

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, 2016**
 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 Crown (Philippines) Resorts 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 **Asean Avenue cor. Roxas Boulevard., Brgy. Tambo** Postal Code **1701**
Paranaque 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, 2016**

Common **5,662,047,712**

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

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements as of September 30, 2016 and for the three and nine months ended September 30, 2016 and the audited consolidated balance sheet as of December 31, 2015 and the related notes to the unaudited condensed consolidated financial statements of Melco Crown (Philippines) Resorts Corporation (the “**Company**” or “**MCP**”) 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 had not been reflected in the unaudited condensed consolidated financial statements filed as part of this report. Please refer to Note 23 to the unaudited condensed consolidated financial statements for details.

Review of Unaudited Interim Financial Information

The Group’s unaudited condensed consolidated financial statements have been reviewed and approved by the Company’s Audit 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 relate 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, 2016 and for the three and nine months ended September 30, 2016.

Overview and Plan of Operation

The Company, through its subsidiaries, is engaged in the development and operation of an integrated hotel, gaming, retail and entertainment complex within the Entertainment City. The Company’s subsidiaries, MCE Holdings (Philippines) Corporation (“**MCE Holdings**”), MCE Holdings No. 2 (Philippines) Corporation (“**MCE Holdings No. 2**”), and MCE Leisure (Philippines) Corporation (“**MCE Leisure**”) (MCE Holdings, MCE Holdings No. 2 and MCE Leisure are collectively referred to as the “**MCE 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**”) (MCE 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 Crown Entertainment Limited (“**MCE**”), a leading developer of integrated gaming resorts in Macau and other parts of Asia. The Group, through MCE 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.

As of December 31, 2015, the ultimate holding company of the MCP was MCE, a company incorporated in the Cayman Islands with its American Depository Shares traded on the NASDAQ Global Select Market in the United States of America. The major shareholders of MCE, in turn, were Melco International Development Limited (“**Melco**”), a Hong Kong listed company, and Crown Resorts Limited (“**Crown**”), an Australian listed corporation.

On May 9, 2016, MCE completed a repurchase of its 155,000,000 ordinary shares from a subsidiary of Crown and canceled the repurchased shares, followed by certain changes in the composition of the board of directors of MCE. Upon completion of this transaction, Melco became the controlling shareholder of MCE and for accounting purpose, the ultimate holding company of MCE and its subsidiaries, including the Company.

As of September 30, 2016 and December 31, 2015, the immediate holding company of MCP is MCE (Philippines) Investments Limited, an indirect subsidiary of MCE.

City of Dreams Manila opened its doors to the public in December 2014 and marked the formal entry of MCE into the fast-growing and dynamic tourism industry in the Philippines. City of Dreams Manila had its grand opening on February 2, 2015. This new integrated casino resort at Entertainment City, Manila Bay, Manila, is solely operated and managed by MCE 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, 2016, City of Dreams Manila has around 253 gaming tables, 1,530 slot machines and 126 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 Chaos and Pangaea Ultra-Lounge, two night clubs situated within the Fortune Egg, an architecturally-unique dome-like structure, which is accented with creative exterior lighting design. It is expected to become an iconic landmark of the Manila Bay area.

City of Dreams Manila also includes an approximately 260 room Crown Towers hotels, 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 offering, 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 MCP

As of September 30, 2016 and December 31, 2015, MCP's wholly-owned subsidiaries include the MCE Holdings Group. MCE Holdings, MCE Holdings No. 2 and MCE Leisure were all incorporated in the Philippines and were registered with the SEC on August 13, 2012, August 22, 2012 and August 30, 2012, respectively. The primary purpose of MCE Holdings and MCE Holdings No. 2 is investment holding and the primary purpose of MCE 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 MCE Holdings Group

On July 5, 2012, MCE, 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 MCE Holdings Group entered into a cooperation agreement (the "**Cooperation Agreement**") and other related arrangements with the SM Group, Belle and PLAI. MCE 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 MCE Holdings Group and the Philippine Parties entered into an operating agreement on March 13, 2013, pursuant to which MCE Leisure has been granted the exclusive right to manage, operate and control City of Dreams Manila (the "**Operating Agreement**").

On December 19, 2013, MCE 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.

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 and amortization, payments to the Philippine Parties, land rent to Belle, net gain on disposal of property and equipment to Belle, pre-opening costs, share-based compensation expenses, corporate expenses, property charges and others, 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 Per Share: Measures how much a stockholder earns in the Net Income of the Group. Basic Earnings per share is calculated by dividing Net Income by the weighted number of common shares issued and outstanding during a particular period of time.
- e. Rolling chip volume: the amount of non-negotiable chips wagered and lost by the rolling chip market segment.
- f. Rolling chip win rate: rolling chip table games win (calculated before discounts and commissions) as a percentage of rolling chip volume.
- g. Mass market table games drop: the amount of table games drop in the mass market table games segment.
- h. Mass market table games hold percentage: mass market table games win as a percentage of mass market table games drop.
- i. Table games win: the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.
- j. Gaming machine handle: the total amount wagered in gaming machines.
- k. Gaming machine win rate: gaming machine win expressed as a percentage of gaming machine handle.
- l. Average daily rate: calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms occupied, including complimentary rooms, i.e., average price of occupied rooms per day.
- m. Occupancy rate: the average percentage of available hotel rooms occupied, including complimentary rooms, during a period.
- n. Revenue per available room or REVPAR: calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

Operating Results for the Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015

	(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 in Prior Period	
			2016	2015	2016	2015
Net Operating Revenues						
Casino	5,624,846	3,833,385	92%	90%	1,791,461	47%
Rooms	239,271	141,486	4%	3%	97,785	69%
Food and beverage	170,569	150,118	3%	4%	20,451	14%
Entertainment, retail and others	105,569	117,362	2%	3%	(11,793)	-10%
Total net operating revenues	6,140,255	4,242,351	100%	100%	1,897,904	45%
Operating costs and expenses						
Gaming tax and license fees	(1,481,984)	(1,075,416)	-24%	-25%	(406,568)	38%
Inventories consumed	(208,484)	(212,791)	-3%	-5%	4,307	-2%
Employee benefit expenses	(852,847)	(911,851)	-14%	-21%	59,004	-6%
Depreciation and amortization	(1,050,990)	(1,131,325)	-17%	-27%	80,335	-7%
Other expenses	(1,623,319)	(1,126,732)	-26%	-27%	(496,587)	44%
Payments to the Philippine Parties	(427,929)	(219,116)	-7%	-5%	(208,813)	95%
Total operating costs and expenses	(5,645,553)	(4,677,231)	-92%	-110%	(968,322)	21%
Operating profit (loss)	494,702	(434,880)	8%	-10%	929,582	-214%
Non-operating income (expenses)						
Interest income	6,714	3,130	0%	0%	3,584	115%
Interest expenses, net of capitalized interest	(720,265)	(702,145)	-12%	-17%	(18,120)	3%
Amortization of deferred financing costs	(16,662)	(15,575)	0%	0%	(1,087)	7%
Other finance fees	(11,958)	(11,958)	0%	0%	-	0%
Foreign exchange gain (loss), net	90,531	(15,164)	1%	0%	105,695	-697%
Total non-operating expenses, net	(651,640)	(741,712)	-11%	-17%	90,072	-12%
Loss before income tax	(156,938)	(1,176,592)	-3%	-28%	1,019,654	-87%
Income tax expense	(16,595)	(1,182)	0%	0%	(15,413)	1304%
Net loss	(173,533)	(1,177,774)	-3%	-28%	1,004,241	-85%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive loss	(173,533)	(1,177,774)	-3%	-28%	1,004,241	-85%
Basic/diluted loss per share	(₱ 0.03)	(₱ 0.24)	0%	0%	₱ 0.21	-88%

Total comprehensive loss for the three months ended September 30, 2016 was ₱173.5 million, a decrease of ₱1,004.2 million, or 85%, from ₱1,177.8 million for the three months ended September 30, 2015, which is primarily related to improved operating revenues generated during the current quarter, lower employee benefit expenses, a lower depreciation and amortization and a net foreign exchange gain for the three months ended September 30, 2016, partially offset by the increase in gaming tax and license fees, other expenses mainly due to higher other gaming operations expenses, payments to the Philippine Parties as well as the interest expenses (net of capitalized interest) as a result of lower interest capitalization during the period.

Revenues

Total net operating revenues were ₱6,140.3 million for the three months ended September 30, 2016, representing an increase of ₱1,897.9 million, from ₱4,242.4 million for the three months ended September 30, 2015. 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, 2016 comprised of ₱5,624.8 million of casino revenues, representing 92% of total net operating revenues, and ₱515.5 million of non-casino revenues. Total net operating revenues for the three months ended September 30, 2015 comprised

of ₱3,833.4 million casino revenues, representing 90% total net operating revenues and ₱409.0 million of non-casino revenues.

Casino - Casino revenues for the three months ended September 30, 2016 were ₱5,624.8 million, an increase of ₱1,791.4 million, or 47%, from ₱3,833.4 million for the three months ended September 30, 2015. Rolling chip volume for the three months ended September 30, 2016 was ₱74.3 billion, as compared to ₱56.9 billion for the three months ended September 30, 2015. Rolling chip win rate (calculated before discounts and commissions) was 4.0%, and improved from 2.9% for the three months ended September 30, 2015. In the mass market table games segment, mass market table games drop was ₱6.9 billion for the three months ended September 30, 2016 which represented an increase of ₱1.5 billion, or 28% from ₱5.4 billion for the three months ended September 30, 2015. The mass market table games hold percentage was 26.9% and 27.0% for the three months ended September 30, 2016 and 2015, respectively. Gaming machine handle for the three months ended September 30, 2016 was ₱28.2 billion, compared with ₱23.6 billion for the three months ended September 30, 2015. The gaming machine win rate was 5.8% for the three months ended September 30, 2016 versus 5.7% for the three months ended September 30, 2015. Average number of table games and average number of gaming machines for the three months ended September 30, 2016 were 262 and 1,656, respectively, as compared to 276 and 1,721 respectively for the three months ended September 30, 2015. Average net win per table games per day and average net win per gaming machine per day for the three months ended September 30, 2016 were ₱199,822 and ₱10,664, respectively, as compared to ₱122,960 and ₱8,528, respectively for the three months ended September 30, 2015.

Rooms - Room revenues primarily come from Crown Towers Hotel, Nobu Hotel and Hyatt City of Dreams Manila and amounted to ₱239.3 million for the three months ended September 30, 2016 and represented an increase of ₱97.8 million, or 69%, from ₱141.5 million for the three months ended September 30, 2015, due to improved occupancy for the current quarter as compared to the three months ended September 30, 2015. City of Dreams Manila's average daily rate, occupancy rate and REVPAR for the three months ended September 30, 2016 were ₱7,472, 92.1% and ₱6,884, respectively, as compared to ₱7,806, 87.8% and ₱6,851, respectively, for the three months ended September 30, 2015.

Food, beverage and others - 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. Other non-casino revenues for the three months ended September 30, 2015 included food and beverage revenues of ₱150.1 million and entertainment, retail and other revenues of ₱117.4 million. No material fluctuation was noted for the quarter.

