-8899
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

SEC Form 17-Q (As of March 31, 2020)
FORM TYPE

0 6 2 4
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

N. A.
Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Melco Resorts and Entertainment (Philippines) Corporation and its subsidiaries (collectively referred to as the "Group") is responsible for the preparation and fair presentation of the unaudited condensed consolidated financial statements for the three months ended March 31, 2020 and 2019, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of unaudited condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unaudited condensed consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.



CLARENCE YUK MAN CHUNG
President & Chairman of the Board



KEVIN JAMES SWEET
Treasurer

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 **March 31, 2020**
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) 8691-8899
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 March 31, 2020

Common

5,688,764,700

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

Yes [] No [X]

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

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	18
SIGNATURES	19
Condensed Consolidated Financial Statements as of March 31, 2020 (Unaudited)	Appendix I

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements as of March 31, 2020 and for the three months ended March 31, 2020 and the audited consolidated balance sheet as of December 31, 2019 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 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.

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 March 31, 2020 and for the three months then ended.

Overview and Operation Plans

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 (“**MPHIL Holdings No. 1**”), MPHIL Holdings No. 2 Corporation (“**MPHIL Holdings No. 2**”), and Melco Resorts Leisure (PHP) Corporation (“**Melco Resorts Leisure**”) (MPHIL Holdings No. 1, MPHIL Holdings No. 2 and Melco Resorts Leisure are collectively referred to as the “**MPHIL 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**”) (MPHIL 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 developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia and Europe with its American Depositary Shares traded on the NASDAQ Global Select Market in the United States of America. The Group, through Melco Resorts 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 the shares repurchase by Melco from a subsidiary of Crown, followed by cancellation of such shares and with certain changes in the composition of the board of directors of Melco, Melco International became the Company's ultimate holding company and Melco became one of the Company's intermediate holding companies.

In February 2017, Melco International completed the further acquisition of shares of Melco from Crown and as a result, Melco International became the sole majority shareholder of Melco and the Company's ultimate holding company for all purposes.

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 (the “**SEC**”) on May 19, 2017.

On April 7, 2017, the boards of directors and stockholders of MPHIL Holdings No. 1, MPHIL Holdings No. 2 and Melco Resorts 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 No. 1 and MPHIL Holdings No. 2 while the change of corporate name of Melco Resorts Leisure was approved by the SEC on May 30, 2017.

In the first quarter of 2020, the Philippines became affected by the recent outbreak of viral pneumonia caused by a coronavirus strain, later identified as the Covid-19, which prompted the President of the Philippines to declare a state of public health emergency throughout the country. Enhanced community quarantine was imposed from March 16, 2020 and was extended to May 15, 2020, which includes measures such as suspension of land, domestic air and domestic sea travel, strict home quarantine, limitation of foreign travel particularly from countries with Covid-19 cases, prohibition of mass gatherings, and suspension of non-essential work at various government and private offices. PAGCOR also suspended all land-based casino operations in Metro Manila for the duration of the enhanced community quarantine period which has significantly disrupted the operations of City of Dreams Manila. On May 12, 2020, the Philippine government announced the implementation of a modified enhanced community quarantine, which is scheduled to take effect from May 16, 2020 to May 31, 2020, during which our casino gaming operations will continue to remain closed.

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 Resorts 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, dining and lifestyle experiences with aggregate 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. For the three months ended March 31, 2020, City of Dreams Manila had an average number of 299 gaming tables, 1,998 slot machines and 294 electronic table games in operation. The integrated resort features distinctive entertainment venues, namely, DreamPlay by DreamWorks, Manila's first branded family entertainment center; Centerplay, a live performance central lounge inside the casino; and the two facilities introduced in the latter part of 2018: the VR Zone and K-Golf. The VR Zone is housed at The Garage, a food park with carefully curated selections of food and beverage trucks and trailers set in a comfortable, air-conditioned space located at the upper ground floor. K-Golf is an indoor golf simulator with state of the art technology that features some of the most popular golf courses around the world in 3D graphics. Both are located at the Upper Ground level. Until they closed in October 2018 to give way to their conversion as a luxurious gaming space, Chaos was a dynamic night club that offered entertainment by live bands and world-class DJs and Pangaea was an ultra-gaming lounge that offered world-class gaming and an exclusive bar. Both are now encapsulated within the Fortune Egg, a dome-like structure accented with creative external lighting, which is a centerpiece attraction of the property.

City of Dreams Manila also includes an approximately 260 room Nüwa Hotel Manila ("**Nüwa Manila**"), a 365 room Hyatt City of Dreams Manila, which was rebranded as Hyatt Regency, City of Dreams Manila ("**Hyatt Regency**"), and Asia's first Nobu Hotel Manila ("**Nobu Manila**") with 321 rooms. Nüwa Manila is designed to cater to the premium end of the market in Manila. Hyatt Regency is a modern and international full service hotel and leverages Hyatt's international experience and knowledge in the operation of full service hotels throughout the world. Nobu Manila offers a fusion of laid-back luxury and exclusive guestroom and spa services.

City of Dreams Manila delivers a distinct entertainment and hospitality experience in 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 March 31, 2020 and December 31, 2019, MRP's wholly-owned subsidiaries comprise the MPHIL Holdings Group. MPHIL Holdings No. 1, MPHIL Holdings No. 2 and Melco Resorts Leisure all of which are incorporated in the Philippines and registered with the SEC. The primary purposes of MPHIL Holdings No. 1 and MPHIL Holdings No. 2 are investment holding and the primary purpose of Melco Resorts 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 MPHIL 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 MPHIL Holdings Group entered into a cooperation agreement (the "**Cooperation Agreement**") and other related arrangements with the SM Group, Belle and PLAI. Melco Resorts 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 in the Cooperation Agreement which were effective on signing). In addition, the MPHIL Holdings Group and the Philippine Parties entered into an operating agreement on March 13, 2013 pursuant to which Melco Resorts Leisure was granted the exclusive right to manage, operate and control City of Dreams Manila (the "**Operating Agreement**").

On December 19, 2013, Melco Resorts 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 to fund the City of Dreams Manila project, refinance debt and general corporate purposes. On October 9, 2017, Melco Resorts Leisure partially redeemed the Senior Notes in an aggregate principal amount of ₱7.5 billion, together with accrued interest. On August 31, 2018, Melco Resorts Leisure again made a partial redemption together with accrued interest on the Senior Notes in an aggregate principal amount of ₱5.5 billion. On December 28, 2018, Melco Resorts Leisure completed the redemption of the remaining outstanding balance of the Senior Notes in the aggregate principal amount of ₱2 billion.

PAGCOR issued a Regular License dated April 29, 2015 to replace the provisional license ("**Provisional License**") to the Licensees for the operation of City of Dreams Manila. This Regular License has the same terms and conditions as the Provisional License and is valid until July 11, 2033.

On October 31, 2018, MCO (Philippines) Investments Limited ("**MCO Investments**") conducted a voluntary tender offer ("**Tender Offer**") for up to One Billion Five Hundred Sixty Nine Million Seven Hundred Eighty Six Thousand Seven Hundred Sixty Eight (1,569,786,768) outstanding common shares of the Company held by the public, at a price of ₱7.25 per share, for the purpose of increasing and consolidating its interests in MRP.

