C O V E R S H E E T

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION

Company's Full Name

Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701

Company's Address: No./Street/City/Town/Province

c/o (02) 866-9888
Company's Telephone Number

December 31
Fiscal Year Ended
(Month & Day)

DEFINITIVE INFORMATION STATEMENT
SEC Form 20-IS
FORM TYPE

LCU

Cashier

DTU

58648
SEC Reg. No.

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MELCO RESORTS PHILIPPINES

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION

NOTICE AND AGENDA OF THE ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

Notice is hereby given that **MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION** (the "**Corporation**") will hold its Annual Stockholders' Meeting on June 26, 2017, 2:30 p.m. at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines, at which meeting the following matters shall be taken up:

1. Call to Order
2. Certification of the Existence of Quorum and the Sending of Notices
3. Approval of the Minutes of the Last Stockholders' Meetings held on June 20, 2016, December 5, 2016 and April 7, 2017
4. Report of the Chairman or President
5. Approval of the Audited Financial Statements of the Corporation for the Year Ended December 31, 2016
6. Election of the Members of the Board of Directors
7. Appointment of External Auditor
8. Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting Held on June 20, 2016
9. Approval of the Further Amendments to the Amended Articles of Incorporation of the Corporation to:
    a. Include in the corporate name "Melco Resorts Philippines" as Business Name of the Corporation
    b. Increase the Authorized Capital Stock from Five Billion Nine Hundred Million Pesos (Php5,900,000,000.00) divided into Five Billion Nine Hundred Million (5,900,000,000) shares of common stock with par value of One Peso (Php1.00) per share, to up to Eleven Billion Nine Hundred Million Pesos (Php11,900,000,000.00) ("Cap Limit") divided into Eleven Billion Nine Hundred Million (11,900,000,000.00) shares of common stock with par value of One Peso (Php1.00) per share.
10. Approval of the Increase of Authorized Capital Stock of the Corporation and Grant of Authority to the Board to determine the amount of such Increase and to issue such number of shares out of such Increase at an issue price of not less than par value
11. Grant of Authority to Conduct Equity Offering and to List the Subscribed Shares in the Philippine Stock Exchange
12. Waiver of the Requirement to Conduct a Rights or Public Offering
13. Other Matters that May Properly be Brought Before the Meeting
14. Adjournment

The above agenda items are further explained in the Definitive Information Statement of the Corporation and in the attached **Annex "A"**.

The record date for the determination of stockholders entitled to notice of, and to vote at, the said meeting is fixed at the close of business hours on May 29, 2017.

All stockholders who will not attend the meeting in person, may prepare, date and sign a proxy, and submit the same to the Office of the Corporate Secretary at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines not later than June 19, 2017. The proxies submitted shall be validated on the same day at the office of the Corporate Secretary.

MELCO RESORTS
PHILIPPINES

Parañaque City, Philippines, May 30, 2017.

MARISSA T. ACADEMIA
Corporate Secretary

Annex "A"
Annual Stockholders' Meeting
Agenda Rationale

1. **Call to Order** – The call shall be done to officially open the Annual Stockholders' Meeting.

2. **Certification of the Existence of Quorum and the Sending of Notices** – Stockholders representing at least majority of the outstanding shares of the Corporation are required to be present for the existence of a quorum.

3. **Approval of the Minutes of the Last Stockholders' Meetings held on June 20, 2016, December 5, 2016 and April 7, 2017** – The minutes of the last Annual Stockholders' Meeting of the Corporation shall serve as a record of the proceedings therein.

4. **Report of the Chairman or President** – The Report shall give the stockholders an overview of the business operations of the Corporation and its subsidiaries in the previous year.

5. **Approval of the Audited Financial Statements of the Corporation for the Year Ended December 31, 2016** – The 2016 Audited Financial Statements of the Corporation, already incorporated in the Definitive Information Statement and submitted to the Securities and Exchange Commission and Bureau of Internal Revenue, are required to be presented to the stockholders for their information and approval.

6. **Election of the Members of the Board of Directors** – The nominees for election as members of the Board of Directors of the Corporation, including the independent directors, are required to be presented to the stockholders during the Annual Stockholders' Meeting. The respective profiles of the nominees are included in Item 5 of the Definitive Information Statement, for the reference of the stockholders.

7. **Appointment of External Auditor** – Upon the favorable recommendation of the Audit and Risk Committee, SyCip Gorres Velayo & Co.'s reappointment as external auditors of the Corporation is presented to the stockholders for approval.

8. **Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting Held on June 20, 2016** – All actions taken by the Board of Directors and Officers of the Corporation since the last Annual Stockholders' Meeting on June 20, 2016, as reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, Inc., and in the 2016 Annual Report and Report of the Chairman, are required to be presented to the stockholders for their approval and ratification.

9. **Approval of the Further Amendments to the Amended Articles of Incorporation of the Corporation to:**

   a. **Include in the corporate name "Melco Resorts Philippines" as Business Name of the Corporation** – The approval of the stockholders shall be sought to include in the corporate name "Melco Resorts Philippines" as business name of the Corporation in order to comply with the guidelines on the use of trade or business names by corporations.

10. **Approval of the Increase of Capital Stock of the Corporation and Grant of Authority to the Board to Conduct such Increase** – The approval of the shareholders for the Amendment of the Articles of Incorporation of the Corporation is sought to increase the authorized capital stock of the Corporation from Five Billion Nine Hundred Million Pesos (Php5,900,000,000.00) divided into Five Billion Nine Hundred Million (5,900,000,000) shares of common stock with par value of One Peso

(Php1.00) per share, to up to Eleven Billion Nine Hundred Million Pesos (Php11,900,000,000.00) ("Cap Limit") divided into Eleven Billion Nine Hundred Million (11,900,000,000.00) shares of common stock with par value of One Peso (Php1.00) per share and grant of authority to the Board of Directors to determine the amount of increase within the Cap Limit. The approval of the stockholders is also needed for the grant of authority to the Board of Directors to issue such number of shares of stock out of the increase in authorized capital stock to such persons and at an issue price of not less than par value as the Board of Directors may determine.

11. **Grant of Authority to Conduct Equity Offering and to List the Subscribed Shares in the Philippine Stock Exchange** – Approval by the stockholders is sought for the grant of authority to the Board of Directors to conduct an equity offering (including, but not limited to, issuance of shares pursuant to a top-up placement transaction) and to list the subscribed shares in the Philippine Stock Exchange under such terms and conditions that the Board of Directors may determine, inclusive of: (i) the authority to fix the number of shares for such equity transaction in such number of shares as may be required by the Corporation for the purposes as described in this Definitive Information Statement and (ii) determination of the offering price based on any one or a combination of multiple generally accepted pricing formulas or methods such as but not limited to publicly traded comparables (e.g. Enterprise Value / EBITDA / Price / Earnings), discounted cash flow or net asset value, closing price of the share or average closing price thereof during a definitive period and any discount/premium thereto, as may be appropriate or relevant per prevailing market conditions.

12. **Waiver of the Requirement to Conduct a Rights or Public Offering** - In the event that shares amounting to at least 10% of the total issued and outstanding capital stock of the Corporation will be issued to related parties in connection with an equity offering, a waiver of the requirement to conduct a rights or public offering by the majority of the outstanding shares held by the attending minority shareholders is likewise sought pursuant to Section 5, Part A, Article V of the Revised Listing Rules of the Philippine Stock Exchange.

13. **Other Matters that May Properly be Brought Before the Meeting** – Any other matter relevant and appropriate to the occasion may be properly raised and considered during the Annual Stockholders' Meeting.

14. **Adjournment** – Upon consideration of all business, the Chairman shall declare the meeting adjourned, formally ending the 2017 Annual Stockholders' Meeting of the Corporation.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter **MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION**

3. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **58648**

5. BIR Tax Identification Code **000-410-840-000**

6. **Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **c/o (02) 866-9888**

8. Date, time and place of the meeting of security holders

   Date : June 26, 2017
   Time : 2:30 p.m.
   Place : City of Dreams Manila
   Asean Avenue cor. Roxas Boulevard
   Brgy. Tambo, Parañaque City,
   1701 Philippines

9. Approximate date on which the Information Statement is first to be sent or given to security holders: June 2, 2017

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding As of April 30, 2017	Treasury Shares As of April 30, 2017	Outstanding Common Stock As of April 30, 2017
Common	5,662,897,278	NIL	5,662,897,278
Total	5,662,897,278	NIL	5,662,897,278

Outstanding debt:
PhP 15 billion Senior Note

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes __✓____ No _______

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
Philippine Stock Exchange **Common**

MRP MANAGEMENT IS NOT SOLICITING PROXIES FOR THIS STOCKHOLDERS' MEETING. PLEASE DO NOT SEND MRP MANAGEMENT YOUR PROXY.

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

The Annual Stockholders' Meeting of Melco Resorts and Entertainment (Philippines) Corporation (the "**Company**" or "**MRP**") will be held on June 26, 2017 at 2:30 p.m. at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines.

THE COMPANY HAS SET JUNE 2, 2017 AS THE APPROXIMATE DATE ON WHICH THE INFORMATION STATEMENT SHALL FIRST BE SENT OR GIVEN TO SECURITY HOLDERS.

Item 2. Dissenters' Right of Appraisal

Stockholders of the Company shall have appraisal right, or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case of any amendment to the Articles of Incorporation ("**AOI**"), which has the effect of changing or restricting the rights of stockholders or any class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or extending or shortening the term of the Company's corporate existence;

- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's assets as provided under the Corporation Code; and

- In case of merger or consolidation of the Company with another corporation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty days after the date on which the vote was taken for payment of the fair value of his shares: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

There are no corporate actions or matters to be taken up at the Annual Stockholders' Meeting that may give rise to the exercise by the stockholders of the right of appraisal.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No current Director or Officer of the Company or nominee for election as directors of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) The Company has a total of 5,663,157,399 common shares outstanding as of the record date, May 29, 2017, held by a total of 429 stockholders. The stockholders will vote on matters scheduled to be taken up at the Annual Stockholders' Meeting scheduled on June 26, 2017, with each share being entitled to cast one vote.

(b) Pursuant to the Resolution of the Board of Directors at a regular meeting held on April 7, 2017, all stockholders at the close of business hours on May 29, 2017 shall be entitled to notice and to vote at the Annual Stockholders' Meeting.

(c) For the election of Directors, stockholders entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of their shares shall equal or may distribute them on the same principle among as many candidates as they shall see fit.

Pursuant to Article V, Section 7 of the Company's By-Laws, a stockholder may vote in person or by proxy.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

a. Security Ownership of Certain Record and Beneficial Owners of more than 5%

As of April 30, 2017, the following are the shareholders who beneficially own in excess of 5% of the Company's common stock:

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent to Outstanding Shares
Common	MCE (Philippines) Investments Limited ("**MCE Investments**") Jayla Place, Wickams Cay I, Road Town, Tortola, British Virgin Islands Stockholder of Record	MCE Investments	British Virgin Islands ("**BVI**")	3,950,440,196*	69.76%
Common	PCD Nominee Corporation (Non-Filipino)	Various Stockholders	Various	645,238,106	11.39%

Common	MCE (Philippines) Investments No.2 Corporation ("**MCE Investments No.2**") Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines Stockholder of Record	MCE Investments Parent Company of MCE Investments No.2	BVI	173,837,068	3.07%

*Includes the 535,440,000 shares lodged with the Philippine Depository and Trust Corporation.

b. Security Ownership of Management

The following are the securities owned and held by the Directors and Executive Officers of the Company as of April 30, 2017:

A. Directors

Title	Name of Director	Citizenship	Amount and Nature of Record/Beneficial Ownership[1]	Percent to Total Outstanding Shares
Common	Clarence Yuk Man Chung	Chinese	Direct: 6,238,396 Indirect: 100	NIL
Common	Jose F. Buenaventura	Filipino	Direct: 28,125 Indirect N/A	NIL
Common	Alec Yiu Wa Tsui	British	Direct: 1,245,123 Indirect: N/A	NIL
Common	John William Crawford	Canadian	Direct: 5,000 Indirect: N/A	NIL
Common	Frances Marie T. Yuyucheng	Filipino	Direct: N/A Indirect: 100	NIL
Common	Maria Marcelina O. Cruzana	Filipino	Direct: 5,696 Indirect: 100	NIL
Common	Johann M. Albano	Filipino	Direct: 112,320 Indirect: 3,000	NIL

B. Executive Officers

Title	Name of Executive Officer	Citizenship	Amount and Nature of Record/Beneficial Ownership[2]	Percent to Total Outstanding Shares
Common	Clarence Yuk Man Chung	Chinese	Direct: 6,238,396 Indirect: 100	NIL
Common	Geoffry Philip Andres	American	Direct: 849,566 Indirect: N/A	NIL
-	Donald Nori Tateishi	American	Direct: N/A Indirect: N/A	NIL
Common	Marissa T. Academia	Filipino	Direct: 151,046 Indirect: N/A	NIL

[1] (1) Clarence Yuk Man Chung indirectly hold 100 shares in trust and for the benefit of MCE Investments. (2) Frances Marie T. Yuyucheng, Maria Marcelina O. Cruzana and Johann M. Albano indirectly hold 100,100 and 3,000 shares each, respectively, in trust and for the benefit of MCE Investments No.2. (3) Jose F. Buenaventura, Alec Yiu Wa Tsui and John Crawford are the registered and beneficial owners of the shares held by them.
[2] Clarence Yuk Man Chung indirectly holds 100 shares in trust and for the benefit of MCE Investments.

C. Voting Trust Holders of 5% or More

There are no voting trusts or similar arrangement covering the shares of stock of the Company.

D. Changes in Control

There were no arrangements which have resulted in a change in control of the Company in the last fiscal year.

Item 5. Directors and Executive Officers

The following are the directors and executive officers of the Company as of the date of distribution of this Information Statement:

Name And Position	Age	Citizenship	Term Of Office As A Director / Officer	Period Served As A Director / Officer
Clarence Yuk Man Chung *Chairman of the Board/President*	54	Chinese	4 years	Since Dec. 19, 2012
Jose F. Buenaventura *Director*	82	Filipino	4 years	Since Feb. 20, 2013
John William Crawford *Independent Director*	75	Canadian	3 months	Since Feb. 1, 2017
Alec Yiu Wa Tsui *Independent Director*	68	British	4 years	Since Dec. 19, 2012
Frances Marie T. Yuyucheng *Director*	49	Filipino	2 years	Since May 18, 2015
Maria Marcelina O. Cruzana *Director*	58	Filipino	3 years	Since Mar. 13, 2014
Johann M. Albano *Director*	40	Filipino	3 years	Since Apr. 11, 2014
Geoffry Philip Andres *Property President / Chief Operating Officer*	50	American	1 year	Since Nov. 16, 2015
Donald Nori Tateishi *Treasurer*	46	American	1 year	Since May 16, 2016
Marissa T. Academia *Corporate Information Officer** *Corporate Secretary / Compliance Officer***	50	Filipino	3 years	*Since Jan. 22, 2014 **Since Mar. 13, 2014

On May 16, 2016, Donald Tateishi replaced Adrian Hsen Bin Au as Treasurer of the Company. Donald Tateishi is the Company's Vice President, Property Chief Financial Officer.

On February 1, 2017, William Todd Nisbet and Liberty Sambua, as well as James Andrew Charles MacKenzie, resigned as Directors and Independent Director, respectively, of the Company. On the same date, John William Crawford was appointed to replace Mr. MacKenzie as an Independent Director of the Company.

DIRECTORS AND OFFICERS

The names of the incumbent Directors and Executive Officers of the Company and their respective current positions held, periods of service and business experience during the past five years are as follows:

Clarence Yuk Man Chung – *President / Chairman of the Board / Director*

Mr. Chung was appointed as Chairman and President of the Company on December 19, 2012. Mr. Chung was appointed as Director of Melco Resorts & Entertainment Limited ("**Melco**") in November 2006 and has been an Executive Director of Melco International Development Limited ("**Melco International**") since May 2006. Mr. Chung has been the Chairman and Chief Executive Officer of Entertainment Gaming Asia Inc., a NASDAQ listed company, since August 2008 and October 2008, respectively. Mr. Chung has more than twenty five years of experience in the finance industry in various capacities as a chief financial officer, an investment banker and a mergers and acquisitions specialist. Mr. Chung obtained a master degree in business administration from the Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology, and a bachelor degree in business administration from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Jose F. Buenaventura – *Director*

Mr. Buenaventura joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 1969 and is currently a senior partner. He graduated from the Ateneo de Manila with a degree in Bachelor of Laws and was admitted to the Philippine Bar in 1960. He sits in the boards of various companies, including Cebu Pacific Air, BDO Unibank, Inc. (Independent Director), GROW, Inc., GROW Holdings, Inc., La Concha Land Investments Corporation, Philippine First Insurance Co., Inc., Philam Plans, Inc., Techzone Philippines, Inc., The Country Club, Inc., Total Consolidated Asset Management, Inc., and Turner Entertainment Manila, Inc. He is the President and a director of Consolidated Coconut Corporation and Milano Co., Inc. He is likewise a director and the Corporate Secretary of 2B3C Foundation, Inc., and the Corporate Secretary of Capital Managers and Advisors, Inc.

John William Crawford – *Independent Director*

Mr. John William Crawford was appointed as an independent director of the Company on February 1, 2017 and as an independent non-executive director of Melco on January 12, 2017. He is currently the chairman of the Company's Audit and Risk Committee and member of the Compensation Committee and Nominating and Corporate Governance Committee. Mr. Crawford has been the managing director of Crawford Consultants Limited and International Quality Education Limited since 1997 and 2002, respectively. Previously, Mr. Crawford was a founding partner of Ernst & Young, Hong Kong, where he acted as engagement or review partner for many public companies and banks during his 25 years in public accounting and was the chairman of the audit division and the vice chairman of the Hong Kong office of the firm prior to retiring in 1997. Mr. Crawford has extensive knowledge of accounting issues from his experience as a managing audit partner of a major international accounting firm and also has extensive operational knowledge as a result of his consulting experience. Mr. Crawford has served as an independent non-executive director and chairman of the audit committee of Regal Portfolio Management Limited of Regal REIT since November 2006 and as an independent non-executive director of Entertainment Gaming Asia Inc. since November 2007. In November 2011, Mr. Crawford was appointed as a member of the conflicts committee of Melco's subsidiary Studio City International Holdings Limited and resigned from this position on January 10, 2017. Mr. Crawford previously served as an independent non-executive director and chairman of the audit committee of other companies publicly listed in Hong Kong, the most recent of which was E-Kong Group Limited until June 8, 2015.

Mr. Crawford has been deeply involved in the education sector in Asia, including setting up international schools and providing consulting services. He was a member and a governor for many years of the Canadian International School of Hong Kong and remains active in overseeing and consulting for other similar pre-university schools. Additionally, Mr. Crawford is involved in various charitable and/or community activities and was a founding member of UNICEF Hong Kong Committee and the Hong Kong Institute of Directors. In 1997, Mr. Crawford was appointed a Justice of the Peace in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, a member and honorary president of Macau Society of Certified Practising Accountants and a member of the Canadian Institute of Chartered Accountants.

Alec Yiu Wa Tsui – *Independent Director*

Mr. Tsui was appointed as an independent director of the Company on December 19, 2012, and as an independent non-executive director of Melco on December 18, 2006. He is the chairman of the Company's Nominating and Corporate Governance Committee and Compensation Committee, and a member of the Company's Audit Committee. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission Hong Kong from 1989 to 1993, joined The Stock Exchange of Hong Kong Limited ("**HKSE**") in 1994 as an executive director of the finance and operations services division and was its chief executive from February 1997 to July 2000. He was also the chief operating officer of Hong Kong Exchanges and Clearing Limited from March to August 2000. He was the chairman of the Hong Kong Securities Institute from 2001 to 2004. He was a consultant of the Shenzhen Stock Exchange from July 2001 to June 2002. Mr. Tsui was an independent non-executive director of each of China BlueChemical Limited from April 2006 to June 2012, China Chengtong Development Group Limited from March 2003 to November 2013 and China Oilfield Services Limited from June 2009 to June 2015, all of which are companies listed on the HKSE. Mr. Tsui has been the chairman of WAG Worldsec Corporate Finance Limited since 2006 and a director of Industrial and Commercial Bank of China (Asia) Limited since August 2000. He is also an independent non-executive director of a number of companies listed on the HKSE, NASDAQ, the Shanghai Stock Exchange and the Philippine Stock Exchange ("**PSE**"), including COSCO International Holdings Limited since 2004, China Power International Development Limited since 2004, Pacific Online Limited since 2007, ATA Inc. since 2008, Summit Ascent Holdings Limited since March 2011, Kangda International Environmental Company Limited since July 2014 and DTXS Silk Road Investment Holdings Company Limited since December 2015.

