108142019001702

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000058648
Company Name	MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) C ORPORATION DOING BUSINESS UNDER THE NAME/S AND STYLE/
Industry Classification	Financial Holding Company Activities
Company Type	Stock Corporation

Document Information

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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 **June 30, 2019**

2. Commission identification number **58648** 3. BIR Tax Identification No. **000-410-840-000**

4. Exact name of issuer as specified in its charter
   Melco Resorts and Entertainment (Philippines) Corporation

5. Province, country or other jurisdiction of incorporation or organization
   Philippines

6. Industry Classification Code: [ ] (SEC Use Only)

....

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

8. Issuer's telephone number, including area code
   (02) 691-8899

9. Former name, former address and former fiscal year, if changed since last report
   N/A

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding as of June 30, 2019
Common	**5,687,270,800**

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

    Yes [ ] No [X]

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

12. Indicate by check mark whether the registrant:

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

    Yes [**X**] No [ ]

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

    Yes [**X**] No [ ]

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements as of June 30, 2019 and for the three and six months ended June 30, 2019 and the audited consolidated balance sheet as of December 31, 2018 and the related notes to the unaudited condensed consolidated financial statements of Melco Resorts and Entertainment (Philippines) Corporation (the "**Company**" or "**MRP**") and its subsidiaries (collectively, "**the Group**" or "**we**") are filed as part of this Form 17-Q as Appendix I.

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

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

The following management's discussion and analysis relates to the consolidated financial information and operating results of the Group and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes of the Group as of June 30, 2019 and for the three and six months ended June 30, 2019.

<u>**Overview and Operation Plans**</u>

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

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

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

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

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

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

On April 7, 2017, the boards of directors and stockholders of MPHIL Holdings No. 1, MPHIL Holdings No. 2 and Melco Resorts Leisure, respectively, approved the change of their corporate names to the present ones. On May 25, 2017, the SEC approved the change of corporate names of MPHIL Holdings No. 1 and MPHIL Holdings No. 2 while the change of corporate name of Melco Resorts Leisure was approved by the SEC on May 30, 2017.

City of Dreams Manila had its grand opening on February 2, 2015. This integrated casino resort at Entertainment City, Manila Bay, Manila, is solely operated and managed by Melco Resorts Leisure. The dynamic and innovative resort complex, located on an approximately 6.2 hectare site at the gateway to Entertainment City, includes entertainment, hotel, retail, dining and lifestyle experiences with aggregate gaming space, including VIP and mass market gaming facilities with up to approximately 380 gaming tables, 1,700 slot machines and 1,700 electronic table games. As of June 30, 2019, City of Dreams Manila had around 305 gaming tables, 2,029 slot machines and 238 electronic table games in operation. The integrated resort features distinctive entertainment venues, namely, DreamPlay by DreamWorks, Manila's first branded family entertainment center; Centerplay, a live performance central lounge inside the casino; and the two facilities introduced in latter part of 2018: the VR Zone and K-Golf. The VR Zone is housed at The Garage, a food park with carefully curated selection of food and beverage trucks and trailers set in a comfortable, air-conditioned space located at the upper ground floor. K-Golf is an indoor golf simulator with state of the art technology that brings some of the most popular golf courses around the world in 3D graphics. Both are located at the Upper Ground level. Until they closed in October 2018 to give way to their conversion in 2019 as a luxurious gaming space, Chaos was a dynamic night club that offered entertainment by live bands and world-class DJs and Pangaea was an ultra-gaming lounge that offered world-class gaming and an exclusive bar. Both are encapsulated within the Fortune Egg, a domelike structure accented with creative external lighting, which is a centerpiece attraction of the property.

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

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

Subsidiaries of MRP

As of June 30, 2019 and December 31, 2018, MRP's wholly-owned subsidiaries comprise the MPHIL Holdings Group. MPHIL Holdings No. 1, MPHIL Holdings No. 2 and Melco Resorts Leisure are all incorporated in the Philippines and are registered with the SEC. The primary purposes of MPHIL Holdings No. 1 and MPHIL Holdings No. 2 are investment holding and the primary purpose of Melco Resorts Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

Activities of MPHIL Holdings Group

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

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

On December 19, 2013, Melco Resorts Leisure priced its ₱15 billion aggregate principal amount of Senior Notes at par, with a maturity date of January 24, 2019 (the "**Senior Notes**"). The issuance of the Senior Notes was completed on January 24, 2014. The net proceeds from the issuance of Senior Notes were used to fund the City of Dreams Manila project, refinance debt and general corporate purposes. On October 9, 2017, Melco Resorts Leisure partially redeemed the Senior Notes in an aggregate principal amount of ₱7.5 billion, together with accrued interest. On August 31, 2018, Melco Resorts Leisure again made a partial redemption together with accrued interest of the Senior Notes in an aggregate principal amount of ₱5.5 billion. On December 28, 2018, Melco Resorts Leisure completed the redemption of the remaining outstanding balance of the Senior Notes in the aggregate principal amount of ₱2 billion.

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

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

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

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

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

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

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

As of June 30, 2019, Melco, through its subsidiaries, MCO Investments and MPHIL, held an indirect ownership in MRP of 97.94%.

Key Performance Indicators (KPIs)

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

a. Adjusted EBITDA: earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties under the Cooperation Agreement, land rent to Belle, pre-opening costs, share-based compensation, corporate expenses, property charges and other and other non-operating income and expenses.

b. Revenue Growth: measures the percentage change in revenue over a period of time. It is regularly monitored on a per product and per client basis.

c. Net Income: measures the profitability of the Group.

d. Basic Earnings (Loss) Per Share: measures how much a stockholder earns in the Net Profit (Loss) of the Group. Basic Earnings (Loss) per share is calculated by dividing Net Profit (Loss) by the weighted average number of common shares issued and outstanding during a particular period of time.

e. Diluted Earnings (Loss) Per Share: is calculated in the same manner as per Basic Earnings (Loss) Per Share, adjusted for the dilutive effect of any potential common shares.

f. Rolling Chip Volume: the amount of non-negotiable chips wagered and lost by the rolling chip market segment.

g. Rolling Chip Win Rate: rolling chip table games win (calculated before discounts, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of rolling chip volume.

h. Mass Market Table Games Drop: the amount of table games drop in the mass market table games segment.

i. Mass Market Table Games Hold Percentage: mass market table games win (calculated before discounts, commissions, non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) as a percentage of mass market table games drop.

j. Table Games Win: the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.

k. Gaming Machine Handle: the total amount wagered in gaming machines.

l. Gaming Machine Win Rate: gaming machine win (calculated before non-discretionary incentives (including our point-loyalty programs) and allocating casino revenues related to goods and services provided to gaming patrons on a complimentary basis) expressed as a percentage of gaming machine handle.

m. Average Daily Rate: calculated by dividing total room revenues including complimentary rooms (less service charges, if any) by total rooms occupied, including complimentary rooms, i.e., average price of occupied rooms per day.

n. Occupancy Rate: the average percentage of available hotel rooms occupied, including complimentary rooms, during a period.

o. Revenue Per Available Room or REVPAR: calculated by dividing total room revenues including complimentary rooms (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

Operating Results for the Three Months Ended June 30, 2019 Compared to the Three Months Ended June 30, 2018

(in thousands of Philippine peso, except per share and % change data)

	For the three months ended June 30, 2019	For the three months ended June 30, 2018	VERTICAL ANALYSIS % to Revenues 2019	2018	HORIZONTAL ANALYSIS Change from Prior Period	
Net operating revenues						
Casino	7,514,392	7,640,852	82%	83%	(126,460)	-2%
Rooms	790,572	692,686	9%	8%	97,886	14%
Food and beverage	712,793	696,151	8%	8%	16,642	2%
Entertainment, retail and other	153,842	157,944	2%	2%	(4,102)	-3%
Total net operating revenues	9,171,599	9,187,633	100%	100%	(16,034)	0%
Operating costs and expenses						
Gaming tax and license fees	(2,352,350)	(2,441,086)	-26%	-27%	88,736	-4%
Inventories consumed	(235,271)	(256,123)	-3%	-3%	20,852	-8%
Employee benefit expenses	(1,148,435)	(900,340)	-13%	-10%	(248,095)	28%
Depreciation and amortization [1]	(1,026,370)	(1,001,547)	-11%	-11%	(24,823)	2%
Other expenses	(1,543,104)	(1,426,904)	-17%	-16%	(116,200)	8%
Payments to the Philippine Parties	(1,201,892)	(1,248,742)	-13%	-14%	46,850	-4%
Total operating costs and expenses	(7,507,422)	(7,274,742)	-82%	-79%	(232,680)	3%
Operating profit	1,664,177	1,912,891	18%	21%	(248,714)	-13%
Non-operating income (expenses)						
Interest income	17,963	16,652	0%	0%	1,311	8%
Interest expenses [1]	(544,992)	(633,660)	-6%	-7%	88,668	-14%
Other finance fees	-	(5,979)	0%	0%	5,979	-100%
Foreign exchange (losses) gains, net	(210)	99,056	0%	1%	(99,266)	-100%
Total non-operating expenses, net	(527,239)	(523,931)	-6%	-6%	(3,308)	1%
Profit before income tax	1,136,938	1,388,960	12%	15%	(252,022)	-18%
Income tax credit (expense)	3,278	(28,436)	0%	0%	31,714	-112%
Net profit	1,140,216	1,360,524	12%	15%	(220,308)	-16%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive income	1,140,216	1,360,524	12%	15%	(220,308)	-16%
Basic Earnings Per Share	₱0.20	₱0.24			(₱0.04)	-17%
Diluted Earnings Per Share	₱0.20	₱0.24			(₱0.04)	-17%

Note (1): The Group adopted Philippine Financial Reporting Standards ("**PFRS**") 16, Leases ("**New Leases Standard**") using the modified retrospective method from January 1, 2019. Results for the periods beginning on or after January 1, 2019 are presented under the New Leases Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. The most significant impact of this adoption is as follows:

- Under the New Leases Standard, the Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, and applied a single recognition and measurement approach for all leases, except for short-term leases.
- Right-of-use Assets – The Group recognizes a right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). The recognized right-of-use assets are depreciated on the straight-line basis over the shorter of these estimated useful lives and the lease terms.
- Lease liabilities – The Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term at the commencement date of the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Refer to Note 3 to the unaudited condensed consolidated financial statements for details of the adoption of the New Leases Standard.