Operating costs and expenses

Total operating costs and expenses were ₱5,645.6 million for the three months ended September 30, 2016, representing an increase of ₱968.4 million, from ₱4,677.2 million for the three months ended September 30, 2015. The increase in operating costs was in-line with the increased net operating revenues in the current quarter.

Gaming tax and license fees for the three months ended September 30, 2016 amounted to ₱1,482.0 million, representing an increase of ₱406.6 million, or 38% from ₱1,075.4 million for the three months ended September 30, 2015. The increase was in-line with the increased gaming volume.

Inventories consumed for the three months ended September 30, 2016 and 2015 amounted to ₱208.5 million and ₱212.8 million respectively and represented the gaming playing cards and dice consumed, retail merchandise, food and beverage items and certain operating supplies consumed during the quarter. No material fluctuation was noted for the quarter.

Employee benefit expenses for the three months ended September 30, 2016 amounted to ₱852.8 million, as compared to ₱911.9 million for the three months ended September 30, 2015, which primarily consisted of basic salaries, allowances and bonuses, meals and other amenities expenses, annual leave and other paid leave expenses, retirement costs – defined contribution plans, consultancy fee in consideration for share awards, share-based compensation expenses and other employee benefit expenses. The decrease was mainly due to the cancellation of share-based awards during the period as well as full vesting of share options/restricted shares granted in previous years and lower other employee benefit expenses.

Depreciation and amortization for the three months ended September 30, 2016 and 2015 of ₱1,051.0 million and ₱1,131.3 million respectively, consisted of depreciation for property and equipment of ₱1,037.6

million, amortization of contract acquisition costs of ₱13.0 million and amortization of license fees of ₱0.4 million, as compared to depreciation for property and equipment of ₱1,117.9 million and amortization of contract acquisition costs of ₱13.0 million and amortization of license fees of ₱0.4 million, for the three months ended September 30, 2015. The decrease was primarily due to disposal of property and equipment in prior quarter.

Other expenses for the three months ended September 30, 2016 amounted to ₱1,623.3 million, as compared to ₱1,126.7 million for the three months ended September 30, 2015 and primarily consisted of other gaming operations expenses, facilities expenses, management fee expenses, supplies expenses, advertising, marketing, promotional and entertainment expenses, rental expenses, office and administrative expenses, taxes and licenses, net loss/gain on disposal of property and equipment and operating expenses and others. The increase was primarily attributable to (i) ₱581.9 million higher other gaming operations expenses mainly attributable to higher junket commission expenses as a result of higher rolling chip volume during the quarter; (ii) ₱13.0 million higher facilities expenses; (iii) ₱12.3 million of higher advertising, marketing, promotional and entertainment expenses; partially offset by (iv) ₱45.9 million lower management fee expenses during the three months ended September 30, 2016; (v) ₱48.1 million lower other general operating costs; (vi) ₱8.7 million lower supplies expenses and (vii) ₱7.9 million lower rental expenses.

Payments to the Philippine Parties represented the agreed upon payments to PLAI calculated in accordance with the Operating Agreement dated March 13, 2013 and related supplementary agreements. The increase was primarily due to improved casino revenues during the quarter.

Non-operating expenses, net

Interest income of ₱6.7 million for the three months ended September 30, 2016, as compared to ₱3.1 million for the three months ended September 30, 2015, represented the bank interest income mainly generated from net proceeds from the short-term fixed deposits. The increase was due to more deposits being placed at the bank during the three months ended September 30, 2016 compared to the same period in 2015.

Interest expenses (net of capitalized interest), mainly represented the interest expenses on Senior Notes and obligations under finance lease, amounted to ₱720.3 million for the three months ended September 30, 2016 as compared to ₱702.1 million for the three months ended September 30, 2015. No material fluctuations were noted.

Amortization of deferred financing costs remained stable at ₱16.7 million and ₱15.6 million for the three months ended September 30, 2016 and 2015, respectively, representing amortization of deferred financing costs capitalized for the Senior Notes which is effective from January 2014.

Other finance fees amounted to ₱12.0 million for both three months ended September 30, 2016 and 2015, representing the gross receipt tax in relation to the interest payment of Senior Notes issued in January 2014.

Foreign exchange gain, net of ₱90.5 million for the three months ended September 30, 2016 was mainly due to the translation of foreign currency denominated bank balances and payables at the period end closing rate. Because the Philippine Peso declined against the H.K. Dollar and the U.S. Dollar during the three months ended September 30, 2016, a net foreign exchange gain resulted in the current quarter as compared to a net foreign exchange loss of ₱15.2 million for the three months ended September 30, 2015.

Income tax expense

The provision for income tax for the three months ended September 30, 2016 and 2015 represents the provision for current income tax and deferred tax. Please refer to Note 14 to the unaudited condensed consolidated financial statements for the nature and details of the provision for income tax for the three months ended September 30, 2016.

Net loss

As a result of the foregoing, the Group incurred net loss of ₱173.5 million for the three months ended September 30, 2016, as compared to ₱1,177.8 million for the three months ended September 30, 2015.

Operating Results for the Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the nine months ended September 30,	For the nine months ended September 30,	% to Revenues		% of Change in Prior Period	
			2016	2015	Inc / (Dec)	%
Net Operating Revenues						
Casino	14,785,458	8,686,253	91%	88%	6,099,205	70%
Rooms	710,896	435,962	4%	4%	274,934	63%
Food and beverage	507,884	493,337	3%	5%	14,547	3%
Entertainment, retail and others	294,284	305,950	2%	3%	(11,666)	-4%
Total net operating revenues	16,298,522	9,921,502	100%	100%	6,377,020	64%
Operating costs and expenses						
Gaming tax and license fees	(4,006,681)	(2,466,571)	-25%	-25%	(1,540,110)	62%
Inventories consumed	(591,731)	(586,219)	-4%	-6%	(5,512)	1%
Employee benefit expenses	(2,552,737)	(3,057,905)	-16%	-31%	505,168	-17%
Depreciation and amortization	(3,320,865)	(3,227,898)	-20%	-33%	(92,967)	3%
Other expenses	(4,112,408)	(3,984,733)	-25%	-40%	(127,675)	3%
Payments to the Philippine Parties	(1,152,171)	(542,812)	-7%	-5%	(609,359)	112%
Total operating costs and expenses	(15,736,593)	(13,866,138)	-97%	-140%	(1,870,455)	13%
Operating profit (loss)	561,929	(3,944,636)	3%	-40%	4,506,565	-114%
Non-operating income (expenses)						
Interest income	12,727	10,904	0%	0%	1,823	17%
Interest expenses, net of capitalized interest	(2,150,045)	(2,012,341)	-13%	-20%	(137,704)	7%
Amortization of deferred financing costs	(49,178)	(45,967)	0%	0%	(3,211)	7%
Other finance fees	(35,874)	(35,874)	0%	0%	-	0%
Foreign exchange gain (loss), net	80,358	(35,136)	0%	0%	115,494	-329%
Total non-operating expenses, net	(2,142,012)	(2,118,414)	-13%	-21%	(23,598)	1%
Loss before income tax	(1,580,083)	(6,063,050)	-10%	-61%	4,482,967	-74%
Income tax expense	(17,764)	(24,911)	0%	0%	7,147	-29%
Net loss	(1,597,847)	(6,087,961)	-10%	-61%	4,490,114	-74%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive loss	(1,597,847)	(6,087,961)	-10%	-61%	4,490,114	-74%
Basic/diluted loss per share	(₱ 0.28)	(₱ 1.23)			₱ 0.95	-77%

Total comprehensive loss for the nine months ended September 30, 2016 was ₱1,597.8 million, a decrease of ₱4,490.2 million, or 74%, from ₱6,088.0 million for the nine months ended September 30, 2015, which is primarily related to improved operating revenues generated during the current period, lower employee benefit expenses and a net foreign exchange gain for the period, partially offset by the associated increase in operating costs, higher depreciation and amortization, payments to the Philippine Parties as well as interest expenses (net of capitalized interest) as a result of lower interest capitalization since the project completion in the first quarter of 2015.

Revenues

Total net operating revenues were ₱16,298.5 million for the nine months ended September 30, 2016, representing an increase of ₱6,377.0 million, from ₱9,921.5 million for the nine months ended September 30, 2015. 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, 2016 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. Total net operating revenues for the nine months ended September 30, 2015 comprised of ₱8,686.3 million casino revenues, representing 88% total net operating revenues and ₱1,235.2 million of non-casino revenues.

Casino - Casino revenues for the nine months ended September 30, 2016 were ₱14,785.5 million, an increase of ₱6,099.2 million, or 70%, from ₱8,686.3 million for the nine months ended September 30, 2015. Rolling chip volume for the nine months ended September 30, 2016 was ₱224.6 billion, as compared to ₱87.3 billion for the nine months ended September 30, 2015. Rolling chip win rate (calculated before discounts and commissions) was 3.4%, and improved from 2.4% for the nine months ended September 30, 2015. In the mass market table games segment, mass market table games drop was ₱18.9 billion for the nine months ended September 30, 2016 which represented an increase of ₱3.8 billion, or 25% from ₱15.1 billion for the nine months ended September 30, 2015. The mass market table games hold percentage was 28.1% for the nine months ended September 30, 2016 and demonstrated an increase from 25.9% for the nine months ended September 30, 2015. Gaming machine handle for the nine months ended September 30, 2016 was ₱73.6 billion, compared with ₱61.5 billion for the nine months ended September 30, 2015. The gaming machine win rate was 5.9% for both nine months ended September 30, 2016 and 2015. Average number of table games and average number of gaming machines for the nine months ended September 30, 2016 were 269 and 1,646, respectively, as compared to 258 and 1,726 respectively for the nine months ended September 30, 2015. Average net win per table games per day and average net win per gaming machine per day for the nine months ended September 30, 2016 were ₱175,132 and ₱9,595, respectively, as compared to ₱88,622 and ₱7,715, respectively for the nine months ended September 30, 2015.

Rooms - Room revenues primarily come from Crown Towers Hotel, Nobu Hotel and Hyatt City of Dreams Manila and amounted to ₱710.9 million for the nine months ended September 30, 2016 and represented an increase of ₱274.9 million, or 63%, from ₱436.0 million for the nine months ended September 30, 2015, due to improved occupancy as a result of more available rooms open for sales for the current period as compared to the nine months ended September 30, 2015. City of Dreams Manila's average daily rate, occupancy rate and REVPAR for the nine months ended September 30, 2016 were ₱7,561, 89.6% and ₱6,775, respectively, as compared to ₱9,017, 85.0% and ₱7,667, respectively, for the nine months ended September 30, 2015.

Food, beverage and others - 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. Other non-casino revenues for the nine months ended September 30, 2015 included food and beverage revenues of ₱493.3 million and entertainment, retail and other revenues of ₱306.0 million. No material fluctuation noted for the period.

Operating costs and expenses

Total operating costs and expenses were ₱15,736.6 million for the nine months ended September 30, 2016, representing an increase of ₱1,870.5 million, from ₱13,866.1 million for the nine months ended September 30, 2015. The increase in operating costs was in-line with the increased net operating revenues in the current period.

Gaming tax and license fees for the nine months ended September 30, 2016 amounted to ₱4,006.7 million, representing an increase of ₱1,540.1 million, or 62% from ₱2,466.6 million for the nine months ended September 30, 2015. The increase was in-line with the increased gaming volume.