The Tender Offer ended on November 29, 2018 and the total tendered shares, amounting to 1,338,477,668 common shares of MRP, were crossed (the "**Cross Transaction**") over the facilities of the Philippine Stock Exchange ("**PSE**") on December 10, 2018. An additional 107,475,300 shares were acquired by MCO Investments from December 6, 2018 until December 10, 2018 when trading of MRP shares were automatically suspended by the PSE after the Cross Transaction. As a result, MCO Investments became the owner, directly and indirectly through MPHIL Corporation, formerly MCE (Philippines) Investments No.2 Corporation, ("**MPHIL**"), of a total of 5,570,233,532 common shares of MRP as of December 10, 2018.

Upon the conclusion of the Tender Offer, MRP's public ownership level fall below the 10% required threshold under the Minimum Public Ownership Rules of the PSE. As a result, the trading of MRP shares was suspended by the PSE on December 10, 2018.

Since MRP's public ownership has remained below the 10% required threshold for a period of six (6) months beginning on December 10, 2018, MRP was automatically delisted from the PSE on June 11, 2019 (the "**Delisting**").

In consideration of the Delisting, in May 2019 MRP retired all outstanding awards under its Share Incentive Plan, including unvested restricted shares, unvested share options and vested but unexercised share options, by the payment of cash to the affected grantees.

On April 24, 2019, the Boards of Directors of the Group approved a proposal to implement an equity restructuring for the purpose of eliminating the aggregated accumulated deficit for the Group of approximately ₱15,709,963,000 as of December 31, 2018 by applying the additional paid-in capital against the accumulated

deficits of each of the companies under the Group. This proposal was approved by the SEC on October 15, 2019.

On June 24, 2019, at the Annual Stockholders Meeting of MRP, the stockholders of the Corporation approved a further amendment to the Amended Articles of Incorporation of MRP to increase the par value of its shares from ₱1.00 per share to ₱500,000.00 per share (“**Reverse Stock Split**”). The Reverse Stock Split is currently pending the approval of the SEC.

As of March 31, 2020, Melco, through its subsidiaries, MCO Investments and MPHIL, held an indirect ownership in MRP of 97.92%.

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 under the Cooperation Agreement, share-based compensation, 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 average number of common shares issued and outstanding during a particular period of time.
- e. 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, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of rolling chip volume.
- 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 (calculated before discounts, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of mass market table games drop.
- 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 (calculated before non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) expressed as a percentage of gaming machine handle.
- m. Average Daily Rate: calculated by dividing total room revenues including complimentary rooms (less service charges, if any) by total rooms occupied, including complimentary rooms, i.e., average price of occupied rooms per day.

- 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 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 March 31, 2020 Compared to for the Three Months Ended March 31, 2019

(in thousands of Philippine peso, except per share and % change data)						
			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the three months ended	For the three months ended	% to Revenues		Change from Prior Period	
	March 31,	March 31,	2020	2019		
	2020	2019	2020	2019		
Net operating revenues						
Casino	4,328,942	5,999,051	77%	80%	(1,670,109)	-28%
Rooms	660,165	715,857	12%	10%	(55,692)	-8%
Food and beverage	545,737	653,465	10%	9%	(107,728)	-16%
Entertainment, retail and other	113,610	137,977	2%	2%	(24,367)	-18%
Total net operating revenues	5,648,454	7,506,350	100%	100%	(1,857,896)	-25%
Operating costs and expenses						
Gaming tax and license fees	(1,570,921)	(2,137,960)	-28%	-28%	567,039	-27%
Inventories consumed	(176,203)	(216,339)	-3%	-3%	40,136	-19%
Employee benefit expenses	(1,235,702)	(982,839)	-22%	-13%	(252,863)	26%
Depreciation and amortization	(883,916)	(1,046,212)	-16%	-14%	162,296	-16%
Other expenses	(1,392,133)	(1,556,086)	-25%	-21%	163,953	-11%
Payments to the Philippine Parties	(392,347)	(736,133)	-7%	-10%	343,786	-47%
Total operating costs and expenses	(5,651,222)	(6,675,569)	-100%	-89%	1,024,347	-15%
Operating (loss) profit	(2,768)	830,781	0%	11%	(833,549)	-100%
Non-operating income (expenses)						
Interest income	25,402	5,234	0%	0%	20,168	385%
Interest expenses	(546,753)	(542,834)	-10%	-7%	(3,919)	1%
Foreign exchange gains (losses), net	7,772	(13,028)	0%	0%	20,800	-160%
Total non-operating expenses, net	(513,579)	(550,628)	-9%	-7%	37,049	-7%
(Loss) profit before income tax	(516,347)	280,153	-9%	4%	(796,500)	-284%
Income tax (expense) credit	(4,008)	6,614	0%	0%	(10,622)	-161%
Net (loss) profit	(520,355)	286,767	-9%	4%	(807,122)	-281%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive (loss) income	(520,355)	286,767	-9%	4%	(807,122)	-281%
Basic (Loss) Earnings Per Share	(₱0.09)	₱0.05			(₱0.14)	-280%
Diluted (Loss) Earnings Per Share	(₱0.09)	₱0.05			(₱0.14)	-280%

In connection with the outbreak of the coronavirus (Covid-19) in the first quarter of 2020, severe travel restrictions, temporary business closures and other prohibitions have been imposed by the Philippines and other countries throughout the world, which has significantly disrupted the Group's operations. On March 12, 2020, Metro Manila was placed under an enhanced community quarantine by the government of the Philippines from March 16, 2020 and was extended to May 15, 2020. In view of this, PAGCOR ordered the suspension of all land-based casino operations in Metro Manila, which includes City of Dreams Manila, for the duration of the enhanced community quarantine period. On May 12, 2020, the Philippine government announced the implementation of a modified enhanced community quarantine, which is scheduled to take effect from May 16, 2020 to May 31, 2020, during which our casino gaming operations will continue to remain closed. The Covid-19 outbreak and the related events have also caused severe disruptions to the Group's resort tenants and other business partners, which may increase the risk of these entities defaulting on their contractual obligations with the Group. The disruptions to the Group's business had material adverse effects on its financial condition and operations during the first quarter of 2020.

As a result of the Covid-19 outbreak and temporary closure, the net loss for the three months ended March 31, 2020 was ₱520.4 million, compared to a net profit of ₱286.8 million for the three months ended March 31, 2019, which is primarily related to the drop in total net operating revenues as a result of the imposition of prohibition measures and temporary closures of business, partially offset by lower operating costs and expenses during the current period.

Revenues

Total net operating revenues were ₱5,648.5 million for the three months ended March 31, 2020, representing a decrease of ₱1,857.9 million, from ₱7,506.4 million for the three months ended March 31, 2019. Affected by the temporary closure of business and other prohibitions, there was a decrease in both casino and non-casino revenues.

Casino - Casino revenues for the three months ended March 31, 2020 were ₱4,328.9 million, a decrease of ₱1,670.1 million, or 28%, from ₱5,999.1 million for the three months ended March 31, 2019. The decrease was primarily due to (i) lower gross gaming revenues of ₱2,838.7 million as the imposition of travel restrictions, temporary business closures and other measures taken by the Philippines and other countries throughout the world significantly disrupted the Group's operations, partially offset by (ii) ₱1,168.6 million lower commissions paid to gaming promoters and complimentary goods and services.