Net profit for the three months ended June 30, 2019 was ₱1,140.2 million, compared to a net profit of ₱1,360.5 million for the three months ended June 30, 2018, which is primarily related to the increase in operating costs and expenses, together with softer operating revenues during the current period.

Revenues

Total net operating revenues were ₱9,171.6 million for the three months ended June 30, 2019, representing a decrease of ₱16.0 million, from ₱9,187.6 million for the three months ended June 30, 2018. The decrease in total net operating revenues was mainly driven by lower casino revenues due to the softer gaming performance during the period partially offset by improved non-casino revenues.

Total net operating revenues for the three months ended June 30, 2019 were comprised of ₱7,514.4 million of casino revenues, representing 82% of total net operating revenues, and ₱1,657.2 million of non-casino revenues. Total net operating revenues for the three months ended June 30, 2018 were comprised of ₱7,640.9 million of casino revenues, representing 83% of total net operating revenues, and ₱1,546.8 million of non-casino revenues.

Casino - Casino revenues for the three months ended June 30, 2019 were ₱7,514.4 million, a decrease of ₱126.5 million, or 2%, from ₱7,640.9 million for the three months ended June 30, 2018. The decrease was primarily due to (i) lower gross gaming revenues of ₱663.9 million as a result of decreased business volumes, partially offset by (ii) ₱537.4 million lower commissions paid to gaming promoters and complimentary goods and services.

With increased competition in the market, rolling chip volume for the three months ended June 30, 2019 was ₱98.8 billion, as compared to ₱156.6 billion for the three months ended June 30, 2018. Rolling chip win rate for the three months ended June 30, 2019 was 5.21%, and reflected an increase from 3.7% for the three months ended June 30, 2018.

In the mass market table games segment, mass market table games drop was ₱10.0 billion for the three months ended June 30, 2019 which represented a decrease of ₱378.7 million from ₱10.4 billion for the three months ended June 30, 2018. The mass market table games hold percentage was 30.4% for the three months ended June 30, 2019 versus 29.4% for the three months ended June 30, 2018.

Gaming machine handle for the three months ended June 30, 2019 was ₱49.0 billion, compared with ₱45.1 billion for the three months ended June 30, 2018. The gaming machine win rate was 5.4% for the three months ended June 30, 2019 versus 5.9% for the three months ended June 30, 2018.

The average number of table games and average number of gaming machines for the three months ended June 30, 2019 were 306 and 2,271, respectively, as compared to 299 and 1,900, respectively, for the three months ended June 30, 2018. Average net win per table game per day and average net win per gaming machine per day for the three months ended June 30, 2019 were ₱294,108 and ₱12,898, respectively, as compared to ₱325,372 and ₱15,386, respectively, for the three months ended June 30, 2018.

Rooms - Room revenues came from Nüwa Manila, Nobu Manila and Hyatt Regency and amounted to ₱790.6 million for the three months ended June 30, 2019 representing an increase of ₱97.9 million, or 14%, from ₱692.7 million for the three months ended June 30, 2018, primarily due to improved average daily rate as well as occupancy as compared to the three months ended June 30, 2018. City of Dreams Manila's average daily rate, occupancy rate and REVPAR for the three months ended June 30, 2019 were ₱9,434, 98.1% and ₱9,258, respectively, as compared to ₱8,301, 97.8% and ₱8,121, respectively, for the three months ended June 30, 2018.

Food, beverage and others - Other non-casino revenues for the three months ended June 30, 2019 included food and beverage revenues of ₱712.8 million and entertainment, retail and other revenues of ₱153.8 million. Other non-casino revenues for the three months ended June 30, 2018 included food and beverage revenues of ₱696.2 million and entertainment, retail and other revenues of ₱157.9 million. The increase was mainly attributable to higher food and beverage sales.

Operating costs and expenses

Total operating costs and expenses were ₱7,507.4 million for the three months ended June 30, 2019, representing an increase of ₱232.7 million from ₱7,274.7 million for the three months ended June 30, 2018. The increase in operating costs was mainly due to higher employee benefit expenses, other expenses and depreciation and amortization, partially offset by decreases in gaming tax and license fees, inventories consumed and payments to the Philippine parties.

Gaming tax and license fees for the three months ended June 30, 2019 amounted to ₱2,352.4 million, representing a decrease of ₱88.7 million, or 4%, from ₱2,441.1 million for the three months ended June 30, 2018. The decrease is in line with the decreased gross gaming revenues.

Inventories consumed for the three months ended June 30, 2019 and 2018 amounted to ₱235.3 million and ₱256.1 million, respectively. The decrease was attributable to less playing cards and dice as well as less food and beverage items being consumed during the quarter.

Employee benefit expenses for the three months ended June 30, 2019 amounted to ₱1,148.4 million, as compared to ₱900.3 million for the three months ended June 30, 2018. The increase was primarily due to general wage inflation, increased annual leave expenses as well as higher bonuses provision during the period.

Depreciation and amortization for the three months ended June 30, 2019 and 2018 amounted to ₱1,026.4 million and ₱1,001.5 million, respectively. The increase was primarily due to the depreciation of right-of-use assets upon the adoption of the New Leases Standard.

Other expenses for the three months ended June 30, 2019 amounted to ₱1,543.1 million, as compared to ₱1,426.9 million for the three months ended June 30, 2018. The increase was mainly due to higher management fee expenses and operating and other expenses, partially offset by lower trademark license fees. Refer to Note 11 to the unaudited condensed consolidated financial statements for details.

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

Non-operating expenses, net

Interest income was ₱18.0 million for the three months ended June 30, 2019 as compared to ₱16.7 million for the three months ended June 30, 2018. The increase was due to more deposits being placed with the bank during the three months ended June 30, 2019 compared to the same period in 2018.

Interest expenses were ₱545.0 million for the three months ended June 30, 2019 as compared to ₱633.7 million for the three months ended June 30, 2018. The decrease was primarily due to cessation of interest expenses on the Senior Notes upon the full redemptions thereof in October 2017, August 2018 and December 2018, respectively. This was partially offset by the interest expenses on the lease liabilities upon the adoption of the New Leases Standard.

Other finance fees amounted to ₱6.0 million for the three months ended June 30, 2018. We incurred nil other finance fees for the three months ended June 30, 2019 upon full redemptions of the Senior Notes in 2018.

Net foreign exchange losses were ₱0.2 million for the three months ended June 30, 2019 as compared to net foreign exchange gains of ₱99.1 million for the three months ended June 30, 2018, mainly arising from the translation of foreign currency denominated bank balances and payables at the period-end closing rate.

Income tax credit (expense)

The income tax credit (expense) for the three months ended June 30, 2019 and 2018 primarily represented the deferred tax credit (charge) arising from net unrealized foreign exchange (losses) gains.

Net profit

As a result of the foregoing, the Group had a net profit of ₱1,140.2 million for the three months ended June 30, 2019, as compared to a net profit of ₱1,360.5 million for the three months ended June 30, 2018.

Operating Results for the Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

(in thousands of Philippine peso, except per share and % change data)

	For the six months ended June 30,	For the six months ended June 30,	VERTICAL ANALYSIS % to Revenues		HORIZONTAL ANALYSIS Change from Prior Period	
	2019	2018	2019	2018		
Net operating revenues						
Casino	13,513,443	13,480,149	81%	82%	33,294	0%
Rooms	1,506,429	1,371,171	9%	8%	135,258	10%
Food and beverage	1,366,258	1,398,898	8%	8%	(32,640)	-2%
Entertainment, retail and other	291,819	289,794	2%	2%	2,025	1%
Total net operating revenues	16,677,949	16,540,012	100%	100%	137,937	1%
Operating costs and expenses						
Gaming tax and license fees	(4,490,310)	(4,629,130)	-27%	-28%	138,820	-3%
Inventories consumed	(451,610)	(498,585)	-3%	-3%	46,975	-9%
Employee benefit expenses	(2,131,274)	(1,746,384)	-13%	-11%	(384,890)	22%
Depreciation and amortization [1]	(2,072,582)	(2,006,487)	-12%	-12%	(66,095)	3%
Other expenses	(3,099,190)	(2,849,024)	-19%	-17%	(250,166)	9%
Payments to the Philippine Parties	(1,938,025)	(1,838,796)	-12%	-11%	(99,229)	5%
Total operating costs and expenses	(14,182,991)	(13,568,406)	-85%	-82%	(614,585)	5%
Operating profit	2,494,958	2,971,606	15%	18%	(476,648)	-16%
Non-operating income (expenses)						
Interest income	23,197	28,507	0%	0%	(5,310)	-19%
Interest expenses [1]	(1,087,826)	(1,265,142)	-7%	-8%	177,316	-14%
Other finance fees	-	(11,958)	0%	0%	11,958	-100%
Foreign exchange (losses) gains, net	(13,238)	238,688	0%	1%	(251,926)	-106%
Total non-operating expenses, net	(1,077,867)	(1,009,905)	-6%	-6%	(67,962)	7%
Profit before income tax	1,417,091	1,961,701	8%	12%	(544,610)	-28%
Income tax credit (expense)	9,892	(69,202)	0%	0%	79,094	-114%
Net profit	1,426,983	1,892,499	9%	11%	(465,516)	-25%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive income	1,426,983	1,892,499	9%	11%	(465,516)	-25%
Basic Earnings Per Share	₱0.25	₱0.33			(₱0.08)	-24%
Diluted Earnings Per Share	₱0.25	₱0.33			(₱0.08)	-24%

Note (1): The Group adopted the New Leases Standard using the modified retrospective method from January 1, 2019. Results for the periods beginning on or after January 1, 2019 are presented under the New Leases Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. The most significant impact of this adoption is as follows:

- Under the New Leases Standard, the Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, and applied a single recognition and measurement approach for all leases, except for short-term leases.