Inventories consumed for the nine months ended September 30, 2016 and 2015 amounted to ₱591.7 million and ₱586.2 million, respectively, and represented the gaming playing cards and dice consumed, retail merchandise, food and beverage items and certain operating supplies consumed during the period. No material fluctuation was noted for the period.

Employee benefit expenses for the nine months ended September 30, 2016 amounted to ₱2,552.7 million, as compared to ₱3,057.9 million for the nine months ended September 30, 2015, which primarily consisted of basic salaries, allowances and bonuses, meals and other amenities expenses, annual leave and other paid leave expenses, retirement costs – defined contribution plans, consultancy fee in consideration for

share awards, share-based compensation expenses and other employee benefit expenses. The decrease was mainly due to lower basic salaries, allowances, meals and other amenities expenses, the cancellation of share-based awards during the period as well as full vesting of share options/restricted shares granted in previous years and other employee benefit expenses.

Depreciation and amortization for the nine months ended September 30, 2016 and 2015 of ₱3,320.9 million and ₱3,227.9 million respectively, consisted of depreciation for property and equipment of ₱3,280.5 million, amortization of contract acquisition costs of ₱39.1 million and amortization of license fees of ₱1.3 million, as compared to depreciation for property and equipment of ₱3,187.7 million, amortization of contract acquisition costs of ₱39.1 million, and amortization of license fees of ₱1.1 million, for the nine months ended September 30, 2015. The increase was primarily due to more property and equipment being put into use during the period, partially offset by disposal of property and equipment in the second quarter of 2016.

Other expenses for the nine months ended September 30, 2016 amounted to ₱4,112.4 million, as compared to ₱3,984.7 million for the nine months ended September 30, 2015 and primarily consisted of other gaming operations expenses, facilities expenses, management fee expenses, supplies expenses, advertising, marketing, promotional and entertainment expenses, rental expenses, office and administrative expenses, taxes and licenses, net loss/gain on disposal of property and equipment and operating expenses and others. The increase was primarily attributable to (i) ₱1,717.8 million higher other gaming operations expenses mainly attributable to higher junket commission expenses as a result of higher rolling chip volume during the period; (ii) ₱62.1 million higher facilities expenses; partially offset by (iii) net gain on disposal of property and equipment ₱375.0 million during the period; (iv) ₱890.1 million of lower advertising, marketing, promotional and entertainment expenses as the grand opening of the resort was launched in February 2015; (v) ₱175.4 million lower management fee expenses during the nine months ended September 30, 2016; (vi) ₱62.3 million lower supplies expenses; (vii) ₱121.3 million lower other general operating costs and (viii) ₱28.1 million lower rental expenses.

Payments to the Philippine Parties represented the agreed upon payments to PLAI calculated in accordance with the Operating Agreement dated March 13, 2013 and related supplementary agreements. The increase was primarily due to improved casino revenues during the period.

Non-operating expenses, net

Interest income of ₱12.7 million for the nine months ended September 30, 2016, as compared to ₱10.9 million for the nine months ended September 30, 2015, represented the bank interest income mainly generated from net proceeds from the short-term fixed deposits. The increase was due to more deposits being placed at the bank during the nine months ended September 30, 2016 compared to the same period in 2015.

Interest expenses (net of capitalized interest), mainly represented the interest expenses on Senior Notes and obligations under finance lease, amounted to ₱2,150.0 million for the nine months ended September 30, 2016 as compared to ₱2,012.3 million for the nine months ended September 30, 2015. The increase was primarily due to lower interest capitalization of ₱6.5 million (₱80.8 million for the nine months ended September 30, 2015) due to the completion of the property construction during 2015.

Amortization of deferred financing costs remained stable at ₱49.2 million and ₱46.0 million for the nine months ended September 30, 2016 and 2015, respectively, representing amortization of deferred financing costs for the Senior Notes.

Other finance fees amounted to ₱35.9 million for both nine months ended September 30, 2016 and 2015, representing the gross receipt tax in relation to the interest payment of Senior Notes issued in January 2014.

Foreign exchange gain, net of ₱80.4 million for the nine months ended September 30, 2016 was mainly due to the translation of foreign currency denominated bank balances and payables at the period end closing rate. Because the Philippine Peso declined against the H.K. Dollar and the U.S. Dollar during the nine months ended September 30, 2016, a net foreign exchange gain resulted in the current quarter as compared to a net foreign exchange loss of ₱35.1 million for the nine months ended September 30, 2015.

Income tax expense

The provision for current income tax for the nine months ended September 30, 2016 and 2015 represents the provision for current income tax and deferred tax. Please refer to Note 14 to the unaudited condensed consolidated financial statements for the nature and details of the provision for income tax for the nine months ended September 30, 2016.

Net loss

As a result of the foregoing, the Group incurred net loss of ₱1,597.8 million for the nine months ended September 30, 2016, as compared to ₱6,088.0 million for the nine months ended September 30, 2015.

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, net gain on disposal of property and equipment to Belle, pre-opening costs, share-based compensation expenses, corporate expenses, property charges and others and other non-operating income and expenses. Adjusted EBITDA were ₱2,097.3 million and ₱1,117.2 million for the three months ended September 30, 2016 and 2015, respectively. Adjusted EBITDA were ₱5,102.9 million and ₱1,784.5 million for the nine months ended September 30, 2016 and 2015, 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 supplemental disclosures because management believes they are widely used to measure performance and as a basis for valuation of gaming companies. Our management also uses Adjusted EBITDA because they are used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported similar measures as a supplement to financial measures in accordance with generally accepted accounting principles. 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 announcement 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, possibility of any natural disasters, legal and license terms compliance, tax rates, as well as certain cost items, such as operating cost, labor, fuel and power. The Group will collect 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 September 30, 2016 with variance against December 31, 2015 is discussed, as follows:

(in thousands of Philippine peso, except per share and % change data)				VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
		September 30,	December 31,	% to Total Assets		% of Change in Prior Period	
ASSETS		2016	2015	2016	2015	Inc / (Dec)	%
Current assets							
Cash and cash equivalents	9,467,409	7,460,229	22%	17%	2,007,180	27%	
Restricted cash	193,202	42,525	0%	0%	150,677	354%	
Accounts receivable, net	1,537,452	1,283,575	4%	3%	253,877	20%	
Inventories	225,962	268,819	1%	1%	(42,857)	-16%	
Prepayments and other current assets	373,884	194,423	1%	0%	179,461	92%	
Amount due from a shareholder	5,590	5,588	0%	0%	2	0%	
Amount due from ultimate holding company	-	175,557	0%	0%	(175,557)	-100%	
Amount due from an intermediate holding company	175,330	-	0%	0%	175,330	N/A	
Amount due from immediate holding company	3,000	-	0%	0%	3,000	N/A	
Amounts due from an affiliated company	987	455	0%	0%	532	117%	
Total current assets	11,982,816	9,431,171	28%	21%	2,551,645	27%	
Noncurrent assets							
Property and equipment, net	27,904,702	32,939,887	66%	74%	(5,035,185)	-15%	
Contract acquisition costs, net	876,895	915,965	2%	2%	(39,070)	-4%	
Other intangible assets, net	5,871	7,176	0%	0%	(1,305)	-18%	
Other noncurrent assets	1,474,096	1,462,673	3%	3%	11,423	1%	
Deferred tax asset	-	881	0%	0%	(881)	-100%	
Total noncurrent assets	30,261,564	35,326,582	72%	79%	(5,065,018)	-14%	
Total assets	42,244,380	44,757,753	100%	100%	(2,513,373)	-6%	
LIABILITIES AND EQUITY							
Current liabilities							
Accounts payable	108,590	150,806	0%	0%	(42,216)	-28%	
Accrued expenses, other payables and other current liabilities	6,506,522	8,203,747	15%	18%	(1,697,225)	-21%	
Current portion of obligations under finance lease	1,492,120	1,401,702	4%	3%	90,418	6%	
Amount due to immediate holding company	-	7,357	0%	0%	(7,357)	-100%	
Amounts due to affiliated companies	1,006,096	609,951	2%	1%	396,145	65%	
Income tax payable	130	170	0%	0%	(40)	-24%	
Total current liabilities	9,113,458	10,373,733	22%	23%	(1,260,275)	-12%	
Noncurrent liabilities							
Long-term debt, net	14,831,530	14,782,352	35%	33%	49,178	0%	
Noncurrent portion of obligations under finance lease	12,978,004	12,744,835	31%	28%	233,169	2%	
Deferred rent liability	208,273	176,508	0%	0%	31,765	18%	
Retirement liability	34,730	23,617	0%	0%	11,113	47%	
Other noncurrent liabilities	42,827	48,638	0%	0%	(5,811)	-12%	
Deferred tax liability	16,585	-	0%	0%	16,585	N/A	
Total noncurrent liabilities	28,111,949	27,775,950	67%	62%	335,999	1%	
Equity							
Capital stock	5,662,048	5,643,355	13%	13%	18,693	0%	
Additional paid-in capital	22,074,732	21,932,963	52%	49%	141,769	1%	
Share-based compensation reserve	427,925	606,279	1%	1%	(178,354)	-29%	
Equity reserve	(3,613,990)	(3,613,990)	-9%	-8%	-	0%	
Accumulated deficits	(19,531,742)	(17,960,537)	-46%	-40%	(1,571,205)	9%	
Total equity	5,018,973	6,608,070	12%	15%	(1,589,097)	-24%	
Total equity and liabilities	42,244,380	44,757,753	100%	100%	(2,513,373)	-6%	

Current assets

Cash and cash equivalents decreased by ₱2,007.2 million, which is the net result of operating cash inflows and the payments made for the capital expenditures. Please see below "Liquidity and Capital Resources" for cash flow analysis for the nine months ended September 30, 2016.

Restricted cash represents an escrow account that is restricted for foundation fee payable in accordance with the terms of the Regular/Provisional License. The increase during the period represented the foundation devoted amount for the nine months ended September 30, 2016.

Accounts receivable, net, primarily attributable to casino, hotel and F&B receivables, increased by ₱253.9 million, which was mainly due to increase in casino receivables associated with the improved casino revenues, partially offset by increase in allowance for doubtful debts made for the current period and the decrease in hotel receivables. Please refer to Note 5 to the unaudited condensed consolidated financial statements for the details and aging of the accounts receivable, net as of September 30, 2016.

Inventories of ₱226.0 million mainly consisted of gaming inventories, retail merchandise, food and beverage items and certain operating supplies.

Prepayments and other current assets increased by ₱179.5 million, which was primarily due to increase in (i) receivable from the Philippine Parties of ₱123.0 million; (ii) creditable withholding tax of ₱39.5 million; (iii) prepaid advertising, marketing, promotional and entertainment expenses of ₱11.3 million; (iv) deposit for acquisition of inventory of ₱9.9 million; (v) prepaid employee benefit expenses of ₱3.6 million; (vi) a net increase in others of ₱20.3 million; partially offset by decrease in (vii) rental and other receivables, net of ₱16.9 million and (viii) prepaid facilities expenses of ₱11.2 million.

Noncurrent assets

Property and equipment decreased by ₱5,035.2 million, mainly due to the disposal of property and equipment of ₱1,932.7 million as well as depreciation of ₱3,280.5 million for the operating equipment during the period; partially offset by addition of property and equipment of ₱178.0 million during the period.