Mr. Tsui graduated from the University of Tennessee with a bachelor's degree in industrial engineering in 1975 and a master of engineering degree in 1976. He completed a program for senior managers in government at the John F. Kennedy School of Government at Harvard University in 1993. He is the chairman of the Company's Nominating and Corporate Governance Committee and Compensation Committee.

Frances Marie T. Yuyucheng – *Director*

Ms. Yuyucheng joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 1996 and is currently a senior partner. She graduated from the Ateneo de Manila University School of Law with a degree in Juris Doctor and was admitted to the Philippine Bar in 1995. She acts as the corporate secretary of various companies.

Maria Marcelina O. Cruzana – *Director*

Ms. Cruzana was appointed as a director of the Company on March 13, 2014. Ms. Cruzana is a Licensed Certified Public Accountant with a total of twenty five years of professional experience. She held various positions in finance and accounting functions as Finance Controller, Finance Manager as well as Finance and Administration Manager. She graduated *Cum Laude* from Polytechnic University of the Philippines ("**PUP**") with a bachelor's degree in Science in Accountancy and holds a Master's Degree (Business Administration) from PUP Graduate School.

Johann M. Albano – *Director*

On April 11, 2014, Mr. Albano was appointed as a director of the Company, bringing with him years of experience in business development. Mr. Albano is also the Vice President of Dole Asia from 2009 to present. He graduated from the Ateneo de Manila University with a Bachelor's Degree in Economics and holds a Master's Degree in Business Administration from J.L. Kellogg School of Management and HKUST Business School.

Geoffry Philip Andres – *Property President* / *Chief Operating Officer*

On November 16, 2015, the Company appointed Mr. Andres as Property President / Chief Operating Officer. Mr. Andres was most recently the Chief Executive Officer and Executive Director on the Board of Aquis Entertainment Limited in Canberra, Australia responsible for an existing casino, and assisting with the development and acquisition of additional casinos. Prior to this position, from September 2011 until April 2015, he was Senior Vice-President and General Manager of Sands Macau, responsible for its overall operations, including a casino with 300 tables and 1,100 slot machines, six restaurants and a 289-room hotel. From December 2010 to September 2011, he was Vice-President, Slots for all of Sands China Limited, including The Venetian Macao, Sands Macao, and The Plaza Macao, totalling

3,490 slot machines. Mr. Andres began his career with Harrah's in 1988, and from June 2005 to December 2010, he was the Vice-President and General Manager for Harrah's Ak-Chin Casino Resort in Arizona. He graduated from the University of Nevada with a Bachelor of Science degree in Business Administration in 1989, and a Master's degree in Business Administration in 1994.

Donald Nori Tateishi – *Treasurer*

On May 16, 2016, Mr. Tateishi was appointed as the Treasurer of the Company. Mr. Tateishi was most recently connected with Station Casinos as Vice President of Finance. He started with Station Casinos in 2009 and served in various property and corporate finance roles. Previously, he held chief financial officer roles for several gaming technology companies. He began his career in gaming at Harrah's Entertainment in 2002 in various roles including Director of Finance – Planning & Analysis for the company's Northern Nevada region. Mr. Tateishi received his undergraduate degree in Business Economics from the University of California – Riverside, and received his Masters in Business Administration from the Fuqua School of Business at Duke University.

Marissa T. Academia – *Corporate Secretary / Corporate Information Officer / Compliance Officer*

On January 22, 2014, Ms. Academia was appointed as the Corporate Information Officer of the Company. She was subsequently appointed as the Corporate Secretary and Compliance Officer on March 13, 2014. Ms. Academia is the Vice-President for Legal Affairs of the Company. She brings with her more than twenty years of experience in corporate practice. Prior to joining the Company, she was the Chief Legal Counsel for Thunderbird Resorts, Inc. from 2009 to 2013 and was a Partner in Herrera Teehankee Cabrera Law Offices where she practiced law from 1994 to 2009. She obtained her Juris Doctor of Law degree from the Ateneo Law School and was admitted to the Philippine Bar in 1994.

The Directors of the Company are elected at the Annual Stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Officers are appointed or elected annually by the Board of Directors at its first meeting following the annual stockholders' meeting, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

The Company believes that all descriptions provided by its Directors and Officers are correct and complete.

Significant Employees

There is not a person who is not an Executive Officer expected by the Company to make significant contribution to the business.

Family Relationship

There are no family relationships up to the fourth civil degree, either by consanguinity or affinity, among Directors, Executive Officers or persons nominated or chosen by the registrant to become Directors or Executive Officers.

Involvement of Directors and Officers in Certain Legal Proceedings

During the past five years and until the date of distribution of this Information Statement, the members of the Board of Directors and the Executive Officers:

a) have not filed any bankruptcy petitions or have not had bankruptcy petitions filed against them;

b) have not been convicted by final judgment or have any pending criminal cases;

c) have not been subject to any order, judgment or decree, or any court of competent jurisdiction (in a civil action), not subsequently reversed or vacated limiting its involvement in any type of business, securities, commodities or banking activities; and

d) have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission ("**SEC**") or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law.

List of Candidates for Election as Members of the Board of Directors for 2017-2018

Nominees for Directors (A)	Person Recommending Nomination (B)	Relationship of (A) & (B)
Clarence Yuk Man Chung	Frances Marie T. Yuyucheng	None
Alec Yiu Wa Tsui (Independent Director)	Clarence Yuk Man Chung	None
John William Crawford (Independent Director)	Clarence Yuk Man Chung	None
Liberty A. Sambua	Clarence Yuk Man Chung	None
Frances Marie T. Yuyucheng	Clarence Yuk Man Chung	None
Maria Marcelina O. Cruzana	Clarence Yuk Man Chung	None
Johann M. Albano	Clarence Yuk Man Chung	None

Information on, and details of, the nominees are stated on page 9 of this Information Statement.

Certain Relationships and Related Transactions

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

Significant transactions with related parties for the year ended December 31, 2016 are included in Note 17 to the audited consolidated financial statements included in this Information Statement.

Disagreement with a Director

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of the stockholders because of disagreement/s with the Company on any matter relating to the Company's operations, policies or practices, and no director has furnished the Company a letter describing such disagreement and requesting that the matter be disclosed.

Item 6. Compensation of Directors and Executive Officers[3]

The aggregate compensation paid or accrued during the last two fiscal years to the Company's (a) President and four highest compensated officers, and (b) other officers and directors or key management personnel (as a group unnamed) are as follows:

SUMMARY COMPENSATION TABLE				
Annual Compensation				
Name and Principal Position	**Year Ended as of December 31**	**Salary**	**Bonus**	**Other Annual Compensation**
1. Mr. Clarence Yuk Man Chung (President / Chairman of the Board) 2. Mr. Geoffry Philip Andres (Property President / Chief Operating Officer)	2017 (Estimated)	₱81,363	₱47,682	₱3,876 (Retirement costs – defined contribution plan) 0 (Termination benefits) ₱8,708 (Share based compensation expenses)

[3] In thousands of Philippine peso.

3. Mr. Jarlath Lynch (Senior Vice President, Non-Gaming Operations) 4. Mr. Rodney Walker (Vice President, Security and Surveillance) 5. Mr. Kevin Benning (Vice President, Gaming Operations)	2016	₱81,781	₱61,745	₱3,358 (Retirement costs – defined contribution plan) 0 (Termination benefits) ₱14,028 (Share based compensation expenses)
	2015	₱66,986	0	₱1,949 (Retirement costs – defined contribution plan) ₱39,572 (Termination benefits) ₱29,758 (Share based compensation expenses)
6. All other officers, key management personnel and Directors as a group unnamed	2017 (Estimated)	₱17,957	₱4,307	₱63 (Retirement costs – defined contribution plan) 0 (Termination benefits) ₱107 (Share based compensation expenses)
	2016	₱23,185	₱7,087	₱58 (Retirement costs – defined contribution plan) 0 (Termination benefits) ₱1,301 (Share based compensation expenses)
	2015	₱99,576	0	₱462 (Retirement costs – defined contribution plan) 0 (Termination benefits) ₱32,572 (Share based compensation expenses)

The Company cannot accurately estimate the aggregate remuneration to be paid to its key management personnel and senior executives as a group for the year ending December 31, 2017. At this point of time, the Company anticipates that the estimated aggregate compensation for the President, the four highest compensated officers and/or key management personnel for fiscal year 2017 will be based on market rates for the hospitality, leisure, gaming and entertainment industries.

Compensation of Directors

The Company did not pay any compensation to the Directors for the years ended December 31, 2016 and 2015.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There is no general compensatory plan or scheme with respect to any of the Company's executive officers that will result from the resignation, retirement or termination of such executive officer or from a change of control in the Company.

Warrants and Options Outstanding

Please refer to Item 8.

Item 7. Independent Public Accountants

1. External Audit Fees and Services

   For the year ended December 31, 2016, the fees for audit work and other services performed by SyCip Gorres Velayo & Co. ("**SGV & Co.**") for the Company and its subsidiaries were as follows:

	2016
In thousands of Philippine peso	
External audit fees and services	₱7,650
Other non-audit service fees	1,314
Tax fees	10,329
Out-of-pocket expenses	994

   a) External audit fees were incurred for the professional services rendered for the audit of the Company and its subsidiaries' annual financial statements and reporting to the auditor of Melco.

   b) Other non-audit service fees were incurred for professional services rendered for various agreed-upon procedures work and review of quarterly condensed consolidated financial statements.

   c) Tax fees were incurred for professional services rendered for tax accounting, tax compliance audit, and other advisory work.

   d) Out-of-pocket expenses were incurred for incidental costs incurred in relation to the services rendered.

   The Audit Committee of the Company pre-approved all audit plans, scopes, and frequency prior to the conduct of external audit and prior to the commencement of the audit; discussed with the external auditor the nature, scope, and expenses of the audit and ensured proper coordination if more than one audit firm were involved in the activity to secure proper coverage and minimize duplication of efforts; evaluated and determined the non-audit work of the external auditor and reviewed periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses; and recommended the appointment of the external auditor to the stockholders.

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

   To the best knowledge of the undersigned Corporate Secretary, there are no disagreements on any matter of accounting principles or practices, financial statement disclosure or accounting scope or procedure with the Company's external auditor.

Item 8. Compensation Plans

Share Incentive Plan

On February 19, 2013, the MRP's shareholders approved the Share Incentive Plan ("**SIP**" or the "**Plan**") to grant shares and options to qualified employees, directors, officers and other qualified persons at an exercise price and vesting periods to be determined by the Compensation Committee of the Board of Directors. On April 12, 2013, the SEC resolved that the issuance of the 131,578,947 common shares under the Plan was exempt from registration requirements under section 10.2 of the Securities Regulation Code ("**SRC**").

On June 21, 2013, the MRP's shareholders approved the amendment of the SIP made in order to comply with the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKLR**") since Melco, the then ultimate holding company of the Company, was listed on HKSE. The amendments include, but not limited to, additional provisions for compliance with HKLR requirements (i) when awards are granted to "connected persons" (as such term is defined under HKLR); and (ii) on restriction on timing of grant of awards. On June 24, 2013, additional 44,214,138 common shares were granted exemption from registration by the SEC under section 10.2 of the SRC.

On June 28, 2013, 181,239,503 underlying shares related to shares and options under the SIP were granted, and MRP has filed a request for exemption for the issuance of the additional 5,446,418 common shares. On August 12, 2013, additional 5,446,418 common shares were granted exemption from registration by the SEC under section 10.2 of the SRC.

On April 22, 2014, the Board of Directors of MRP approved the issuance of an additional 13,585,772 shares to eligible employees, directors, officers and other qualified persons under the Company's SIP. On May 30, 2014, the SEC resolved that the issuance of the 13,585,772 common shares under the Plan was exempt from registration requirements under section 10.2 of the SRC.

On May 18, 2015, the shareholders of the Company approved the further amendment of the SIP to remove HKLR compliance provisions as a result of the delisting of Melco from HKSE, which was submitted to the SEC for approval. Prior to the said SEC approval, the SIP was again amended to reincorporate the HKLR compliance provisions following the consolidation of MRP into the group of Melco International as its subsidiary. The amendments were approved by MRP's shareholders on December 5, 2016 and by the SEC on March 14, 2017.

Under the SIP, the Company may grant various share-based awards, including but not limited to, options to purchase the Company's common shares, restricted shares, share appreciation rights and other types of awards. The term of such awards shall not exceed ten years from the date of grant. The maximum aggregate number of common shares which may be issued pursuant to all awards under the SIP is 442,630,330 shares and with up to 5% of the issued capital stock of the Company from time to time over ten years. As of March 31, 2017, December 31, 2016 and 2015, 161,916,007, 163,597,467 and 90,550,748 common shares remain available for the grant of various share-based awards under the SIP, respectively.

Warrants and Options Outstanding

The Company did not have any outstanding warrants as of December 31, 2016 and 2015. Please refer to Note 28 to the audited consolidated financial statements included in this Information Statement for the details of the SIP.

On September 30, 2016, the SEC approved the Company's option exchange program which allows eligible grantees under the SIP an opportunity to exchange certain outstanding underwater share options for new restricted shares. The share options subject of the exchange program were those granted in 2013 and 2014 which have not yet vested or have vested but not yet exercised.

The details of outstanding MRP restricted shares ("**MRP Restricted Shares**") and MRP share options ("**MRP Share Options**") of the Company as at March 31, 2017 are as follows:

Date of grant/award	June 28, 2013	February 17, 2014	February 28, 2014	March 27, 2014	March 28, 2014	May 30, 2014	September 29, 2015	November 16, 2015	September 30, 2016	March 15, 2017
Exercise Price	8.30	8.30	8.30	8.30	8.30	13.256	3.99	3.46	N/A	5.66
Market Price as of date of grant/award	8.30	13.48	13.00	12.76	12.96	13.00	3.99	3.46	3.91	5.66

Prior to the 2015 grants, the exercise price for the stock options is the higher of (i) the closing price on Grant Date or (ii) the average closing price for the five business days immediately preceding the Grant Date. For 2015 grants, the exercise price for the stock options is the closing price on Grant Date. The Grant Date represents the dates of grant and approval by the SEC of the issuance of shares under the SIP.

	March 31, 2017		As of December 31, 2016		As of December 31, 2015	
Recipients	Total number of outstanding MRP Restricted Shares	Total number of outstanding MRP Share Options	Total number of outstanding MRP Restricted Shares	Total number of outstanding MRP Share Options	Total number of outstanding MRP Restricted Shares	Total number of outstanding MRP Share Options
President	5,626,415	0	5,626,415	0	4,530,190	10,404,851
Chief Operating Officer	N/A	N/A	N/A	N/A	995,138	4,286,017
Property President/Chief Operating Officer	2,548,700	6,796,532	2,548,700	6,796,532	3,398,266	6,796,532
Treasurer*	1,674,485	1,531,112	0	0	574,516	1,723,550
Corporate Secretary	1,958,831	0	1,958,831	0	342,898	1,939,118
All other officers, key management personnel and Directors as a group unnamed	8,617,972	0	8,629,204	0	6,220,955	27,046,585
Others	30,310,473	2,341,091	30,492,558	5,578,178	12,469,252	72,513,979
Total	**50,736,876**	**10,668,735**	**49,255,708**	**12,374,710**	**28,531,215**	**124,710,632**

*A new Treasurer of the Company was appointed in May 2016.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

(a) The Board of Directors of the Corporation is scheduled to approve during its Regular Board Meeting on June 26, 2017 the proposed increase in the authorized capital stock of the Corporation from Five Billion Nine Hundred Million Pesos (Php5,900,000,000.00) divided into Five Billion Nine Hundred Million (5,900,000,000) shares of common stock with par value of One Peso (Php1.00) per share to up to Eleven Billion Nine Hundred Million Pesos (Php11,900,000,000.00)("Cap Limit") divided into Eleven Billion Nine Hundred Million (11,900,000,000.00) shares of common stock with par value of One Peso (Php1.00) per share.

The reason for the proposed increase in the authorized capital stock of the Corporation and the resulting amendment of the Corporation's Articles of Incorporation is to enable the Corporation to tap into any potential funding raising opportunities, in the form of equity offering with a view to using the proceeds of such fund raisings to repay outstanding indebtedness, fund growth and expansion, for general corporate purposes and/or for such other purposes to be determined by the MRP Board.

Approval of the stockholders is hereby sought for said increase in authorized capital stock and to grant the Board of Directors the authority to determine the amount of such increase and to issue such number of shares of stock out of the increase in authorized capital stock to such persons and at an issue price of not less than par value as the Board of Directors may determine.

(b) Approval of the stockholders is also sought to grant the Board of Directors the authority to conduct an equity offering (including but not limited to, a placing and subscription transaction) and to list the subscribed shares in the Philippine Stock Exchange under such terms and conditions that the Board of Directors may determine, inclusive of: (i) authority to fix the number of shares for such equity transaction in such number of shares as may be required by the Corporation for the purposes as described in this Definitive Information Statement and (ii) determination of the offering price based on any one or a combination of multiple generally accepted pricing formulas or methods such as but not limited to publicly traded comparables (e.g. Enterprise Value/ EBITDA/ Price/ Earnings), discounted cash flow or net asset value, closing price of the share or average closing price thereof during a definitive period and any discount/premium thereto, as may be appropriate or relevant per prevailing market conditions.

    Furthermore, in the event that shares amounting to at least 10% of the total issued and outstanding capital stock of the Corporation will be issued to related parties in connection with an equity offering, a waiver of the requirement to conduct a rights or public offering by the majority of the outstanding shares held by the attending minority shareholders pursuant to Section 5, Part A, Article V of the Revised Listing Rules of the Philippine Stock Exchange is also being sought.

Item 10. Modification or Exchange of Securities

There is no stockholders' action to be taken with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

Financial Statements

The audited consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Information Statement as Appendix I.

The unaudited condensed consolidated financial statements as of March 31, 2017 and for the three months ended March 31, 2017 and the audited consolidated balance sheet as of December 31, 2016 and the related notes to unaudited condensed consolidated financial statements of the Company and its subsidiaries are filed as part of this Information Statement as Appendix II.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to Item 3 of the Management Report attached to this Information Statement.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Please refer to Item 7 of this Information Statement and Item 2 of the Management Report attached to this Information Statement.

Attendance of Principal Accountants at the Annual Stockholders' Meeting

Representatives of the Company's external auditor, SGV & Co., are expected to be present at the Annual Stockholders' Meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the stockholders. The Company has had no material disagreement with SGV & Co. on any matter of accounting principle or practices of disclosure in the consolidated financial statements of the Company and its subsidiaries (collectively, "**the Group**" or "**we**").

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no stockholders' action to be taken with regard to the following: (a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company; (b) the acquisition by the Company or any of its security holders of securities of another person; (c) the acquisition by the Company of any other going business or of the assets thereof; (d) the sale or other transfer of all or any substantial part of the assets of the Company; and (e) the liquidation or dissolution of the Company.

Item 13. Acquisition or Disposition of Property

There is no stockholders' action to be taken with respect to the acquisition or disposition of any property.

Item 14. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following are included in the Agenda for the June 26, 2017 Annual Stockholders' Meeting for the approval of the stockholders of the Company:

1. Approval of the Minutes of the Last Stockholders' Meetings held on June 20, 2016, December 5, 2016 and April 7, 2017.

   The minutes of the last Annual Stockholders' Meeting of the Company shall serve as a record of the proceedings therein.

2. Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2016.

   The 2016 Audited Consolidated Financial Statements of the Group, already incorporated in the Information Statement and submitted to the SEC and Bureau of Internal Revenue, shall be presented to the stockholders for their information and approval.

3. Election of the Members of the Board of Directors

   The following nominees for election as members of the Board of Directors of the Company, including the independent directors, shall be presented to the stockholders during the Annual Stockholders' Meeting:

   Clarence Yuk Man Chung
   Frances Marie T. Yuyucheng
   Maria Marcelina O. Cruzana
   Johann M. Albano
   Liberty A. Sambua
   John William Crawford – Independent Director
   Alec Yiu Wa Tsui – Independent Director

   The respective profiles of the nominees are included in Item 5 of the Definitive Information Statement, for the reference of the stockholders.