- Right-of-use Assets – The Group recognizes a right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). The recognized right-of-use assets are depreciated on the straight-line basis over the shorter of these estimated useful lives and the lease terms.

- Lease liabilities – The Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term at the commencement date of the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Refer to Note 3 to the unaudited condensed consolidated financial statements for details of the adoption of the New Leases Standard.

Net profit for the six months ended June 30, 2019 was ₱1,427.0 million, compared to a net profit of ₱1,892.5 million for the six months ended June 30, 2018, which is primarily related to the increase in operating costs and expenses, together with net foreign exchange losses as compared to net foreign exchange gains in last period, partially offset by better operating revenues as well as lower interest expenses during the current period.

Revenues

Total net operating revenues were ₱16,677.9 million for the six months ended June 30, 2019, representing an increase of ₱137.9 million, from ₱16,540.0 million for the six months ended June 30, 2018. The increase in total net operating revenues was primarily driven by improved casino and non-casino revenues.

Total net operating revenues for the six months ended June 30, 2019 were comprised of ₱13,513.4 million of casino revenues, representing 81% of total net operating revenues, and ₱3,164.5 million of non-casino revenues. Total net operating revenues for the six months ended June 30, 2018 were comprised of ₱13,480.1 million of casino revenues, representing 82% of total net operating revenues, and ₱3,059.9 million of non-casino revenues.

Casino - Casino revenues for the six months ended June 30, 2019 were ₱13,513.4 million, an increase of ₱33.3 million, from ₱13,480.1 million for the six months ended June 30, 2018. The increase was mainly due to (i) ₱1,024.8 million lower commissions paid to gaming promoters and complimentary goods and services; partially offset by (ii) lower gross gaming revenues of ₱991.5 million as a result of decreased business volumes.

With increased competition in the market, rolling chip volume for the six months ended June 30, 2019 was ₱218.5 billion, as compared to ₱300.4 billion for the six months ended June 30, 2018. Rolling chip win rate (calculated before discounts and commissions) for the six months ended June 30, 2019 was 4.1%, which was an increase from its 3.3% for the six months ended June 30, 2018.

In the mass market table games segment, mass market table games drop was ₱19.7 billion for the six months ended June 30, 2019 which represented a decrease of ₱485.0 million, or 2.4% from ₱20.1 billion for the six months ended June 30, 2018. The mass market table games hold percentage was 30.5% for the six months ended June 30, 2019, as compared to 31.6% for the six months ended June 30, 2018.

Gaming machine handle for the six months ended June 30, 2019 was ₱96.6 billion, compared with ₱87.7 billion for the six months ended June 30, 2018. The gaming machine win rate was 5.6% for the six months ended June 30, 2019 versus 5.8% for the six months ended June 30, 2018.

Average number of table games and average number of gaming machines for the six months ended June 30, 2019 were 304 and 2,256, respectively, as compared to 297 and 1,868, respectively, for the six months ended June 30, 2018. Average net win per table games per day and average net win per gaming machine per day for the six months ended June 30, 2019 were ₱271,812 and ₱13,276 respectively, as compared to ₱303,543 and ₱14,974, respectively, for the six months ended June 30, 2018.

Rooms - Room revenues came from Nüwa hotel, Nobu Hotel and Hyatt Regency and amounted to ₱1,506.4 million for the six months ended June 30, 2019 and represented an increase of ₱135.3 million, or 10%, from ₱1,371.2 million for the six months ended June 30, 2018, primarily due to improved occupancy and other rates as compared to the six months ended June 30, 2018. City of Dreams Manila's average daily rate, occupancy rate and REVPAR for the six months ended June 30, 2019 were ₱8,574, 98.5% and ₱8,442, respectively, as compared to ₱8,256, 98.1% and ₱8,101, respectively, for the six months ended June 30, 2018.

Food, beverage and others - Other non-casino revenues for the six months ended June 30, 2019 included food and beverage revenues of ₱1,366.3 million and entertainment, retail and other revenues of ₱291.8 million. Other non-casino revenues for the six months ended June 30, 2018 included food and beverage revenues of ₱1,398.9 million and entertainment, retail and other revenues of ₱289.8 million. The decrease was primarily attributable to closure of some gaming food and beverage outlets.

Operating costs and expenses

Total operating costs and expenses were ₱14,183.0 million for the six months ended June 30, 2019, representing an increase of ₱614.6 million, from ₱13,568.4 million for the six months ended June 30, 2018. The increase in operating costs was due to higher employee benefit expenses, other expenses, payments to the Philippine Parties and depreciation and amortization, partially offset by lower gaming tax and license fees and inventories consumed.

Gaming tax and license fees for the six months ended June 30, 2019 amounted to ₱4,490.3 million, representing a decrease of ₱138.8 million, or 3% from ₱4,629.1 million for the six months ended June 30, 2018. The decrease was in-line with the lower gross gaming revenues.

Inventories consumed for the six months ended June 30, 2019 and 2018 amounted to ₱451.6 million and ₱498.6 million, respectively. The decrease was attributable to less playing cards and dice as well as less food and beverage items being consumed during the period.

Employee benefit expenses for the six months ended June 30, 2019 amounted to ₱2,131.3 million, as compared to ₱1,746.4 million for the six months ended June 30, 2018. The increase was primarily due to general wage inflation, increased annual leave expenses as well as higher bonuses provision during the period.

Depreciation and amortization for the six months ended June 30, 2019 and 2018 of ₱2,072.6 million and ₱2,006.5 million, respectively. The increase was primarily due to the depreciation of right-of-use assets upon the adoption of the New Leases Standard.

Other expenses for the six months ended June 30, 2019 amounted to ₱3,099.2 million, as compared to ₱2,849.0 million for the six months ended June 30, 2018. The increase was mainly due to higher management fee expenses, net loss on disposals of property and equipment and higher facilities and supplies expenses, partially offset by lower rental expenses and other gaming operation expenses. Refer to Note 11 to the unaudited condensed consolidated financial statements for details.

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

Non-operating expenses, net

Interest income of ₱23.2 million for the six months ended June 30, 2019, as compared to ₱28.5 million for the six months ended June 30, 2018. The decrease was due to less deposits being placed at the bank during the six months ended June 30, 2019 compared to the same period in 2018.

Interest expenses were ₱1,087.8 million for the six months ended June 30, 2019 as compared to ₱1,265.1 million for the six months ended June 30, 2018. The decrease was primarily due to cessation of interest expenses on the Senior Notes upon the full redemptions thereof in October 2017, August 2018 and December 2018, respectively. This was partially offset by the interest expenses on the lease liabilities upon the adoption of the New Leases Standard.

Other finance fees amounted to ₱12.0 million for the six months ended June 30, 2018. We incurred nil other finance fees for the six months ended June 30, 2019 upon full redemptions of the Senior Notes in 2018.

Net foreign exchange losses of ₱13.2 million for the six months ended June 30, 2019 compared to net foreign exchange gains of ₱238.7 million for the six months ended June 30, 2018, mainly arising from the translation of foreign currency denominated bank balances and payables at the period-end closing rate.

Income tax credit (expense)

The income tax credit (expense) for the six months ended June 30, 2019 and 2018 primarily represented the deferred tax credit (charge) arising from net unrealized foreign exchange (losses) gains.

Net profit

As a result of the foregoing, the Group had a net profit of ₱1,427.0 million for the six months ended June 30, 2019, as compared to a net profit of ₱1,892.5 million for the six months ended June 30, 2018.

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, pre-opening costs, share-based compensation, corporate expenses, property charges and other and other non-operating income and expenses. Adjusted EBITDAs were ₱4,294.0 million and ₱4,602.1 million for the three months ended June 30, 2019 and 2018, respectively. Adjusted EBITDAs were ₱7,473.2 million and ₱7,643.7 million for the six months ended June 30, 2019 and 2018, respectively.

Our management uses Adjusted EBITDA to measure the operating performance of City of Dreams Manila, and to compare the operating performance of our property with those of our competitors. Adjusted EBITDA is also presented as a supplemental disclosure because management believes it is widely used to measure performance and as a basis for valuation of gaming companies. Our management also uses Adjusted EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported similar measures as a supplement to financial measures in accordance with generally accepted accounting principles. However, Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our PFRS operating performance, other operating operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this quarterly report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors. While our management believes these figures may provide useful additional information to investors when considered in conjunction with our financial statements and other information in this quarterly report, less reliance should be placed on Adjusted EBITDA as a measure in assessing our overall financial performance.

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

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

Financial Condition and Balance Sheet

The consolidated balance sheet of the Group as of June 30, 2019, with variances against December 31, 2018 is as set out below.