Contract acquisition costs decreased by ₱39.0 million, mainly due to the amortization for the nine months ended September 30, 2016.

Other intangible assets represent the license fees incurred for the right to the use of certain third party trademarks for City of Dreams Manila. The balance decreased by ₱1.3 million during the period as a result of amortization on a straight line basis over the license term of 5 years from February 14, 2015, the opening date of the attraction.

Other noncurrent assets increased by ₱11.4 million primarily due to (i) increase in net input VAT of ₱63.4 million during the nine months ended September 30, 2016 and (ii) increase in deposit of acquisition of property and equipment of ₱9.8 million; partially offset by (iii) decrease in rental deposit of ₱15.3 million and (iv) decrease in others of ₱46.5 million.

Current liabilities

Accounts payable of ₱108.6 million represented the payables to suppliers with products and services such as playing cards and marketing. The decrease in balance was due to more settlements made to suppliers during the period.

Accrued expenses, other payables and other current liabilities decreased by ₱1,697.2 million, which is mainly related to decrease in (i) accruals for acquisition of property and equipment by ₱2,001.1 million; (ii) unpaid portion of obligation under finance lease of ₱126.1 million and (iii) escrow funds refundable to the Philippine Parties of ₱1,104.5 million; partially offset by the increase in (iv) customer deposits of ₱576.2 million; (v) gaming tax and license fees of ₱444.3 million; (vi) outstanding gaming chips and tokens of ₱485.0 million and (vii) net increase in others of ₱29.0 million.

Current portion of obligations under finance lease comprised of the building lease portion. It represented the building lease payments that are due within one year. The increase during the period was mainly due to (i) the finance lease charges of ₱1,220.2 million recognized during the period, partially offset by (ii) the lease payments made of ₱1,129.8 million during the period.

Amounts due to affiliated companies and immediate holding company increased by ₱388.8 million, which primarily resulted from management fee/payroll/expenses recharged from affiliates/holding companies during the period. Please refer to Note 12 to the unaudited condensed consolidated financial statements for the nature and details of the related party transactions for the three and nine months ended September 30, 2016.

Noncurrent liabilities

Long-term debt of ₱14.8 billion represents the Senior Notes which will mature in 2019 and priced at par of 100% of the principal amount of ₱15.0 billion, net of ₱168.5 million unamortized deferred financing costs. The increase during the period solely represented the amortization of deferred financing costs of ₱49.2 million for the period.

Non-current portion of obligations under finance lease increased by ₱233.2 million. It represented the building lease payments that are due more than one year. Increase in balance mainly represented the finance lease charges during the period.

Deferred rent liability represented the difference between the amount of effective rent on leased land recognized in the consolidated statement of comprehensive income and actual payments made. The amount is not expected to be reversed within one year.

Retirement liability of ₱34.7 million represented the retirement costs recognized as of September 30, 2016 based on the provisions of Republic Act No. 7641, otherwise known as the "Retirement Pay Law".

Other noncurrent liabilities represented the retail tenants' deposits and other payables which are due more than one year.

Deferred tax liability represented the deferred tax charge on unrealized foreign exchange gains. Please refer to Note 14 to the unaudited condensed consolidated financial statements for the nature and details.

Equity

Capital stock and additional paid-in capital increased by ₱18.7 million and ₱141.8 million, respectively, as of September 30, 2016 as compared to December 31, 2015, which was mainly due to 18,692,234 number of restricted shares vested during the nine months ended September 30, 2016.

Share-based compensation reserve decreased by ₱178.4 million mainly due to transfer of ₱160.5 million to capital stock/additional paid-in capital as a result of 18,692,234 number of restricted shared vested mentioned above and the transfer of ₱26.6 million to accumulated deficits as a result of expiry of shared options during the period; partially offset by the recognition of share-based payments of ₱8.7 million during the nine months ended September 30, 2016.

Equity reserve consisted of the net difference between the cost of MCP to acquire MCE Holdings Group and the legal capital of the latter at the date of reverse acquisition, plus the retained earnings of MCP as of December 19, 2012, the date when MCP was acquired by MCE. The amount remained unchanged as of September 30, 2016 as compared to December 31, 2015.

Deficit increased by ₱1,571.2 million to ₱19,531.7 million as of September 30, 2016, from ₱17,960.5 million as of December 31, 2015, which was primarily due to the net loss by ₱1,597.8 million recognized during the nine months ended September 30, 2016, partially offset by the transfer of ₱26.6 million from share-based compensation reserve mentioned above.

Liquidity and Capital Resources

The table below shows the Group's unaudited condensed consolidated cash flows for the nine months ended September 30, 2016 and 2015, respectively:

	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2015	% Change
<i>In thousands of Philippine peso, except % change data</i>			
Net cash provided by operating activities	5,284,294	1,732,715	205%
Net cash used in investing activities	(1,117,084)	(85,815)	1202%

Cash used in financing activities	(2,245,712)	(1,878,875)	20%
Effect of foreign exchange on cash and cash equivalents	85,682	119,529	-28%
Net increase (decrease) in cash and cash equivalents	2,007,180	(112,446)	-1885%
Cash and cash equivalents at beginning of period	7,460,229	7,651,187	-2%
Cash and cash equivalents at end of period	9,467,409	7,538,741	26%

Cash and cash equivalents increased by 27% as of September 30, 2016 compared to December 31, 2015 mainly due to the net effect of the following:

- For the nine months ended September 30, 2016, the Group recorded cash flow from operating activities of ₱5,284.3 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 ₱1,117.1 million for the nine months ended September 30, 2016, which primarily includes: (i) capital expenditure payments of ₱2,066.1 million; (ii) deposit for acquisition of property and equipment of ₱55.3 million; and (iii) increase in restricted cash of ₱150.7 million for the foundation fee payable; offset by (iv) proceeds from sale of property and equipment of ₱1,155.0 million.
- Cash used in financing activities for the nine months ended September 30, 2016 mainly represented (i) repayments of obligations under the finance lease of ₱1,247.6 million; (ii) interest and other finance fee payments for the Senior Notes of ₱985.3 million and (iii) payment for transaction costs of issuance of capital stock of ₱12.8 million.

The table below shows the Group's capital resources as of September 30, 2016 and December 31, 2015:

	As of September 30, 2016	As of December 31, 2015	% Change
<i>In thousands of Philippine peso, except % change data</i>			
Long-term debt, net	14,831,530	14,782,352	0%
Equity	5,018,973	6,608,070	-24%
	19,850,503	21,390,422	-7%

Total long-term debt and equity decreased by 7% to ₱19,850.5 million as of September 30, 2016, from ₱21,390.4 million as of December 31, 2015. The decrease was mainly due to (i) the net loss of ₱1,597.8 million during the nine months ended September 30, 2016; partially offset by (ii) the recognition of share-based compensation reserve of ₱26.6 million.

Risks Related to Financial Instruments

The Group has financial assets and financial liabilities such as cash and cash equivalents, restricted cash, accounts receivable, net, other deposits and receivables, net, amount due from a shareholder, amount due from ultimate holding company, amount due from an intermediate holding company, amount due from (to) immediate holding company, amount due from an affiliated company, accounts payable, accrued expenses, other payables and other current liabilities, amounts due to affiliated companies, and other noncurrent liabilities which arise directly from its operation.

The main risks arising from the Group's financial instruments as of and for three and nine months ended September 30, 2016 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 flow to fund the development of City of Dreams Manila. We are a growing company with significant financial needs. We expect to have significant 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 flow and different forms of financing to meet our funding needs and repay our indebtedness, as the case may be.

The timing of any future debt and equity financing activities will be dependent on our funding needs, the availability of funds on acceptable terms 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 stocks, sale-and-leaseback 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, 2016, we had capital commitments contracted for, but not provided for, consisting mainly for the acquisition of property and equipment of City of Dreams Manila totaling ₱166.5 million.

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

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 CROWN (PHILIPPINES) RESORTS 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 CROWN (PHILIPPINES) RESORTS CORPORATION
(Issuer)



Donald Nori Tateishi
Treasurer

Melco Crown (Philippines) Resorts Corporation and
Subsidiaries

**Condensed Consolidated Financial Statements
September 30, 2016 (Unaudited) and December 31, 2015
and For The Three and Nine Months Ended September 30, 2016 and 2015 (Unaudited)**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2016 AND DECEMBER 31, 2015
(In thousands of Philippine peso, except share and per share data)

	September 30, 2016 (Unaudited) (Note 2)	December 31, 2015 (Audited) (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱9,467,409	₱7,460,229
Restricted cash	193,202	42,525
Accounts receivable, net (Note 5)	1,537,452	1,283,575
Inventories	225,962	268,819
Prepayments and other current assets	373,884	194,423
Amount due from a shareholder (Note 12)	5,590	5,588
Amount due from ultimate holding company (Note 12)	—	175,557
Amount due from an intermediate holding company (Note 12)	175,330	—
Amount due from immediate holding company (Note 12)	3,000	—
Amount due from an affiliated company (Note 12)	987	455
Total Current Assets	11,982,816	9,431,171
Noncurrent Assets		
Property and equipment, net (Note 6)	27,904,702	32,939,887
Contract acquisition costs, net (Note 7)	876,895	915,965
Other intangible assets, net	5,871	7,176
Other noncurrent assets	1,474,096	1,462,673
Deferred tax asset	—	881
Total Noncurrent Assets	30,261,564	35,326,582
	₱42,244,380	₱44,757,753
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	₱108,590	₱150,806
Accrued expenses, other payables and other current liabilities (Note 8)	6,506,522	8,203,747
Current portion of obligations under finance lease (Note 15)	1,492,120	1,401,702
Amount due to immediate holding company (Note 12)	—	7,357
Amounts due to affiliated companies (Note 12)	1,006,096	609,951
Income tax payable	130	170
Total Current Liabilities	9,113,458	10,373,733
Noncurrent Liabilities		
Long-term debt, net (Note 16)	14,831,530	14,782,352
Noncurrent portion of obligations under finance lease (Note 15)	12,978,004	12,744,835
Deferred rent liability	208,273	176,508
Retirement liability	34,730	23,617
Other noncurrent liabilities	42,827	48,638
Deferred tax liability	16,585	—
Total Noncurrent Liabilities	₱28,111,949	₱27,775,950

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS – continued
SEPTEMBER 30, 2016 AND DECEMBER 31, 2015
(In thousands of Philippine peso, except share and per share data)

	September 30, 2016 (Unaudited) (Note 2)	December 31, 2015 (Audited) (Note 2)
Equity		
Capital stock (Note 9)	₱5,662,048	₱5,643,355
Additional paid-in capital	22,074,732	21,932,963
Share-based compensation reserve	427,925	606,279
Equity reserve (Notes 2 and 9)	(3,613,990)	(3,613,990)
Accumulated deficits	(19,531,742)	(17,960,537)
Total Equity	5,018,973	6,608,070
	₱42,244,380	₱44,757,753

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME**
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of Philippine peso, except share and per share data)