4. Appointment of External Auditor

   Upon the favorable recommendation of the Company's Audit Committee, SGV & Co.'s appointment as external auditor of the Company shall be presented to the stockholders for approval.

5. Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting Held on June 20, 2016

   All actions taken by the Board of Directors and Officers of the Company since the last Annual Stockholders' Meeting on June 20, 2016, as reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the SEC and PSE, and in the 2016 Annual Report and Report of the Chairman, shall be presented to the stockholders for their approval and ratification.

6. Approval of the Further Amendments to the Amended Articles of Incorporation of the Company to:

   a. Include in the corporate name "Melco Resorts Philippines" as Business Name of the Company in order to comply with the guidelines on the use of trade or business names by corporations.

   b. Increase the Authorized Capital Stock from Five Billion Nine Hundred Million Pesos (Php5,900,000,000.00) divided into Five Billion Nine Hundred Million (5,900,000,000) shares of common stock with par value of One Peso (Php1.00) per share, to such amount, with par value of One Peso (Php1.00) per share, as determined by the Board of Directors

7. Approval of the Increase of Capital Stock of the Company and Grant of Authority to the Board to Conduct such Increase

   The approval of the shareholders for the Amendment of the Articles of Incorporation of the Corporation is sought to increase the authorized capital stock of the Corporation from Five Billion Nine Hundred Million Pesos (Php5,900,000,000.00) divided into Five Billion Nine Hundred Million (5,900,000,000) shares of common stock with par value of One Peso (Php1.00) per share, to up to Eleven Billion Nine Hundred Million Pesos (Php11,900,000,000.00)("Cap Limit") divided into Eleven Billion Nine Hundred Million (11,900,000,000.00) shares of common stock with par value of One Peso (Php1.00) per share and grant of authority to the Board of Directors to determine the amount of increase within the Cap Limit. The approval of the stockholders is also needed for the grant of authority to the Board of Directors to issue such number of shares of stock out of the increase in authorized capital stock to such persons and at an issue price of not less than par value as the Board of Directors may determine.

8. Grant of Authority to Conduct Equity Offering and to List the Subscribed Shares in the Philippine Stock Exchange

   Approval by the stockholders is sought for the grant of authority to the Board of Directors to conduct an equity offering (including, but not limited to, issuance of shares pursuant to a top-up placement transaction) and to list the subscribed shares in the Philippine Stock Exchange under such terms and conditions that the Board of Directors may determine, inclusive of: (i) the authority to fix the number of shares for such equity transaction in such number of shares as may be required by the Corporation for the purposes as described in this Definitive Information Statement and (ii) determination of the offering price based on any one or a combination of multiple generally accepted pricing formulas or methods such as but not limited to publicly traded comparables (e.g. Enterprise Value / EBITDA / Price / Earnings), discounted cash flow or net asset value, closing price of the share or average closing price thereof during a definitive period and any discount/premium thereto, as may be appropriate or relevant per prevailing market conditions. Furthermore, in the event that shares amounting to at least 10% of the total issued and outstanding capital stock of the Corporation will be issued to related parties in connection with an equity offering, a waiver of the requirement to conduct a rights or public offering by the majority of the outstanding shares held by the attending minority shareholders is likewise sought pursuant to Section 5, Part A, Article V of the Revised Listing Rules of the Philippine Stock Exchange.

9. Other Matters that May Properly be Brought Before the Stockholders

   Any other matter relevant and appropriate to the occasion may be properly raised and considered during the Annual Stockholders' Meeting.

Item 16. Matters Not Required to be Submitted

Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management Since the Last Stockholders' Meeting

As a matter of corporate policy, Management seeks the approval and ratification by the Stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since June 20, 2016, the date of the last Annual Stockholders' Meeting. These are reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the SEC and to the PSE, and in the 2016 Annual Report and Report of the Chairman.

Item 17. Amendment of Charter, By-Laws or Other Documents

Amendment of the Amended Articles of Incorporation of the Company are as follows:

Proposed Amendment	Reason / General Effect
a. Adoption of "Melco Resorts Philippines" as Business Name of the Company	To comply with the guidelines on the use of trade or business names by corporations.
b. Increase of Authorized Capital Stock from Five Billion Nine Hundred Million Pesos (Php5,900,000,000.00) divided into Five Billion Nine Hundred Million (5,900,000,000) shares of common stock with par value of One Peso (Php1.00) per share to up to Eleven Billion Nine Hundred Million Pesos (Php11,900,000,000.00) ("Cap Limit") divided into Eleven Billion Nine Hundred Million (11,900,000,000.00) shares of common stock with par value of One Peso (Php1.00) per share.	To enable the Company to tap into any potential funding raising opportunities, in the form of equity offering with a view to using the proceeds of such fund raisings to repay outstanding indebtedness, fund growth and expansion, for general corporate purposes and/or for such other purposes to be determined by the MRP Board.

Item 18. Other Proposed Action

Proposed Action	Reason
a. Waiver of the Requirement to Conduct Rights or Public Offering	The subscription of shares to be made by the Related Party ("**RP**") is in connection with a Top-Up Placement ("**Top-Up**") where the RP is simply re-subscribing the total amount of shares it disposed in order to raise funds for the benefit of the Company by virtue of the Top-Up.

Item 19. Voting Procedures

The Chairman will announce each proposal to the floor, which shall be voted upon separately. In the absence of any objection from the floor, the Chairman shall instruct the Corporate Secretary to enter a unanimous vote of approval. If there is an objection, the Chairman will call for a division of the house. The votes of stockholders present in person or by Proxy shall be counted by hand, and the Chairman will announce the result of the voting, unless voting by ballots is called for. If voting by ballots is decided, ballots will be distributed to Stockholders present in person or by Proxy in the meeting. The ballots will be filled up by stockholders, and submitted to the Corporate Secretary or his duly authorized representatives. The valid ballots will be counted by the Corporate Secretary or a committee that the Board may organize for the purpose for the votes of the Stockholders. The Chairman will then announce the result after the counting. Stock Transfer Service, Inc., the Company's stock transfer agent, an independent party, is tasked to count votes on any matter properly brought to the vote of the stockholders, including the election of directors.

At the Stockholders' Meeting, every stockholder shall be entitled to vote for each share of stock which has voting power upon the matter in question, registered in his name in the books of the Company.

A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected. Provided, however, that no delinquent stock shall be voted.

Vote Requirement

The following matters require the following votes:

Subject Matter	Votes Required
Approval of the Minutes of the Last Annual Stockholders' Meetings held on June 20, 2016 and Special Stockholders' Meetings held on December 5, 2016 and April 7, 2017	Majority of the votes cast
Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2016	Majority of the votes cast
Election of the Members of the Board of Directors	The top seven (7) nominees with the most number of votes cast are elected
Appointment of External Auditor	Majority of the votes cast
Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting held on June 20, 2016	Majority of the votes cast
Approval of the Further Amendments to the Amended Articles of Incorporation to: a. Include in the corporate name "Melco Resorts Philippines" as Business Name of the Company; b. Increase in the Authorized Capital Stock of the Company Grant of Authority to the Board to determine the amount of such increase in authorized capital stock and to issue such number of shares of stock out of the increase in authorized capital stock to such persons and at an issue price of not less than par value as the Board may determine.	Two-thirds (2/3) of outstanding capital stock
Grant of Authority to conduct Equity Offering and to List the Subscribed Shares in the Philippine Stock Exchange	Majority of the votes cast
Waiver of the requirement to conduct a Rights or Public Offering	Majority of the minority shareholders present

MANAGEMENT REPORT

1. 2016 Audited Consolidated Financial Statements, Statement of Management's Responsibility, and Interim Financial Statements

The audited consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules, and the Statement of Management's Responsibility are filed as part of this Information Statement as Appendix I.

The unaudited condensed consolidated financial statements as of March 31, 2017 and for the three months ended March 31, 2017 and the audited consolidated balance sheet as of December 31, 2016 and the related notes to unaudited condensed consolidated financial statements of the Group are filed as part of this Information Statement as Appendix II.

2. Information Concerning Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

To the best knowledge of the undersigned Corporate Secretary, there are no disagreements on any matter of accounting principles or practices, financial statement disclosure or accounting scope or procedure with the Company's external auditor, as mentioned in Items 7 and 11 of the Information Statement.

3. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following management's discussion and analysis relate to the consolidated financial information and operating results of the Group and should be read in conjunction with the accompanying audited consolidated financial statements and related notes of the Group as of December 31, 2016 and 2015, and for the years ended December 31, 2016, 2015 and 2014, and unaudited consolidated financial statements and related notes of the Group as of March 31, 2017 and for the three months ended March 31, 2017.

Overview and Plan of Operation

The Company, through its subsidiaries, is engaged in the development and operation of City of Dreams Manila, an integrated hotel, gaming, retail and entertainment complex within the Entertainment City. The Company's subsidiaries, MCE Holdings (Philippines) Corporation ("**MCE Holdings**"), MCE Holdings No. 2 (Philippines) Corporation ("**MCE Holdings No. 2**"), and MCE Leisure (Philippines) Corporation ("**MCE Leisure**") (collectively referred to as the "**MCE Holdings Group**"), together with SM Investments Corporation ("**SMIC**"), Belle Corporation ("**Belle**") and PremiereLeisure Amusement, Inc. ("**PLAI**") (SMIC, Belle and PLAI are collectively referred to as the "**Philippine Parties**") (MCE Holdings Group and the Philippine Parties are collectively referred to as the "**Licensees**"), are the holders of the regular license issued by the Philippine Amusement and Gaming Corporation ("**PAGCOR**") for the development of City of Dreams Manila (the "**Regular License**"). The Company is an indirect subsidiary of Melco, a leading developer of integrated gaming resorts in Macau and other parts of Asia with its American Depository Shares traded on the NASDAQ Global Select Market in the United States of America. The Company's subsidiary, MCE Leisure, is responsible for the furniture, fixtures and equipment (including gaming equipment), working capital expenses, non-real property improvements and personal property, as well as the management and operation of City of Dreams Manila. Belle, part of the SM Group as defined below, and one of the largest conglomerates in the Philippines with interests in retail, real estate development and banking, among others, is responsible for construction of the principal structures and fixtures of City of Dreams Manila.

City of Dreams Manila had its grand opening on February 2, 2015. The new integrated casino resort at Entertainment City, Manila Bay, Manila, is solely operated and managed by MCE Leisure. The dynamic and innovative resort complex, located on an approximately 6.2 hectare site at the gateway to Entertainment City, includes entertainment, hotel, retail and dining and lifestyle experiences with aggregated gaming space, including VIP and mass market gaming facilities with up to approximately 380 gaming tables, 1,700 slot machines and 1,700 electronic gaming tables. As of March 31, 2017, City of Dreams Manila has 268 gaming tables, 1,625 slot machines and 158 electronic gaming tables in operation. The integrated resort features three distinctive entertainment venues, namely Manila's first branded Family Entertainment Center, a live performance central lounge inside the casino and two night clubs situated at the Fortune Egg, an architecturally-unique dome-like structure, which is accented with creative exterior lighting design. It is expected to become an iconic landmark of the Manila Bay area.

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

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

Activities of MCE Holdings Group

On July 5, 2012, 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 MCE Holdings Group entered into a cooperation agreement (the "**Cooperation Agreement**") and other related arrangements with the SM Group, Belle and PLAI. MCE Leisure also entered into a lease agreement (the "**Lease Agreement**") on October 25, 2012 with Belle for the lease of the land and buildings for City of Dreams Manila.

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

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

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

<u>Key Performance Indicators (KPIs)</u>

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

a. Adjusted EBITDA: Earnings before interest, taxes, depreciation and amortization, payments to the Philippine Parties, land rent to Belle, net gain on disposals of property and equipment to Belle, pre-opening costs, share-based compensation expenses, corporate expenses, property charges and others, and other non-operating income and expenses.

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

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

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

e. Rolling chip volume: the amount of non-negotiable chips wagered and lost by the rolling chip market segment.

f. Rolling chip win rate: rolling chip table games win (calculated before discounts and commissions) as a percentage of rolling chip volume.

g. Mass market table games drop: the amount of table games drop in the mass market table games segment.

h. Mass market table games hold percentage: mass market table games win as a percentage of mass market table games drop.

i. Table games win: the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.

j. Gaming machine handle: the total amount wagered in gaming machines.

k. Gaming machine win rate: gaming machine win expressed as a percentage of gaming machine handle.

l. Average daily rate: calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms occupied, including complimentary rooms, i.e., average price of occupied rooms per day.

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

n. Revenue per available room or REVPAR: calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

Results for the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the year ended December 31,	For the year ended December 31,	% to Revenues		% of Change from Prior Year	
	2016	2015	2016	2015	Inc / (Dec)	%
Net Operating Revenues						
Casino	21,298,942	11,901,497	91%	87%	9,397,445	79%
Rooms	981,554	719,422	4%	5%	262,132	36%
Food and beverage	707,255	677,380	3%	5%	29,875	4%
Entertainment, retail and others	431,038	429,028	2%	3%	2,010	0%
Total net operating revenues	23,418,789	13,727,327	100%	100%	9,691,462	71%
Operating costs and expenses						
Gaming tax and license fees	(5,408,428)	(3,404,915)	-23%	-25%	(2,003,513)	59%
Inventories consumed	(819,730)	(784,678)	-4%	-6%	(35,052)	4%
Employee benefit expenses	(3,449,766)	(3,980,364)	-15%	-29%	530,598	-13%
Depreciation and amortization	(4,388,885)	(4,372,061)	-19%	-32%	(16,824)	0%
Other expenses	(6,457,016)	(6,701,571)	-28%	-49%	244,555	-4%
Payments to the Philippine Parties	(1,642,175)	(757,039)	-7%	-6%	(885,136)	117%
Total operating costs and expenses	(22,166,000)	(20,000,628)	-95%	-146%	(2,165,372)	11%
Operating profit (loss)	1,252,789	(6,273,301)	5%	-46%	7,526,090	-120%
Non-operating income (expenses)						
Interest income	20,300	14,203	0%	0%	6,097	43%
Interest expenses, net of capitalized interest	(2,873,852)	(2,720,953)	-12%	-20%	(152,899)	6%
Amortization of deferred financing costs	(66,148)	(61,828)	0%	0%	(4,320)	7%
Other finance fees	(47,832)	(47,832)	0%	0%	-	0%
Foreign exchange gains (losses), net	215,840	(30,691)	1%	0%	246,531	-803%
Total non-operating expenses, net	(2,751,692)	(2,847,101)	-12%	-21%	95,409	-3%
Loss before income tax	(1,498,903)	(9,120,402)	-6%	-66%	7,621,499	-84%
Income tax expense	(82,396)	(23,729)	0%	0%	(58,667)	247%
Net loss	(1,581,299)	(9,144,131)	-7%	-67%	7,562,832	-83%
Other comprehensive loss	(3,210)	-	0%	0%	(3,210)	N/A
Total comprehensive loss	(1,584,509)	(9,144,131)	-7%	-67%	7,559,622	-83%
Basic/diluted loss per share	(₱ 0.28)	(₱ 1.82)			₱1.54	-85%

Net loss for the year ended December 31, 2016 was ₱1,581.3 million, a decrease of ₱7,562.8 million, or 83%, from ₱9,144.1 million for the year ended December 31, 2015, which is primarily related to improved operating revenues generated during the current year, lower employee benefit expenses and a net foreign exchange gains for the year, partially offset by the associated increase in operating costs, payments to the Philippine Parties as well as interest expenses (net of capitalized interest) as a result of lower interest capitalization since the project completion in the first quarter of 2015.

Revenue

Total net operating revenues were ₱23,418.8 million for the year ended December 31, 2016, representing an increase of ₱9,691.5 million, from ₱13,727.3 million for the year ended December 31, 2015. The increase in total net operating revenues was primarily driven by the improved casino revenues as discussed below.

Total net operating revenues for the year ended December 31, 2016 comprised ₱21,298.9 million of casino revenues, representing 91% of total net operating revenues, and ₱2,119.9 million of non-casino revenues. Total net operating revenues for the year ended December 31, 2015 comprised ₱11,901.5 million casino revenues, representing 87% of the total net operating revenues and ₱1,825.8 million of non-casino revenues.

Casino - Casino revenues for the year ended December 31, 2016 were ₱21,298.9 million, an increase of ₱9,397.4 million, or 79%, from ₱11,901.5 million for the year ended December 31, 2015. Rolling chip volume for the year ended December 31, 2016 was ₱326.5 billion, as compared to ₱150.6 billion for the year ended December 31, 2015. Rolling chip win rate (calculated before discounts and commissions) was 3.4%, and improved from 2.3% for the year ended December 31, 2015. In the mass market table games segment, mass market table games drop was ₱26.3 billion for the year ended December 31, 2016 which represented an increase of ₱6.2 billion, or 31% from ₱20.1 billion for the year ended December 31, 2015. The mass market table games hold percentage was 28.0% for the year ended December 31, 2016 and demonstrated an increase from 26.3% for the year ended December 31, 2015. Gaming machine handle for the year ended December 31, 2016 was ₱106.8 billion, compared with ₱81.3 billion for the year ended December 31, 2015. The gaming machine win rates were 5.9% and 6.0% for years ended December 31, 2016 and 2015, respectively. The average number of table games and average number of gaming machines for the year ended December 31, 2016 were 270 and 1,656, respectively, as compared to 263 and 1,709, respectively, for the year ended December 31, 2015. Average net win per table game per day and average net win per gaming machine per day for the year ended December 31, 2016 were ₱188,028 and ₱10,360, respectively, as compared to ₱93,525 and ₱7,782, respectively, for the year ended December 31, 2015.

Rooms - Room revenues come from Crown Towers hotel, Nobu Hotel and Hyatt City of Dreams Manila and amounted to ₱981.6 million for the year ended December 31, 2016 and represented an increase of ₱262.1 million, or 36%, from ₱719.5 million for the year ended December 31, 2015, due to improved occupancy as a result of more available rooms open for sale for the current year as compared to the year ended December 31, 2015. City of Dreams Manila's average daily rate, occupancy rate and REVPAR for the year ended December 31, 2016 were ₱7,597, 91.1% and ₱6,923, respectively, as compared to ₱8,702, 85.9% and ₱7,471, respectively, for the year ended December 31, 2015.

Food, beverage and others - Other non-casino revenues for the year ended December 31, 2016 included food and beverage revenues of ₱707.3 million and entertainment, retail and other revenues of ₱431.0 million. Other non-casino revenues for the year ended December 31, 2015 included food and beverage revenues of ₱677.4 million and entertainment, retail and other revenues of ₱429.0 million. No material fluctuations were noted for the year.

Operating costs and expenses

Total operating costs and expenses were ₱22,166.0 million for the year ended December 31, 2016, representing an increase of ₱2,165.4 million, from ₱20,000.6 million for the year ended December 31, 2015. The increase in operating costs was generally in line with the increased net operating revenues in the current year.

Gaming tax and license fees for the year ended December 31, 2016 amounted to ₱5,408.4 million, representing an increase of ₱2,003.5 million, or 59% from ₱3,404.9 million for the year ended December 31, 2015. The increase was in line with the increased gaming volume.

Inventories consumed for the year ended December 31, 2016 and 2015 amounted to ₱819.7 million and ₱784.7 million, respectively. No material fluctuations were noted for the year.

Employee benefit expenses for the year ended December 31, 2016 amounted to ₱3,449.8 million, as compared to ₱3,980.4 million for the year ended December 31, 2015. The decrease was mainly due to lower basic salaries, allowances, bonuses and other amenities expenses, other employee benefit expenses and the cancellation of share-based awards during the year as well as full vesting of share options/restricted shares granted in previous years. Refer to Note 15 to the audited consolidated financial statements for the nature and details.

Depreciation and amortization for the year ended December 31, 2016 and 2015 amounted to ₱4,388.9 million and ₱4,372.1 million respectively. No material fluctuations were noted for the year.

Other expenses for the year ended December 31, 2016 amounted to ₱6,457.0 million, as compared to ₱6,701.6 million for the year ended December 31, 2015. The decrease was primarily attributable to (i) ₱1,155.0 million lower provision for input VAT; (ii) ₱808.4 million lower advertising, marketing, promotional and entertainment expenses as the grand opening of the resort was launched in February 2015; (iii) ₱377.2 million net gain on disposals of property and equipment and (iv) ₱100.0 million insurance claim recovery from certain equipment damaged by typhoon during the year; partially offset by (v) higher other gaming operations expenses and others. Refer to Note 16 to the audited consolidated financial statements for the nature and details.