(in thousands of Philippine peso, except % change data)

	June 30,	December 31,	VERTICAL ANALYSIS % to Total Assets		HORIZONTAL ANALYSIS Change	
ASSETS	**2019**	**2018**	**2019**	**2018**		
Current assets						
Cash and cash equivalents	10,228,758	6,808,712	28%	21%	3,420,046	50%
Restricted cash	771,741	867,591	2%	3%	(95,850)	-11%
Accounts receivable, net	1,589,475	1,476,364	4%	4%	113,111	8%
Inventories	304,167	310,132	1%	1%	(5,965)	-2%
Prepayments and other current assets(1)	410,164	413,542	1%	1%	(3,378)	-1%
Amounts due from related parties	27,226	139,564	0%	0%	(112,338)	-80%
Income tax recoverable	-	38	0%	0%	(38)	-100%
Total current assets	13,331,531	10,015,943	37%	30%	3,315,588	33%
Non-current assets						
Property and equipment, net(1)	10,075,018	20,359,266	28%	61%	(10,284,248)	-51%
Right-of-use assets, net(1)	10,274,006	-	28%	0%	10,274,006	N/A
Contract acquisition costs, net	733,640	759,687	2%	2%	(26,047)	-3%
Other non-current assets(1)	1,901,437	2,021,866	5%	6%	(120,429)	-6%
Total non-current assets	22,984,101	23,140,819	63%	70%	(156,718)	-1%
Total assets	**36,315,632**	**33,156,762**	100%	100%	3,158,870	10%
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	132,327	151,145	0%	0%	(18,818)	-12%
Accrued expenses, other payables and other current liabilities(1)	9,135,010	8,985,142	25%	27%	149,868	2%
Current portion of lease liabilities(1)	2,072,209	1,824,898	6%	6%	247,311	14%
Amounts due to related parties	718,523	186,880	2%	1%	531,643	284%
Income tax payable	107	-	0%	0%	107	N/A
Total current liabilities	12,058,176	11,148,065	33%	34%	910,111	8%
Non-current liabilities						
Non-current portion of lease liabilities(1)	14,620,315	13,358,923	40%	40%	1,261,392	9%
Retirement liabilities	87,069	74,065	0%	0%	13,004	18%
Other non-current liabilities(1)	63,266	296,133	0%	1%	(232,867)	-79%
Deferred tax liability, net	170,706	180,786	0%	1%	(10,080)	-6%
Total non-current liabilities	14,941,356	13,909,907	41%	42%	1,031,449	7%
Equity						
Capital stock	5,687,271	5,687,271	16%	17%	-	0%
Additional paid-in capital	22,275,906	22,259,788	61%	67%	16,118	0%
Share-based compensation reserve	-	228,972	0%	1%	(228,972)	-100%
Equity reserve	(3,613,990)	(3,613,990)	-10%	-11%	-	0%
Accumulated deficit	(15,033,087)	(16,463,251)	-41%	-50%	1,430,164	-9%
Total equity	9,316,100	8,098,790	26%	24%	1,217,310	15%
Total liabilities and equity	**36,315,632**	**33,156,762**	100%	100%	3,158,870	10%

Note (1): The Group adopted the New Leases Standard using the modified retrospective method from January 1, 2019. Results for the periods beginning on or after January 1, 2019 are presented under the New Leases Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. The most significant impact of this adoption is as follows:

- Under the New Leases Standard, the Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, and applied a single recognition and measurement approach for all leases, except for short-term leases.

- Right-of-use Assets – The Group recognizes a right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). The recognized right-of-use assets are depreciated on the straight-line basis over the shorter of these estimated useful lives and the lease terms.

- Lease liabilities – The Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term at the commencement date of the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Refer to Note 3 to the unaudited condensed consolidated financial statements for details of the adoption of the New Leases Standard.

Current assets

Cash and cash equivalents increased by ₱3,420.0 million primarily as a net result of operating cash inflows, net of payments made for capital expenditures and payments of lease liabilities. Refer below to "Liquidity and Capital Sources" for cash flow analysis for the six months ended June 30, 2019.

Restricted cash represents an escrow account that is restricted for government required foundation fees payable in accordance with the terms of the Regular License. The decrease primarily represented the release of funds to foundation projects, partially offset by contributions made during the period.

Accounts receivable, net, primarily attributable to casino, hotels and other receivables, increased by ₱113.1 million, primarily from increased casino receivables, partially offset by decreased hotel receivables. Refer to Note 5 to the unaudited condensed consolidated financial statements for the details of accounts receivable as of June 30, 2019.

Inventories of ₱304.2 million mainly consisted of gaming inventories, retail merchandise, food and beverage items and certain operating supplies. The decrease was mainly due to consumption of promotional inventories as well as food and beverage inventories held during the current period partially offset by increased gaming inventories, general inventories and retail merchandise.

Prepayments and other current assets amounted to ₱410.2 million with no material fluctuations noted for the period.

Amounts due from related parties decreased by ₱112.3 million, mainly due to management fee expenses recharged by an intermediate holding company during the period.

Non-current assets

Property and equipment, net, decreased by ₱10,284.2 million, mainly due to (i) the reclassification of the lease asset of ₱9,249.6 million recognized previously under a finance lease to right-of-use assets as a result of the adoption of the New Leases Standard; (ii) depreciation of ₱1,665.6 million for the period; (iii) disposals of ₱175.4 million during the period; which was partially offset by additions to property and equipment of ₱866.8 million.

Right-of-use assets, net, represented the recognition of leased assets as a result of the adoption of the New Leases Standard. Refer to Note 3 to the unaudited condensed consolidated financial statements for the adoption of the New Leases Standard.

Contract acquisition costs, net, decreased by ₱26.0 million, solely due to amortization charges for the six months ended June 30, 2019.

Other non-current assets decreased by ₱120.4 million, primarily due to decreases in (i) the derecognition of prepayments and other assets related to previous operating lease of ₱161.3 million as a result of the adoption of the New Leases Standard; (ii) deposits for acquisitions of property and equipment of ₱22.8 million, partially offset by increases in (iii) others of ₱36.3 million; (iv) security and other deposits of ₱18.7 million; and (v) input value-added tax, net of ₱8.7 million. Refer to Note 7 to the unaudited condensed consolidated financial statements for details.

Current liabilities

Accounts payable of ₱132.3 million represented payables to suppliers for products and services such as playing cards and marketing. The decrease in the balance was due to settlements made to suppliers during the period.

Accrued expenses, other payables and other current liabilities increased by ₱149.9 million, mainly related to increases in (i) payments to the Philippine Parties of ₱466.8 million; (ii) accruals for share-based compensation of ₱128.5 million; (iii) accruals for operating and other expenses of ₱59.2 million; partially offset by decreases in

(iv) outstanding gaming chips and tokens of ₱131.0 million; (v) accruals for property and equipment of ₱128.9 million; (vi) accruals for withholding taxes payable of ₱69.0 million; (vii) employee benefit expenses of ₱67.9 million; (viii) accruals for gaming tax and license fees of ₱62.8 million; (ix) advance customer deposits and ticket sales of ₱22.8 million; (x) other payables and liabilities of ₱11.4 million; and (xi) accruals for taxes and licenses of ₱10.8 million. Refer to Note 8 to the unaudited condensed consolidated financial statements for details.

Current portion of lease liabilities represented lease payments due within one year. The increase of ₱247.3 million during the period was mainly due to the adoption of the New leases Standard as well as the lease charges recognized for the current period, partially offset by lease payments made during the period. Refer to Note 3 of the unaudited condensed consolidated financial statements for details of the adoption of the New Leases Standard.

Amounts due to related parties increased by ₱531.6 million mainly as a result of management fees and trademark license fees recharged from affiliate companies during the period. Refer to Note 12 to the unaudited condensed consolidated financial statements for details of related party transactions for the six months ended June 30, 2019.

Non-current liabilities

Non-current portion of lease liabilities represented lease payments due beyond one year. The increase of ₱1,261.4 million during the period was mainly due to the adoption of the New Leases Standard as well as the lease charges recognized for the current period. Refer to Note 3 unaudited condensed consolidated financial statements for details of the adoption of the New Leases Standard.

Retirement liabilities increased by ₱13.0 million primarily due to such service costs recognized during the period.

Other non-current liabilities represented retail tenant deposits and other liabilities which are due beyond one year. The decrease was primarily due to the derecognition of deferred rent liabilities upon the adoption of the New Leases Standard.

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

Equity

Capital stock remained unchanged as of June 30, 2019 and December 31, 2018.

Additional paid-in capital amounted to ₱22,275.9 million as of June 30, 2019, as compared to ₱22,259.8 million as of December 31, 2018. On May 31, 2019, all outstanding share options and restricted shares under the share incentive plan were modified from equity-settled to cash-settled in light of delisting of the parent company from the PSE on June 11, 2019. As a result of this change, on the modification date, the Group recognized accrued liabilities associated with cash-settled shares options and restricted shares of ₱233.9 million and a corresponding reduction in the share-based compensation reserve of ₱249.6 million and an increment in additional paid-in capital of ₱15.7 million, which represented the excess of grant date fair values over the modification date fair values of the affected awards to which the vesting period had expired. Refer to Note 22 to the unaudited condensed consolidated financial statements for details.

The share-based compensation reserve amounted to ₱nil as of June 30, 2019 as of result of the above mentioned share incentive plan retirement arrangements.

The equity reserve consisted of the net difference between the cost of MRP to acquire MPHIL Holdings Group and the legal capital of the latter at the date of reverse acquisition, plus the retained earnings of MRP as of December 19, 2012, the date when MRP was acquired by Melco. The amount remained unchanged as of June 30, 2019 as compared to December 31, 2018.

The deficit decreased by ₱1,430.2 million to ₱15,033.1 million as of June 30, 2019, from ₱16,463.3 million as of December 31, 2018, which was primarily due to the net profit of ₱1,427.0 million recognized during the six months ended June 30, 2019.