	Three Months Ended September 30, 2016 (Note 2)	2015 (Note 2)	Nine Months Ended September 30, 2016 (Note 2)	2015 (Note 2)
NET OPERATING REVENUES				
Casino	₱5,624,846	₱3,833,385	₱14,785,458	₱8,686,253
Rooms	239,271	141,486	710,896	435,962
Food and beverage	170,569	150,118	507,884	493,337
Entertainment, retail and others	105,569	117,362	294,284	305,950
Total Net Operating Revenues	6,140,255	4,242,351	16,298,522	9,921,502
OPERATING COSTS AND EXPENSES				
Gaming tax and license fees	(1,481,984)	(1,075,416)	(4,006,681)	(2,466,571)
Inventories consumed	(208,484)	(212,791)	(591,731)	(586,219)
Employee benefit expenses (Note 10)	(852,847)	(911,851)	(2,552,737)	(3,057,905)
Depreciation and amortization	(1,050,990)	(1,131,325)	(3,320,865)	(3,227,898)
Other expenses (Note 11)	(1,623,319)	(1,126,732)	(4,112,408)	(3,984,733)
Payments to the Philippine Parties	(427,929)	(219,116)	(1,152,171)	(542,812)
Total Operating Costs and Expenses	(5,645,553)	(4,677,231)	(15,736,593)	(13,866,138)
OPERATING PROFIT (LOSS)	494,702	(434,880)	561,929	(3,944,636)
NON-OPERATING INCOME (EXPENSES)				
Interest income	6,714	3,130	12,727	10,904
Interest expenses, net of capitalized interest	(720,265)	(702,145)	(2,150,045)	(2,012,341)
Amortization of deferred financing costs	(16,662)	(15,575)	(49,178)	(45,967)
Other finance fees	(11,958)	(11,958)	(35,874)	(35,874)
Foreign exchange gain (loss), net	90,531	(15,164)	80,358	(35,136)
Total Non-operating Expenses, Net	(651,640)	(741,712)	(2,142,012)	(2,118,414)
LOSS BEFORE INCOME TAX	(156,938)	(1,176,592)	(1,580,083)	(6,063,050)
INCOME TAX EXPENSE (Note 14)	(16,595)	(1,182)	(17,764)	(24,911)
NET LOSS	(173,533)	(1,177,774)	(1,597,847)	(6,087,961)
OTHER COMPREHENSIVE INCOME	—	—	—	—
TOTAL COMPREHENSIVE LOSS	(₱173,533)	(₱1,177,774)	(₱1,597,847)	(₱6,087,961)
Basic/Diluted Loss Per Share (Note 13)	(₱0.03)	(₱0.24)	(₱0.28)	(₱1.23)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015**

(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 (Note 9)	Accumulated Deficits	Total
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)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	(1,597,847)	(1,597,847)
Issuance of shares for restricted shares vested (Note 9)	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
Balance as of January 1, 2015	₱4,911,480	₱19,647,157	₱759,248	(₱3,613,990)	(₱8,816,484)	₱12,887,411
Net loss	—	—	—	—	(6,087,961)	(6,087,961)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	(6,087,961)	(6,087,961)
Issuance of shares for restricted shares vested	38,319	290,579	(328,898)	—	—	—
Share-based compensation	—	—	141,595	—	—	141,595
Balance as of September 30, 2015	₱4,949,799	₱19,937,736	₱571,945	(₱3,613,990)	(₱14,904,445)	₱6,941,045

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of Philippine peso, except share and per share data)

	Nine Months Ended September 30, <u>2016</u> (Note 2)	2015 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	₱5,284,294	₱1,732,715
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property and equipment	(2,066,105)	(3,339,998)
(Increase) decrease in restricted cash	(150,677)	2,221,037
Advance payments and deposits for acquisition of property and equipment	(55,346)	(4,260)
Proceeds from disposal of property and equipment	1,155,044	–
Escrow funds refundable to the Philippine Parties	–	1,103,905
Payment for other noncurrent assets	–	(62,192)
Payment for acquisition of other intangible assets	–	(4,307)
Net cash used in investing activities	(1,117,084)	(85,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of obligations under finance lease	(1,247,617)	(893,543)
Interest paid	(937,500)	(937,500)
Other finance fees paid	(47,832)	(47,832)
Payment for transaction costs of issuance of capital stock	(12,763)	–
Cash used in financing activities	(2,245,712)	(1,878,875)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	85,682	119,529
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,007,180	(112,446)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,460,229	7,651,187
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱9,467,409	₱7,538,741

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS 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

(a) Corporate Information

Melco Crown (Philippines) Resorts Corporation (herein referred to as “MCP” 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”).

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. City of Dreams Manila commenced operations on December 14, 2014, with a grand opening of the integrated resort on February 2, 2015.

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 December 31, 2015, the ultimate holding company of the Parent Company was Melco Crown Entertainment Limited (“MCE”), a company incorporated in the Cayman Islands with its American Depository shares traded on the NASDAQ Global Select Market in the United States of America, and the major shareholders of MCE were Melco International Development Limited (“Melco”), a Hong Kong-listed company, and Crown Resorts Limited (“Crown”), an Australian-listed corporation.

On May 9, 2016, MCE completed a repurchase of its 155,000,000 ordinary shares from a subsidiary of Crown and canceled the repurchased shares, followed by certain changes in the composition of the board of directors of MCE. Upon completion of this transaction, Melco became the controlling shareholder of MCE and for accounting purpose, the ultimate holding company of MCE and its subsidiaries, including the Parent Company.

As of September 30, 2016 and December 31, 2015, the immediate holding company of the Parent Company is MCE (Philippines) Investments Limited (“MCE Investments”), an indirect subsidiary of MCE.

(b) Subsidiaries of MCP

As of September 30, 2016 and December 31, 2015, MCP’s wholly owned subsidiaries included MCE Holdings (Philippines) Corporation (“MCE Holdings”), MCE Holdings No. 2 (Philippines) Corporation (“MCE Holdings No. 2”) and MCE Leisure (Philippines) Corporation (“MCE Leisure”) (collectively referred to as “MCE Holdings Group”). MCE Holdings, MCE Holdings No. 2 and MCE Leisure were all incorporated in the Philippines. The primary purpose of MCE Holdings and MCE Holdings No. 2 is investment holding and the primary purpose of MCE 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.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
– continued
(In thousands of Philippine peso, except share and per share data)

1. Organization and Business – continued

(c) Activities of MCE Holdings Group

In 2012, MCE, through one of its indirect subsidiaries, entered into a memorandum of agreement (the “MOA”) with SM Investments Corporation (“SMIC”) and certain of its subsidiaries (collectively, the “SM Group”), Belle Corporation (“Belle”) and PremiumLeisure and Amusement, Inc. (“PLAI”) for the development of an integrated resort project located within Entertainment City, Manila, which was subsequently branded “City of Dreams Manila”. Further to the MOA, MCE Holdings Group entered into a cooperation agreement (the “Cooperation Agreement”) and other related arrangements with SM Group, Belle and PLAI; and MCE Leisure entered into a lease agreement (the “Lease Agreement”) with Belle, for City of Dreams Manila. On March 13, 2013, the Cooperation Agreement and the Lease Agreement became effective upon 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, MCE Holdings Group entered into an operating agreement (the “Operating Agreement”) with SMIC, Belle and PLAI (collectively, the “Philippine Parties”) on March 13, 2013, pursuant to which MCE Leisure has been granted the exclusive right to manage, operate and control City of Dreams Manila. The Cooperation Agreement, the Lease Agreement and the Operating Agreement ends on the date of expiry of the Regular/Provisional License as mentioned in Note 1(d) below, currently expected to be on July 11, 2033 unless terminated earlier in accordance with the respective terms of the individual agreements.

(d) Regular/Provisional License

As of March 13, 2013, the Philippine Amusement and Gaming Corporation (“PAGCOR”) allowed the inclusion of, amongst others, MCE Leisure as a co-licensee, as well as the “special purpose entity” to operate the casino business and as representative for itself and on behalf of the other co-licensees under a provisional license (the “Provisional License”) in their dealings with PAGCOR. As a result, MCE Holdings Group and the Philippine Parties together became co-licensees (the “Licensees”) under the Provisional License granted by PAGCOR for the establishment and operation of City of Dreams Manila.

On January 30, 2015, MCE Leisure applied to PAGCOR for the issuance of a regular casino gaming license (the “Regular License”) for City of Dreams Manila as the Licensees satisfied the investment commitment of US\$1 billion under the terms of the Provisional License.

PAGCOR issued the Regular License dated April 29, 2015 in replacement of the Provisional License to the Licensees for the operation of City of Dreams Manila. The Regular License has the same terms and conditions as the Provisional License, is concurrent with section 13 of Presidential Decree No. 1869 (the “PAGCOR Charter”), and is valid until July 11, 2033.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
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

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.

On March 20, 2013, MCP completed the acquisition of 100% ownership interests in the MCE Holdings Group with net assets value of ₱2,609,589 from MCE Investments for a consideration of ₱7,198,590. Because MCP did not meet the definition of a business, the MCE Holdings Group was deemed to be the accounting acquirer for accounting purposes. The acquisition was accounted for similar to a reverse acquisition following the guidance provided by the standard under Philippine Financial Reporting Standards (“PFRS”). In a reverse acquisition, the legal parent, MCP is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary, MCE Holdings Group is adjudged to be the entity that gained control over the legal parent. Accordingly, the unaudited condensed consolidated financial statements of MCP have been prepared as a continuation of the financial statements of the MCE Holdings Group. The MCE Holdings Group has accounted for the acquisition of MCP on December 19, 2012, which was the date when MCE through its indirect subsidiaries including MCE Investments and MCE (Philippines) Investments No.2 Corporation (“MCE Investments No.2”) acquired control of MCP.

Reverse acquisition applies only to the unaudited condensed consolidated financial statements of MCP. The Parent Company financial statements will continue to represent MCP as a stand-alone entity as of September 30, 2016 and December 31, 2015.

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, 2016 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 consolidated financial statements as of December 31, 2015.

In preparing the Group’s unaudited condensed consolidated financial statements as of September 30, 2016, 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, 2015.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
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

Gaming Tax and License Fees

The Licensees are required to pay license fees to PAGCOR ranging from 15% to 25% of its gross gaming revenues on a monthly basis, starting from the date the casino commences operations. In May 2014, PAGCOR temporarily allowed the Licensees to reallocate 10% of the license fees for payment of corporate income taxes effective from April 1, 2014. The said reallocation of 10% of the license fees was required to be used for subsidizing the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). The parties agreed to revert to the original license fee structure under the Regular/Provisional License, in the event the Bureau of Internal Revenue (“BIR”) action to collect income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of BIR or the courts or under a new law. Such license fees include franchise tax on actual gross gaming revenues generated by the casino. The Group is also required to remit on a monthly basis 5% of non-gaming revenue and 2% of casino revenues generated from non-junket operation tables. These expenses are reported as gaming tax and license fees in the accompanying consolidated statements of comprehensive income. On August 15, 2016, the reallocation of the 10% of the license fees was discontinued by PAGCOR and the Group was required to resume the ordinary license fee regime in accordance with Article IV, Section 20 of the Regular/Provisional License as discussed in Note 14.