Rolling chip volume for the three months ended March 31, 2020 was ₱58.9 billion, as compared to ₱119.7 billion for the three months ended March 31, 2019. Rolling chip win rate for the three months ended March 31, 2020 was 3.72% which reflected an increase from the 3.18% win rate for the three months ended March 31, 2019.

In the mass market table games segment, mass market table games drop was ₱8.0 billion for the three months ended March 31, 2020 which represented a decrease of ₱1.7 billion from ₱9.7 billion for the three months ended March 31, 2019. The mass market table games hold percentage was 33.5% for the three months ended March 31, 2020 versus 30.6% for the three months ended March 31, 2019.

Gaming machine handle for the three months ended March 31, 2020 was ₱43.8 billion, compared with ₱47.5 billion for the three months ended March 31, 2019. The gaming machine win rate was 4.1% for the three months ended March 31, 2020 versus 5.8% for the three months ended March 31, 2019.

As a result of the government-mandated closures or social distancing measures in relation to the Covid-19 outbreak, table games and gaming machines that were not in operation during the three months ended March 31, 2020 have been excluded. Therefore, the average number of table games and average number of gaming machines for the three months ended March 31, 2020 were 299 and 2,292, respectively, as compared to 302 and 2,242, respectively, for the three months ended March 31, 2019. Average net win per table game per day and average net win per gaming machine per day for the three months ended March 31, 2020 were ₱216,768 and ₱10,563, respectively, as compared to ₱248,967 and ₱13,663, respectively, for the three months ended March 31, 2019.

Rooms - Room revenues from Nūwa Manila, Nobu Manila and Hyatt Regency amounted to ₱660.2 million for the three months ended March 31, 2020 representing a decrease of ₱55.7 million, or 8%, from ₱715.9 million for the three months ended March 31, 2019, primarily due to the drop in occupancy rates as compared to the three months ended March 31, 2019. The room statistics exclude rooms that were temporarily closed or provided to staff members during the three months ended March 31, 2020. City of Dreams Manila's average daily rates, occupancy rates and REVPAR for the three months ended March 31, 2020 were ₱10,184, 92.7% and ₱9,439, respectively, as compared to ₱8,574, 98.5% and ₱8,442, respectively, for the three months ended March 31, 2019.

Food, beverage and others - Other non-casino revenues for the three months ended March 31, 2020 included food and beverage revenues of ₱545.7 million and entertainment, retail and other revenues of ₱113.6 million. Other non-casino revenues for the three months ended March 31, 2019 included food and beverage revenues of ₱653.5 million and entertainment, retail and other revenues of ₱138.0 million. The decreases were attributable to operation disruptions due to the mitigation measures for the outbreak of Covid-19.

Operating costs and expenses

Total operating costs and expenses were ₱5,651.2 million for the three months ended March 31, 2020, representing a decrease of ₱1,024.3 million from ₱6,675.6 million for the three months ended March 31, 2019. The decrease in operating costs was mainly due to decreases in gaming tax and license fees, depreciation and amortization, other expenses and payments to the Philippine Parties, partially offset by higher employee benefit expenses.

Gaming tax and license fees for the three months ended March 31, 2020 amounted to ₱1,570.9 million, representing a decrease of ₱567.0 million, or 27%, from ₱2,138.0 million for the three months ended March 31, 2019. The decrease is in line with the decreased gross gaming revenues.

Inventories consumed for the three months ended March 31, 2020 and 2019 amounted to ₱176.2 million and ₱216.3 million, respectively. The decrease is in line with the disrupted operations.

Employee benefit expenses for the three months ended March 31, 2020 amounted to ₱1,235.7 million, as compared to ₱982.8 million for the three months ended March 31, 2019. The increase was primarily due to general wage inflation and higher annual leave and other paid leave for the period.

Depreciation and amortization for the three months ended March 31, 2020 and 2019 amounted to ₱883.9 million and ₱1,046.2 million, respectively. The decrease was primarily due to certain assets having been fully depreciated last year.

Other expenses for the three months ended March 31, 2020 amounted to ₱1,392.1 million, as compared to ₱1,556.1 million for the three months ended March 31, 2019. The decrease was mainly due to an impairment loss recognized on property and equipment for the three months ended March 31, 2019, lower trademark license fees, lower facilities and supplies expenses, partially offset by higher other gaming operations expenses, higher management fee expenses as well as higher office and administrative expenses.

Payments to the Philippine Parties represented the agreed-upon payments to PLAI calculated in accordance with the Operating Agreement and related supplementary agreements. The decrease was primarily due to lower sharing of gaming results to the Philippine Parties based on the agreed calculation terms during the period.

Non-operating expenses, net

Interest income was ₱25.4 million for the three months ended March 31, 2020 as compared to ₱5.2 million for the three months ended March 31, 2019. The increase was due to more deposits being placed with the bank during the three months ended March 31, 2020 compared to the same period in 2019.

Interest expenses were ₱546.8 million for the three months ended March 31, 2020 as compared to ₱542.8 million for the three months ended March 31, 2019. No material fluctuations noted for the period.

Net foreign exchange gains were ₱7.8 million for the three months ended March 31, 2020 as compared to net foreign exchange losses of ₱13.0 million for the three months ended March 31, 2019, mainly arising from the translation of foreign currency denominated bank balances and payables at the period-end closing rate.

Income tax (expense) credit

The income tax (expense) credit for the three months ended March 31, 2020 and 2019 primarily represented the provision of income tax and deferred tax (charge) credit arising from net unrealized foreign exchange gains (losses).

Net (loss) profit

As a result of the foregoing, the Group had a net loss of ₱520.4 million for the three months ended March 31, 2020, as compared to a net profit of ₱286.8 million for the three months ended March 31, 2019.

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, share-based compensation, corporate expenses, property charges and other, and other non-operating income and expenses. Adjusted EBITDA was ₱1,515.8 million and ₱3,179.2 million for the three months ended March 31, 2020 and 2019, 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 our 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 PFRS operating performance, other operating 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 or 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

The consolidated balance sheet of the Group as of March 31, 2020, with variances against December 31, 2019 is as set out below.