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

Non-operating expenses, net

Interest income was ₱20.3 million for the year ended December 31, 2016 as compared to ₱14.2 million for the year ended December 31, 2015. The increase was due to more deposits being placed at the bank during the year ended December 31, 2016 compared to the same period in 2015.

Interest expenses (net of capitalized interest), mainly represented by interest expenses on Senior Notes and obligations under finance lease, amounted to ₱2,873.9 million for the year ended December 31, 2016 as compared to ₱2,721.0 million for the year ended December 31, 2015. The increase was primarily due to ₱79.0 million higher interest expenses on obligations under finance lease and a lower interest capitalization of ₱8.8 million (₱82.7 million for the year ended December 31, 2015) due to the completion of the property construction during 2015.

Amortization of deferred financing costs remained fairly stable at ₱66.1 million and ₱61.8 million for the years ended December 31, 2016 and 2015, respectively, representing amortization of deferred financing costs for the Senior Notes.

Other finance fees amounted to ₱47.8 million for both years ended December 31, 2016 and 2015, representing the gross receipt taxes in relation to interest payments on the Senior Notes issued in January 2014.

The net foreign exchange gains of ₱215.8 million for the year ended December 31, 2016 was mainly due to the translation of foreign currency denominated bank balances and payables at the year-end closing rate. Because the Philippine peso declined against the H.K. dollar and the U.S. dollar during the year ended December 31, 2016, a net foreign exchange gains resulted in the current year as compared to a net foreign exchange losses of ₱30.7 million for the year ended December 31, 2015.

Income tax expense

The provisions for current year income taxes for the years ended December 31, 2016 and 2015 represent the provisions for both current income taxes and deferred taxes. Refer to Note 19 to the audited consolidated financial statements for the nature and details of the provision for income tax for the year ended December 31, 2016.

Net loss

As a result of the foregoing, the Group incurred a net loss of ₱1,581.3 million for the year ended December 31, 2016, as compared to a net loss of ₱9,144.1 million for the year ended December 31, 2015.

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, net gain on disposals of property and equipment to Belle, pre-opening costs, share-based compensation expenses, corporate expenses, property charges and others and other non-operating income and expenses. Adjusted EBITDAs were ₱7,561.3 million and ₱2,520.2 million for the years ended December 31, 2016 and 2015, respectively.

Our management uses Adjusted EBITDA to measure the operating performance of City of Dreams Manila, and to compare the operating performance of our property with those of our competitors. Adjusted EBITDA is also presented as supplemental disclosures because management believes they are widely used to measure performance and as a basis for valuation of gaming companies. Our management also uses Adjusted EBITDA because they are used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported similar measures as a supplement to financial measures in accordance with generally accepted accounting principles. However, Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our Philippines Financial Reporting Standards ("**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 annual 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 annual report, less reliance should be placed on Adjusted EBITDA as a measure in assessing our overall financial performance.

Financial Condition and Balance Sheet

The audited consolidated balance sheet of the Group as of December 31, 2016 with variance against December 31, 2015 is discussed, as set out below:

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	December 31,	December 31,	% to Total Assets		% of Change from Prior Year	
ASSETS	**2016**	**2015**	**2016**	2015	**Inc / (Dec)**	**%**
Current assets						
Cash and cash equivalents	10,351,414	7,460,229	25%	17%	2,891,185	39%
Restricted cash	240,025	42,525	1%	0%	197,500	464%
Accounts receivable, net	1,391,213	1,283,575	3%	3%	107,638	8%
Inventories	230,411	268,819	1%	1%	(38,408)	-14%
Prepayments and other current assets	322,692	194,423	1%	0%	128,269	66%
Amount due from a shareholder	5,590	5,588	0%	0%	2	0%
Amount due from ultimate holding company	-	175,557	0%	0%	(175,557)	-100%
Amount due from an intermediate holding company	139,264	-	0%	0%	139,264	N/A
Amount due from immediate holding company	3,000	-	0%	0%	3,000	N/A
Amount due from an affiliated company	1,117	455	0%	0%	662	145%
Total current assets	12,684,726	9,431,171	30%	21%	3,253,555	34%
Non-current assets						
Property and equipment, net	26,866,578	32,939,887	64%	74%	(6,073,309)	-18%
Contract acquisition costs, net	863,872	915,965	2%	2%	(52,093)	-6%
Other intangible assets, net	5,436	7,176	0%	0%	(1,740)	-24%
Other non-current assets	1,270,048	1,462,673	3%	3%	(192,625)	-13%
Deferred tax asset, net	-	881	0%	0%	(881)	-100%
Total non-current assets	29,005,934	35,326,582	70%	79%	(6,320,648)	-18%
Total assets	**41,690,660**	**44,757,753**	100%	100%	(3,067,093)	-7%
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	139,270	150,806	0%	0%	(11,536)	-8%
Accrued expenses, other payables and other current liabilities	5,414,657	8,203,747	13%	18%	(2,789,090)	-34%
Current portion of obligations under finance lease	1,524,893	1,401,702	4%	3%	123,191	9%
Amount due to immediate holding company	-	7,357	0%	0%	(7,357)	-100%
Amounts due to affiliated companies	1,282,040	609,951	3%	1%	672,089	110%
Income tax payable	160	170	0%	0%	(10)	-6%
Total current liabilities	8,361,020	10,373,733	20%	23%	(2,012,713)	-19%
Non-current liabilities						
Long-term debt, net	14,848,500	14,782,352	36%	33%	66,148	0%
Non-current portion of obligations under finance lease	13,061,462	12,744,835	31%	28%	316,627	2%
Deferred rent liabilities	219,258	176,508	1%	0%	42,750	24%
Retirement liabilities	41,644	23,617	0%	0%	18,027	76%
Other non-current liabilities	43,485	48,638	0%	0%	(5,153)	-11%
Deferred tax liability, net	81,188	-	0%	0%	81,188	N/A
Total non-current liabilities	28,295,537	27,775,950	68%	62%	519,587	2%
Equity						
Capital stock	5,662,897	5,643,355	14%	13%	19,542	0%
Additional paid-in capital	22,076,822	21,932,963	53%	49%	143,859	1%
Share-based compensation reserve	416,835	606,279	1%	1%	(189,444)	-31%
Equity reserve	(3,613,990)	(3,613,990)	-9%	-8%	-	0%
Accumulated deficit	(19,508,461)	(17,960,537)	-47%	-40%	(1,547,924)	9%
Total equity	5,034,103	6,608,070	12%	15%	(1,573,967)	-24%
Total equity and liabilities	**41,690,660**	**44,757,753**	100%	100%	(3,067,093)	-7%

Current assets

Cash and cash equivalents increased by ₱2,891.2 million, which is primarily the net result of operating cash inflows and the payments made for the capital expenditures and repayments of obligations under finance lease. Refer below to “Liquidity and Capital Sources” for cash flow analysis for the year ended December 31, 2016.

Restricted cash represents an escrow account that is restricted for foundation fees payable in accordance with the terms of the Regular/Provisional License. The increase during the year represented the foundation’s contributed amount for the year ended December 31, 2016.

Accounts receivable, net, primarily attributable to casino, hotel and F&B receivables, increased by ₱107.6 million, which was mainly due to an increase in casino receivables associated with the improved casino revenues, partially offset by an increase in the allowance for doubtful debts made for the current year and the decrease in hotel receivables. Refer to Note 7 to the audited consolidated financial statements for the details and aging of the accounts receivable as of December 31, 2016.

Inventories of ₱230.4 million mainly consisted of gaming inventories, retail merchandise, food and beverage items and certain operating supplies.

Prepayments and other current assets increased by ₱128.3 million, which was primarily due to increases in (i) rental and other receivables, net of ₱52.0 million mainly as a result of insurance claims receivable; and (ii) creditable withholding tax of ₱44.6 million mainly arising from the disposals of property and equipment during the year. Refer to Note 8 to the audited consolidated financial statements for the nature and details of these assets.

Non-current assets

Property and equipment decreased by ₱6,073.3 million, mainly due to the disposals of ₱1,930.8 million property and equipment items as well as depreciation of ₱4,335.1 million for the operating equipment during the year; partially offset by additions to property and equipment of ₱448.3 million during the year.

Contract acquisition costs decreased by ₱52.1 million, solely due to the amortization for the year ended December 31, 2016.

Other intangible assets decreased by ₱1.7 million during the year as a result of amortization on the straight-line basis over the license term of 5 years from February 14, 2015, the opening date of the attraction.

Other non-current assets decreased by ₱192.6 million primarily due to a decrease in net input VAT receivable of ₱132.2 million mainly as a result of provisions for input VAT receivable of ₱271.9 million during the year ended December 31, 2016.

Current liabilities

Accounts payable of ₱139.3 million represented the payables to suppliers for products and services such as playing cards and marketing. The decrease in the balance was due to more settlements made to suppliers during the year.

Accrued expenses, other payables and other current liabilities decreased by ₱2,789.1 million, which mainly related to decreases in (i) accruals for acquisitions of property and equipment by ₱2,043.7 million as a result of settlements of construction payables during the year and (ii) escrow funds refundable to the Philippine Parties of ₱1,104.5 million. Refer to Note 13 to the audited consolidated financial statements for the nature and details of these items.

Current portion of obligations under finance lease represented building lease payments that are due within one year. The increase during the year was mainly due to (i) finance lease charges of ₱1,628.5 million recognized during the year, partially offset by (ii) lease payments made of ₱1,505.3 million during the year.

Amounts due to affiliated companies and the immediate holding company increased by ₱664.7 million, which primarily resulted from management fees and payroll expenses recharged from affiliates/the immediate holding company during the year. Refer to Note 17 to the audited consolidated financial statements for the nature and details of the related party transactions for the year ended December 31, 2016.

Non-current liabilities

Long-term debt of ₱14.8 billion represents the Senior Notes which will mature in 2019 and priced at par of 100% of the principal amount of ₱15.0 billion (net of ₱151.5 million in unamortized deferred financing costs). The increase during the year solely represented the amortization of deferred financing costs of ₱66.1 million for the year.

The non-current portion of obligations under finance lease increase of ₱316.6 million mainly represented finance lease charges during the year.

Deferred rent liabilities increased by ₱42.8 million primarily due to effective rent recognized during the year.

Retirement liabilities increased by ₱18.0 million primarily due to such service costs recognized during the year.

Other non-current liabilities represented retail tenant deposits and other payables which are due beyond one year. The decrease was primarily due to partial settlements made on payables on property and equipment acquired in prior years, partially offset by bonus provisions made during the year.

Deferred tax liability, net, mainly represented the deferred tax charges on unrealized foreign exchange gains. Refer to Note 19 to the audited consolidated financial statements for the nature and details thereof.

Equity

Capital stock and additional paid-in capital increased by ₱19.5 million and ₱143.9 million, respectively, as of December 31, 2016 as compared to December 31, 2015, which was mainly due to 19,541,800 restricted shares being vested during the year ended December 31, 2016.

The share-based compensation reserve decreased by ₱189.4 million mainly due to a transfer of ₱163.4 million to capital stock/additional paid-in capital as a result of the 19,541,800 restricted shares vesting as mentioned above and the transfer of ₱36.5 million to the accumulated deficit as a result of the expiry of shared options during the year; partially offset by the recognition of share-based payments of ₱10.5 million during the year ended December 31, 2016.

The equity reserve consisted of the net difference between the cost of MRP to acquire MCE 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 December 31, 2016 as compared to December 31, 2015.

The deficit increased by ₱1,547.9 million to ₱19,508.4 million as of December 31, 2016, from ₱17,960.5 million as of December 31, 2015, which was primarily due to the net loss by ₱1,581.3 million recognized during the year ended December 31, 2016, partially offset by the transfer of ₱36.5 million from the share-based compensation reserve as mentioned above.

Liquidity and Capital Sources

The table below shows the Group's audited consolidated cash flows for the years ended December 31, 2016 and 2015, respectively:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015	% Change
In thousands of Philippine peso, except % change data			
Net cash provided by operating activities	6,451,799	1,142,886	465%
Net cash used in investing activities	(1,233,785)	(1,306,530)	-6%
Net cash used in financing activities	(2,621,257)	(167,819)	1462%
Effect of foreign exchange on cash and cash equivalents	294,428	140,525	110%
Net increase (decrease) in cash and cash equivalents	2,891,185	(190,958)	-1614%
Cash and cash equivalents at beginning of year	7,460,229	7,651,187	-2%
Cash and cash equivalents at end of year	10,351,414	7,460,229	39%

Cash and cash equivalents decreased by 39% as of December 31, 2016 compared to December 31, 2015 mainly due to the net effect of the following:

- For the year ended December 31, 2016, the Group recorded cash flow from operating activities of ₱6,451.8 million primarily attributable to the operating performance at City of Dreams Manila as discussed in the aforesaid sections.

- Net cash used in investing activities amounted to ₱1,233.8 million for the year ended December 31, 2016, which primarily includes: (i) capital expenditure payments of ₱2,113.0 million; (ii) advance payments and deposits for acquisitions of property and equipment of ₱78.6 million; and (iii) an increase in restricted cash of ₱197.5 million for the foundation fees payable; offset by (iv) proceeds from sales of property and equipment of ₱1,155.3 million.

- Net cash used in financing activities for the year ended December 31, 2016 mainly represented (i) repayments of obligations under finance lease of ₱1,623.2 million; (ii) interest and other finance fee payments for the Senior Notes of ₱985.3 million; and (iii) payments for transaction costs of issuance of capital stock of ₱12.8 million.

The table below shows the Group's capital sources as of December 31, 2016 and December 31, 2015.

	As of December 31, 2016	**As of December 31, 2015**	**% Change**
In thousands of Philippine peso, except % change data			
Long-term debt, net	14,848,500	14,782,352	0%
Equity	5,034,103	6,608,070	-24%
	19,882,603	21,390,422	-7%

Total long-term debt and equity decreased by 7% to ₱19,882.6 million as of December 31, 2016, from ₱21,390.4 million as of December 31, 2015. The decrease was mainly due to (i) the net loss of ₱1,581.3 million during the year ended December 31, 2016; partially offset by (ii) the recognition of the share-based compensation reserve of ₱10.5 million. There was no change in our gross indebtedness as of December 31, 2016 as compared to December 31, 2015.

Results for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the year ended December 31,	For the year ended December 31,	% to Revenues		% of Change in Prior Period	
	2015	2014	2015	2014	Inc / (Dec)	%
Net Operating Revenues						
Casino	11,901,497	299,991	87%	70%	11,601,506	3867%
Rooms	719,422	7,317	5%	2%	712,105	9732%
Food and beverage	677,380	26,154	5%	6%	651,226	2490%
Entertainment, retail and others	429,028	96,756	3%	22%	332,272	343%
Total net operating revenues	13,727,327	430,218	100%	100%	13,297,109	3091%
Operating costs and expenses						
Gaming tax and license fees	(3,404,915)	(64,077)	-25%	-15%	(3,340,838)	5214%
Inventories consumed	(784,678)	(27,918)	-6%	-6%	(756,760)	2711%
Employee benefit expenses	(3,980,364)	(2,796,583)	-29%	-650%	(1,183,781)	42%
Depreciation and amortization	(4,372,061)	(285,731)	-32%	-66%	(4,086,330)	1430%
Other expenses	(6,701,571)	(1,448,147)	-49%	-337%	(5,253,424)	363%
Payments to the Philippine Parties	(757,039)	(38,809)	-6%	-9%	(718,230)	1851%
Total operating costs and expenses	(20,000,628)	(4,661,265)	-146%	-1083%	(15,339,363)	329%
Operating loss	(6,273,301)	(4,231,047)	-46%	-983%	(2,042,254)	48%
Non-operating income (expenses)						
Interest income	14,203	42,887	0%	10%	(28,684)	-67%
Interest expenses, net of capitalized interest	(2,720,953)	(1,915,097)	-20%	-445%	(805,856)	42%
Amortization of deferred financing costs	(61,828)	(54,235)	0%	-13%	(7,593)	14%
Other finance fees	(47,832)	(44,776)	0%	-10%	(3,056)	7%
Foreign exchange losses, net	(30,691)	(101,013)	0%	-23%	70,322	-70%
Total non-operating expenses, net	(2,847,101)	(2,072,234)	-21%	-482%	(774,867)	37%
Loss before income tax	(9,120,402)	(6,303,281)	-66%	-1465%	(2,817,121)	45%
Income tax expense	(23,729)	-	0%	0%	(23,729)	N/A
Net loss	(9,144,131)	(6,303,281)	-67%	-1465%	(2,840,850)	45%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive loss	(9,144,131)	(6,303,281)	-67%	-1465%	(2,840,850)	45%
Basic/diluted loss per share	(₱ 1.82)	(₱ 1.35)	0%	0%	(₱ 0.47)	35%

City of Dreams Manila had a soft opening on December 14, 2014 and a grand opening on February 2, 2015. As we only had half a month resort operations for the year ended December 31, 2014, our financial data presented above may not be comparable year-to-year.

Total comprehensive loss for the year ended December 31, 2015 was ₱9,144.1 million, an increase of ₱2,840.8 million, or 45%, from ₱6,303.3 million for the year ended December 31, 2014, which primarily related to the increase in total operating costs and expenses arising from the full year resort operations in 2015, as well as the interest expenses (net of capitalized interest) as a result of lower interest capitalization since the project completion in the first quarter of 2015, partially offset by operating revenues generated and decrease in the foreign exchange losses during the year.

Revenue

Total net operating revenues were ₱13,727.3 million for the year ended December 31, 2015, representing an increase of ₱13,297.1 million or 3,091%, from ₱430.2 million for the year ended December 31, 2014. The increase in total net operating revenues was attributable to the full year of resort operations in 2015.

Total net operating revenues for the year ended December 31, 2015 were comprised of ₱11,901.5 million of casino revenues, representing 87% of total net operating revenues, and ₱1,825.8 million of non-casino revenues. Total net operating revenues for the year ended December 31, 2014 of ₱430.2 million were comprised of ₱300.0 million of casino revenues, representing 70% of the total net operating revenues, and ₱130.2 million of non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2015 were ₱11,901.5 million, representing 87% of total net operating revenues, including VIP gaming revenues, mass table games and gaming machine revenues. Rolling chip volume for the year ended December 31, 2015 was ₱150.6 billion. Rolling chip win rate (calculated before discounts and commissions) was 2.3%. Our expected win rate was 2.7% to 3.0%. In the mass market table games segment, mass market table games drop was ₱20.1 billion for the year ended December 31, 2015. The mass market table games hold percentage was 26.3% for the year ended December 31, 2015. The average number of table games and average number of gaming machines for the year ended December 31, 2015 were 263 and 1,709, respectively. Average net win per table game per day and average net win per gaming machine per day for the year ended December 31, 2015 were ₱93,525 and ₱7,782, respectively. Casino revenues for the year ended December 31, 2014 were ₱300.0 million, representing 70% of the total net operating revenues and included mass tables games and gaming machines revenues.

Rooms. Room revenues for the year ended December 31, 2015 were ₱719.4 million, representing 5% of total net operating revenues, from Crown Towers Hotel, Nobu Hotel and Hyatt City of Dreams Manila. City of Dreams Manila's average daily rate, occupancy rate and REVPAR were ₱8,702, 85.9% and ₱7,471, respectively. Room revenues for the year ended December 31, 2014 were ₱7.3 million, representing 2% of total net operating revenues, mainly from Nobu Hotel and Hyatt City of Dreams Manila.

Food, beverage and others. Food, beverage and other revenues for the year ended December 31, 2015 included food and beverage revenues of ₱677.4 million and entertainment, retail and other revenues of ₱429.0 million. Other non-casino revenues for the year ended December 31, 2014 included food and beverage revenues of ₱26.2 million and entertainment, retail and other revenues of ₱96.8 million.

Operating costs and expenses

Total operating costs and expenses were ₱20,000.6 million for the year ended December 31, 2015, representing an increase of ₱15,339.3 million, over the ₱4,661.3 million for the year ended December 31, 2014. The increase in operating costs was attributable to the full year of resort operations in 2015.

Gaming tax and license fees for the years ended December 31, 2015 and 2014 amounted to ₱3,404.9 million and ₱64.1 million respectively. The increase was in line with the increased casino revenues. Refer to Note 2 to the audited consolidated financial statements for the nature and details thereof.