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.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
– continued
(In thousands of Philippine peso, except share and per share data)

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, PFRS and Philippine Interpretations as of January 1, 2016. The adoption of these new and amended PAS, PFRS and Philippine Interpretations had no significant impact on the unaudited condensed consolidated financial statements:

- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PFRS 11, *Joint Arrangements: Accounting for Acquisitions of Interests*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs (2012-2014 Cycle)
 - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
 - PFRS 7, *Financial Instruments: Disclosures*
 - PAS 19, *Employee Benefits*
 - PAS 34, *Interim Financial Reporting*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2016	December 31, 2015
	(Unaudited)	(Audited)
Cash on hand	₱1,278,885	₱1,609,126
Cash in banks	<u>8,188,524</u>	<u>5,851,103</u>
	₱9,467,409	₱7,460,229

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
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, 2016	December 31, 2015
	(Unaudited)	(Audited)
Casino	₱1,597,190	₱1,225,499
Hotel	44,099	56,607
Others	663	3,169
Sub-total	1,641,952	1,285,275
Less: Allowance for doubtful debts	(104,500)	(1,700)
	₱1,537,452	₱1,283,575

For the nine months ended September 30, 2016 and 2015, the Group provided allowance for doubtful debts of ₱100,631 and ₱641, respectively, and no accounts receivable were directly written off in each of those periods.

The Group grants unsecured credit lines to gaming promoters based on pre-approved credit limits. The Group typically issues markers to gaming promoters with a credit period of 30 days. There are some gaming promoters for whom credit is granted on a revolving basis based on the Group's monthly credit risk assessment of such gaming promoters. Credit lines granted to all gaming promoters are subject to monthly review and various settlement procedures. For other approved casino customers, the Group typically allows a credit period of 14 days to 28 days on issuance of markers following investigations of creditworthiness. An extended repayment term of typically 90 days may be offered to casino customers with large gaming losses and established credit history.

The following is an analysis of accounts receivable by age presented based on payment due date, net of allowance:

	September 30, 2016	December 31, 2015
	(Unaudited)	(Audited)
Current	₱1,359,912	₱1,180,560
1 – 30 days	10,203	6,633
31 – 60 days	529	95,677
61 – 90 days	695	–
Over 90 days	166,113	705
	₱1,537,452	₱1,283,575

MELCO CROWN (PHILIPPINES) RESORTS 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

	September 30, 2016	December 31, 2015
	(Unaudited)	(Audited)
Carrying amount as of January 1	₱32,939,887	₱32,830,332
Additions	384,030	4,428,001
Adjustments to project costs	(205,995)	–
Capitalization of depreciation and amortization	–	7,146
Disposals	(1,932,730)	–
Depreciation and amortization	(3,280,490)	(4,325,592)
Carrying amount as of September 30/December 31	₱27,904,702	₱32,939,887
Building under finance lease	₱10,680,801	₱11,157,860
Property and equipment	17,131,899	21,698,947
Construction in progress	92,002	83,080
	₱27,904,702	₱32,939,887

As of September 30, 2016 and December 31, 2015, construction in progress included interest paid or payable on the obligations under finance lease which amounted to ₱10,717 and ₱4,238, respectively.

7. Contract Acquisition Costs, Net

For the three and nine months ended September 30, 2016 and 2015, amortization of contract acquisition costs was ₱13,024 (2015: ₱13,024) and ₱39,070 (2015: ₱39,070), respectively.

MELCO CROWN (PHILIPPINES) RESORTS 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

This account consists of:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Accruals for:		
Gaming tax and license fees	₱2,132,729	₱1,688,412
Employee benefit expenses	480,656	357,805
Payments to the Philippine Parties	176,951	137,077
Property and equipment	104,128	2,105,184
Taxes and licenses	72,567	51,683
Unpaid portion of obligations under finance lease	—	126,051
Operating expenses and others	726,360	715,252
Outstanding gaming chips and tokens	1,708,391	1,223,387
Escrow funds refundable to the Philippine Parties (inclusive of interest income)	—	1,104,507
Withholding tax payable	154,483	183,218
Interest expenses payable	139,583	327,083
Other payables and liabilities	810,674	184,088
	₱6,506,522	₱8,203,747

On April 28, 2016, MCE Holdings Group and the Philippine Parties signed a side letter (the “Side Letter”), of which the Philippine Parties agreed to reimburse MCE Holdings Group for US\$56 million (equivalent to ₱2,582,048 on transaction date), inclusive of US\$6 million (equivalent to ₱276,648 on transaction date) value-added tax (“VAT”) (the “Reimbursable Amount”) pursuant to the investment commitment agreed under the terms of the Cooperation Agreement. The Reimbursable Amount is to cover the additional basebuild constructed by MCE Holdings Group for the Philippine Parties. During the nine months ended September 30, 2016, part of the Reimbursable Amount for proceeds from disposal of property and equipment to Belle of US\$25 million (equivalent to ₱1,152,700 on transaction date) was offset with the escrow funds refundable to the Philippine Parties in accordance with the terms of the Side Letter, and the remaining Reimbursable Amount of US\$31 million (equivalent to ₱1,429,348 on transaction date) was settled in cash.

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

9. Equity

Issued Capital Stock

As of September 30, 2016 and December 31, 2015, the Parent Company’s issued capital stock consists of 5,662,047,712 and 5,643,355,478 common shares with par value of ₱1 per share, respectively.

During the nine months ended September 30, 2016, MCP issued 18,692,234 common shares upon vesting of restricted shares.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
– continued
(In thousands of Philippine peso, except share and per share data)

9. Equity – continued

Equity Reserve

The amount of equity reserve consists of the net difference between the cost of MCP to acquire MCE 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 MCP as of December 19, 2012, the date when MCP was acquired by MCE through MCE Investments and MCE Investments No.2.

The equity reserve is accounted for as follows:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Retained earnings of MCP as of December 19, 2012	₱732,453	₱732,453
Consideration to MCP for the acquisition of MCE Holdings Group	(7,198,590)	(7,198,590)
Legal capital of MCE Holdings Group as of March 20, 2013*	2,852,147	2,852,147
	<hr/>	<hr/>
	(₱3,613,990)	(₱3,613,990)
	<hr/>	<hr/>

*Including share issuance costs of ₱2,094

As of September 30, 2016 and December 31, 2015, the Parent Company has 431 and 430 stockholders, respectively.

10. Employee Benefit Expenses

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Basic salaries, allowances and bonuses	₱703,637	₱700,328	₱2,087,718	₱2,350,020
Meals and other amenities expenses	46,004	47,285	129,378	194,018
Annual leave and other paid leave expenses	32,783	39,583	102,918	112,304
Retirement costs – defined contribution plans	17,015	18,975	51,358	59,279
Consultancy fee in consideration for share awards	(687)	17,223	12,812	54,069
Share-based compensation expenses	(7,276)	19,919	(4,062)	87,526
Other employee benefit expenses	61,371	68,538	172,615	200,689
	<hr/>	<hr/>	<hr/>	<hr/>
	₱852,847	₱911,851	₱2,552,737	₱3,057,905

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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11. Other Expenses

	Three Months Ended September 30, 2016 <u>(Unaudited)</u>	2015 <u>(Unaudited)</u>	Nine Months Ended September 30, 2016 <u>(Unaudited)</u>	2015 <u>(Unaudited)</u>
Other gaming operations expenses	₱874,679	₱292,777	₱2,310,472	₱592,698
Facilities expenses	233,334	220,334	703,132	641,019
Management fee expenses	93,490	139,396	314,266	489,695
Supplies expenses	76,255	84,984	219,208	281,490
Advertising, marketing, promotional and entertainment expenses	81,614	69,349	216,599	1,106,702
Rental expenses	66,007	73,942	198,643	226,769
Office and administrative expenses	44,138	86,480	122,860	217,173
Taxes and licenses	37,387	24,906	76,551	71,899
Net loss (gain) on disposal of property and equipment	4,208	–	(375,014)	–
Operating expenses and others	<u>112,207</u>	134,564	<u>325,691</u>	357,288
	₱1,623,319	₱1,126,732	₱4,112,408	₱3,984,733

12. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Category	Amount of Transactions For the Three Months Ended September 30, 2016 <u>(Unaudited)</u>	Amount of Transactions For the Nine Months Ended September 30, 2016 <u>(Unaudited)</u>	Outstanding Balance <u>(Unaudited)</u>	Terms	Conditions
<i>Amount due from a shareholder</i>					
MCE Investments No.2					
Balance as of January 1, 2016			₱5,588		
Settlement of payables on behalf of a shareholder	₱–	₱2	2		
Balance as of September 30, 2016			₱5,590	Repayable on demand; non-interest bearing	Unsecured, no impairment

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12. Related Party Transactions – continued

<u>Category</u>	Amount of Transactions For the Three Months Ended September 30, 2016 <u>(Unaudited)</u>	Amount of Transactions For the Nine Months Ended September 30, 2016 <u>(Unaudited)</u>	Outstanding Balance <u>(Unaudited)</u>	Terms	Conditions
<i>Amount due from ultimate holding company</i>					
MCE					
Balance as of January 1, 2016			₱175,557		
Management fee income ⁽¹⁾	₱–	₱11,134	11,134		
Management fee expenses	–	(1,706)	(1,706)		
Offsetting of current account balance with amount due to immediate holding company	–	(10,357)	(10,357)		
Revaluation of outstanding balance			145		
Transfer of outstanding balance to amount due from an intermediate holding company upon completion of MCE Group Restructuring Transaction (Note 1(a))			(174,773)		
Balance as of September 30, 2016			₱–	Repayable on demand; non-interest bearing	Unsecured, no impairment
<i>Amount due from an intermediate holding company</i>					
MCE					
Balance as of January 1, 2016			₱–		
Transfer of outstanding balance from amount due from ultimate holding company upon completion of MCE Group Restructuring Transaction (Note 1(a))			174,773		
Management fee income ⁽¹⁾	₱2,042	₱3,772	3,772		
Management fee expenses	–	(2,635)	(2,635)		
Settlement of payables on behalf of an intermediate holding company	2,847	2,847	2,847		
Revaluation of outstanding balance			(580)		
Settlement of outstanding balance			(2,847)		
Balance as of September 30, 2016		₱175,330	Repayable on demand; non-interest bearing	Unsecured, no impairment	

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12. Related Party Transactions – continued

<u>Category</u>	Amount of Transactions For the Three Months Ended September 30, 2016 <u>(Unaudited)</u>	Amount of Transactions For the Nine Months Ended September 30, 2016 <u>(Unaudited)</u>	Outstanding Balance <u>(Unaudited)</u>	Terms	<u>Conditions</u>
<i>Amount due from (to) immediate holding company</i>					
MCE Investments					
<i>Balance as of January 1, 2016</i>			(₱7,357)		
<i>Offsetting of current account balance with amount due from ultimate holding company</i>	₱–	₱10,357	10,357		
<i>Balance as of September 30, 2016</i>			₱3,000	Repayable on demand; non-interest bearing	Unsecured, no impairment
<i>Amount due from an affiliated company</i>					
A subsidiary of MCE					
<i>Balance as of January 1, 2016</i>			₱455		
<i>Food and beverage revenue</i>	₱–	₱94	94		
<i>Transfer of outstanding balance to a subsidiary of Melco upon completion of MCE Group Restructuring Transaction (Note 1(a))</i>			(549)		
<i>Balance as of September 30, 2016</i>			₱–	Repayable on demand; non-interest bearing	Unsecured, no impairment
A subsidiary of Melco					
<i>Balance as of January 1, 2016</i>			₱–		
<i>Transfer of outstanding balance from a subsidiary of MCE upon completion of MCE Group Restructuring Transaction (Note 1(a))</i>			549		
<i>Food and beverage and entertainment, retail and other revenues</i>	₱93	₱438	438		
<i>Balance as of September 30, 2016</i>			₱987	Repayable on demand; non-interest bearing	Unsecured, no impairment