Liquidity and Capital Sources

The table below shows the Group's unaudited condensed consolidated cash flows for the six months ended June 30, 2019 and 2018.

	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018	% Change
In thousands of Philippine peso, except % change data			
Net cash provided by operating activities	5,383,092	4,748,234	**13%**
Net cash used in investing activities	(839,640)	(629,437)	**33%**
Cash used in financing activities	(1,068,785)	(1,033,337)	**3%**
Effect of foreign exchange on cash and cash equivalents	(54,621)	250,725	**-122%**
Net increase in cash and cash equivalents	3,420,046	3,336,185	**3%**
Cash and cash equivalents at beginning of period	6,808,712	6,332,581	**8%**
Cash and cash equivalents at end of period	10,228,758	9,668,766	**6%**

Cash and cash equivalents increased by 50% as of June 30, 2019 compared to December 31, 2018 mainly due to the net effect of the following:

- For the six months ended June 30, 2019, the Group recorded cash flow from operating activities of ₱5,383.1 million primarily attributable to the operating performance at City of Dreams Manila as discussed in the preceding sections.

- Net cash used in investing activities amounted to ₱839.6 million for the six months ended June 30, 2019, which primarily included: (i) deposits for acquisitions of property and equipment of ₱509.7 million; (ii) capital expenditure payments of ₱396.5 million; (iii) payments for acquisitions of right-of-use assets of ₱14.8 million; (iv) payments for other non-current assets of ₱14.6 million; partially offset by (v) a decrease in restricted cash of ₱95.9 million for the foundation fees payable.

- Cash used in financing activities for the six months ended June 30, 2019 mainly represented payments of lease liabilities (including associated interest) of ₱1,060.5 million.

The table below shows the Group's capital sources as of June 30, 2019 and December 31, 2018.

	As of June 30, 2019	As of December 31, 2018	% Change
In thousands of Philippine peso, except % change data			
Equity	9,316,100	8,098,790	**15%**

Total equity increased by 15% to ₱9,316.1 million as of June 30, 2019, from ₱8,098.8 million as of December 31, 2018. The increase was mainly due to the net profit of ₱1,427.0 million during the six months ended June 30, 2019.

Risks Related to Financial Instruments

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

The main risks arising from the Group's financial instruments as of and for the six months ended June 30, 2019 are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks.

Other Financing and Liquidity Matters

We may obtain financing in the form of, among other things, equity or debt, including additional bank loans or high yield, mezzanine or other debt, or rely on our operating cash flows to fund the operations of City of Dreams Manila. We are a growing company with significant financial needs. We expect to have additional capital expenditures in the future as we continue to develop City of Dreams Manila.

We have relied and intend in the future to rely on our operating cash flows and different forms of financing to meet our funding needs, as the case may be.

The timing of any future debt and/or equity financing activities will be dependent on our funding needs, the availability of funds on terms acceptable to us, and prevailing market conditions. We may carry out activities from time to time to strengthen our financial position and ability to better fund our business expansion. Such activities may include monetizing assets, issuance of stock, sale and lease-back transactions or other similar activities.

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

As of June 30, 2019, we had a shareholder loan facility of US$340 million and a bank credit facility of ₱2,350 million which remain available for future drawdowns, subject to certain conditions precedent.

As of June 30, 2019, we had capital commitments contracted for, but not provided, mainly for the acquisitions of property and equipment for City of Dreams Manila totaling ₱749.6 million.

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

Other Financial Information

Aging of Accounts Receivable

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

In thousands of Philippine peso	**As of June 30, 2019**
Current	1,293,902
Past due:	
1-30 days	218,693
31-60 days	9,332
61-90 days	4,868
Over 90 days	62,680
Total	1,589,475

PART II - OTHER INFORMATION

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

SIGNATURES

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

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION
(Issuer)

Clarence Yuk Man Chung
President

SIGNATURES

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

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION
(Issuer)

Kevin Sweet
Treasurer

Melco Resorts and Entertainment (Philippines) Corporation and Subsidiaries

Unaudited Condensed Consolidated Financial Statements
As at June 30, 2019 (Unaudited) and December 31, 2018
and for the Three and Six Months Ended June 30, 2019 and 2018 (Unaudited)

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2019 AND DECEMBER 31, 2018
(In thousands of Philippine peso, except share and per share data)

	Notes	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱10,228,758**	₱6,808,712
Restricted cash		**771,741**	867,591
Accounts receivable, net	5	**1,589,475**	1,476,364
Inventories		**304,167**	310,132
Prepayments and other current assets		**410,164**	413,542
Amounts due from related parties	12	**27,226**	139,564
Income tax recoverable		**–**	38
Total Current Assets		**13,331,531**	10,015,943
Non-current Assets			
Property and equipment, net	6	**10,075,018**	20,359,266
Right-of-use assets, net		**10,274,006**	–
Contract acquisition costs, net		**733,640**	759,687
Other non-current assets	7	**1,901,437**	2,021,866
Total Non-current Assets		**22,984,101**	23,140,819
		₱36,315,632	₱33,156,762
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable		**₱132,327**	₱151,145
Accrued expenses, other payables and other current liabilities	8	**9,135,010**	8,985,142
Current portion of lease liabilities	15	**2,072,209**	1,824,898
Amounts due to related parties	12	**718,523**	186,880
Income tax payable		**107**	–
Total Current Liabilities		**12,058,176**	11,148,065
Non-current Liabilities			
Non-current portion of lease liabilities	15	**14,620,315**	13,358,923
Retirement liabilities		**87,069**	74,065
Other non-current liabilities		**63,266**	296,133
Deferred tax liability, net		**170,706**	180,786
Total Non-current Liabilities		**₱14,941,356**	₱13,909,907

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS – continued
JUNE 30, 2019 AND DECEMBER 31, 2018
(In thousands of Philippine peso, except share and per share data)

	Note	**June 30, 2019 (Unaudited)**	December 31, 2018 (Audited)
Equity			
Capital stock	9	**₱5,687,271**	₱5,687,271
Additional paid-in capital		**22,275,906**	22,259,788
Share-based compensation reserve		**–**	228,972
Equity reserve		**(3,613,990)**	(3,613,990)
Accumulated deficit		**(15,033,087)**	(16,463,251)
Total Equity		**9,316,100**	8,098,790
		₱36,315,632	₱33,156,762

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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

	Notes	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
NET OPERATING REVENUES					
Casino		**₱7,514,392**	₱7,640,852	**₱13,513,443**	₱13,480,149
Rooms		**790,572**	692,686	**1,506,429**	1,371,171
Food and beverage		**712,793**	696,151	**1,366,258**	1,398,898
Entertainment, retail and other		**153,842**	157,944	**291,819**	289,794
Total Net Operating Revenues		**9,171,599**	9,187,633	**16,677,949**	16,540,012
OPERATING COSTS AND EXPENSES					
Gaming tax and license fees		**(2,352,350)**	(2,441,086)	**(4,490,310)**	(4,629,130)
Inventories consumed		**(235,271)**	(256,123)	**(451,610)**	(498,585)
Employee benefit expenses	10	**(1,148,435)**	(900,340)	**(2,131,274)**	(1,746,384)
Depreciation and amortization		**(1,026,370)**	(1,001,547)	**(2,072,582)**	(2,006,487)
Other expenses	11	**(1,543,104)**	(1,426,904)	**(3,099,190)**	(2,849,024)
Payments to the Philippine Parties		**(1,201,892)**	(1,248,742)	**(1,938,025)**	(1,838,796)
Total Operating Costs and Expenses		**(7,507,422)**	(7,274,742)	**(14,182,991)**	(13,568,406)
OPERATING PROFIT		**1,664,177**	1,912,891	**2,494,958**	2,971,606
NON-OPERATING INCOME (EXPENSES)					
Interest income		**17,963**	16,652	**23,197**	28,507
Interest expenses		**(544,992)**	(633,660)	**(1,087,826)**	(1,265,142)
Other finance fees		**–**	(5,979)	**–**	(11,958)
Foreign exchange (losses) gains, net		**(210)**	99,056	**(13,238)**	238,688
Total Non-operating Expenses, Net		**(527,239)**	(523,931)	**(1,077,867)**	(1,009,905)
PROFIT BEFORE INCOME TAX		**1,136,938**	1,388,960	**1,417,091**	1,961,701
INCOME TAX CREDIT (EXPENSE)	14	**3,278**	(28,436)	**9,892**	(69,202)
NET PROFIT		**1,140,216**	1,360,524	**1,426,983**	1,892,499
OTHER COMPREHENSIVE INCOME		**–**	–	**–**	–
TOTAL COMPREHENSIVE INCOME		**₱1,140,216**	₱1,360,524	**₱1,426,983**	₱1,892,499
Basic Earnings Per Share	13	**₱0.20**	₱0.24	**₱0.25**	₱0.33
Diluted Earnings Per Share	13	**₱0.20**	₱0.24	**₱0.25**	₱0.33

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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

	Note	Capital Stock (Note 9)	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve	Accumulated Deficit	Total
Balance as of January 1, 2019		**₱5,687,271**	**₱22,259,788**	**₱228,972**	**(₱3,613,990)**	**(₱16,463,251)**	**₱8,098,790**
Net profit and total comprehensive income		–	–	–	–	**1,426,983**	**1,426,983**
Share-based compensation		–	**372**	**23,849**	–	–	**24,221**
Reclassification of Share Incentive Plan from equity-settled to cash-settled	22	–	**15,746**	**(249,640)**	–	–	**(233,894)**
Transfer of share-based compensation reserve upon expiry of share options		–	–	**(3,181)**	–	**3,181**	–
Balance as of June 30, 2019		**₱5,687,271**	**₱22,275,906**	**₱–**	**(₱3,613,990)**	**(₱15,033,087)**	**₱9,316,100**
Balance as of January 1, 2018		₱5,666,764	₱22,108,082	₱401,964	(₱3,613,990)	(₱19,147,002)	₱5,415,818
Net profit and total comprehensive income		–	–	–	–	1,892,499	1,892,499
Share-based compensation		–	–	(36,278)	–	–	(36,278)
Balance as of June 30, 2018		₱5,666,764	₱22,108,082	₱365,686	(₱3,613,990)	(₱17,254,503)	₱7,272,039