(in thousands of Philippine peso, except % change data)						
			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	March 31,	December 31,	% to Total Assets		Change	
ASSETS	2020	2019	2020	2019		
Current assets						
Cash and cash equivalents	11,644,376	11,931,260	33%	33%	(286,884)	-2%
Restricted cash	587,114	489,956	2%	1%	97,158	20%
Accounts receivable, net	179,924	812,385	1%	2%	(632,461)	-78%
Inventories	329,240	359,188	1%	1%	(29,948)	-8%
Prepayments and other current assets	506,103	297,592	1%	1%	208,511	70%
Amounts due from related parties	1,756	94	0%	0%	1,662	1768%
Income tax recoverable	38	-	0%	0%	38	N/A
Total current assets	13,248,551	13,890,475	38%	39%	(641,924)	-5%
Non-current assets						
Property and equipment, net	9,950,314	10,433,008	28%	29%	(482,694)	-5%
Right-of-use assets, net	9,788,237	9,900,650	28%	27%	(112,413)	-1%
Contract acquisition costs, net	694,571	707,594	2%	2%	(13,023)	-2%
Other non-current assets	1,235,978	1,138,413	4%	3%	97,565	9%
Total non-current assets	21,669,100	22,179,665	62%	61%	(510,565)	-2%
Total assets	34,917,651	36,070,140	100%	100%	(1,152,489)	-3%
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	104,005	155,200	0%	0%	(51,195)	-33%
Accrued expenses, other payables and other current liabilities	6,486,212	7,344,503	19%	20%	(858,291)	-12%
Current portion of lease liabilities	2,249,781	2,173,185	6%	6%	76,596	4%
Amounts due to related parties	2,016,881	1,756,529	6%	5%	260,352	15%
Income tax payable	-	116	0%	0%	(116)	-100%
Total current liabilities	10,856,879	11,429,533	31%	32%	(572,654)	-5%
Non-current liabilities						
Non-current portion of lease liabilities	14,486,225	14,553,260	41%	40%	(67,035)	0%
Retirement liabilities	209,562	195,933	1%	1%	13,629	7%
Other non-current liabilities	19,598	28,107	0%	0%	(8,509)	-30%
Deferred tax liability, net	173,414	172,130	0%	0%	1,284	1%
Total non-current liabilities	14,888,799	14,949,430	43%	41%	(60,631)	0%
Equity						
Capital stock	5,688,765	5,688,765	16%	16%	-	0%
Additional paid-in capital	22,144,442	22,143,394	63%	61%	1,048	0%
Share-based compensation reserve	103	-	0%	0%	103	N/A
Equity reserve	(3,613,990)	(3,613,990)	-10%	-10%	-	0%
Accumulated deficit	(15,047,347)	(14,526,992)	-43%	-40%	(520,355)	4%
Total equity	9,171,973	9,691,177	26%	27%	(519,204)	-5%
Total liabilities and equity	34,917,651	36,070,140	100%	100%	(1,152,489)	-3%

Current assets

Cash and cash equivalents decreased by ₱286.9 million primarily due to payments made for capital expenditures and payments of lease liabilities, partially offset by operating cash inflows. Refer below to "Liquidity and Capital Sources" for cash flow analysis for the three months ended March 31, 2020.

Restricted cash represents an escrow account that is restricted for government required foundation fees payable in accordance with the terms of the Regular License. The increase primarily represented the contributions made during the period.

Accounts receivable, net, primarily attributable to casino, hotels and other receivables, decreased by ₱632.5 million, primarily from decreased casino receivables and an increase in allowances for doubtful debts. Refer to Note 5 to the unaudited condensed consolidated financial statements for the details of accounts receivable as of March 31, 2020.

Inventories of ₱329.2 million mainly consisted of gaming inventories, retail merchandise, food and beverage items and certain operating supplies. The decrease was mainly due to consumption of promotional inventories, food and beverage inventories, retail merchandise and tobacco inventories, partially offset by increases in gaming inventories, general inventories and maintenance inventories held during the current period.

Prepayments and other current assets increased by ₱208.5 million, mainly due to increases in rental and other receivables, net of ₱144.7 million, deposits for purchases of inventory of ₱24.5 million, prepaid other taxes and licenses of ₱21.8 million, prepaid office and administrative expenses of ₱8.2 million and prepaid facilities and supplies expenses of ₱7.7 million.

Amounts due from related parties increased by ₱1.7 million, mainly due to payments made on behalf of affiliated companies during the period.

Non-current assets

Property and equipment, net, decreased by ₱482.7 million, mainly due to (i) depreciation of ₱676.2 million for the period which was partially offset by (ii) additions to property and equipment of ₱193.7 million.

Right-of-use assets, net, decreased by ₱112.4 million, mainly due to depreciation charges of ₱194.7 million, partially offset by additions of ₱82.3 million for the three month ended March 31, 2020. Refer to Note 15 to the unaudited condensed consolidated financial statements for details.

Contract acquisition costs, net, decreased by ₱13.0 million, solely due to amortization charges for the three months ended March 31, 2020.

Other non-current assets increased by ₱97.6 million, due to increases in (i) deposits for acquisitions of property and equipment of ₱85.8 million; (ii) security and rental deposits of ₱17.8 million which was partially offset by (iii) decrease in other non-current assets and deposits of ₱6.0 million. Refer to Note 7 to the unaudited condensed consolidated financial statements for details.

Current liabilities

Accounts payable of ₱104.0 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 quarter.

Accrued expenses, other payables and other current liabilities decreased by ₱858.3 million, mainly related to (i) decreases in accruals for gaming tax and license fees of ₱616.6 million as a result of disrupted operations and (ii) a net decrease in outstanding gaming chips and tokens and advance customer deposits and ticket sales of ₱343.3 million primarily due to the temporary casino closure which resulted in players returning their chips; partially offset by (iii) increases in accruals for property and equipment of ₱86.4 million. Refer to Note 8 to the unaudited condensed consolidated financial statements for details.

Current portion of lease liabilities represented lease payments due within one year. The increase of ₱76.6 million during the period was mainly due to recurring interest expenses and additions for the quarter, offset by payments made during the period. Refer to Note 15 to the unaudited condensed consolidated financial statements for details.

Amounts due to related parties increased by ₱260.4 million mainly as a result of management fees and trademark license fees recharged from affiliated companies during the period. Refer to Note 12 to the unaudited condensed consolidated financial statements for details of related party transactions for the three months ended March 31, 2020.

Non-current liabilities

Non-current portion of lease liabilities represented lease payments due beyond one year. The decrease of ₱67.0 million during the period was mainly due to the reclassification of lease liabilities to current liabilities at the end of the reporting period. Refer to Note 15 to the unaudited condensed consolidated financial statements for details.

Retirement liabilities increased by ₱13.6 million primarily due to such service costs recognized during the period.

Other non-current liabilities represented retail tenant deposits and other liabilities which are due beyond one year. The decrease was primarily due to the reclassification of accrued liabilities associated with cash-settled share options and restricted shares to current liabilities at the end of the reporting period.

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

Equity

Capital stock remained unchanged as of March 31, 2020 and December 31, 2019.

Additional paid-in capital increased by ₱1.0 million solely due to the recognition of share-based payment expenses during the three months ended March 31, 2020.

The equity reserve consisted of the net difference between the cost of MRP to acquire MPHIL Holdings Group and the legal capital of the latter at the date of the 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 March 31, 2020 as compared to December 31, 2019.

The deficit increased by ₱520.4 million to ₱15,047.3 million as of March 31, 2020, from ₱14,527.0 million as of December 31, 2019, which was solely due to the net loss of ₱520.4 million recognized during the three months ended March 31, 2020.

Liquidity and Capital Sources

The table below shows the Group's unaudited condensed consolidated cash flows for the three months ended March 31, 2020 and 2019.