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
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12. Related Party Transactions – continued

<u>Category</u>	Amount of Transactions For the Three Months Ended September 30, 2016 <u>(Unaudited)</u>	Amount of Transactions For the Nine Months Ended September 30, 2016 <u>(Unaudited)</u>	Outstanding Balance <u>(Unaudited)</u>	<u>Terms</u>	<u>Conditions</u>
<i>Amounts due to affiliated companies</i>					
MCE's subsidiaries					
<i>Balance as of January 1, 2016</i>			₱559,216		
Acquisition of property and equipment	₱–	₱23,097	23,097		
Management fee expenses	–	157,748	157,748		
Other gaming operations expenses	–	9,113	9,113		
Purchases of goods and services	–	660	660		
Settlement of payables on behalf of the Group	–	2,366	2,366		
Settlement of payables on behalf of an affiliated company	–	(11)	(11)		
<i>Revaluation of outstanding balance</i>			(6,631)		
<i>Settlement of outstanding balance</i>			1,819		
<i>Transfer of outstanding balance to Melco's subsidiaries upon completion of MCE Group Restructuring Transaction (Note 1(a))</i>			(747,377)		
<i>Balance as of September 30, 2016</i>	₱–	Repayable on demand; non-interest bearing	Unsecured		

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
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12. Related Party Transactions – continued

<u>Category</u>	Amount of Transactions For the Three Months Ended September 30, 2016 <u>(Unaudited)</u>	Amount of Transactions For the Nine Months Ended September 30, 2016 <u>(Unaudited)</u>	Outstanding Balance September 30, 2016 <u>(Unaudited)</u>	<u>Terms</u>	<u>Conditions</u>
<i>Amounts due to affiliated companies – continued</i>					
Melco's subsidiaries					
<i>Balance as of January 1, 2016</i>	₱791				
<i>Transfer of outstanding balance from MCE's subsidiaries upon completion of MCE Group Restructuring Transaction (Note 1(a))</i>		747,377			
<i>Acquisition of property and equipment</i>	₱–	₱15,010	15,010		
<i>Management fee and facilities expenses</i>	94,865	153,645	153,645		
<i>Other gaming operations expenses</i>	11,361	15,601	15,601		
<i>Purchases of goods and services</i>	228	632	632		
<i>Rooms, food and beverage and entertainment, retail and other revenues</i>	–	(71)	(71)		
<i>Settlement of payables on behalf of the Group</i>	1,718	2,642	2,642		
<i>Settlement of payables on behalf of an affiliated company</i>	–	(66,235)	(66,235)		
<i>Revaluation of outstanding balance</i>		28,999			
<i>Settlement of outstanding balance</i>		49,282			
<i>Balance as of September 30, 2016</i>	₱947,673			Repayable on demand; non-interest bearing	Unsecured

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12. Related Party Transactions – continued

<u>Category</u>	Amount of Transactions For the Three Months Ended September 30, 2016 <u>(Unaudited)</u>	Amount of Transactions For the Nine Months Ended September 30, 2016 <u>(Unaudited)</u>	Outstanding Balance September 30, 2016 <u>(Unaudited)</u>	<u>Terms</u>	<u>Conditions</u>
<i>Amounts due to affiliated companies – continued</i>					
Crown's subsidiaries and associated companies					
<i>Balance as of January 1, 2016</i>			₱49,944		
<i>Adjustment of opening balance brought forward⁽²⁾</i>	₱–	₱3,910	3,910		
<i>Acquisition of property and equipment</i>	–	20,027	20,027		
<i>Management fee, consulting fee and facilities expenses</i>	13,184	39,769	39,769		
<i>Withholding tax on management fee and consulting fee expenses</i>	(973)	(2,989)	(2,989)		
<i>Settlement of payables on behalf of the Group</i>	739	1,379	1,379		
<i>Settlement of outstanding balance</i>			<u>(53,617)</u>		
<i>Balance as of September 30, 2016</i>			₱58,423	Repayable on demand; non-interest bearing	Unsecured
			<u>=====</u>		

Notes:

- (1) The amount represents the recharge of share-based compensation expenses for certain directors of MCP for the three and nine months ended September 30, 2016 to MCE.
- (2) Certain companies became associated companies of Crown and related parties of the Group for the three and nine months ended September 30, 2016. As a result, the opening balance as of January 1, 2016 was adjusted with the outstanding balance due to these companies as of December 31, 2015.

Directors' Remuneration

For the three and nine months ended September 30, 2016 and 2015, the remuneration of directors of the Group was borne by MCE.

13. Basic/Diluted Loss Per Share

	Three Months Ended September 30, 2016 <u>(Unaudited)</u>	Nine Months Ended September 30, 2016 <u>(Unaudited)</u>
Net loss (a)	(₱173,533)	(₱1,177,774)
Weighted average number of common shares outstanding of legal parent (b)	5,661,473,775	4,949,799,318
Basic/Diluted loss per share (a)/(b)*1,000	(₱0.03)	(₱0.24)
	<u>=====</u>	<u>=====</u>
	(₱0.28)	(₱1.23)

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13. Basic/Diluted Loss Per Share – continued

For the three and nine months ended September 30, 2016 and 2015, 112,012,130 (2015: 130,427,948) outstanding share options and 6,811,245 (2015: 36,541,802) outstanding restricted shares as of September 30, 2016 and 2015, respectively, were excluded from the computation of diluted loss per share as their effect would have been anti-dilutive.

14. Income Tax

The provision for income tax for the three and nine months ended September 30, 2016 and 2015 consisted of:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	<u>(Unaudited)</u> ₱40	<u>(Unaudited)</u> ₱1,182	<u>(Unaudited)</u> ₱298	<u>(Unaudited)</u> ₱25,474
Provision for current income tax	16,555	–	17,466	(563)
Deferred tax charge (credit)	₱16,595	₱1,182	₱17,764	₱24,911

The provision for current income tax for the three and nine months ended September 30, 2016 and 2015 represents the tax provided by the Group on its taxable income for the periods. The deferred tax charge mainly represents the deferred tax liability arising from unrealized foreign exchange gain. The deferred tax credit represents the deferred tax asset, which is recognized up to the amount of income tax recognized to the extent of the reversing deductible temporary difference arising from carryforward benefits from minimum corporate income tax.

Section 13(2)(a) of the PAGCOR Charter grants PAGCOR an exemption from tax, income or otherwise, as well as exemption from any form of charges, fees, levies of whatever nature, whether national or local, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations under the franchise. Such tax shall be in lieu of all taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority. Section 13(2)(a) of the PAGCOR Charter which provides that the exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to the corporations, associations, agencies or individuals with whom PAGCOR, or operator has any contractual relationship in connection with the operations of the casino authorized to be conducted under the franchise and to those receiving compensation of other remuneration from PAGCOR or operator as a result of essential facilities furnished and/or technical services rendered to PAGCOR or operator. Management believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of, and extend to corporations, associations and agencies, individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter as of March 31, 2013.

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14. Income Tax – continued

BIR issued Revenue Memorandum Circular (“RMC”) No. 33-2013 on April 17, 2013. The RMC clarifies that PAGCOR is no longer exempt from corporate income tax and is thus subject to corporate income tax under the National Internal Revenue Code (the “Tax Code”) on its operations of gambling, casinos, gaming clubs and other similar recreation or amusement places, gaming pools and other related operations as well as on other income. The RMC further provided that PAGCOR’s licensees and contractees, which are entities duly authorized and licensed by PAGCOR to perform gambling casinos, gaming clubs and other similar recreation or amusement places, and gaming pools, are likewise subject to income tax under the Tax Code.

To address the additional exposure to corporate income tax brought by BIR RMC No. 33-2013, in May 2014, PAGCOR temporarily allowed the Licensees to reallocate 10% of the license fees for payment of corporate income taxes effective from April 1, 2014. The license fee reduction was required to be used for the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). On August 10, 2016, the Supreme Court of the Philippines (“SC”) issued its decision in the case of Bloomberry Resorts and Hotels, Inc. vs. BIR, G. R. No. 212530 in the favor of Bloomberry Resorts and Hotels, Inc. Accordingly, the SC ruled that Bloomberry Resorts and Hotels, Inc., as a licensee of PAGCOR, should be exempt from tax, income or otherwise, as well as exempt from any form of charges, fees, levies of whatever nature, whether national or local, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations under the franchise. Following the decision from SC, on August 15, 2016, the reallocation of the 10% of the license fees was discontinued by PAGCOR. The BIR subsequently filed a Motion for Reconsideration of the said decision which is pending with the SC.

On August 23, 2013, MCE Leisure was issued a certificate of registration by Philippine Economic Zone Authority (“PEZA”) as a tourism economic zone enterprise (“Tourism Economic Zone Enterprise”) for the development and operation of tourist facilities. As a Tourism Economic Zone Enterprise, MCE Leisure was granted the following fiscal incentives: (a) tax and duty free importation of certain eligible capital equipment to be used as part of the registered activity; and (b) VAT zero rating on local purchase of certain eligible capital equipment in accordance with the PEZA rules and regulations.

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15. Obligations Under Finance Lease

As of September 30, 2016 and December 31, 2015, the minimum lease payments and present value of minimum lease payments on obligations under finance lease of the Group on the Lease Agreement were as follows:

	September 30, 2016 <u>(Unaudited)</u>	December 31, 2015 <u>(Audited)</u>		
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under finance lease:				
Within one year	₱1,605,368	₱1,492,120	₱1,506,510	₱1,401,702
In more than one year and not more than five years	8,135,001	5,371,642	7,580,256	5,011,130
In more than five years	30,239,922	7,606,362	32,023,338	7,733,705
	39,980,291	14,470,124	41,110,104	14,146,537
Less: Finance charges	(25,510,167)	—	(26,963,567)	—
Present value of lease obligations	₱14,470,124	14,470,124	₱14,146,537	14,146,537
Less: Current portion of obligations under finance lease		(1,492,120)		(1,401,702)
Noncurrent portion of obligations under finance lease		₱12,978,004		₱12,744,835

16. Long-term Debt, Net

This account consists of:

	September 30, 2016 <u>(Unaudited)</u>	December 31, 2015 <u>(Audited)</u>
Senior Notes	₱15,000,000	₱15,000,000
Less: Deferred financing costs, net	(168,470)	(217,648)
	14,831,530	14,782,352
Current portion of long-term debt	—	—
	₱14,831,530	₱14,782,352

(a) Senior Notes

On January 24, 2014, MCE Leisure issued the ₱15,000,000 5% senior notes, due 2019 (the “Senior Notes”) at par of 100% of the principal amount and offered to certain primary institutional lenders as noteholders via private placement in the Philippines, which was priced on December 19, 2013.

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16. Long-term Debt, Net – continued

(a) Senior Notes – continued

For the three and nine months ended September 30, 2016, there is no change to the terms of the Senior Notes as disclosed in the Group's consolidated financial statements as of December 31, 2015.