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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

	Six Months Ended June 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	**₱5,383,092**	₱4,748,234
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits for acquisitions of property and equipment	**(509,709)**	(190,477)
Payments for acquisitions of property and equipment	**(396,465)**	(207,370)
Payments for acquisitions of right-of-use assets	**(14,765)**	–
Payments for other non-current assets	**(14,551)**	(83,056)
Decrease (increase) in restricted cash	**95,850**	(149,629)
Proceeds from disposals of property and equipment	**–**	1,095
Net cash used in investing activities	**(839,640)**	(629,437)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liabilities (including associated interest)	**(1,060,549)**	(889,643)
Interest paid (including withholding tax)	**(8,194)**	(136,719)
Other finance fees paid (including gross-up withholding tax)	**(42)**	(6,975)
Cash used in financing activities	**(1,068,785)**	(1,033,337)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	**(54,621)**	250,725
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,420,046**	3,336,185
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**6,808,712**	6,332,581
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱10,228,758**	₱9,668,766

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

1. Organization and Business

Melco Resorts and Entertainment (Philippines) Corporation (herein referred to as "MRP" or the "Parent Company") is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (the "SEC"). The shares of stock of the Parent Company were publicly traded on The Philippine Stock Exchange, Inc. (the "PSE") until its trading suspension on December 10, 2018. The Parent Company was automatically delisted from the Official Registry of the PSE effective June 11, 2019, by reason of its public ownership remaining below the 10% minimum threshold prescribed under the PSE's Rule on Minimum Public Ownership for a period of more than six months.

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

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

As of June 30, 2019 and December 31, 2018, the Parent Company's ultimate holding company is Melco International Development Limited ("Melco International"), a company incorporated and listed in the Hong Kong Special Administrative Region of the People's Republic of China.

As of June 30, 2019 and December 31, 2018, the immediate holding company of the Parent Company is MCO (Philippines) Investments Limited ("MCO Investments"), a company incorporated in the British Virgin Islands.

2. Basis of Preparation

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

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

The Group's unaudited condensed consolidated financial statements as of June 30, 2019 do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as of December 31, 2018.

In preparing the Group's unaudited condensed consolidated financial statements as of June 30, 2019, 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, 2018, except for significant judgements and key sources of estimation uncertainty related to the application of PFRS 16, *Leases*, as disclosed in Note 3.

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

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those of the previous financial year/period except for adoption of the following new and amended Philippine Financial Reporting Standards ("PFRS") as of January 1, 2019. The adoption of these new and amended PFRSs had no material impact on the unaudited condensed consolidated financial statements, except for the adoption of PFRS 16 as explained below.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to PFRSs (2015 – 2017 Cycle)
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

- **PFRS 16, *Leases***

PFRS 16 replaces PAS 17, *Leases* and the related interpretations when it became effective. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17.

Lessor accounting under PFRS 16 is substantially unchanged under PAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group adopted PFRS 16 from January 1, 2019 using the modified retrospective method without restating comparative information. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under PAS 17 and related interpretation at the date of initial application. The Group also elected to use the recognition exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the commencement date and do not contain a purchase option ("short-term leases").

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

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

- **PFRS 16,** ***Leases*** – continued

The effect of adopting PFRS 16 as of January 1, 2019 is as follows:

	Effect of Change Increase (Decrease)
Condensed consolidated balance sheet	
Assets	
Right-of-use assets, net	**₱10,640,154**
Property and equipment, net	**(9,249,627)**
Prepayments and other assets	**(185,812)**
Total Assets	**₱1,204,715**
Liabilities	
Lease liabilities	**₱1,481,426**
Accrued expenses, other payables and other liabilities	**(276,711)**
Total Liabilities	**₱1,204,715**

The adoption of PFRS 16 did not have an impact on accumulated deficit as of January 1, 2019.

(a) Nature of the Effect of Adoption of PFRS 16

The Group has lease contracts for land, buildings, and various motor vehicles and furniture, fixtures and equipment. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and benefits incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased asset was not capitalized and the lease payments were recognized as rental expense in profit or loss on the straight-line basis over the lease term. Any prepaid rent were recognized under prepayments and other assets, and any accrued rent were recognized under accrued expenses, other payables and other liabilities. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

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

- **PFRS 16, *Leases*** – continued

(a) Nature of the Effect of Adoption of PFRS 16 – continued

Leases Previously Classified as Finance Leases
The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 were applied to these leases from January 1, 2019.

Leases Previously Classified as Operating Leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted by any related prepaid or accrued lease payments, at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- used a single discount rate to a portfolio of leases with reasonably similar characteristics
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as of January 1, 2019:
- right-of-use assets of ₱10,640,154 were recognized and presented separately in the unaudited condensed consolidated balance sheets. This included the lease asset recognized previously under a finance lease of ₱9,249,627 that was reclassified from property and equipment, net
- additional lease liabilities of ₱1,481,426 were recognized
- prepayments and other assets of ₱185,812 and accrued expenses, other payables and other liabilities of ₱276,711 related to previous operating leases were derecognized

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

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

- **PFRS 16, *Leases*** – continued

(a) Nature of the Effect of Adoption of PFRS 16 – continued

The lease liabilities as of January 1, 2019 reconcile to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as of December 31, 2018	**₱2,591,458**
Weighted average incremental borrowing rate as of January 1, 2019	**8.52%**
Discounted operating lease commitments as of January 1, 2019	**1,471,608**
Less:	
Short-term leases	**(114)**
Add:	
Finance lease liabilities previously recognized as of December 31, 2018	**15,183,821**
Adjustments as a result of different treatment of termination options	**2,626**
Others	**7,306**
Lease liabilities as of January 1, 2019	**₱16,665,247**

(b) Summary of New Accounting Policies

Set out below are the new accounting policies of the Group upon adoption of PFRS 16, which have been applied from the date of initial application.

Right-of-use Assets
The Group recognizes a right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on the straight-line basis over the shorter of these estimated useful lives and the lease terms. Right-of-use assets are subject to impairment, if applicable.

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

- **PFRS 16, *Leases*** – continued

(b) Summary of New Accounting Policies – continued

Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases

The Group applies the short-term lease recognition exemption to all leases that have lease terms of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on the straight-line basis over the lease term.

Significant Judgement in Determining the Lease Term of Contracts with Renewal Options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

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

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

 - **PFRS 16, *Leases*** – continued

 (c) Amounts recognized in the Unaudited Condensed Consolidated Balance Sheets and the Unaudited Condensed Consolidated Statements of Comprehensive Income

 Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period.

	Right-of-use Assets					
	Land	Buildings	Motor Vehicles	Furniture, Fixtures and Equipment	Total	Lease Liabilities
As of January 1, 2019	**₱1,338,816**	**₱9,251,467**	**₱4,948**	**₱44,923**	**₱10,640,154**	**₱16,665,247**
Additions	**14,765**	–	–	–	**14,765**	–
Depreciation and amortization	**(46,578)**	**(319,338)**	**(4,948)**	**(10,049)**	**(380,913)**	–
Interest expenses	–	–	–	–	–	**1,087,826**
Payments	–	–	–	–	–	**(1,060,549)**
As of June 30, 2019	**₱1,307,003**	**₱8,932,129**	**₱–**	**₱34,874**	**₱10,274,006**	**₱16,692,524**

 The Group recognized rental expense from short-term leases of ₱318 and ₱682 for the three and six months ended June 30, 2019, respectively. No variable leases payments were recognized for the three and six months ended June 30, 2019.

4. **Cash and Cash Equivalents**

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	**₱1,995,484**	₱2,271,517
Cash in banks	**8,233,274**	4,537,195
	₱10,228,758	₱6,808,712

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

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

5. Accounts Receivable, Net

Components of accounts receivable, net are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Casino	**₱1,780,142**	₱1,554,846
Hotel	**34,639**	47,355
Other	**3,443**	4,703
	1,818,224	1,606,904
Less: Allowances for doubtful debts	**(228,749)**	(130,540)
	₱1,589,475	₱1,476,364

For the six months ended June 30, 2019, the Group provided provisions for doubtful debts of ₱11,074, and reclassified allowances for doubtful debts of ₱96,368 from long-term receivables to accounts receivable. For the six months ended June 30, 2018, the Group provided provisions for doubtful debts of ₱131,076, and reclassified allowances for doubtful debts of ₱54,976 from accounts receivable to long-term receivables. For the six months ended June 30, 2019 and 2018, no accounts receivable were directly written-off in each of those periods.