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019	% Change
<i>In thousands of Philippine peso, except % change data</i>			
Net cash provided by operating activities	615,626	1,663,833	-63%
Net cash used in investing activities	(338,167)	(250,786)	35%
Cash used in financing activities	(592,168)	(544,236)	9%
Effect of foreign exchange on cash and cash equivalents	27,825	(33,439)	-183%
Net (decrease) increase in cash and cash equivalents	(286,884)	835,372	-134%
Cash and cash equivalents at beginning of period	11,931,260	6,808,712	75%
Cash and cash equivalents at end of period	11,644,376	7,644,084	52%

For the three months ended March 31, 2020, the Group recorded:

- Net cash flow from operating activities of ₱615.6 million primarily attributable to the operating performance at City of Dreams Manila as explained in the preceding sections.
- Net cash used in investing activities amounted to ₱338.2 million which included: (i) acquisitions of property and equipment of ₱203.7 million; (ii) payments for right-of-use assets of ₱21.9 million; (iii) payments for other non-current assets of ₱15.4 million and (iv) an increase in restricted cash of ₱97.2 million for the foundation fees payable.
- Cash used in financing activities of ₱592.2 million, which solely represented payments of lease liabilities (including associated interest).

The table below shows the Group's capital sources as of March 31, 2020 and December 31, 2019.

	As of March 31, 2020	As of December 31, 2019	% Change
<i>In thousands of Philippine peso, except % change data</i>			
Equity	9,171,973	9,691,177	-5%

Total equity decreased by 5% to ₱9,172.0 million as of March 31, 2020, from ₱9,691.2 million as of December 31, 2019. The decrease was primarily due to the net loss of ₱520.4 million during the three months ended March 31, 2020.

Risks Related to Financial Instruments

The Group has financial assets and liabilities including cash and cash equivalents, restricted cash, accounts receivable, security deposits, other deposits and receivables, amounts due from/to related parties, accounts payable, accrued expenses, other payables and other current liabilities, lease liabilities and other non-current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments as of and for the three months ended March 31, 2020 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 operations 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, 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 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 March 31, 2020, we had a shareholder loan facility of US\$340 million (equivalent to ₱17.4 billion) and a bank credit facility of ₱2,350 million which remain available for future drawdowns, subject to certain conditions precedent.

As of March 31, 2020, we had capital commitments contracted for, but not provided, mainly for the acquisitions of property and equipment for City of Dreams Manila totaling ₱560.4 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 dates is as follows:

<i>In thousands of Philippine peso</i>	As of March 31, 2020
Current	100,914
Past due:	
1-30 days	52,440
31-60 days	18,214
61-90 days	8,320
Over 90 days	36
Total	179,924

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)

A handwritten signature in black ink, appearing to read 'Kevin Sweet', written over a horizontal line.

Kevin Sweet
Treasurer

Melco Resorts and Entertainment (Philippines) Corporation
and Subsidiaries

**Unaudited Condensed Consolidated Financial Statements
As at March 31, 2020 (Unaudited) and December 31, 2019
and For The Three Months Ended March 31, 2020 and 2019 (Unaudited)**

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

CONDENSED CONSOLIDATED BALANCE SHEETS

MARCH 31, 2020 AND DECEMBER 31, 2019

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

	<u>Notes</u>	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱11,644,376	₱11,931,260
Restricted cash		587,114	489,956
Accounts receivable, net	5	179,924	812,385
Inventories		329,240	359,188
Prepayments and other current assets		506,103	297,592
Amounts due from related parties	12	1,756	94
Income tax recoverable		38	–
Total Current Assets		13,248,551	13,890,475
Non-current Assets			
Property and equipment, net	6	9,950,314	10,433,008
Right-of-use assets, net	15	9,788,237	9,900,650
Contract acquisition costs, net		694,571	707,594
Other non-current assets	7	1,235,978	1,138,413
Total Non-current Assets		21,669,100	22,179,665
		₱34,917,651	₱36,070,140
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable		₱104,005	₱155,200
Accrued expenses, other payables and other current liabilities	8	6,486,212	7,344,503
Current portion of lease liabilities	15	2,249,781	2,173,185
Amounts due to related parties	12	2,016,881	1,756,529
Income tax payable		–	116
Total Current Liabilities		10,856,879	11,429,533
Non-current Liabilities			
Non-current portion of lease liabilities	15	14,486,225	14,553,260
Retirement liabilities		209,562	195,933
Other non-current liabilities		19,598	28,107
Deferred tax liability, net		173,414	172,130
Total Non-current Liabilities		₱14,888,799	₱14,949,430

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

CONDENSED CONSOLIDATED BALANCE SHEETS – continued

MARCH 31, 2020 AND DECEMBER 31, 2019

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

	<u>Note</u>	March 31, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Equity			
Capital stock	9	₱5,688,765	₱5,688,765
Additional paid-in capital		22,144,442	22,143,394
Share-based compensation reserve		103	–
Equity reserve		(3,613,990)	(3,613,990)
Accumulated deficit		(15,047,347)	(14,526,992)
Total Equity		<u>9,171,973</u>	<u>9,691,177</u>
		<u>₱34,917,651</u>	<u>₱36,070,140</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME**

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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

	<u>Notes</u>	Three Months Ended March 31,	
		<u>2020</u>	<u>2019</u>
NET OPERATING REVENUES			
Casino		₱4,328,942	₱5,999,051
Rooms		660,165	715,857
Food and beverage		545,737	653,465
Entertainment, retail and other		113,610	137,977
Total Net Operating Revenues		<u>5,648,454</u>	<u>7,506,350</u>
OPERATING COSTS AND EXPENSES			
Gaming tax and license fees		(1,570,921)	(2,137,960)
Inventories consumed		(176,203)	(216,339)
Employee benefit expenses	10	(1,235,702)	(982,839)
Depreciation and amortization		(883,916)	(1,046,212)
Other expenses	11	(1,392,133)	(1,556,086)
Payments to the Philippine Parties		(392,347)	(736,133)
Total Operating Costs and Expenses		<u>(5,651,222)</u>	<u>(6,675,569)</u>
OPERATING (LOSS) PROFIT		<u>(2,768)</u>	<u>830,781</u>
NON-OPERATING INCOME (EXPENSES)			
Interest income		25,402	5,234
Interest expenses		(546,753)	(542,834)
Foreign exchange gains (losses), net		7,772	(13,028)
Total Non-operating Expenses, Net		<u>(513,579)</u>	<u>(550,628)</u>
(LOSS) PROFIT BEFORE INCOME TAX		<u>(516,347)</u>	<u>280,153</u>
INCOME TAX (EXPENSE) CREDIT	14	<u>(4,008)</u>	<u>6,614</u>
NET (LOSS) PROFIT		<u>(520,355)</u>	<u>286,767</u>
OTHER COMPREHENSIVE INCOME			
		<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE (LOSS) INCOME		<u>(₱520,355)</u>	<u>₱286,767</u>
Basic (Loss) Earnings Per Share	13	<u>(₱0.09)</u>	<u>₱0.05</u>
Diluted (Loss) Earnings Per Share	13	<u>(₱0.09)</u>	<u>₱0.05</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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