(b) Shareholder Loan Facility

On December 23, 2013, MCE Leisure, as borrower, signed the definitive agreement of the senior secured shareholder loan facility (the "Shareholder Loan Facility") in an aggregate amount of up to US\$340,000,000 with MCE Investments as lender with reference to certain terms and conditions set out in a commitment letter entered by MCE Leisure with MCE Investments on April 12, 2013.

For the three and nine months ended September 30, 2016, there is no change to the terms of the Shareholder Loan Facility as disclosed in the Group's consolidated financial statements as of December 31, 2015.

As of September 30, 2016 and December 31, 2015, the Shareholder Loan Facility has not been drawn.

(c) The Credit Facility

On October 14, 2015, the Parent Company entered into an on-demand, unsecured credit facility agreement of ₱2,350,000 (the "Credit Facility") with a lender to finance advances to MCE Leisure. During the three months ended September 30, 2016, the Credit Facility availability period was extended from August 31, 2016 to November 29, 2016.

For the three and nine months ended September 30, 2016, other than the extension of availability period as mentioned above, there is no change to the terms of the Credit Facility as disclosed in the Group's consolidated financial statements as of December 31, 2015.

As of September 30, 2016 and December 31, 2015, the Credit Facility has not been drawn.

(d) Deferred Financing Costs, Net

Direct and incremental costs of ₱333,711 incurred in connection with the issuance of the Senior Notes are capitalized in deferred financing costs. For the three and nine months ended September 30, 2016 and 2015, deferred financing costs of ₱ 16,662 (2015: ₱ 15,575) and ₱ 49,178 (2015: ₱ 45,967) were amortized to the unaudited condensed consolidated statements of comprehensive income, respectively. As of September 30, 2016 and December 31, 2015, the unamortized deferred financing costs of ₱168,470 and ₱217,648 were net off and included in the amount of long-term debt as shown in the condensed consolidated balance sheets, respectively.

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16. Long-term Debt, Net – continued

For the three and nine months ended September 30, 2016 and 2015, interest expenses on long-term debt consisted of interest for the Senior Notes amounted to ₱234,375 (2015: ₱234,375) and ₱703,125 (2015: ₱703,125), respectively. No interest on long-term debt was capitalized for the three and nine months ended September 30, 2016 and 2015.

For the three and nine months ended September 30, 2016 and 2015, the Group's borrowing rate was approximately 6.25% per annum in each of those periods, including a tax gross up impact on interest on the Senior Notes which required MCE Leisure to pay without any deduction or withholding for or on account of tax.

For the three and nine months ended September 30, 2016 and 2015, other finance fees on long-term debt represents the gross receipt tax on interest on the Senior Notes, including a tax gross up impact which required MCE Leisure to pay without any deduction or withholding for or on account of tax amounted to ₱11,958 (2015: ₱11,958) and ₱35,874 (2015: ₱35,874), respectively.

17. Cooperation Agreement, Operating Agreement and Lease Agreement

For the three and nine months ended September 30, 2016, there is no significant change to the terms and conditions of the Cooperation Agreement, the Operating Agreement and the Lease Agreement as disclosed in the Group's consolidated financial statements as of December 31, 2015.

18. Commitments and Contingencies

(a) Capital Commitments

As of September 30, 2016, the Group had capital commitments contracted for but not provided mainly for the acquisition of property and equipment for City of Dreams Manila totaling ₱166,465.

(b) Lease Commitments

Operating Leases – As a Lessee

The Group leased a portion of land under the Lease Agreement for City of Dreams Manila and certain office spaces, warehouses, staff quarter and various equipment under non-cancellable operating lease agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by the Group and its lessors or contingent rental expenses stated as a percentage of turnover.

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18. Commitments and Contingencies – continued

(b) Lease Commitments – continued

Operating Leases – As a Lessee – continued

As of September 30, 2016, minimum lease payments under all non-cancellable leases were as follows:

	September 30, 2016
	(Unaudited)
Within one year	₱209,145
In more than one year and not more than five years	651,112
In more than five years	2,135,596
	₱2,995,853

(c) Other Commitments and Guarantees

For the three and nine months ended September 30, 2016, other than the discontinuation of the reallocation of the 10% of the license fees by PAGCOR as mentioned in Note 14, there is no significant change to the terms of other commitments and guarantees for the Regular/Provisional License, the Cooperation Agreement and the Lease Agreement as disclosed in the Group's consolidated financial statements as of December 31, 2015.

(d) Litigation

As of September 30, 2016, certain submitted pleadings regarding certain proceedings are pending resolution by the Court. The Group is also 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 would have no material impact on the Group's unaudited condensed consolidated financial statements as a whole.

19. Financial Risk Management Objectives and Policies

The Group's financial risk management objectives and policies are the same as those disclosed in the Group's consolidated financial statements as of December 31, 2015.

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20. Financial Instruments

Fair Value of Financial Instruments

Cash and cash equivalents, Restricted cash, Accounts receivable, net, Other deposits and receivables, net, Amount due from a shareholder, Amount due from ultimate holding company, Amount due from an intermediate holding company, Amount due from (to) immediate holding company, Amount due from an affiliated company, Accounts payable, Accrued expenses, other payables and other current liabilities and Amounts due to affiliated companies. The carrying values approximate their fair values at reporting date due to the relatively short-term maturities of the transactions.

Security deposit, Current and Noncurrent portion of obligations under finance lease and Long-term debt. 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.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of September 30, 2016 and December 31, 2015, the Group does not have financial instruments that are carried and measured at fair value. For the three and nine months ended September 30, 2016 and 2015, 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. Note to Unaudited Condensed Consolidated Statements of Cash Flows

- (a) For the nine months ended September 30, 2016, fit-out construction costs and cost of property and equipment in total of ₱11,403, ₱23,097 and ₱1,483 were funded through accrued expenses, other payables and other current liabilities, amounts due to affiliated companies and other noncurrent liabilities, respectively (For the nine months ended September 30, 2015: ₱1,013,826, ₱57,171 and ₱21,735, respectively).
- (b) For the nine months ended September 30, 2016, accrued construction costs of ₱205,995 were reversed for project costs adjustments (For the nine months ended September 30, 2015: nil).
- (c) For the nine months ended September 30, 2016, interest expenses capitalized in fit-out construction costs of ₱6,479 were funded through obligations under finance lease (For the nine months ended September 30, 2015: ₱80,835).

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21. Note to Unaudited Condensed Consolidated Statements of Cash Flows – continued

- (d) 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 (For the nine months ended September 30, 2015: nil).
- (e) For the nine months ended September 30, 2016, part of the Reimbursable Amount for proceeds from disposal of property and equipment to Belle of ₱1,152,700 were offset by escrow funds refundable to the Philippine Parties (For the nine months ended September 30, 2015: nil).
- (f) For the nine months ended September 30, 2015, other noncurrent assets of ₱25,964 were funded through accrued expenses, other payables and other current liabilities.

22. Segment Information

The Group principal operating and developmental activities are engaged in the gaming and hospitality business in the Philippines. The chief operating decision maker monitors its operations and evaluates earnings by reviewing the assets and operations of City of Dreams Manila as one operating segment. Upon commencement of operations of City of Dreams Manila on December 14, 2014 and as of September 30, 2016 and December 31, 2015, the Group operates in one geographical area, the Philippines, where it derives its revenue.

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

TOTAL ASSETS

	September 30, 2016 <u>(Unaudited)</u>	December 31, 2015 <u>(Audited)</u>
The Philippines: City of Dreams Manila	₱42,244,380	₱44,757,753
Total Assets	₱42,244,380	₱44,757,753

CAPITAL EXPENDITURES

	Three Months Ended September 30, 2016 <u>(Unaudited)</u>	Nine Months Ended September 30, 2016 <u>(Unaudited)</u>
The Philippines: City of Dreams Manila	₱52,252	₱384,030
Total Capital Expenditures	₱52,252	₱384,030

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22. Segment Information – continued

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

	Three Months Ended September 30, 2016 <u>(Unaudited)</u>	2015 <u>(Unaudited)</u>	Nine Months Ended September 30, 2016 <u>(Unaudited)</u>	2015 <u>(Unaudited)</u>
NET OPERATING REVENUES				
The Philippines:				
City of Dreams Manila	₱6,140,255	₱4,242,351	₱16,298,522	₱9,921,502
Total Net Operating Revenues	₱6,140,255	₱4,242,351	₱16,298,522	₱9,921,502
ADJUSTED EBITDA⁽¹⁾				
The Philippines:				
City of Dreams Manila	₱2,097,330	₱1,117,246	₱5,102,899	₱1,784,456
OPERATING COSTS AND EXPENSES				
Payments to the Philippine Parties	(427,929)	(219,116)	(1,152,171)	(542,812)
Land rent to Belle	(39,616)	(39,616)	(118,849)	(118,849)
Net gain on disposal of property and equipment to Belle	–	–	380,454	–
Pre-opening costs	–	6,281	–	(1,241,446)
Depreciation and amortization	(1,050,990)	(1,131,325)	(3,320,865)	(3,227,898)
Share-based compensation expenses	7,276	(19,919)	4,062	(87,526)
Consultancy fee in consideration for share awards	687	(17,223)	(12,812)	(54,069)
Corporate expenses	(90,468)	(131,208)	(294,188)	(456,492)
Property charges and others	(1,588)	–	(26,601)	–
Total Operating Costs and Expenses	(1,602,628)	(1,552,126)	(4,540,970)	(5,729,092)
OPERATING PROFIT (LOSS)	494,702	(434,880)	561,929	(3,944,636)
NON-OPERATING INCOME (EXPENSES)				
Interest income	6,714	3,130	12,727	10,904
Interest expenses, net of capitalized interest	(720,265)	(702,145)	(2,150,045)	(2,012,341)
Amortization of deferred financing costs	(16,662)	(15,575)	(49,178)	(45,967)
Other finance fees	(11,958)	(11,958)	(35,874)	(35,874)
Foreign exchange gain (loss), net	90,531	(15,164)	80,358	(35,136)
Total Non-operating Expenses, Net	(651,640)	(741,712)	(2,142,012)	(2,118,414)
LOSS BEFORE INCOME TAX	(156,938)	(1,176,592)	(1,580,083)	(6,063,050)
INCOME TAX EXPENSE	(16,595)	(1,182)	(17,764)	(24,911)
NET LOSS	(₱173,533)	(₱1,177,774)	(₱1,597,847)	(₱6,087,961)

Note:

(1) "Adjusted EBITDA" is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, net gain on disposal of property and equipment to Belle, pre-opening costs, share-based compensation expenses, corporate expenses, property charges and others 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.

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22. Segment Information – continued

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

LONG-LIVED ASSETS

	September 30, 2016 <u>(Unaudited)</u>	December 31, 2015 <u>(Audited)</u>
The Philippines	₱28,787,468	₱33,863,028
Total Long-lived Assets	₱28,787,468	₱33,863,028

23. Subsequent Event

On August 2, 2016, the Board approved a proposal to allow for an option exchange program, designed to provide the eligible personnel an opportunity to exchange certain outstanding underwater share options for new restricted shares to be granted. Share options eligible for exchange were those that were granted during the years ended December 31, 2013 and 2014 under the Group's share incentive plan. The approval of the option exchange program from the SEC was obtained by the Group on September 30, 2016. The exchange was subject to the eligible personnel's consent and became effective on October 21, 2016, being the deadline for acceptance of the exchange by the eligible personnel.