6. Property and Equipment, Net

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Carrying amount as of January 1	**₱20,359,266**	₱23,130,988
Reclassified to right-of-use assets – Note 3	**(9,249,627)**	–
Adjustments to costs	**(60,472)**	–
Additions	**866,830**	1,201,622
Disposals	**(175,357)**	(12,379)
Depreciation and amortization	**(1,665,622)**	(3,960,965)
Carrying amount as of June 30/December 31	**₱10,075,018**	₱20,359,266
Buildings under a finance lease	**₱–**	₱9,249,627
Other property and equipment	**10,075,018**	11,109,639
	₱10,075,018	₱20,359,266

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

7. Other Non-current Assets

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Input value-added tax ("VAT"), net	**₱1,068,238**	₱1,059,572
Deposits for acquisitions of property and equipment	**580,918**	603,700
Security and rental deposits	**179,224**	160,479
Non-current portion of prepaid rents	**–**	137,483
Other non-current assets and deposits	**73,057**	60,632
	₱1,901,437	₱2,021,866

8. Accrued Expenses, Other Payables and Other Current Liabilities

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Outstanding gaming chips and tokens	**₱4,067,633**	₱4,198,666
Accruals for:		
Gaming tax and license fees	**1,617,740**	1,680,587
Employee benefit expenses	**599,851**	667,744
Payments to the Philippine Parties	**565,867**	99,105
Property and equipment	**169,712**	298,654
Share-based compensation	**128,516**	–
Taxes and licenses	**31,794**	42,553
Operating and other expenses	**917,415**	858,200
Advance customer deposits and ticket sales	**820,194**	842,994
Withholding taxes payable	**158,270**	227,222
Other payables and liabilities	**58,018**	69,417
	₱9,135,010	₱8,985,142

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

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

9. **Equity**

	Number of Shares	Capital Stock
Ordinary shares of ₱1 per share		
Authorized:		
As of January 1, 2019 (Audited) and June 30, 2019 (Unaudited)	**5,900,000,000**	**₱5,900,000**
Issued and fully paid:		
As of January 1, 2019 (Audited) and June 30, 2019 (Unaudited)	**5,687,270,800**	**₱5,687,271**

As of June 30, 2019 and December 31, 2018, the Parent Company had 1,599 and 407 stockholders, respectively.

On April 24, 2019 and June 24, 2019, the Board of Directors and the stockholders, respectively, approved a proposal to implement a capital restructuring through an amendment of the Articles of Incorporation of the Parent Company, whereby, without changing the total amount of the authorized capital stock, the par value per ordinary share will be increased from ₱1 per share to ₱500,000 per share, thereby decreasing the total number of ordinary shares on a pro-rata basis (the "Reverse Stock Split"). In the event that any fractional shares are created as a result of the Reverse Stock Split, MCO Investments and/or other subsidiaries and affiliated companies of Melco Resorts & Entertainment Limited ("Melco") shall offer to purchase these fractional shares from the stockholders. This proposal is subject to the approval of the SEC.

On April 24, 2019, the Boards of Directors of the Parent Company and all of its subsidiaries also approved a proposal to implement an equity restructuring for the purpose of eliminating the accumulated deficit by applying the additional paid-in capital against the deficits of each of the companies under the Group. This proposal is subject to the approval of the SEC.

On June 24, 2019, the Board of Directors approved the issuance of common shares of the Parent Company to the independent directors. Further details were disclosed in Note 24.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

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

10. Employee Benefit Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
Basic salaries, allowances, bonuses and other amenities	**₱952,250**	₱784,236	**₱1,761,636**	₱1,537,968
Annual leave and other paid leave	**89,501**	40,715	**138,375**	84,248
Retirement costs – defined contribution plans	**28,960**	20,197	**49,874**	39,987
Share-based compensation	**12,034**	(5,484)	**28,187**	(36,278)
Retirement costs – defined benefit obligations	**6,502**	6,654	**13,004**	13,308
Other employee benefits	**59,188**	54,022	**140,198**	107,151
	₱1,148,435	₱900,340	**₱2,131,274**	₱1,746,384

11. Other Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
Facilities and supplies expenses	**₱429,487**	₱384,395	**₱824,439**	₱737,716
Management fee expenses	**381,719**	242,452	**670,663**	481,171
Other gaming operations expenses	**203,889**	231,611	**356,087**	451,487
Trademark license fees	**172,534**	224,347	**355,587**	415,796
Advertising, marketing, promotional and entertainment expenses	**136,613**	132,381	**235,665**	270,619
Net loss on disposals of property and equipment	**459**	–	**174,926**	9,546
Provisions for input VAT	**39,193**	32,334	**106,724**	88,863
Office and administrative expenses	**50,425**	48,439	**96,238**	98,355
Taxes and licenses	**10,317**	11,171	**28,948**	16,658
Rental expenses	**318**	49,664	**682**	98,517
Operating and other expenses	**118,150**	70,110	**249,231**	180,296
	₱1,543,104	₱1,426,904	**₱3,099,190**	₱2,849,024

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued
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12. Related Party Transactions

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

	Amount of Transactions for the Three Months Ended June 30, 2019 (Unaudited)	Amount of Transactions for the Six Months Ended June 30, 2019 (Unaudited)	Outstanding Balance June 30, 2019 (Unaudited)	Terms	Conditions
Amounts due from related parties					
Amount due from a shareholder					
Amount due from MPHIL Corporation ("MPHIL")	**₱–**	**₱–**	**₱6,358**	Repayable on demand; non-interest bearing	Unsecured, no impairment
Amount due from an intermediate holding company					
Melco					
Management fee income[1]	**₱5,366**	**₱13,150**	**₱–**		
Management fee expenses	**78,836**	**144,661**	**–**		
Amount due from Melco	**–**	**–**	**18,611**	Repayable on demand; non-interest bearing	Unsecured, no impairment
Amount due from immediate holding company					
Amount due from MCO Investments	**₱–**	**₱–**	**₱995**	Repayable on demand; non-interest bearing	Unsecured, no impairment
Amounts due from affiliated companies					
Melco International's subsidiaries (other than MPHIL, Melco and MCO Investments)					
Purchases of goods and services	**₱419**	**₱1,771**	**₱–**		
Amounts due from Melco International's subsidiaries	**–**	**–**	**1,262**	Repayable on demand; non-interest bearing	Unsecured, no impairment

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

12. **Related Party Transactions** – continued

	Amount of Transactions for the Three Months Ended June 30, 2019 (Unaudited)	Amount of Transactions for the Six Months Ended June 30, 2019 (Unaudited)	Outstanding Balance June 30, 2019 (Unaudited)	Terms	Conditions
Amounts due to related parties					
Amounts due to affiliated companies					
Melco International's subsidiaries					
Management fee income	₱3,607	₱3,607	₱–		
Management fees and other expenses recognized as expenses(2)	339,640	607,498	–		
Management fees capitalized in property and equipment	3,956	3,956	–		
Trademark license fees	172,534	355,587	–		
Purchases of goods and services	1,394	4,093	–		
Amounts due to Melco International's subsidiaries	–	–	718,523	Repayable on demand; non-interest bearing	Unsecured

Notes:
(1) The amount represents the recharge of share-based compensation for certain directors of MRP for the three and six months ended June 30, 2019.
(2) Management services are provided by Melco International group companies. These services include, but are not limited to, corporate expenses and gaming operations support for the Group.

Directors' Remuneration

For the three and six months ended June 30, 2019, the remuneration of directors of the Group was borne by Melco.

13. **Basic/Diluted Earnings Per Share**

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

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

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

13. **Basic/Diluted Earnings Per Share** – continued

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2019 (Unaudited)	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
Net profit	**₱1,140,216**	₱1,360,524	**₱1,426,983**	₱1,892,499
Weighted average number of common shares outstanding used in the calculation of basic earnings per share	**5,687,270,800**	5,666,764,407	**5,687,270,800**	5,666,764,407
Adjustments for share options and restricted shares	**16,742,066**	41,309,843	**22,650,616**	42,917,245
Weighted average number of common shares outstanding used in the calculation of diluted earnings per share	**5,704,012,866**	5,708,074,250	**5,709,921,416**	5,709,681,652
Basic earnings per share	**₱0.20**	₱0.24	**₱0.25**	₱0.33
Diluted earnings per share	**₱0.20**	₱0.24	**₱0.25**	₱0.33
Anti-dilutive share options and restricted shares excluded from the calculation of diluted earnings per share	–	19,437,936	–	10,097,949

14. **Income Tax**

The provision for income tax for the three and six months ended June 30, 2019 and 2018 consisted of:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2019 (Unaudited)	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
Provision for current income tax	**₱263**	₱–	**₱263**	₱–
Over-provision of income tax in prior period	–	–	**(75)**	–
Deferred tax (credit) charge	**(3,541)**	28,436	**(10,080)**	69,202
	(₱3,278)	₱28,436	**(₱9,892)**	₱69,202

For the three and six months ended June 30, 2019, there were no significant changes to the tax exposures as disclosed in the Group's audited consolidated financial statements as of December 31, 2018.

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

15. Lease Liabilities

The following table presents the contractual undiscounted cash flows for lease liabilities as of June 30, 2019:

	June 30, 2019
Within one year	₱2,224,694
In more than one year and not more than five years	10,398,739
In more than five years	24,942,299
	₱37,565,732

16. Long-term Debt, Net

For the six months ended June 30, 2019, the Credit Facility availability period was extended from May 31, 2019 to August 29, 2019 on substantially similar terms as disclosed in the Group's audited consolidated financial statements as of December 31, 2018.

For the three and six months ended June 30, 2019, other than the extension of the Credit Facility availability period as mentioned above, there were no significant changes to the long-term debt as disclosed in the Group's audited consolidated financial statements as of December 31, 2018. As of June 30, 2019, the Shareholder Loan Facility and the Credit Facility have not been drawn.

17. Cooperation Agreement, Operating Agreement and Lease Agreement

For the three and six months ended June 30, 2019, there were no significant changes to the terms and conditions of the Cooperation Agreement, the Operating Agreement and the Lease Agreement as disclosed in the Group's audited consolidated financial statements as of December 31, 2018.

18. Commitments and Contingencies

(a) Capital Commitments

As of June 30, 2019, the Group had capital commitments contracted for but not provided mainly for the acquisitions of property and equipment for City of Dreams Manila totaling ₱749,620.