	Capital Stock (Note 9)	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve	Accumulated Deficit	Total
Balance as of January 1, 2020	₱5,688,765	₱22,143,394	₱–	(₱3,613,990)	(₱14,526,992)	₱9,691,177
Net loss and total comprehensive loss	–	–	–	–	(520,355)	(520,355)
Share-based compensation	–	1,048	103	–	–	1,151
Balance as of March 31, 2020	₱5,688,765	₱22,144,442	₱103	(₱3,613,990)	(₱15,047,347)	₱9,171,973
Balance as of January 1, 2019	₱5,687,271	₱22,259,788	₱228,972	(₱3,613,990)	(₱16,463,251)	₱8,098,790
Net profit and total comprehensive income	–	–	–	–	286,767	286,767
Share-based compensation	–	–	16,153	–	–	16,153
Transfer of share-based compensation reserve upon expiry of share options	–	–	(1,913)	–	1,913	–
Balance as of March 31, 2019	₱5,687,271	₱22,259,788	₱243,212	(₱3,613,990)	(₱16,174,571)	₱8,401,710

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**

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

	Three Months Ended March 31,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	<u>₱615,626</u>	<u>₱1,663,833</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(203,714)	(350,020)
(Increase) decrease in restricted cash	(97,158)	128,550
Payments for right-of-use assets	(21,945)	(14,765)
Payments for other non-current assets	(15,350)	(14,551)
Net cash used in investing activities	<u>(338,167)</u>	<u>(250,786)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liabilities (including associated interest)	(592,168)	(536,000)
Interest paid (including withholding tax)	–	(8,194)
Other finance fees paid (including gross-up withholding tax)	–	(42)
Cash used in financing activities	<u>(592,168)</u>	<u>(544,236)</u>
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS		
	<u>27,825</u>	<u>(33,439)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(286,884)	835,372
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>11,931,260</u>	<u>6,808,712</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>₱11,644,376</u>	<u>₱7,644,084</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of Philippine peso, except share and per share data)****1. Organization and Business**

Melco Resorts and Entertainment (Philippines) 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 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 March 31, 2020 and December 31, 2019, the Parent Company’s ultimate holding company is Melco International Development Limited (“Melco International”), a company incorporated in the Hong Kong Special Administrative Region of the People’s Republic of China and listed on the main board of The Stock Exchange of Hong Kong Limited.

As of March 31, 2020 and December 31, 2019, the immediate holding company of the Parent Company is MCO (Philippines) Investments Limited, a company incorporated in the British Virgin Islands.

In connection with the outbreak of the coronavirus (Covid-19) in the first quarter of 2020, severe travel restrictions, temporary business closures and other prohibitions have been imposed by the Philippines and other countries throughout the world, which has significantly disrupted the Group’s operations. On March 12, 2020, Metro Manila was placed under an enhanced community quarantine by the government of the Philippines from March 16, 2020, which has since been extended until May 31, 2020 under a modified enhanced community quarantine. In view of this, the Philippine Amusement and Gaming Corporation ordered the suspension of all land-based casino operations in Metro Manila, which includes City of Dreams Manila, for the duration of the quarantine period. The Covid-19 outbreak and the related events have also caused severe disruptions to the Group’s resort tenants and other business partners, which may increase the risk of these entities defaulting on their contractual obligations with the Group. The disruptions to the Group’s business had material adverse effects on its financial condition and operations during the first quarter of 2020. As the disruptions are ongoing, such adverse effects have continued beyond the first quarter of 2020 and may worsen. The Group is unable to reasonably estimate the financial impact to the Group’s future results of operations, cash flows and financial condition due to uncertainties surrounding the business closures, travel restrictions and other events related to the Covid-19 outbreak.

2. Basis of Preparation

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

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

– continued

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

2. Basis of Preparation – continued

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.

The Group's unaudited condensed consolidated financial statements as of March 31, 2020 do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as of December 31, 2019. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments consisting only of normal recurring adjustments, which are necessary for a fair presentation of financial results of such periods.

In preparing the Group's unaudited condensed consolidated financial statements as of March 31, 2020, 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, 2019.

Reclassifications

The unaudited condensed consolidated financial statements for prior period reflect certain reclassifications, which have no effect on previously reported net profit, to conform to the current period presentation.

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 Philippine Financial Reporting Standards ("PFRSs") as of January 1, 2020. The adoption of these new and amended PFRSs had no material impact on the unaudited condensed consolidated financial statements.

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

4. Cash and Cash Equivalents

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	₱1,909,752	₱2,431,735
Cash in banks	9,734,624	9,499,525
	₱11,644,376	₱11,931,260

5. Accounts Receivable, Net

Components of accounts receivable, net are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Casino	₱685,268	₱1,154,666
Hotel	12,566	43,230
Other	3	6,412
	697,837	1,204,308
Less: Allowances for doubtful debts	(517,913)	(391,923)
	₱179,924	₱812,385

For the three months ended March 31, 2020, the Group provided provisions for doubtful debts of ₱215,905, and reclassified allowances for doubtful debts of ₱96,204 from accounts receivable to long-term receivables. For the three months ended March 31, 2019, the Group wrote back allowances for doubtful debts of ₱19,465, and reclassified allowances for doubtful debts of ₱90,304 from long-term receivables to accounts receivable. For the three months ended March 31, 2020 and 2019, no accounts receivable were directly written-off for each of those periods.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

6. Property and Equipment, Net

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Carrying amount as of January 1	₱10,433,008	₱20,359,266
Reclassified to right-of-use assets	–	(9,249,627)
Adjustments to costs	–	(60,997)
Additions	193,667	3,089,142
Disposals and write-off	(146)	(11,925)
Impairment	–	(174,036)
Depreciation and amortization	(676,215)	(3,518,815)
Carrying amount as of March 31/December 31	₱9,950,314	₱10,433,008

7. Other Non-current Assets

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Input value-added tax (“VAT”), net	₱632,714	₱632,714
Deposits for acquisitions of property and equipment	334,120	248,296
Security and rental deposits	201,230	183,477
Other non-current assets and deposits ⁽¹⁾	67,914	73,926
	₱1,235,978	₱1,138,413

(1) The balance included operating deposits and prepayments for various operating services.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

8. Accrued Expenses, Other Payables and Other Current Liabilities

	March 31, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Advance customer deposits and ticket sales	₱3,443,096	₱1,202,820
Accruals for:		
Employee benefit expenses	749,263	731,763
Gaming tax and license fees	566,677	1,183,267
Property and equipment	335,131	248,758
Other gaming operations expenses	238,358	173,001
Facilities and supplies expenses	181,873	206,468
Legal and other professional fees	87,730	74,734
Advertising, marketing, promotional and entertainment expenses	69,925	106,659
Taxes and licenses	27,003	47,471
Operating and other expenses	237,529	237,258
Loyalty program liabilities	201,947	219,322
Outstanding gaming chips and tokens	148,417	2,732,006
Withholding taxes payable	108,697	105,986
Other payables and liabilities	90,566	74,990
	<u>₱6,486,212</u>	<u>₱7,344,503</u>

Accrued expenses, other payables and other current liabilities are due for payment within one year.