Inventories consumed for the years ended December 31, 2015 and 2014 amounted to ₱784.7 million and ₱27.9 million, respectively. The increase was in line with the full year operation of the resort.

Employee benefit expenses for the year ended December 31, 2015 amounted to ₱3,980.4 million as compared to ₱2,796.6 million for the year ended December 31, 2014. The increase was in line with the full year operation of the resort. Refer to Note 15 to the audited consolidated financial statements for the nature and details of such expenses.

Depreciation and amortization for the year ended December 31, 2015 and 2014 amounted to ₱4,372.0 million and ₱285.7 million, respectively. The increase was primarily due to more property and equipment being put into use upon grand opening during the year ended December 31, 2015.

Other expenses for the year ended December 31, 2015 amounted to ₱6,701.6 million, as compared to ₱1,448.1 million for the year ended December 31, 2014. The increase was primarily attributable to the opening of the property. Refer to Note 16 to the audited consolidated financial statements for the nature and details thereof.

Payments to the Philippine Parties represented the agreed-upon payments to PLAI calculated in accordance with the Operating Agreement dated March 13, 2013 and related supplementary agreements.

Non-operating expenses, net

Interest income was ₱14.2 million for the year ended December 31, 2015 as compared to ₱42.9 million for the year ended December 31, 2014. The decrease was due to less deposits being placed at the bank during the year ended December 31, 2015 compared to the same period in 2014.

Interest expenses (net of capitalized interest), mainly represented by interest expenses on Senior Notes and obligations under finance lease in relation to the Lease Agreement of the building with Belle, amounted to ₱2,721.0 million for the year ended December 31, 2015 as compared to ₱1,915.1 million for the year ended December 31, 2014. The increase was primarily due to lower interest capitalization of ₱82.7 million (2014: ₱734.1 million) as the project moved to completion after the first quarter of 2015.

Amortization of deferred financing costs amounted to ₱61.8 million and ₱54.2 million for the years ended December 31, 2015 and 2014, respectively, representing deferred financing costs capitalized for the Senior Notes effective from January 2014.

Other finance fees amounted to ₱47.8 million and ₱44.8 million for the years ended December 31, 2015 and 2014, respectively, representing the gross receipt taxes in relation to interest payments on the Senior Notes issued in January 2014.

The net foreign exchange losses of ₱30.7 million for the year ended December 31, 2015 was mainly due to the translation of foreign currency denominated bank balances and payables at the year-end closing rate. Because the Philippine peso fluctuated against the H.K. dollar and U.S. dollar during the year ended December 31, 2015, foreign exchange losses decreased by ₱70.3 million from ₱101.0 million for the year ended December 31, 2014 as a result of the foreign exchange revaluation on foreign currencies payables/USD denominated bank accounts during the year.

Net loss

As a result of the foregoing, the Group incurred a net loss of ₱9,144.1 million for the year ended December 31, 2015, as compared to a net loss of ₱6,303.3 million for the year ended December 31, 2014.

Financial Condition and Balance Sheet

The consolidated balance sheet of the Group as of December 31, 2015 with variances against December 31, 2014 is discussed, as set out below:

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	December 31,	December 31,	% to Total Assets		% of Change in Prior Period	
ASSETS	**2015**	2014	**2015**	2014	**Inc / (Dec)**	**%**
Current assets						
Cash and cash equivalents	7,460,229	7,651,187	17%	16%	(190,958)	-2%
Restricted cash	42,525	2,230,850	0%	5%	(2,188,325)	-98%
Accounts receivable, net	1,283,575	24,719	3%	0%	1,258,856	5093%
Inventories	268,819	194,609	1%	0%	74,210	38%
Prepayments and other current assets	194,423	184,957	0%	0%	9,466	5%
Amount due from a shareholder	5,588	5,425	0%	0%	163	3%
Amount due from ultimate holding company	175,557	-	0%	0%	175,557	N/A
Amount due from an affiliated company	455	-	0%	0%	455	N/A
Total current assets	9,431,171	10,291,747	21%	22%	(860,576)	-8%
Non-current assets						
Property and equipment, net	32,939,887	32,830,332	74%	69%	109,555	0%
Contract acquisition costs, net	915,965	968,058	2%	2%	(52,093)	-5%
Other intangible assets, net	7,176	8,698	0%	0%	(1,522)	-17%
Other non-current assets	1,462,673	3,624,180	3%	8%	(2,161,507)	-60%
Deferred tax asset, net	881	23,729	0%	0%	(22,848)	-96%
Total non-current assets	35,326,582	37,454,997	79%	78%	(2,128,415)	-6%
Total assets	**44,757,753**	**47,746,744**	100%	100%	(2,988,991)	-6%
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	150,806	160,219	0%	0%	(9,413)	-6%
Accrued expenses, other payables and other current liabilities	8,203,747	4,631,506	18%	10%	3,572,241	77%
Current portion of obligations under finance lease	1,401,702	1,041,760	3%	2%	359,942	35%
Amount due to ultimate holding company	-	58,363	0%	0%	(58,363)	-100%
Amount due to immediate holding company	7,357	889,239	0%	2%	(881,882)	-99%
Amounts due to affiliated companies	609,951	834,384	1%	2%	(224,433)	-27%
Income tax payable	170	3,882	0%	0%	(3,712)	-96%
Total current liabilities	10,373,733	7,619,353	23%	16%	2,754,380	36%
Non-current liabilities						
Long-term debt, net	14,782,352	14,720,524	33%	31%	61,828	0%
Non-current portion of obligations under finance lease	12,744,835	12,378,968	28%	26%	365,867	3%
Deferred rent liabilities	176,508	122,131	0%	0%	54,377	45%
Retirement liabilities	23,617	-	0%	0%	23,617	N/A
Other non-current liabilities	48,638	18,357	0%	0%	30,281	165%
Total non-current liabilities	27,775,950	27,239,980	62%	57%	535,970	2%
Equity						
Capital stock	5,643,355	4,911,480	13%	10%	731,875	15%
Additional paid-in capital	21,932,963	19,647,157	49%	41%	2,285,806	12%
Share-based compensation reserve	606,279	759,248	1%	2%	(152,969)	-20%
Equity reserve	(3,613,990)	(3,613,990)	-8%	-8%	-	0%
Accumulated deficit	(17,960,537)	(8,816,484)	-40%	-18%	(9,144,053)	104%
Total equity	6,608,070	12,887,411	15%	27%	(6,279,341)	-49%
Total equity and liabilities	**44,757,753**	**47,746,744**	100%	100%	(2,988,991)	-6%

Current assets

Cash and cash equivalents decreased by ₱191.0 million, which is the net result of payments made for the capital and operating expenditures. Refer below to "Liquidity and Capital Sources" for the cash flow analysis for the year ended December 31, 2015.

Restricted cash as of December 31, 2015 represents an escrow account that is restricted for foundation fee payable in accordance with the terms of the Regular/Provisional License. Restricted cash as of December 31, 2014 represented the US$50 million minimum requirement on the escrow account as required under the Regular/Provisional License granted by PAGCOR. Such account was released as approved by PAGCOR on May 7, 2015.

Accounts receivable, net, increased by ₱1,258.9 million, was mainly attributable to casino, hotel and F&B receivables, which is in line with the full year of operations. Refer to Note 7 to the audited consolidated financial statements for the details and aging of the accounts receivable as of December 31, 2015.

Inventories, which mainly consisted of gaming inventories, retail merchandise, food and beverage items and certain operating supplies, increased by ₱74.2 million in line with the increased business volumes after the resort opening.

Prepayments and other current assets increased by ₱9.5 million. Refer to Note 8 to the audited consolidated financial statements for the nature and details thereof.

The amount due from ultimate holding company of ₱175.6 million mainly represented the share-based compensation costs for MRP directors recharged to Melco for the years ended December 31, 2015, 2014 and 2013. Refer to Note 17 to the audited consolidated financial statements for the nature and details of related party transactions for the year ended December 31, 2015.

Non-current assets

Property and equipment increased by ₱109.6 million, mainly due to the additional capital expenditures in construction in progress of ₱1,741.3 million and acquisitions of operating equipment of ₱2,693.9 million incurred during the year ended December 31, 2015, which were partially offset by the depreciation of ₱4,325.6 million on the operating equipment during the year. During the year ended December 31, 2015, construction in progress of ₱5,746.2 million was transferred to operating equipment.

Contract acquisition costs decreased by ₱52.1 million, mainly due to amortization charges for the year ended December 31, 2015.

Other intangible assets represent the license fees incurred for the right to the use of certain third party trademarks for City of Dreams Manila. The balance decreased by ₱1.5 million during the year as a result of amortization on the straight-line basis over the license term of 5 years from February 14, 2015, the opening date of the attraction.

Other non-current assets decreased by ₱2,161.5 million primarily due to (i) the decrease in advance payments and deposits for acquisitions of property and equipment of ₱1,398.7 million as a result of capitalization of such costs to property and equipment during the year and (ii) a decrease in input VAT, net, of ₱858.0 million as a result of provisions for input VAT of ₱1,427.0 million during the year.

Current liabilities

Accounts payable of ₱150.8 million represented payables to suppliers for products and services such as playing cards and marketing.

Accrued expenses, other payables and other current liabilities increased by ₱3,572.2 million, which mainly related to increases in (i) gaming taxes and license fees of ₱1,624.3 million as a result of increased casino revenues; (ii) outstanding gaming chips and tokens of ₱1,219.3 million, which is in line with the increase in credit markers during the year and (iii) restricted cash refundable to the Philippine Parties of ₱1,104.5 million. Refer to Note 13 to the audited consolidated financial statements for the nature and details of such expenses.

Current portion of obligations under finance lease was comprised of the building lease portion. This represented lease payments that are due within one year. The increase during the year was mainly due to (i) finance lease charges of ₱1,500.3 million recognized during the year, partially offset by (ii) lease payments made amounting to ₱1,022.6 million during the year and (iii) reclassification of December scheduled installments ₱117.8 million to the unpaid portion of obligations under finance lease under accrued expenses.

Amounts due to affiliated companies, the ultimate holding company and the immediate holding company decreased by ₱1,164.7 million, primarily as a result of repayments made during the year. Refer to Note 17 to the audited consolidated financial statements for the nature and details of related party transactions for the year ended December 31, 2015.

Non-current liabilities

Long-term debt of ₱14.8 billion represents the Senior Notes which will mature in 2019 and are priced at par of 100% of the principal amount of ₱15.0 billion (net of ₱217.6 million in unamortized deferred financing costs) and offered to certain primary institutional lenders through a private placement in the Philippines, issued on January 24, 2014. The increase during the year solely resulted from the amortization of deferred financing costs of ₱61.8 million.

Non-current portion of obligations under finance lease increase of ₱365.9 million, mainly representing finance lease charges during the year.

Deferred rent liabilities increased by ₱54.4 million primarily due to effective rent recognized during the year.

Retirement liabilities of ₱23.6 million represented the retirement costs recognized as of December 31, 2015 based on the provisions of Republic Act No. 7641, otherwise known as the "Retirement Pay Law." Refer to Note 22 to the audited consolidated financial statements for the details.

Other non-current liabilities represented retail tenant deposits and other payables which are due beyond one year. The increase was primarily arising from payables on property and equipment acquired during the year.

Equity

Capital stock and additional paid-in capital increased by ₱731.9 million and ₱2,285.8 million, respectively, as of December 31, 2015 as compared to December 31, 2014, mainly due to the issuance of (i) 693,500,000 common shares with a par value of ₱1 per share at a total consideration of ₱2,704.7 million and (ii) 38,375,178 restricted shares being vested during the year ended December 31, 2015.

The share-based compensation reserve decreased by ₱152.9 million mainly due to the transfer of ₱329.6 million to capital stock/additional paid-in capital as a result of the 38,375,178 restricted shares vesting as mentioned above; partially offset by the recognition of share-based payments of ₱176.7 million during the year ended December 31, 2015.

The equity reserve consisted of the net difference between the cost of MRP acquiring MCE 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 December 31, 2015 as compared to December 31, 2014.

The deficit increased by ₱9,144.0 million to ₱17,960.5 million as of December 31, 2015, from ₱8,816.5 million as of December 31, 2014, solely due to the net loss recognized during the year ended December 31, 2015.

Liquidity and Capital Sources

The table below shows the Group's audited consolidated cash flows for the year ended December 31, 2015 and 2014:

	For the Year Ended December 31, 2015	**For the Year Ended December 31, 2014**	**% Change**
In thousands of Philippine peso, except % change data			
Net cash provided by (used in) operating activities	1,142,866	(4,154,244)	-128%
Net cash used in investing activities	(1,306,530)	(15,476,149)	-92%
Net cash (used in) provided by financing activities	(167,819)	18,811,633	-101%
Effect of foreign exchange on cash and cash equivalents	140,525	(129,895)	-208%
Net decrease in cash and cash equivalents	(190,958)	(948,655)	-80%
Cash and cash equivalents at beginning of year	7,651,187	8,599,842	-11%
Cash and cash equivalents at end of year	7,460,229	7,651,187	-2%

Cash and cash equivalents decreased by 2% as of December 31, 2015 compared to December 31, 2014 mainly due to the net effect of the following:

- For the year ended December 31, 2015, the Group recorded cash flow from operating activities of ₱1,142.9 million primarily attributable to the full year of operating performance at City of Dreams Manila as discussed in the aforesaid sections.

- Net cash used in investing activities amounted to ₱1,306.5 million for the year ended December 31, 2015, which primarily included: (i) capital expenditure payments of ₱4,525.7 million; (ii) payment for other non-current assets of ₱62.2 million and (iii) advance payments and deposits for acquisitions of property and equipment of ₱6.6 million; partially offset by (iv) a net decrease in restricted cash of ₱2,188.3 million as discussed above; (v) escrow funds refundable to the Philippine Parties of ₱1,103.9 million in accordance with the Cooperation Agreement which allowed MRP to withdraw US$25.0 million from the escrow account for its free use.

- Net cash used in financing activities for the year ended December 31, 2015 mainly represented: (i) repayments of obligations under finance lease of ₱1,079.5 million; (ii) interest and other finance fee payments for the Senior Notes of ₱985.3 million; and (iii) repayments of ₱804.2 million to the immediate holding company, partially offset by the net proceeds from issuance of capital stock of ₱2,701.2 million as discussed above.

The table below shows the Group's capital sources as of December 31, 2015 and December 31, 2014.

	As of December 31, 2015	**As of December 31, 2014**	**% Change**
In thousands of Philippine peso, except % change data			
Long-term debt, net	14,782,352	14,720,524	0%
Equity	6,608,070	12,887,411	-49%
	21,390,422	27,607,935	-23%

Total long-term debt and equity decreased by 23% to ₱21,390.4 million as of December 31, 2015, from ₱27,607.9 million as of December 31, 2014. The decrease was mainly due to (i) the net loss of ₱9,144.1 million during the year ended December 31, 2015; (ii) the recognition of the share-based compensation reserves of ₱152.9 million; partially offset by (iii) the increase in capital stock and additional paid-in capital of ₱3,017.7 million; and (iv) the amortization of deferred financing costs of ₱61.8 million. There were no other changes in our indebtedness as of December 31, 2015 as compared to December 31, 2014.

On January 24, 2014, MCE Leisure completed the issuance of the Senior Notes, which was priced at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019. The interest on Senior Notes includes a tax gross up provision requiring MCE Leisure to pay without any deduction or withholding for or on account of tax. The net proceeds from the issuance of the Senior Notes were used for the further development of City of Dreams Manila.

The Senior Notes are general obligations of MCE Leisure, ranked equally with all of MCE Leisure's existing and future senior indebtedness (save and except for any statutory preferences or priority), and senior to all of MCE Leisure's existing and future subordinated indebtedness. The Senior Notes were guaranteed by MCE, MRP and all present and future direct and indirect subsidiaries of MRP (subject to certain limited exceptions) on a senior basis. In addition, the Senior Notes were secured by pledge of shares of all present and future direct and indirect subsidiaries of MRP.

On June 24, 2014, MRP and MCE Investments completed another placing and subscription transaction (the "**2014 Placing and Subscription Transaction**") under which MCE Investments offered and sold in a private placement to various institutional investors 485,177,000 common shares of MRP with par value of ₱1 per share, at the offer price of ₱11.30 per share (the "**2014 Offer**"). MCE Investments then used the proceeds from the 2014 Offer to subscribe to an equivalent number of common shares of MRP at the subscription price of ₱11.30 per share. The aggregate net proceeds from aforementioned equity transactions, after deducting the underwriting commissions and other expenses of ₱106.6 million, was ₱5,375.9 million.

On November 23, 2015, MCE Investments subscribed to an additional 693,500,000 common shares of MRP, with a par value of ₱1.00 per share, at a subscription price of ₱3.90 per share, or a total subscription price of ₱2,704,650,000.00.

Significant Accounting Judgments, Estimates and Assumptions

Please refer to Note 4 to the audited consolidated financial statements (Appendix I) for details.

Recent changes in Accounting Standards

Please refer to Note 3 to the audited consolidated financial statements (Appendix I) for discussion of recent changes in accounting standards.

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, amount due from a shareholder, amount due from ultimate holding company, amount due from an intermediate holding company, amount due from/to the immediate holding company, amount due from an affiliated company, accounts payable, accrued expenses, other payables and other current liabilities, obligations under finance lease, long-term debt, amounts due to affiliated companies, 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 year ended December 31, 2016 are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks.

Financial Assets and Liabilities – Fair value of Financial Instruments

Please refer to Note 26 to the audited consolidated financial statements (Appendix I) for details.

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

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

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

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

As of December 31, 2016, we had a shareholder loan facility of US$340.0 million and a credit facility of ₱2,350.0 million remains available for future drawdowns, subject to certain conditions precedent. For further details, refer to Note 21 to the audited consolidated financial statements included in this annual report.

As of December 31, 2016, we had capital commitments contracted for, but not provided, mainly for the acquisitions of property and equipment for City of Dreams Manila totaling ₱202.9 million.

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

<u>Operating Results for the Three Months Ended March 31, 2017 Compared to the Three Months Ended March 31, 2016</u>

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the three months ended March 31,	For the three months ended March 31,	% to Revenues		% of Change in Prior Period	
	2017	2016	2017	2016	Inc / (Dec)	%
Net operating revenues						
Casino	7,299,172	4,051,809	93%	89%	3,247,363	80%
Rooms	264,124	226,334	3%	5%	37,790	17%
Food and beverage	175,232	165,596	2%	4%	9,636	6%
Entertainment, retail and others	141,884	91,010	2%	2%	50,874	56%
Total net operating revenues	7,880,412	4,534,749	100%	100%	3,345,663	74%
Operating costs and expenses						
Gaming tax and license fees	(1,857,641)	(1,132,471)	-24%	-25%	(725,170)	64%
Inventories consumed	(216,771)	(191,074)	-3%	-4%	(25,697)	13%
Employee benefit expenses	(844,352)	(868,504)	-11%	-19%	24,152	-3%
Depreciation and amortization	(1,086,682)	(1,153,893)	-14%	-25%	67,211	-6%
Other expenses	(2,249,388)	(1,218,579)	-29%	-27%	(1,030,809)	85%
Payments to the Philippine Parties	(773,855)	(337,904)	-10%	-7%	(435,951)	129%
Total operating costs and expenses	(7,028,689)	(4,902,425)	-89%	-108%	(2,126,264)	43%
Operating profit (loss)	851,723	(367,676)	11%	-8%	1,219,399	-332%
Non-operating income (expenses)						
Interest income	5,806	2,822	0%	0%	2,984	106%
Interest expenses, net of capitalized interest	(726,554)	(713,215)	-9%	-16%	(13,339)	2%
Amortization of deferred financing costs	(17,235)	(16,109)	0%	0%	(1,126)	7%
Other finance fees	(11,958)	(11,958)	0%	0%	-	0%
Foreign exchange gains (losses), net	65,652	(28,630)	1%	-1%	94,282	-329%
Total non-operating expenses, net	(684,289)	(767,090)	-9%	-17%	82,801	-11%
Profit (Loss) before income tax	167,434	(1,134,766)	2%	-25%	1,302,200	-115%
Income tax expense	(18,858)	(1,050)	0%	0%	(17,808)	1696%
Net profit (loss)	148,576	(1,135,816)	2%	-25%	1,284,392	-113%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive income (loss)	148,576	(1,135,816)	2%	-25%	1,284,392	-113%
Basic/diluted earnings (loss) per share	₱ 0.03	(₱ 0.20)	0%	0%	₱ 0.23	-115%

Net profit for the three months ended March 31, 2017 was ₱148.6 million, compared to a net loss of ₱1,135.8 million for the three months ended March 31, 2016, which is primarily related to improved operating revenues generated during the current period, lower employee benefit expenses, lower depreciation and amortization and net foreign exchange gains for the period, partially offset by associated increases in operating costs, payments to the Philippine Parties as well as interest expenses (net of capitalized interest).