(b) Other Commitments and Guarantees

As of June 30, 2019, there were no significant changes to other commitments and guarantees for the Regular License and the Cooperation Agreement as disclosed in the Group's audited consolidated financial statements as of December 31, 2018.

18. **Commitments and Contingencies** – continued

(c) Litigation

As of June 30, 2019, the Group is a party to certain legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings will have no material impacts on the Group's unaudited condensed consolidated financial statements as a whole.

19. **Financial Risk Management Objectives and Policies**

As of June 30, 2019 and for the three and six months ended June 30, 2019, there were no significant changes to the Group's financial risk management objectives and policies as disclosed in the Group's audited consolidated financial statements as of December 31, 2018.

20. **Financial Instruments**

Fair Value of Financial Instruments

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

As of June 30, 2019 and December 31, 2018, the carrying values approximate their fair values at the reporting dates due to the relatively short-term maturities of the transactions.

Security deposits and Lease liabilities

As of June 30, 2019 and December 31, 2018, the carrying values approximate their fair values, which are measured by discounting estimated future cash flows to present value using a credit-adjusted discount rate.

As of June 30, 2019 and December 31, 2018, the Group does not have financial instruments that are carried and measured at fair value. For the three and six months ended June 30, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

21. **Notes to Unaudited Condensed Consolidated Statements of Cash Flows**

(a) For the six months ended June 30, 2019, costs of property and equipment totaling ₱55,235 were funded through accrued expenses, other payables and other current liabilities and amounts due to related parties (For the six months ended June 30, 2018: ₱100,133).

(b) For the six months ended June 30, 2019, the total cash outflow for leases was ₱1,061,231, including ₱682 for short-term leases.

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

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

(c) For the six months ended June 30, 2019, accruals for property and equipment of ₱60,472 were reversed for costs adjustments (For the six months ended June 30, 2018: nil).

22. Share Incentive Plan

On May 22, 2019, the Parent Company provided an agreement to all eligible personnel of the Share Incentive Plan the option to retire all outstanding equity awards, including the unvested share options, vested but unexercised share options and unvested restricted shares by the payment of cash to the eligible personnel (the "SIP Retirement Arrangements") in light of the delisting of the Parent Company as disclosed in Note 1 and the acquiescence of such SIP Retirement Arrangements was obtained from the SEC on May 17, 2019. On May 31, 2019, as a result of all eligible personnel elected to participate in the SIP Retirement Arrangements, a total of 15,971,173 outstanding share options (including both unvested and vested but unexercised share options) and 29,068,424 outstanding restricted shares under the Share Incentive Plan were modified from equity-settled to cash-settled awards.

The Group will pay the eligible personnel a fixed amount in cash ("Settlement Amount") according to the original vesting schedules of the outstanding share options and restricted shares, subject to other terms and conditions under the SIP Retirement Arrangements. The Settlement Amount of the outstanding restricted shares is ₱7.25 per share, based on the offer price of the Tender Offer in 2018 and the Settlement Amount of the share options is determined using the Black-Scholes valuation model at the modification date, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid. Expected volatility is based on the historical volatility of the Parent Company's common shares trading on the PSE and the historical volatility of a peer group of publicly traded companies. Expected terms are based upon the expected exercise behavior of the outstanding options. The risk-free interest rate used for each period presented is based on the Philippine government bond yield for the period equal to the expected term.

The fair values of the outstanding share options under the SIP Retirement Arrangements at modification date were estimated using the following weighted average assumptions as follows:

Expected dividend yield	–
Expected stock price volatility	**45%**
Risk-free interest rate	**5.81%**
Expected average term (years)	**5.7**
Weighted average share price per share	**₱7.25**
Weighted average exercise price per share	**₱6.15**
Weighted average fair value of share options at modification date	**₱4.23**

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

22. **Share Incentive Plan** – continued

On the modification date, the Group recognized a liability associated with cash-settled share options and restricted shares of ₱233,894 with a corresponding reduction in share-based compensation reserve of ₱249,640 and an increment in additional paid-in capital of ₱15,746, which represented the excess of grant date fair values over the modification date fair values of the affected awards to which the vesting period had expired. The awards were modified so as to become cash-settled, but other terms were otherwise unchanged. Accordingly, the fair values at the modification date of the modified awards and the original awards were the same, and no incremental share-based compensation expenses were resulted. At the end of each reporting period until the liability is settled, the liability is accrued for the outstanding awards as they become vested at the Settlement Amount, with a corresponding share-based compensation expense recognized in profit or loss for the period.

Share Options

There were no share options granted under the Share Incentive Plan for the six months ended June 30, 2019.

A summary of share options activity under the Share Incentive Plan as of June 30, 2019, and changes for the six months ended June 30, 2019 are presented as follows:

	Number of Share Options	Weighted Average Exercise Price per Share
Equity-settled		
Outstanding as of January 1, 2019	17,035,505	₱6.28
Forfeited	**(197,261)**	**8.34**
Expired	**(867,071)**	**8.30**
Modified to cash-settled	**(15,971,173)**	**6.15**
Outstanding as of June 30, 2019	–	₱–
Exercisable as of June 30, 2019	–	₱–

	Number of Share Options
Cash-settled	
Outstanding as of January 1, 2019	–
Modified from equity-settled	**15,971,173**
Vested	**(8,587,765)**
Outstanding as of June 30, 2019	**7,383,408**

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

22. **Share Incentive Plan** – continued

Share Options – continued

As of June 30, 2019, the accrued liability associated with cash-settled share options was ₱56,251. No fair value gain or loss on remeasurement of the liability associated with the cash-settled share options was recognized for the six months ended June 30, 2019.

Restricted Shares

There were no restricted shares granted under the Share Incentive Plan for the six months ended June 30, 2019.

A summary of restricted shares activity under the Share Incentive Plan as of June 30, 2019, and changes for the six months ended June 30, 2019 are presented as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Equity-settled		
Unvested as of January 1, 2019	29,444,660	₱5.82
Forfeited	**(376,236)**	**5.42**
Modified to cash-settled	**(29,068,424)**	**5.83**
Unvested as of June 30, 2019	–	₱–

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Cash-settled		
Unvested as of January 1, 2019	–	₱–
Modified from equity-settled	**29,068,424**	**5.83**
Vested	**(4,446,112)**	**6.02**
Unvested as of June 30, 2019	**24,622,312**	**₱5.79**

As of June 30, 2019, the accrued liability associated with cash-settled restricted shares was ₱181,609. No fair value gain or loss on remeasurement of the liability associated with the cash-settled restricted shares was recognized for the six months ended June 30, 2019.

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23. **Segment Information**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
Total capital expenditures – All in the Philippines at City of Dreams Manila[(1)]	**₱201,941**	₱109,834	**₱866,830**	₱326,041

(1) For the three and six months ended June 30, 2019, the amount of total capital expenditures did not include the adjustments for reversal of costs of ₱10,603 and ₱60,472, respectively. There were no adjustments to project costs for the three and six months ended June 30, 2018.

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

23. **Segment Information** – continued

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)	**2019 (Unaudited)**	2018 (Unaudited)
NET OPERATING REVENUES				
The Philippines – City of Dreams Manila	**₱9,171,599**	₱9,187,633	**₱16,677,949**	₱16,540,012
ADJUSTED EBITDA[1]				
The Philippines – City of Dreams Manila	**₱4,293,980**	₱4,602,055	**₱7,473,196**	₱7,643,732
OPERATING COSTS AND EXPENSES				
Payments to the Philippine Parties	**(1,201,892)**	(1,248,742)	**(1,938,025)**	(1,838,796)
Land rent to Belle Corporation ("Belle")	**–**	(39,617)	**–**	(79,234)
Pre-opening costs	**364**	–	**364**	–
Depreciation and amortization	**(1,026,370)**	(1,001,547)	**(2,072,582)**	(2,006,487)
Share-based compensation	**(12,034)**	5,484	**(28,187)**	36,278
Corporate expenses	**(387,252)**	(403,242)	**(762,722)**	(782,387)
Property charges and other	**(2,619)**	(1,500)	**(177,086)**	(1,500)
Total Operating Costs and Expenses	**(2,629,803)**	(2,689,164)	**(4,978,238)**	(4,672,126)
OPERATING PROFIT	**1,664,177**	1,912,891	**2,494,958**	2,971,606
NON-OPERATING INCOME (EXPENSES)				
Interest income	**17,963**	16,652	**23,197**	28,507
Interest expenses	**(544,992)**	(633,660)	**(1,087,826)**	(1,265,142)
Other finance fees	**–**	(5,979)	**–**	(11,958)
Foreign exchange (losses) gains, net	**(210)**	99,056	**(13,238)**	238,688
Total Non-operating Expenses, Net	**(527,239)**	(523,931)	**(1,077,867)**	(1,009,905)
PROFIT BEFORE INCOME TAX	**1,136,938**	1,388,960	**1,417,091**	1,961,701
INCOME TAX CREDIT (EXPENSE)	**3,278**	(28,436)	**9,892**	(69,202)
NET PROFIT	**₱1,140,216**	₱1,360,524	**₱1,426,983**	₱1,892,499

(1) "Adjusted EBITDA" is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, pre-opening costs, share-based compensation, corporate expenses, property charges and other, and other non-operating income and expenses. The chief operating decision-maker uses Adjusted EBITDA to measure the operating performance of City of Dreams Manila and to compare the operating performance of its property with those of its competitors.

24. **Subsequent Event**

Pursuant to the approval of the Board of Directors on June 24, 2019, the Parent Company issued and the independent directors subscribed to 1,493,900 common shares of the Parent Company with a par value of ₱1 per share, for a total consideration of ₱1,493,900 on July 31, 2019.