9. Equity

	<u>Number of Shares</u>	<u>Capital Stock</u>
Ordinary shares of ₱1 per share		
Authorized:		
As of January 1, 2020 (Audited) and March 31, 2020 (Unaudited)	<u>5,900,000,000</u>	<u>₱5,900,000</u>
Issued and fully paid:		
As of January 1, 2020 (Audited) and March 31, 2020 (Unaudited)	<u>5,688,764,700</u>	<u>₱5,688,765</u>

As of March 31, 2020 and December 31, 2019, the Parent Company had 2,203 and 2,201 stockholders, respectively.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

10. Employee Benefit Expenses

	Three Months Ended March 31, 2020 (Unaudited)	2019 (Unaudited)
Basic salaries, allowances, bonuses and other amenities	₱883,770	₱809,386
Annual leave and other paid leave	222,651	48,874
Retirement costs – defined contribution plans	28,620	20,914
Retirement costs – defined benefit obligations	13,629	6,502
Share-based compensation – cash-settled	9,168	–
Share-based compensation – equity-settled	103	16,153
Other employee benefits ⁽¹⁾	77,761	81,010
	₱1,235,702	₱982,839

(1) The amount included staff insurance expenses and other staff expenses.

11. Other Expenses

	Three Months Ended March 31, 2020 (Unaudited)	2019 (Unaudited)
Other gaming operations expenses	₱353,518	₱152,198
Management fee expenses	326,411	288,944
Facilities and supplies expenses	304,076	394,952
Advertising, marketing, promotional and entertainment expenses	100,972	99,052
Provisions for input VAT	73,654	67,531
Office and administrative expenses	65,012	45,813
Trademark license fees	43,457	183,053
Legal and other professional fees	30,894	21,414
Travel agents and other commissions	20,620	33,374
Taxes and licenses	9,275	18,631
Impairment loss recognized on property and equipment	–	174,036
Operating and other expenses	64,244	77,088
	₱1,392,133	₱1,556,086

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

12. 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 Three Months Ended March 31, 2020 (Unaudited)	Amounts Due From Related Parties⁽¹⁾ March 31, 2020 (Unaudited)	Amounts Due To Related Parties⁽²⁾ March 31, 2020 (Unaudited)
A shareholder			
Amount due from MPHIL Corporation (“MPHIL”)	₱–	₱20	₱–
An intermediate holding company			
Melco Resorts & Entertainment Limited (“Melco”)			
Management fee income ⁽³⁾	₱14,429	–	–
Management fee expenses	83,035	–	–
Share-based compensation – equity-settled ⁽⁴⁾	103	–	–
Amount due to Melco	–	–	261,265
Affiliated companies			
Melco International’s subsidiaries (other than MPHIL and Melco)			
Management fee income	₱2,214	–	–
Management fees and other expenses ⁽⁵⁾	264,176	–	–
Trademark license fees	43,457	–	–
Purchases of goods and services	2,407	–	–
Amounts due from/to Melco International’s subsidiaries	–	1,736	1,755,616
		₱1,756	₱2,016,881

Notes:

(1) The balances are unsecured, non-interest bearing and repayable on demand. No impairment losses are recognized for these balances.

(2) The balances are unsecured, non-interest bearing and repayable on demand.

(3) The amount represents the recharge of share-based compensation for certain directors of MRP for the three months ended March 31, 2020.

(4) The amount represents the share-based compensation related to the grant of certain share-based awards under Melco Share Incentive Plan (as defined in Note 22) to certain directors and employees of the Group. Further information on the share-based compensation arrangements is included in Note 22.

(5) Management services are provided by Melco International group companies. These services include, but are not limited to, corporate expenses, gaming operations support and gaming software license and support fees for the Group.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

12. Related Party Transactions – continued

Directors' Remuneration

For the three months ended March 31, 2020, the remuneration of certain directors of the Group was borne by Melco.

13. Basic/Diluted (Loss) Earnings Per Share

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

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

	Three Months Ended March 31, 2020 (Unaudited)	2019 (Unaudited)
Net (loss) profit	<u>(P520,355)</u>	<u>P286,767</u>
Weighted average number of common shares outstanding used in the calculation of basic (loss) earnings per share	5,688,764,700	5,687,270,800
Adjustments for share options and restricted shares	<u>–</u>	<u>26,842,218</u>
Weighted average number of common shares outstanding used in the calculation of diluted (loss) earnings per share	5,688,764,700	<u>5,714,113,018</u>
Basic (loss) earnings per share	<u>(P0.09)</u>	<u>P0.05</u>
Diluted (loss) earnings per share	<u>(P0.09)</u>	<u>P0.05</u>
Anti-dilutive share options and restricted shares excluded from the calculation of diluted (loss) earnings per share	<u>–</u>	<u>8,187,618</u>

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

14. Income Tax

The income tax expense (credit) for the three months ended March 31, 2020 and 2019 consisted of:

	Three Months Ended March 31, 2020 (Unaudited)	2019 (Unaudited)
Provision for current income tax	₱2,995	₱–
Over-provision of income tax in prior period	(271)	(75)
Deferred tax charge (credit)	1,284	(6,539)
	₱4,008	(₱6,614)

For the three months ended March 31, 2020, there were no significant changes to the tax exposures as disclosed in the Group's audited consolidated financial statements as of December 31, 2019.

15. Leases

Set out below, are the carrying amount of the Group's right-of-use assets and the movements for the three months ended March 31, 2020:

	March 31, 2020 (Unaudited)
As of January 1, 2020	₱9,900,650
Additions	82,265
Depreciation	(194,678)
As of March 31, 2020	₱9,788,237

Set out below, are the carrying amount of the Group's lease liabilities and the movements for the three months ended March 31, 2020:

	March 31, 2020 (Unaudited)
As of January 1, 2020	₱16,726,445
Additions	54,976
Interest expenses	546,753
Payments	(592,168)
As of March 31, 2020	₱16,736,006
Current	₱2,249,781
Non-current	₱14,486,225

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

15. Leases – continued

The following table presents the contractual undiscounted cash flows for lease liabilities as of March 31, 2020:

	March 31, 2020 (Unaudited)
Within one year	₱2,413,660
In more than one year and not more than five years	10,678,066
In more than five years	22,881,102
	₱35,972,828

16. Long-term Debt, Net

As of March 31, 2020 and December 31, 2019, the balance of long-term debt, net was nil.

For the three months ended March 31, 2020, there were no significant changes to the long-term debt as disclosed in the Group’s audited consolidated financial statements as of December 31, 2019. As of March 31, 2020, the Shareholder Loan Facility and the Credit Facility had not yet been drawn.

17. Cooperation Agreement, Operating Agreement and Lease Agreement

For the three months ended March 31, 2020, 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, 2019.

18. Commitments and Contingencies

(a) Capital Commitments

As of March 31, 2020, the Group had capital commitments contracted for but not provided mainly for the acquisitions of property and equipment for City of Dreams Manila totaling ₱560,351.

(b) Other Commitments and Guarantees

As of March 31, 2020, 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, 2019.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

18. Commitments and Contingencies – continued

(c) Litigation

As of March 31, 2020, 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 will have no material impact on the Group's unaudited condensed consolidated financial statements as a whole.

19. Financial Risk Management Objectives and Policies

As of March 31, 2020 and for the three months ended March 31, 2020, 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, 2019.

20. Financial Instruments

Fair Value of Financial Instruments

Cash and cash equivalents, Restricted cash, Accounts receivable, Deposits and receivables, Amounts due from/to related parties, Accounts payable and Accrued expenses, other payables and other current liabilities

As of March 31, 2020 and December 31, 2019, the carrying values approximate their fair values at the reporting dates due to the relatively short-term maturities of the transactions.