Revenues

Total net operating revenues were ₱7,880.4 million for the three months ended March 31, 2017, representing an increase of ₱3,345.7 million, from ₱4,534.7 million for the three months ended March 31, 2016. The increase in total net operating revenues was primarily driven by the improved casino revenues as discussed below.

Total net operating revenues for the three months ended March 31, 2017 was comprised of ₱7,299.2 million of casino revenues, representing 93% of total net operating revenues, and ₱581.2 million of non-casino revenues. Total net operating revenues for the three months ended March 31, 2016 was comprised of ₱4,051.8 million of casino revenues, representing 89% of the total net operating revenues, and ₱482.9 million of non-casino revenues.

Casino - Casino revenues for the three months ended March 31, 2017 were ₱7,299.2 million, an increase of ₱3,247.4 million, or 80%, from ₱4,051.8 million for the three months ended March 31, 2016. Rolling chip volume for the three months ended March 31, 2017 was ₱121.3 billion, as compared to ₱70.9 billion for the three months ended March 31, 2016. Rolling chip win rate (calculated before discounts and commissions) was 3.4%, and improved from 2.8% for the three months ended March 31, 2016. In the mass market table games segment, mass market table games drop was ₱7.7 billion for the three months ended March 31, 2017 which represented an increase of ₱2.0 billion from ₱5.7 billion for the three months ended March 31, 2016. The mass market table games hold percentage was 28.7% for the three months ended March 31, 2017 and demonstrated an increase from 27.5% for the three months ended March 31, 2016. Gaming machine handle for the three months ended March 31, 2017 was ₱36.6 billion, compared with ₱21.3 billion for the three months ended March 31, 2016. The gaming machine win rate was 6.2% for the three months ended March 31, 2017 versus 6.1% for the three months ended March 31, 2016. The average number of table games and average number of gaming machines for the three months ended March 31, 2017 were 270 and 1,773, respectively, as compared to 277 and 1,656, respectively, for the three months ended March 31, 2016. Average net win per table game per day and average net win per gaming machine per day for the three months ended March 31, 2017 were ₱260,107 and ₱14,258, respectively, as compared to ₱139,566 and ₱8,627, respectively, for the three months ended March 31, 2016.

Rooms - Room revenues come from Crown Towers hotel, Nobu Hotel and Hyatt City of Dreams Manila and amounted to ₱264.1 million for the three months ended March 31, 2017 representing an increase of ₱37.8 million, or 17%, from ₱226.3 million for the three months ended March 31, 2016, primarily due to improved occupancy as compared to the three months ended March 31, 2016. City of Dreams Manila's average daily rate, occupancy rate and REVPAR for the three months ended March 31, 2017 were ₱7,705, 97.7% and ₱7,528, respectively, as compared to ₱7,400, 85.7% and ₱6,342, respectively, for the three months ended March 31, 2016.

Food, beverage and others - Other non-casino revenues for the three months ended March 31, 2017 included food and beverage revenues of ₱175.2 million and entertainment, retail and other revenues of ₱141.9 million. Other non-casino revenues for the three months ended March 31, 2016 included food and beverage revenues of ₱165.6 million and entertainment, retail and other revenues of ₱91.0 million. The increase was primarily attributable from higher food and beverage sales, more tickets sales from our DreamPlay as well as higher rental income from our malls and office premises.

Operating costs and expenses

Total operating costs and expenses were ₱7,028.7 million for the three months ended March 31, 2017, representing an increase of ₱2,126.3 million from ₱4,902.4 million for the three months ended March 31, 2016. The increase in operating costs was generally in line with the increased net operating revenues in the current period.

Gaming tax and license fees for the three months ended March 31, 2017 amounted to ₱1,857.6 million, representing an increase of ₱725.2 million, or 64%, from ₱1,132.5 million for the three months ended March 31, 2016. The increase is in line with the increased casino revenues.

Inventories consumed for the three months ended March 31, 2017 and 2016 amounted to ₱216.8 million and ₱191.1 million, respectively. The increase was attributable to more playing cards and dice and food and beverage items consumed during the period.

Employee benefit expenses for the three months ended March 31, 2017 amounted to ₱844.4 million, as compared to ₱868.5 million for the three months ended March 31, 2016. The decrease was mainly due to the cancellation of share-based awards during the period as well as full vesting of share options/restricted shares granted in previous years.

Depreciation and amortization for the three months ended March 31, 2017 and 2016 amounted to ₱1,086.7 million and ₱1,153.9 million, respectively. The decrease was primarily due to the disposals of property and equipment in mid-2016.

Other expenses for the three months ended March 31, 2017 amounted to ₱2,249.4 million, as compared to ₱1,218.6 million for the three months ended March 31, 2016. The increase was primarily attributable to ₱733.1 million of higher other gaming operations expenses as a result of higher casino revenues. Refer to Note 10 to the unaudited condensed consolidated financial statements for the nature and details.

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

Non-operating expenses, net

Interest income was ₱5.8 million for the three months ended March 31, 2017 as compared to ₱2.8 million for the three months ended March 31, 2016. The increase was due to higher level deposits being placed at a bank during the three months ended March 31, 2017 compared to the same period in 2016.

Interest expenses (net of capitalized interest) were mainly represented by interest expenses on Senior Notes and obligations under a finance lease in relation to the Lease Agreement, amounted to ₱726.6 million for the three months ended March 31, 2017 as compared to ₱713.2 million for the three months ended March 31, 2016. The increase was primarily due to a higher effective interest on obligations under a finance lease during the period.

Amortization of deferred financing costs remained stable at ₱17.2 million and ₱16.1 million for the three months ended March 31, 2017 and 2016, respectively, representing amortization of deferred financing costs for the Senior Notes.

Other finance fees amounted to ₱12.0 million for the three months ended March 31, 2017 and 2016, representing the gross receipt taxes in relation to interest payments on the Senior Notes issued in January 2014.

The net foreign exchange gains of ₱65.7 million for the three months ended March 31, 2017 were mainly due to the translation of foreign currency denominated bank balances and payables at the period end closing rate. Because the Philippine peso declined against the H.K. dollar and the U.S. dollar during the three months ended March 31, 2017, a net foreign exchange gains resulted in the current period as compared to a net foreign exchange losses of ₱28.6 million for the three months ended March 31, 2016.

Income tax expense

The income tax expense for the three months ended March 31, 2017 primarily represents the deferred tax liability arising from net unrealized foreign exchange gains.

Net profit (loss)

As a result of the foregoing, the Group incurred a net profit of ₱148.6 million for the three months ended March 31, 2017, as compared to a net loss of ₱1,135.8 million for the three months ended March 31, 2016.

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, share-based compensation expenses, corporate expenses and other non-operating income and expenses. Adjusted EBITDAs were ₱3,046.2 million and ₱1,311.4 million for the three months ended March 31, 2017 and 2016, respectively.

Our management uses Adjusted EBITDA to measure the operating performance of City of Dreams Manila, and to compare the operating performance of our property with those of 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, legal and license terms compliance, tax rates, as well as certain cost items, such as operating costs, labor, fuel and power. The Group collects revenues and pay expenses in various currencies and the appreciation and depreciation of other major currencies against the Philippine peso may have a negative impact on the Group's reported levels of revenues and profits.

Financial Condition and Balance Sheet

The consolidated balance sheet of the Group as of March 31, 2017 with variances against December 31, 2016 is discussed, as set out below.

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
					% of Change from Prior Period	
	March 31,	December 31,	% to Total Assets			
ASSETS	**2017**	**2016**	**2017**	2016	**Inc / (Dec)**	**%**
Current assets						
Cash and cash equivalents	9,892,211	10,351,414	24%	25%	(459,203)	-4%
Bank deposits with original maturities over three months	1,003,880	-	2%	0%	1,003,880	N/A
Restricted cash	309,715	240,025	1%	1%	69,690	29%
Accounts receivable, net	1,623,566	1,391,213	4%	3%	232,353	17%
Inventories	214,129	230,411	1%	1%	(16,282)	-7%
Prepayments and other current assets	367,493	322,692	1%	1%	44,801	14%
Amount due from a shareholder	5,590	5,590	0%	0%	-	0%
Amount due from an intermediate holding company	135,538	139,264	0%	0%	(3,726)	-3%
Amount due from immediate holding company	3,000	3,000	0%	0%	-	0%
Amount due from an affiliated company	1,385	1,117	0%	0%	268	24%
Total current assets	13,556,507	12,684,726	32%	30%	871,781	7%
Non-current assets						
Property and equipment, net	25,957,024	26,866,578	62%	64%	(909,554)	-3%
Contract acquisition costs, net	850,849	863,872	2%	2%	(13,023)	-2%
Other intangible assets, net	4,077	5,436	0%	0%	(1,359)	-25%
Other non-current assets	1,360,226	1,270,048	3%	3%	90,178	7%
Total non-current assets	28,172,176	29,005,934	68%	70%	(833,758)	-3%
Total assets	**41,728,683**	**41,690,660**	100%	100%	38,023	0%
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	105,680	139,270	0%	0%	(33,590)	-24%
Accrued expenses, other payables and other current liabilities	6,025,030	5,414,657	14%	13%	610,373	11%
Current portion of obligations under a finance lease	1,558,219	1,524,893	4%	4%	33,326	2%
Amounts due to affiliated companies	479,226	1,282,040	1%	3%	(802,814)	-63%
Income tax payable	-	160	0%	0%	(160)	-100%
Total current liabilities	8,168,155	8,361,020	20%	20%	(192,865)	-2%
Non-current liabilities						
Long-term debt, net	14,865,735	14,848,500	36%	36%	17,235	0%
Non-current portion of obligations under a finance lease	13,106,771	13,061,462	31%	31%	45,309	0%
Deferred rent liabilities	227,022	219,258	1%	1%	7,764	4%
Retirement liabilities	46,819	41,644	0%	0%	5,175	12%
Other non-current liabilities	37,820	43,485	0%	0%	(5,665)	-13%
Deferred tax liability, net	100,206	81,188	0%	0%	19,018	23%
Total non-current liabilities	28,384,373	28,295,537	68%	68%	88,836	0%
Equity						
Capital stock	5,662,897	5,662,897	14%	14%	-	0%
Additional paid-in capital	22,076,822	22,076,822	53%	53%	-	0%
Share-based compensation reserve	396,557	416,835	1%	1%	(20,278)	-5%
Equity reserve	(3,613,990)	(3,613,990)	-9%	-9%	-	0%
Accumulated deficit	(19,346,131)	(19,508,461)	-46%	-47%	162,330	-1%
Total equity	5,176,155	5,034,103	12%	12%	142,052	3%
Total equity and liabilities	**41,728,683**	**41,690,660**	100%	100%	38,023	0%

Current assets

Cash and cash equivalents decreased by ₱459.2 million, which is primarily the net result of operating cash inflows, placement of bank deposits with original maturities over three months and payments made for capital expenditures. Refer below to "Liquidity and Capital Sources" for cash flow analysis for the three months ended March 31, 2017.

Bank deposits with original maturities over three months of ₱1,003.9 million were placed with a bank as of March 31, 2017 to gain interest income.

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

Accounts receivable, net, primarily attributable to casino, hotel and other receivables, and which increased by ₱232.4 million, primarily came from increased casino receivables, in line with the increased casino revenues. Refer to Note 5 to the unaudited condensed consolidated financial statements for the details of the accounts receivable as of March 31, 2017.

Inventories of ₱214.1 million mainly consisted of gaming inventories, retail merchandise, food and beverage items and certain operating supplies. No material fluctuations were noted.

Prepayments and other current assets increased by ₱44.8 million, primarily due to increases in (i) prepaid operating expenses and receivables of ₱90.7 million mainly pertaining to prepaid annual insurance premiums and related fees during the quarter; and (ii) deposits for acquisitions of inventory of ₱15.8 million; partially offset by decreases in insurance claims received during the quarter of ₱66.3 million.

Non-current assets

Property and equipment, net, decreased by ₱909.6 million, mainly due to depreciation of ₱1,072.3 million on the operating equipment during the period.

Contract acquisition costs, net, decreased by ₱13.0 million, solely due to amortization charges for the three months ended March 31, 2017.

Other intangible assets, net, decreased by ₱1.4 million during the period as a result of amortization on the straight-line basis over the license term of 5 years.

Other non-current assets increased by ₱90.2 million primarily due to (i) further recognition of net input VAT, net of ₱43.0 million during the three months ended March 31, 2017 and (ii) increases in advance payments and deposits for acquisitions of property and equipment of ₱49.3 million.

Current liabilities

Accounts payable of ₱105.7 million represented the payables to suppliers for products and services such as playing cards and marketing. The decrease in the balance was due to settlements made to suppliers during the quarter.

Accrued expenses, other payables and other current liabilities increased by ₱610.4 million, mainly related to increases in (i) outstanding gaming chips and tokens of ₱277.7 million as a result of rolling from revenue share junkets in late March 2017; (ii) accruals for gaming tax and license fees of ₱160.6 million as a result of increased casino revenues; (iii) accruals for acquisition of property and equipment of ₱159.5 million; (iv) customer deposits of ₱105.1 million as a result of a new junket starting operations in late March 2017; (v) accruals for payments to the Philippine Parties of ₱96.9 million as a result of increased casino revenues; all of which were partially offset by the decrease in (vi) interest expenses payable of ₱187.5 million as a result of semi-annual interest payments made during the quarter. Refer to Note 7 to the unaudited condensed consolidated financial statements for the nature and details of these items.

Current portion of obligations under a finance lease represented building lease payments due within one year. The increase during the period was due to finance lease charges of ₱449.3 million recognized during the period, partially offset by lease payments made of ₱416.0 million during the period.

Amounts due to affiliated companies decreased by ₱802.8 million primarily as a result of settlement of balances outstanding as of December 31, 2016, partially offset by management fees and trademark license fees recharged from affiliate companies during the quarter. Refer to Note 11 to the unaudited condensed consolidated financial statements for the nature and details of related party transactions for the three months ended March 31, 2017.

Non-current liabilities

Long-term debt, net, of ₱14.9 billion represents the Senior Notes which will mature in 2019 and were priced at par of 100% of the principal amount of ₱15.0 billion (net of ₱134.3 million in unamortized deferred financing costs). The increase during the period solely represented the amortization of deferred financing costs of ₱17.2 million for the period.

The non-current portion of obligations under a finance lease increase of ₱45.3 million solely represented finance lease charges during the period.

Deferred rent liabilities, net, increased by ₱7.8 million primarily due to effective rent recognized during the period.

Retirement liabilities increased by ₱5.2 million primarily due to such service costs recognized during the period.

Other non-current liabilities represented retail tenant deposits and other payables which are due beyond one year. The decrease was primarily due to a portion of retail tenant deposits being reclassified as current as of March 31, 2017.

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

Equity

Capital stock and additional paid-in capital remained unchanged as of March 31, 2017 and December 31, 2016.

The share-based compensation reserve decreased by ₱20.3 million mainly due to the reversal of share-based payments expenses of ₱6.5 million during the three months ended March 31, 2017 and the transfer of ₱13.8 million to the accumulated deficit as a result of the expiry of certain share options during the period.

The equity reserve consisted of the net difference between the cost of MRP to acquire MCE 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 March 31, 2017 as compared to December 31, 2016.

The deficit decreased by ₱162.3 million to ₱19,346.1 million as of March 31, 2017, from ₱19,508.5 million as of December 31, 2016, which was primarily due to the net profit of ₱148.6 million recognized during the three months ended March 31, 2017 and the transfer of ₱13.8 million from the share-based compensation reserve as mentioned above.

Liquidity and Capital Sources

The table below shows the Group's unaudited condensed consolidated cash flows for the three months ended March 31, 2017 and 2016.

	For the Three Months Ended March 31, 2017	**For the Three Months Ended March 31, 2016**	**% Change**
In thousands of Philippine peso, except % change data			
Net cash provided by operating activities	1,596,985	1,728,008	**-8%**
Net cash used in investing activities	(1,195,679)	(1,084,111)	**10%**
Cash used in financing activities	(908,645)	(493,706)	**84%**
Effect of foreign exchange on cash and cash	48,136	(49,740)	**-197%**
Net (decrease) increase in cash and cash equivalents	(459,203)	100,451	**-557%**
Cash and cash equivalents at beginning of period	10,351,414	7,460,229	**39%**
Cash and cash equivalents at end of period	9,892,211	7,560,680	**31%**

Cash and cash equivalents decreased by 4% as of March 31, 2017 compared to December 31, 2016 mainly due to the net effect of the following:

- For the three months ended March 31, 2017, the Group recorded cash flow from operating activities of ₱1,597.0 million primarily attributable to the operating performance at City of Dreams Manila as discussed in the aforesaid sections.

- Net cash used in investing activities amounted to ₱1,195.7 million for the three months ended March 31, 2017, which primarily includes: (i) placement of bank deposits with original maturities over three months of ₱1,003.9 million; (ii) capital expenditure payments of ₱62.0 million; (iii) deposits for acquisitions of property and equipment of ₱63.0 million; and (iv) an increase in restricted cash of ₱69.7 million for the foundation fees payable.

- Cash used in financing activities for the three months ended March 31, 2017 solely represented interest and other finance fee payments for the Senior Notes of ₱492.7 million and repayments of obligations under a finance lease of ₱416.0 million.

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

	As of March 31, 2017	**As of December 31, 2016**	**% Change**
In thousands of Philippine peso, except % change data			
Long-term debt, net	14,865,735	14,848,500	**0 %**
Equity	5,176,155	5,034,103	**3%**
	20,041,890	19,882,603	**1%**

Total long-term debt, net, and equity increased by 1% to ₱20,041.9 million as of March 31, 2017, from ₱19,882.6 million as of December 31, 2016. The increase was mainly due to the net profit of ₱148.6 million during the three months ended March 31, 2017.

Risks Related to Financial Instruments

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

The main risks arising from the Group's financial instruments as of and for the three months ended March 31, 2017 are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks.

Other Financing and Liquidity Matters

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

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

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

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

As of March 31, 2017, we had capital commitments contracted for, but not provided, mainly for the acquisitions of property and equipment of City of Dreams Manila totaling ₱225.0 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.

4. Business Development and Corporate History

The Company was incorporated and registered as Interphil Laboratories, Inc. with the SEC on November 6, 1974. The name of Interphil Laboratories, Inc. was changed to Manchester International Holdings Unlimited Corporation on July 10, 2008, and approved by the SEC on November 21, 2008.

On February 19, 2013, the shareholders of MRP approved the declassification of the ₱900 million authorized capital stock of MRP, consisting of 60% Class A shares and 40% Class B shares to a single class of common stock, the denial of pre-emptive rights, and the increase in MRP's authorized capital stock from ₱900 million divided into 900 million shares to ₱5.9 billion divided into 5.9 billion shares with a par value of ₱1.00 per share.

On March 5, 2013, the SEC approved the declassification of the capital stock of MRP to a single class of common stock and the denial of pre-emptive rights. On April 8, 2013, the SEC also approved the increase in authorized share capital stock of MRP.

On March 5, 2013, the SEC approved the amendments to the AOI of the Company for the change of its corporate name from Manchester International Holdings Unlimited Corporation to Melco Crown (Philippines) Resorts Corporation and its registered office address from Canlubang Industrial Estate, Bo. Pittland, Cabuyao, Laguna to 10th Floor, Liberty Center, 104 H.V. dela Costa St., Salcedo Village, Makati City, which were approved by the shareholders of MRP on February 19, 2013.

On May 19, 2017, the SEC further approved the amendments to the AOI of the Company for the change of its corporate name from Melco Crown (Philippines) Resorts Corporation to Melco Resorts and Entertainment (Philippines) Corporation, which was approved by the Company's Board of Directors on February 1, 2017 and by the shareholders of MRP on April 7, 2017.

On March 20, 2013, MRP entered into a subscription and share sale agreement (the "**Subscription and Share Sale Agreement**") with MCE Investments under which MCE Investments subscribed for 2,846,595,000 common shares of MRP with a par value of ₱1.00 per share at a total consideration of ₱2,846,595,000.00 (the "**Share Subscription Transaction**"). The Share Subscription Transaction, which was subject to the SEC's approval for the increase in MRP's authorized capital stock as mentioned above, was completed on April 8, 2013.