Security deposits and Lease liabilities

As of March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, the Group does not have financial instruments that are carried and measured at fair value. For the three months ended March 31, 2020 and 2019, 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.

21. Notes to Unaudited Condensed Consolidated Statements of Cash Flows

- (a) For the three months ended March 31, 2020, costs of property and equipment totaling ₱145,404 were funded through accrued expenses, other payables and other current liabilities (For the three months ended March 31, 2019: ₱71,410).
- (b) For the three months ended March 31, 2019, accruals for property and equipment of ₱49,869 were reversed for costs adjustments.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

22. Share Incentive Plans

MRP Share Incentive Plan

Share Options

There were no share options granted under the share incentive plan of MRP (the “MRP Share Incentive Plan”) for the three months ended March 31, 2020.

A summary of share options activity under the MRP Share Incentive Plan as of March 31, 2020, and changes for the three months ended March 31, 2020 are presented as follows:

	<u>Number of Share Options</u>
Cash-settled	
Outstanding as of January 1, 2020	7,383,408
Vested	<u>(1,025,654)</u>
Outstanding as of March 31, 2020	<u><u>6,357,754</u></u>

Restricted Shares

There were no restricted shares granted under the MRP Share Incentive Plan for the three months ended March 31, 2020.

A summary of restricted shares activity under the MRP Share Incentive Plan as of March 31, 2020, and changes for the three months ended March 31, 2020 are presented as follows:

	<u>Number of Restricted Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Cash-settled		
Unvested as of January 1, 2020	8,235,686	P8.08
Vested	<u>(1,850,134)</u>	<u>7.80</u>
Unvested as of March 31, 2020	<u><u>6,385,552</u></u>	<u><u>P8.15</u></u>

As of March 31, 2020 and December 31, 2019, the accrued liability associated with cash-settled share options and restricted shares was P75,587 and P76,040, respectively. No fair value gain or loss on remeasurement of the liability associated with the cash-settled share options and restricted shares was recognized for the three months ended March 31, 2020.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

22. Share Incentive Plans – continued

Melco Share Incentive Plan

On March 31, 2020, certain share-based awards under Melco’s share incentive plan adopted on December 7, 2011 (the “Melco Share Incentive Plan”), which has been subsequently amended and restated, were granted by Melco to certain directors and employees of the Group.

In accordance with the applicable accounting standards, the share-based compensation expenses related to the grant of share-based awards under Melco Share Incentive Plan to certain directors and employees of the Group, to the extent of services received by the Group, are recognized in the accompanying unaudited condensed consolidated statement of comprehensive income with a corresponding increase in share-based compensation reserve, representing capital contribution from Melco.

Share Options

For the three months ended March 31, 2020, the exercise price for share options granted under the Melco Share Incentive Plan was determined at the market closing price of Melco’s American depositary shares (“ADS”) trading on the NASDAQ Global Select Market on the date of grant. These share options became exercisable over vesting periods of three years. The share options granted expire 10 years from the date of grant.

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

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

	Three Months Ended March 31, <u>2020</u>
Expected dividend yield	3.10%
Expected stock price volatility	43.50%
Risk-free interest rate	0.43%
Expected average term (years)	5.6
Weighted average share price per share (US\$)	4.13
Weighted average exercise price per share (US\$)	4.13
Weighted average fair value per share option (US\$)	1.21

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

22. Share Incentive Plans – continued

Melco Share Incentive Plan – continued

Share Options – continued

A summary of share options activity under the Melco Share Incentive Plan as of March 31, 2020, and changes for the three months ended March 31, 2020 are presented as follows:

	Number of Share Options	Weighted Average Exercise Price per Share US\$
Equity-settled		
Outstanding as of January 1, 2020	–	–
Granted	443,556	4.13
Outstanding as of March 31, 2020	443,556	4.13
Exercisable as of March 31, 2020	–	–

The exercise price and the weighted average remaining contractual term of the above equity-settled share options outstanding as at the date indicated are as follows:

	<u>March 31, 2020</u>	
	Number of Share Options Outstanding	Weighted Average Remaining Contractual Term (Years)
<u>Exercise Price per Share (US\$):</u>		
4.13.....	443,556	10.00

Restricted Shares

For the three months ended March 31, 2020, the grant date fair value for restricted shares granted under the Melco Share Incentive Plan was determined with reference to the market closing price of Melco's ADS trading on the NASDAQ Global Select Market on the date of grant. These restricted shares have vesting periods of three years.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

22. Share Incentive Plans – continued

Melco Share Incentive Plan – continued

Restricted Shares – continued

A summary of restricted shares activity under the Melco Share Incentive Plan as of March 31, 2020, and changes for the three months ended March 31, 2020 are presented as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value US\$
Equity-settled		
Unvested as of January 1, 2020	–	–
Granted	236,475	4.13
Unvested as of March 31, 2020	236,475	4.13

23. Segment Information

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

	Three Months Ended March 31, 2020 (Unaudited)	2019 (Unaudited)
Total capital expenditures – All in the Philippines at City of Dreams Manila ⁽¹⁾	₱193,667	₱664,889

(1) For the three months ended March 31, 2019, the amounts of total capital expenditures did not include the adjustments for reversal of costs of ₱49,869. There were no adjustments to costs for the three months ended March 31, 2020.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– continued

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

23. Segment Information – continued

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

	Three Months Ended March 31, 2020 (Unaudited)	2019 (Unaudited)
NET OPERATING REVENUES		
The Philippines –		
City of Dreams Manila	<u>₱5,648,454</u>	<u>₱7,506,350</u>
ADJUSTED EBITDA⁽¹⁾		
The Philippines –		
City of Dreams Manila	<u>₱1,515,787</u>	<u>₱3,179,216</u>
OPERATING COSTS AND EXPENSES		
Payments to the Philippine Parties	(392,347)	(736,133)
Depreciation and amortization	(883,916)	(1,046,212)
Share-based compensation	(9,271)	(16,153)
Corporate expenses	(233,021)	(375,470)
Property charges and other	–	(174,467)
Total Operating Costs and Expenses	<u>(1,518,555)</u>	<u>(2,348,435)</u>
OPERATING (LOSS) PROFIT	<u>(2,768)</u>	<u>830,781</u>
NON-OPERATING INCOME (EXPENSES)		
Interest income	25,402	5,234
Interest expenses	(546,753)	(542,834)
Foreign exchange gains (losses), net	7,772	(13,028)
Total Non-operating Expenses, Net	<u>(513,579)</u>	<u>(550,628)</u>
(LOSS) PROFIT BEFORE INCOME TAX	(516,347)	280,153
INCOME TAX (EXPENSE) CREDIT	<u>(4,008)</u>	<u>6,614</u>
NET (LOSS) PROFIT	<u>(₱520,355)</u>	<u>₱286,767</u>

(1) “Adjusted EBITDA” is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, share-based compensation, 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.

**MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND
SUBSIDIARIES****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

– continued

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

24. Subsequent Event

In April 2020, Melco Resorts Leisure received from the Bureau of Internal Revenue a preliminary assessment notice which included a deficiency of the VAT for 2017 (“2017 VAT”) for non-gaming operations, and Melco Resorts Leisure settled the deficiency of the 2017 VAT related to the non-gaming operations in April 2020.