On April 24, 2013, MRP and MCE Investments completed a placing and subscription transaction (the "**Placing and Subscription Transaction**"), under which MCE Investments offered and sold in a private placement to various institutional investors 981,183,700 common shares of MRP with a par value of ₱1.00 per share, at the offer price of ₱14.00 per share (the "**Offer**") with an over-allotment option (the "**Over-allotment Option**") of up to 117,075,000 common shares of MRP with a par value of ₱1.00 per share, at the offer price of ₱14.00 per share granted to a stabilizing agent (the "**Stabilizing Agent**"). On May 23, 2013, the Stabilizing Agent exercised the Over-allotment Option and subscribed to 36,024,600 common shares of MRP. MCE Investments then used the proceeds from the Offer and Over-allotment Option to subscribe to an equivalent number of common shares of MRP at the subscription price of ₱14.00 per share.

On June 24, 2014, MRP and MCE Investments completed the 2014 Placing and Subscription Transaction, whereby MCE Investments sold 485,177,000 shares of MRP with a par value of ₱1.00 per share, at an offer price of ₱11.30 per share in a private placement to various institutional investors. MCE Investments then used the proceeds from the 2014 Offer to subscribe to an equivalent number of shares of MRP at a subscription price of ₱11.30 per share.

On November 23, 2015, MCE Investments subscribed to an additional 693,500,000 common shares of MRP, with a par value of ₱1.00 per share, at a subscription price of ₱3.90 per share, or a total subscription price of ₱2,704,650,000.00.

As of December 31, 2015, the ultimate holding company of MRP was Melco, a company incorporated in the Cayman Islands with its American Depositary Shares traded on the NASDAQ Global Select Market in the United States of America. Melco, in turn, is majority held, through wholly-owned subsidiaries, by Melco International, a Hong Kong-listed company, and Crown Resorts Limited ("**Crown**"), an Australian-listed corporation.

As of December 31, 2016, for accounting purposes, the Company's ultimate holding company is Melco International and Melco became one of the Company's intermediate holding companies due to 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 in May 2016.

As of December 31, 2016, Melco, through its subsidiaries, MCE Investments and MCE Investments No.2, held an indirect ownership in MRP of 72.83%.

On February 16, 2017, Melco International completed 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.

The Company is principally engaged in acquiring investments and securities and was further authorized to provide financing to its group companies, as approved by the SEC on July 25, 2013. The primary purpose of its subsidiary, MCE Leisure, is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

Bankruptcy, Receivership or Similar Proceedings

None for any of the companies above.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (Not Ordinary)

None for any of the companies above.

Basis of Preparation of Financial and Non-financial Information

On March 20, 2013, pursuant to the terms of the Subscription and Share Sale Agreement, MRP entered into a deed of assignment with MCE Investments under which MRP acquired all equity interests of MCE Investments in MCE Holdings consisting of 147,894,500 issued and outstanding common shares with a par value of ₱1.00 per share as of March 20, 2013, at a consideration of ₱7,198,590,000.00 (the "**Asset Acquisition Transaction**"). MCE Holdings holds 100% direct ownership interests in MCE Holdings No. 2, which in turn holds 100% direct ownership interests in MCE Leisure As a result of the Asset Acquisition Transaction, MCE Holdings Group became wholly-owned subsidiaries of MRP.

Because MRP did not meet the definition of a business, the MCE Holdings Group was deemed to be the accounting acquirer for accounting purposes. The acquisition was accounted for similar to a reverse acquisition following the guidance provided by PFRS. In a reverse acquisition, the legal parent, MRP is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary, MCE Holdings Group is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of MRP have been prepared as a continuation of the financial statements of the MCE Holdings Group. The MCE Holdings Group has accounted for the acquisition of MRP on December 19, 2012, which was the date when Melco, through MCE Investments and MCE Investments No.2, acquired control of MRP.

5. Market Price of and Dividends on Issuer's Common Equity and Related Stockholder Matters

Market Information. All of the Company's issued shares are listed and traded in the PSE. The following table indicates the high and low trading prices of the Company's shares in the PSE for the fiscal year 2015, 2016 and first quarter of 2017.

		HIGH	LOW
2017			
	First Quarter	6.85	3.75
2016			
	First Quarter	2.99	1.15
	Second Quarter	3.85	2.04
	Third Quarter	4.70	3.20
	Fourth Quarter	4.55	3.61
2015			
	First Quarter	13.40	8.70
	Second Quarter	10.56	5.10
	Third Quarter	8.22	3.71
	Fourth Quarter	4.20	1.86

Shareholders. The Company has a single class of common shares. As of April 30, 2017:

(a) the percentage ownership of stockholders of record of the total outstanding shares of the Company was 15.78% Filipino and 84.22% Foreign;

(b) the number of shares outstanding of the Company is 5,662,897,278; and

(c) the number of shareholders of the Company is 425.

The following are the Company's top 20 shareholders as of April 30, 2017:

	NAME	NO. OF SHARES HELD	% TO TOTAL OUTSTANDING SHARES
1	MCE (Philippines) Investments Limited	3,415,000,196*	60.30%
2	PCD Nominee Corporation (Non-Filipino)	1,180,678,106	20.85%
3	PCD Nominee Corporation (Filipino)	850,480,390	15.02%
4	MCE (Philippines) Investments No.2 Corporation	173,837,068	03.07%
5	F. Yap Securities, Inc.	38,355,100	00.68%
6	Jose Cuisia	187,500	00.00%
7	Victor Sy	187,500	00.00%
8	Lumen Tiaoqui	150,000	00.00%
9	Josephine T. Willer	118,750	00.00%
10	Alexander S. Araneta	116,250	00.00%
11	Jose Marcel Enriquez Panlilio	112,500	00.00%
12	Bernard Ong and/or Conchita Ong	100,000	00.00%
13	Mary Angeli F. Basilio	100,000	00.00%
14	Elena B. Alikpala	82,500	00.00%
15	Rosa T. Cabrera	75,000	00.00%
16	Rafael Uyguanco	75,000	00.00%
17	Ramon Cojuangco, Jr.	71,250	00.00%
18	Mario C. Tan	67,500	00.00%
19	Van Tan	65,000	00.00%

20	Judy Tan Reynolds	62,500	00.00%
	TOTAL	**5,659,922,110**	**99.95%**

*Does not include the 535,440,000 shares lodged with the Philippine Depository and Trust Corporation.

Dividends Per Share. No dividend was declared for the year ended December 31, 2016.

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction.

Pursuant to the Subscription and Share Sale Agreement, on March 20, 2013, the Company issued and MCE Investments subscribed to 2,846,595,000 common shares at the subscription price per share equivalent to the par value of ₱1.00 per share out of the increase in authorized capital stock of the Company from ₱900 million divided into 900 million shares to ₱5.9 billion divided into 5.9 billion shares, which increase in capital stock was approved by the SEC on April 8, 2013. The subscription of shares pursuant to an increase in capital stock is an exempt transaction under section 10.1 (i) of the SRC.

Furthermore, pursuant to the Placing and Subscription Transaction, on April 24, 2013, a total of 981,183,700 shares of stock were offered and sold by MCE Investments by way of a private placement to various institutional investors, including the grant of the Over-allotment Option of up to 117,075,000 shares to the Stabilizing Agent. MCE Investments then used the proceeds of the placing transaction to subscribe to an equivalent number of 981,183,700 shares in the Company. The Stabilizing Agent exercised the Over-allotment Option on May 23, 2013 and subscribed to 36,024,600 common shares of MRP. MCE Investments then used the proceeds from the Over-allotment Option to subscribe to an equivalent number of 36,024,600 shares of the Company. The offer and the subscription of new shares as a result of the Placing and Subscription Transaction is an exempt transaction under section 10.1 (k) and (l) of the SRC.

On February 19, 2013, MRP shareholders approved the Plan to grant shares and options to qualified employees, directors, officers and other qualified persons at an exercise price and vesting periods to be determined by the Compensation Committee of the Board of Directors. On April 12, 2013, the SEC resolved that the issuance of the 131,578,947 common shares under the Plan was exempt from registration requirements under section 10.2 of the SRC.

On June 21, 2013, MRP's shareholders approved the amendment of the SIP made in order to comply with the relevant provisions of the HKLR since Melco, an affiliate of the Company, is listed on the HKSE. The amendments include, but not limited to, additional provisions for compliance with HKLR requirements (i) when awards are granted to "connected persons" (as such term is defined under HKLR); and (ii) on restriction on timing of grant of awards. On June 24, 2013, additional 44,214,138 common shares were granted exemption from registration by the SEC under section 10.2 of the SRC. On May 18, 2015, the shareholders of MRP approved the further amendment of the SIP to remove HKLR compliance provisions as a result of the delisting of Melco from the HKSE, which was submitted to the SEC for approval. Prior to the said SEC approval, the SIP was again amended to reincorporate the HKLR compliance provisions following the consolidation of MRP into the group of Melco International as its subsidiary for accounting and listing rules purposes. The amendments were approved by MRP's shareholders on December 5, 2016 and by the SEC on March 14, 2017.

On June 28, 2013, 181,239,503 underlying shares related to shares and options under the SIP were granted, and MRP has filed a request for exemption for the issuance of the additional 5,446,418 common shares. On August 12, 2013, additional 5,446,418 common shares were granted exemption from registration by the SEC under section 10.2 of the SRC.

On April 22, 2014, the Board of Directors of MRP approved the issuance of an additional 13,585,772 shares to eligible employees, directors, officers and other qualified persons under the Company's SIP. On May 30, 2014, the SEC resolved that the issuance of the 13,585,772 common shares under the Plan was exempt from registration requirements under section 10.2 of the SRC.

On June 24, 2014, MRP and MCE Investments completed the 2014 Placing and Subscription Transaction, where a total of 485,177,000 shares of MRP were offered and sold by MCE Investments by way of a private placement to various institutional investors. MCE Investments then used the proceeds of the placing transaction to subscribe to an equivalent number of 485,177,000 shares in MRP. The offer and the subscription of new shares as a result of the 2014 Placing and Subscription Transaction is an exempt transaction under sections 10.1 (k) and (l) of the SRC.

On August 25, 2015, the Board approved the issuance of an additional 45,000,000 shares to eligible employees, consultants and directors of the Company, its parent and subsidiaries under the Company's SIP. The SEC approved the issuance of such additional shares on September 29, 2015.

On November 19, 2015, the Board of Directors of the Company approved the subscription by MCE Investments, and MCE Investments subscribed, to an additional 693,500,000 common shares of MRP, with a par value of ₱1.00 per share, at a subscription price of ₱3.90 per share, or a total subscription price of ₱2,704,650,000. The issuance of the additional shares as a result of the subscription is an exempt transaction under section 10.1 (k) of the SRC.

6. Discussion on Compliance with Leading Practice on Corporate Governance

The Company has adopted a Manual of Corporate Governance ("**Manual**") which was filed with and duly approved by the SEC. In accordance with the provisions of the Manual, the Company performs an annual assessment of the compliance of its Board of Directors with the provisions of the Manual. In addition, the Company regularly updates its Annual Corporate Governance Report as required by the SEC.

The Company requires its directors and management to attend and participate in training programs and seminars on good corporate governance, to keep themselves abreast with the leading practices on the matter.

7. Undertaking to Provide Annual Report

The Company undertakes to provide each stockholder, without charge, with a copy of its Annual Report upon written request to the Company addressed to the attention of Marissa T. Academia, Corporate Secretary, City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701.

PART II

PROXY

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION
(CORPORATE STOCKHOLDERS)

_____________________________ (the "**Principal**") hereby nominates, constitutes, and appoints _____________________________ (the "**Proxy**") as proxy, to represent the Principal and vote ____________ common shares of the capital stock of MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION (the "**Corporation**") registered in the Principal's name as proxy of the Principal, at the Annual Stockholders' Meeting on June 26, 2017 at 2:30 pm at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines, and at any adjournments thereof, for the purpose of acting on the following matters:

1. Approval of the Minutes of the Last Stockholders' Meetings held on June 20, 2016, December 5, 2016 and April 7, 2017.
   ❑ Yes ❑ No ❑ Abstain

2. Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2016
   ❑ Yes ❑ No ❑ Abstain

3. Election of the Members of the Board of Directors

	No. of Votes
Clarence Yuk Man Chung	____________
Liberty A. Sambua	____________
Frances Marie T. Yuyucheng	____________
Johann M. Albano	____________
Maria Marcelina O. Cruzana	____________
John William Crawford (Independent)	____________
Alec Yiu Wa Tsui (Independent)	____________

4. Appointment of External Auditor
   ❑ Yes ❑ No ❑ Abstain

5. Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting Held on June 20, 2016
   ❑ Yes ❑ No ❑ Abstain

6. Approval of the Further Amendments to the Amended Articles of Incorporation of the Corporation to:

   a. Include in the corporate name "Melco Resorts Philippines" as Business Name of the Corporation
   ❑ Yes ❑ No

   b. Increase of Authorized Capital Stock from Five Billion Nine Hundred Million Pesos (Php5,900,000,000.00) divided into Five Billion Nine Hundred Million (5,900,000,000) shares of common stock with par value of One Peso (Php1.00) per share, to up to Eleven Billion Nine Hundred Million Pesos (Php11,900,000,000.00) ("Cap Limit") divided into Eleven Billion Nine Hundred Million (11,900,000,000.00) shares of common stock with par value of One Peso (Php1.00) per share and grant of authority to the Board of Directors to determine the amount of increase within the Cap Limit and to issue such number of shares out of such Increase at an issue price of not less than par value .
   ❑ Yes ❑ No

7. Grant of Authority to Conduct Equity Offering and to List the Subscribed Shares in the Philippine Stock Exchange
❑ Yes ❑ No

8. Waiver of the Requirement to Conduct a Rights or Public Offering
❑ Yes ❑ No

9. At the Proxy's discretion, the Proxy is authorized to vote upon such other matters that may properly be brought before the stockholders
❑ Yes ❑ No

The Proxy is hereby designated to do and perform every legal act and thing whatever requisite or necessary to be done in and about the premises as fully to all intents and purposes as the Principal might or could lawfully do, and confirm all that the Proxy shall lawfully do or cause to be done by virtue hereof.

____
NAME OF CORPORATE STOCKHOLDER

By: __________________________________
Name:
Position:

PROXY

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION
(INDIVIDUAL STOCKHOLDER)

I, ______________________________, of legal age, and with address at ____, being a stockholder of _________________ common shares (the "**Shares**") of the capital stock of MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION (the "**Corporation**"), do hereby name and appoint ______________________________ as my proxy for the Shares, to represent me and vote the Shares at the Annual Stockholders' Meeting on June 26, 2017 at 2:30 pm at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines, and at any adjournments thereof, for the purpose of acting on the following matters:

1. Approval of the Minutes of the Last Stockholders' Meetings held on June 20, 2016, December 5, 2016 and April 7, 2017.
   ❑ Yes ❑ No ❑ Abstain

2. Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2016
   ❑ Yes ❑ No ❑ Abstain

3. Election of the Members of the Board of Directors

	No. of Votes
Clarence Yuk Man Chung	_____________
Liberty A. Sambua	_____________
Frances Marie T. Yuyucheng	_____________
Johann M. Albano	_____________
Maria Marcelina O. Cruzana	_____________
John William Crawford (Independent)	_____________
Alec Yiu Wa Tsui (Independent)	_____________

4. Appointment of External Auditor
   ❑ Yes ❑ No ❑ Abstain

5. Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting Held on June 20, 2016
   ❑ Yes ❑ No ❑ Abstain

6. Approval of the Further Amendments to the Amended Articles of Incorporation of the Corporation to:

   a. Include in the corporate name "Melco Resorts Philippines" as Business Name of the Corporation
   ❑ Yes ❑ No

   b. Increase of Authorized Capital Stock from Five Billion Nine Hundred Million Pesos (Php5,900,000,000.00) divided into Five Billion Nine Hundred Million (5,900,000,000) shares of common stock with par value of One Peso (Php1.00) per share, to up to Eleven Billion Nine Hundred Million Pesos (Php11,900,000,000.00) ("Cap Limit") divided into Eleven Billion Nine Hundred Million (11,900,000,000.00) shares of common stock with par value of One Peso (Php1.00) per share and grant of authority to the Board of Directors to determine the amount of increase within the Cap Limit and to issue such number of shares out of such Increase at an issue price of not less than par value .
   ❑ Yes ❑ No

7. Grant of Authority to Conduct Equity Offering and to List the Subscribed Shares in the Philippine Stock Exchange
   ❑ Yes ❑ No

8. Waiver of the Requirement to Conduct a Rights or Public Offering
   ❑ Yes ❑ No

9. At the Proxy's discretion, the Proxy is authorized to vote upon such other matters that may properly be brought before the stockholders
   ❑ Yes ❑ No

I hereby give and grant unto my said Proxy full power and authority to do and perform every legal act and thing whatever requisite or necessary to be done in and about the premises as fully to all intents and purposes as I might or could lawfully do, and confirm all that my said Proxy shall lawfully do or cause to be done by virtue hereof.

Signed on ______________.

____
SIGNATURE OF STOCKHOLDER
OVER PRINTED NAME

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Parañaque City on May 30, 2017.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION

By:

MARISSA T. ACADEMIA
Corporate Secretary

Melco Crown (Philippines) Resorts Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2016 and 2015
and For The Years Ended December 31, 2016,
2015 and 2014

and

Independent Auditors' Report

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

5 8 6 4 8

Company Name

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

ASEAN AVENUE COR. ROXAS BOULEVARD, BRGY. TAMBO, PARAÑAQUE CITY 1701

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	MSRD	With Secondary License

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
aissatacademia@cod-manila.com	866-9888	(0917) 861-0631

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
428	May/3rd Monday of each calendar year	December/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marissa T. Academia	aissatacademia@cod-manila.com	866-9888	(0917) 861-0631

Contact Person's Address

Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Melco Crown (Philippines) Resorts Corporation and its subsidiaries (collectively referred to as the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

CLARENCE YUK MAN CHUNG
President & Chairman of the Board

DONALD N. TATEISHI
Property Chief Financial Officer and Treasurer

Signed this 7th day of April 2017

SUBSCRIBED AND SWORN to before me this 7th day of April 2017 affiants exhibiting to me their Passport details, as follows:

NAME	PASSPORT NO.	EXPIRATION DATE	PLACE OF ISSUE
Clarence Yuk Man Chung	KJ0196556	January 24, 2023	China
Donald N. Tateishi	518936680	October 1, 2024	USA

Doc. No. 203;
Page No. 42;
Book No. II;
Series of 2017.

CYRIL PATRICK P. ACASIO
NOTARY PUBLIC
Until December 31, 2017
Roll No. 54527
PTR No. 0872567 / 01.06.17 / Parañaque City
IBP No. 1055636 / 01.03.17 / Makati City
MCLE Compliance No. V-0011106

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2017 SCES
ELMER B. TANAY

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Melco Crown (Philippines) Resorts Corporation
Asean Avenue cor. Roxas Boulevard
Brgy. Tambo, Parañaque City 1701

Opinion

We have audited the consolidated financial statements of Melco Crown (Philippines) Resorts Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adequacy of Allowance for Doubtful Debts

Casino receivables are reviewed at each reporting date to determine whether the allowance for doubtful debts recorded in the consolidated financial statements is adequate. The adequacy of allowance for doubtful debts for casino receivables is evaluated by management based on a specific review of customer accounts as well as experience with collection trends in the casino industry and current economic and business conditions. Because individual customer account balances can be significant, the allowance and doubtful debt expense can change significantly between periods as information on a certain customer becomes known or changes in the countries' economy or legal systems occur. Thus, given the high level of management judgment and assumption in estimating the allowance for doubtful debts, we considered such estimate as a key audit matter.

The disclosures on the allowance for doubtful debts are included in Notes 4 and 7 to the consolidated financial statements.

Audit Response

Our audit procedures included, among others, (i) obtained an understanding of management's estimation process for allowance for doubtful debts, which includes an understanding of the relevant controls over such process and an analysis of management's assumptions and judgments of the qualitative factors and historical collection trends; (ii) assessed the historical collection analyses by reviewing the supporting documents for credits granted to players, payment histories and performance of analyses of casino receivables' aging brackets; (iii) checked subsequent settlements and inquired with management on the status of collections; (iv) performed a ratio analysis on the Group's allowance for doubtful debts and write-offs as a percentage of gross casino receivables; and (v) evaluated the allowance for doubtful debts using management's model.

Classification of Sales Incentives

Revenues are recognized net of certain sales incentives, such as commissions and discounts. Gaming promoters introduce rolling chip customers to City of Dreams Manila. In exchange for their services, the Group compensates gaming promoters by paying them commissions based on either a percentage of the gaming win or loss or rolling chip volume. The Group records a portion of the commissions paid or payable to the gaming promoters as a reduction of gross casino revenues, which correspond to the approximate amount of commissions returned to the rolling chip customers by the gaming promoters. The consolidated statement of comprehensive income classification for a portion of the commissions paid or payable to the gaming promoters as a reduction of gross casino revenues depends on management's judgments and estimations of the percentages of commissions returned to the rolling chip customers by the gaming promoters. Such estimates are reviewed quarterly by management. Given the high level of management judgments and assumptions in the estimation of the percentages of the commissions returned to the rolling chip customers by the gaming promoters and the impact on the commission expenses paid or payable to gaming promoters, we considered such estimates as a key audit matter.

The disclosures on the classification of sales incentives are included in Notes 2 and 4 to the consolidated financial statements.

Audit Response

Our audit procedures included, among others, (i) evaluated the controls on the capture of commission expenses and estimation processes relative to the classification of commissions paid or payable to the gaming promoters; (ii) assessed management's classification percentage bases by comparing the data used such as gaming win or loss or rolling chip volumes, commission rates and rebate percentages against the related agreements and supporting documents; (iii) compared the Group's classification percentage to the industry practice; and (iv) reassessed the amounts netted against gross casino revenue and included in operating expense, as presented in the consolidated financial statements.

Adequacy of Provisions

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of tax assets requires the Group to make estimates and assumptions. The recoverability of the Group's tax assets is a key audit matter since this is material and involves management's judgments and estimates. The disclosures on the adequacy of provisions are included in Notes 4 and 12 to the consolidated financial statements.

Audit Response

Our audit procedures included, among others, (i) obtained an understanding of management's processes for assessing recoverability of tax assets, and (ii) involved our internal specialists in assessing the methodologies and assumptions by considering the historical performance, related tax laws, rulings and jurisprudence.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A and SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2016 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report for the year ended December 31, 2016, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jose Pepito E. Zabat III.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015
February 27, 2015, valid until February 26, 2018
PTR No. 5908781, January 3, 2017, Makati City

April 7, 2017

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2017 SCES
ELMER B. TANAY

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

	December 31, 2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 25 and 26)	**₱10,351,414**	₱7,460,229
Restricted cash (Notes 6, 25 and 26)	**240,025**	42,525
Accounts receivable, net (Notes 7, 25 and 26)	**1,391,213**	1,283,575
Inventories	**230,411**	268,819
Prepayments and other current assets (Note 8)	**322,692**	194,423
Amount due from a shareholder (Notes 17, 25 and 26)	**5,590**	5,588
Amount due from ultimate holding company (Notes 17, 25 and 26)	–	175,557
Amount due from an intermediate holding company (Notes 17, 25 and 26)	**139,264**	–
Amount due from immediate holding company (Notes 17, 25 and 26)	**3,000**	–
Amount due from an affiliated company (Notes 17, 25 and 26)	**1,117**	455
Total Current Assets	**12,684,726**	9,431,171
Non-current Assets		
Property and equipment, net (Note 9)	**26,866,578**	32,939,887
Contract acquisition costs, net (Note 10)	**863,872**	915,965
Other intangible assets, net (Note 11)	**5,436**	7,176
Other non-current assets (Note 12)	**1,270,048**	1,462,673
Deferred tax asset, net (Note 19)	–	881
Total Non-current Assets	**29,005,934**	35,326,582
	₱41,690,660	₱44,757,753
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (Notes 25 and 26)	**₱139,270**	₱150,806
Accrued expenses, other payables and other current liabilities (Notes 13, 25 and 26)	**5,414,657**	8,203,747
Current portion of obligations under finance lease (Notes 20 and 25)	**1,524,893**	1,401,702
Amount due to immediate holding company (Notes 17, 25 and 26)	–	7,357
Amounts due to affiliated companies (Notes 17, 25 and 26)	**1,282,040**	609,951
Income tax payable	**160**	170
Total Current Liabilities	**8,361,020**	10,373,733
Non-current Liabilities		
Long-term debt, net (Notes 21, 25 and 26)	**14,848,500**	14,782,352
Non-current portion of obligations under finance lease (Notes 20 and 25)	**13,061,462**	12,744,835
Deferred rent liabilities	**219,258**	176,508
Retirement liabilities (Note 22)	**41,644**	23,617
Other non-current liabilities	**43,485**	48,638
Deferred tax liability, net (Note 19)	**81,188**	–
Total Non-current Liabilities	**₱28,295,537**	₱27,775,950

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

	December 31, 2016	December 31, 2015
Equity		
Capital stock (Note 14)	**₱5,662,897**	₱5,643,355
Additional paid-in capital	**22,076,822**	21,932,963
Share-based compensation reserve	**416,835**	606,279
Equity reserve (Notes 2 and 14)	**(3,613,990)**	(3,613,990)
Accumulated deficit	**(19,508,461)**	(17,960,537)
Total Equity	**5,034,103**	6,608,070
	₱41,690,660	₱44,757,753

See accompanying Notes to Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(In thousands of Philippine peso, except share and per share data)

	Year Ended December 31,		
	2016	2015	2014
NET OPERATING REVENUES			
Casino	**₱21,298,942**	₱11,901,497	₱299,991
Rooms	**981,554**	719,422	7,317
Food and beverage	**707,255**	677,380	26,154
Entertainment, retail and others	**431,038**	429,028	96,756
Total Net Operating Revenues	**23,418,789**	13,727,327	430,218
OPERATING COSTS AND EXPENSES			
Gaming tax and license fees	**(5,408,428)**	(3,404,915)	(64,077)
Inventories consumed	**(819,730)**	(784,678)	(27,918)
Employee benefit expenses (Note 15)	**(3,449,766)**	(3,980,364)	(2,796,583)
Depreciation and amortization	**(4,388,885)**	(4,372,061)	(285,731)
Other expenses (Note 16)	**(6,457,016)**	(6,701,571)	(1,448,147)
Payments to the Philippine Parties	**(1,642,175)**	(757,039)	(38,809)
Total Operating Costs and Expenses	**(22,166,000)**	(20,000,628)	(4,661,265)
OPERATING PROFIT (LOSS)	**1,252,789**	(6,273,301)	(4,231,047)
NON-OPERATING INCOME (EXPENSES)			
Interest income	**20,300**	14,203	42,887
Interest expenses, net of capitalized interest (Notes 20 and 21)	**(2,873,852)**	(2,720,953)	(1,915,097)
Amortization of deferred financing costs	**(66,148)**	(61,828)	(54,235)
Other finance fees	**(47,832)**	(47,832)	(44,776)
Foreign exchange gains (losses), net	**215,840**	(30,691)	(101,013)
Total Non-operating Expenses, Net	**(2,751,692)**	(2,847,101)	(2,072,234)
LOSS BEFORE INCOME TAX	**(1,498,903)**	(9,120,402)	(6,303,281)
INCOME TAX EXPENSE (Note 19)	**(82,396)**	(23,729)	–
NET LOSS	**(1,581,299)**	(9,144,131)	(6,303,281)
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified to profit or loss in subsequent period			
Remeasurement loss on defined benefit obligations (Note 22)	**(3,210)**	–	–
TOTAL COMPREHENSIVE LOSS	**(₱1,584,509)**	(₱9,144,131)	(₱6,303,281)
Basic/Diluted Loss Per Share (Note 18)	**(₱0.28)**	(₱1.82)	(₱1.35)

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2017 SCES
ELMER B. TANAY

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(In thousands of Philippine peso, except share and per share data)

	Capital Stock (Note 14)	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 14)	Cumulative Remeasurement Loss	Accumulated Deficit	Total
Balance as of January 1, 2016	**₱5,643,355**	**₱21,932,963**	**₱606,279**	**(₱3,613,990)**	**₱–**	**(₱17,960,537)**	**₱6,608,070**
Net loss	–	–	–	–	–	**(1,581,299)**	**(1,581,299)**
Other comprehensive loss (Note 22)	–	–	–	–	**(3,210)**	–	**(3,210)**
Total comprehensive loss	–	–	–	–	**(3,210)**	**(1,581,299)**	**(1,584,509)**
Issuance of shares for restricted shares vested (Note 28)	**19,542**	**143,859**	**(163,401)**	–	–	–	–
Share-based compensation (Note 28)	–	–	**10,542**	–	–	–	**10,542**
Transfer of share-based compensation reserve upon expiry of share options	–	–	**(36,585)**	–	–	**36,585**	–
Transfer of remeasurement loss on defined benefit obligations	–	–	–	–	**3,210**	**(3,210)**	–
Balance as of December 31, 2016	**₱5,662,897**	**₱22,076,822**	**₱416,835**	**(₱3,613,990)**	**₱–**	**(₱19,508,461)**	**₱5,034,103**
Balance as of January 1, 2015	₱4,911,480	₱19,647,157	₱759,248	(₱3,613,990)	₱–	(₱8,816,484)	₱12,887,411
Net loss	–	–	–	–	–	(9,144,131)	(9,144,131)
Total comprehensive loss	–	–	–	–	–	(9,144,131)	(9,144,131)
Shares issued, net of share issuance expenses	693,500	1,994,553	–	–	–	–	2,688,053
Issuance of shares for restricted shares vested (Note 28)	38,375	291,253	(329,628)	–	–	–	–
Share-based compensation (Note 28)	–	–	176,737	–	–	–	176,737
Transfer of share-based compensation reserve upon expiry of share options	–	–	(78)	–	–	78	–
Balance as of December 31, 2015	₱5,643,355	₱21,932,963	₱606,279	(₱3,613,990)	₱–	(₱17,960,537)	₱6,608,070

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY – continued
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(In thousands of Philippine peso, except share and per share data)

	Capital Stock (Note 14)	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 14)	Cumulative Remeasurement Loss	Accumulated Deficit	Total
Balance as of January 1, 2014	₱4,426,303	₱14,756,430	₱278,151	(₱3,613,990)	₱–	(₱2,513,203)	₱13,333,691
Net loss	–	–	–	–	–	(6,303,281)	(6,303,281)
Total comprehensive loss	–	–	–	–	–	(6,303,281)	(6,303,281)
Shares issued, net of offering expenses	485,177	4,890,727	–	–	–	–	5,375,904
Share-based compensation (Note 28)	–	–	481,097	–	–	–	481,097
Balance as of December 31, 2014	₱4,911,480	₱19,647,157	₱759,248	(₱3,613,990)	₱–	(₱8,816,484)	₱12,887,411

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 11 2017 SCES
ELMER B. TANAY

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(In thousands of Philippine peso, except share and per share data)

	Year Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱1,498,903)**	(₱9,120,402)	(₱6,303,281)
Adjustments for:			
Net gain on disposals of property and equipment (Note 16)	**(377,167)**	–	–
Unrealized foreign exchange (gains) losses, net	**(229,660)**	(214,099)	132,495
Interest income	**(20,300)**	(14,203)	(42,887)
Share-based compensation expenses (Note 28)	**(2,679)**	109,824	206,795
Depreciation and amortization	**4,388,885**	4,372,061	285,731
Interest expenses, net of capitalized interest	**2,873,852**	2,720,953	1,915,097
Provision for input value-added tax ("VAT") (Note 12)	**271,938**	1,426,976	–
Allowance for doubtful debts	**96,937**	2,311	–
Amortization of deferred financing costs	**66,148**	61,828	54,235
Other finance fees	**47,832**	47,832	44,776
Retirement costs – defined benefit obligations	**14,817**	23,617	–
Consultancy fees in consideration for share awards (Note 28)	**13,221**	66,913	274,302
Amortization of prepaid rent	**7,285**	7,118	5,288
Write-off of property and equipment (Note 16)	–	–	155,193
Operating profit (loss) before working capital changes	**5,652,206**	(509,271)	(3,272,256)
Changes in assets and liabilities:			
Increase in accounts receivable	**(207,203)**	(1,260,121)	(24,719)
Increase in other non-current assets	**(115,417)**	(586,550)	(2,038,788)
(Increase) decrease in prepayments and other current assets	**(68,055)**	(5,591)	201,349
(Decrease) increase in accounts payable	**(11,018)**	(21,076)	160,608
Increase in amounts due to related parties	**595,776**	264,825	97,572
Increase in accrued expenses, other payables and other current liabilities	**473,323**	3,478,329	799,864
Increase in deferred rent liabilities	**42,750**	54,377	62,739
Decrease (increase) in inventories	**38,408**	(74,210)	(194,609)
Decrease (increase) in amounts due from related parties	**24,204**	(213,104)	–
Increase in other non-current liabilities	**13,973**	10,320	18,357
Net cash generated from (used in) operations	**6,438,947**	1,137,928	(4,189,883)
Income tax paid	**(337)**	(4,593)	(8,603)
Interest received	**13,189**	9,531	44,242
Net cash provided by (used in) operating activities	**6,451,799**	1,142,866	(4,154,244)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisitions of property and equipment	**(2,112,996)**	(4,525,685)	(11,669,108)
(Increase) decrease in restricted cash	**(197,500)**	2,188,325	(4,176)
Advance payments and deposits for acquisitions of property and equipment	**(78,573)**	(6,576)	(3,800,548)
Proceeds from disposals of property and equipment	**1,155,284**	–	–
Escrow funds refundable to the Philippine Parties	–	1,103,905	–
Payment for other non-current assets	–	(62,192)	(1,000)
Payment for acquisition of other intangible assets	–	(4,307)	(1,317)
Net cash used in investing activities	**(₱1,233,785)**	(₱1,306,530)	(₱15,476,149)

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS – continued
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(In thousands of Philippine peso, except share and per share data)

	Year Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of obligations under finance lease	**(₱1,623,162)**	(₱1,079,468)	(₱737,458)
Interest paid	**(937,500)**	(937,500)	(468,750)
Other finance fees paid	**(47,832)**	(47,832)	(23,916)
(Payments for) net proceeds from issuance of capital stock	**(12,763)**	2,701,183	5,369,846
Net (repayment to) advance from immediate holding company	**–**	(804,202)	154
Proceeds from long-term debt (Note 21)	**–**	–	15,000,000
Payments for deferred financing costs	**–**	–	(328,243)
Net cash (used in) provided by financing activities	**(2,621,257)**	(167,819)	18,811,633
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	**294,428**	140,525	(129,895)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,891,185**	(190,958)	(948,655)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,460,229**	7,651,187	8,599,842
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱10,351,414**	₱7,460,229	₱7,651,187

See accompanying Notes to Consolidated Financial Statements.

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

1. **Organization and Business**

(a) Corporate Information

Melco Crown (Philippines) Resorts Corporation (herein referred to as "MCP" or the "Parent Company") is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (the "SEC"). The shares of stock of the Parent Company are publicly traded on The Philippine Stock Exchange, Inc. (the "PSE"). On February 1, 2017 and April 7, 2017, the Board of Directors and stockholders of MCP, respectively, approved the change of the Parent Company's name to Melco Resorts and Entertainment (Philippines) Corporation, subject to the SEC's approval.

The Parent Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and operator of casino gaming and entertainment resort facilities in the Philippines. The Group currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila. City of Dreams Manila commenced operations on December 14, 2014, with a grand opening of the integrated resort on February 2, 2015.

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

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

As of December 31, 2016, for accounting purposes, the Parent Company's ultimate holding company is Melco International and Melco became one of the Parent Company's intermediate holding companies due to the completion of a shares repurchase transaction by Melco from a subsidiary of Crown followed by the cancelation of such shares and with certain changes in the composition of the board of directors of Melco in May 2016 (the "Shares Repurchase Transaction").

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

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors on April 7, 2017.

1. **Organization and Business** – continued

(b) Subsidiaries of MCP

As of December 31, 2016 and 2015, MCP's wholly-owned subsidiaries included MCE Holdings (Philippines) Corporation ("MCE Holdings"), MCE Holdings No. 2 (Philippines) Corporation ("MCE Holdings No. 2") and MCE Leisure (Philippines) Corporation ("MCE Leisure") (collectively referred to as "MCE Holdings Group"). MCE Holdings, MCE Holdings No. 2 and MCE Leisure were all incorporated in the Philippines. The primary purpose of MCE Holdings and MCE Holdings No. 2 is investment holding and the primary purpose of MCE Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

(c) Activities of MCE Holdings Group

In 2012, Melco, through one of its indirect subsidiaries, entered into a memorandum of agreement (the "MOA") with SM Investments Corporation ("SMIC") and certain of its subsidiaries (collectively, the "SM Group"), Belle Corporation ("Belle") and PremiumLeisure and Amusement, Inc. ("PLAI") for the development of an integrated resort project located within Entertainment City, Manila, which was subsequently branded "City of Dreams Manila". Further to the MOA, MCE Holdings Group entered into a cooperation agreement (the "Cooperation Agreement") and other related arrangements with SM Group, Belle and PLAI; and MCE Leisure entered into a lease agreement (the "Lease Agreement") with Belle, for City of Dreams Manila. On March 13, 2013, the Cooperation Agreement and the Lease Agreement became effective upon completion of the closing arrangement conditions, with minor changes to the original terms (except for certain provisions of the Cooperation Agreement which were effective on signing). In addition, MCE Holdings Group entered into an operating agreement (the "Operating Agreement") with SMIC, Belle and PLAI (collectively, the "Philippine Parties") on March 13, 2013, pursuant to which MCE Leisure has been granted the exclusive right to manage, operate and control City of Dreams Manila. The Cooperation Agreement, the Lease Agreement and the Operating Agreement ends on the date of expiry of the Regular License as mentioned in Note 1(d) below, currently expected to be on July 11, 2033 unless terminated earlier in accordance with the respective terms of the individual agreements. Details of these agreements are further discussed in Note 23.

(d) Regular License

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

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

1. **Organization and Business** – continued

(d) Regular License – continued

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

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The 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 consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Parent Company and its subsidiaries. All values are rounded off to the nearest thousand, unless otherwise indicated.

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

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

Statement of Compliance
The Group's consolidated financial statements have been prepared in conformity with PFRS. PFRS includes both standard titles PFRS and Philippine Accounting Standards ("PAS") and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee ("IFRIC") as issued by the Financial Reporting Standards Council ("FRSC").

Significant Accounting Judgments, Estimates and Assumptions
The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

2. **Summary of Significant Accounting Policies** – continued

Significant Accounting Judgments, Estimates and Assumptions – continued
The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and cash in banks including short-term deposits with a maturity of three months or less, which are unrestricted as to withdrawal and use.

Restricted Cash
Restricted cash represents cash deposited into bank accounts which are restricted as to withdrawal and use in accordance with the terms of the respective agreements, the current portion of restricted cash are those funds which are expected to be released or utilized within the next twelve months.

Accounts Receivable and Credit Risk
Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of casino receivables. The Group issues credit in the form of markers to approved casino customers following investigations of creditworthiness including to its gaming promoters, which receivable can be offset against commissions payable and any other value items held by the Group to the respective customer and for which the Group intends to set off when required. As of December 31, 2016 and 2015, a substantial portion of the Group's markers were due from customers and gaming promoters residing in foreign countries. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries. Should there be any change in circumstances pertaining to one of these gaming promoters, it would have a material effect to the carrying amount of casino receivables.

Accounts receivable, including casino, hotel and other receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems it is probable the receivable is uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful debts is maintained to reduce the Group's receivables to their carrying amounts, which approximates fair value. The allowance is estimated based on specific review of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions.

Financial Assets and Liabilities
Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated balance sheets when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using trade date accounting.

Initial and Subsequent Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those at fair value through profit or loss, includes transaction cost.

2. **Summary of Significant Accounting Policies** – continued

Financial Assets and Liabilities – continued
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date. The Group has no financial assets or liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets as of December 31, 2016 and 2015.

Determination of Fair Value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either i) in the principal market for the asset or liability; or ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

"Day 1" Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a "Day 1" profit) in the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" profit amount.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees and costs that are an integral part of the effective interest. Gains and losses are recognized in the consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date, otherwise, these are classified as non-current assets.

2. **Summary of Significant Accounting Policies** – continued

Financial Assets and Liabilities – continued
This category includes cash and cash equivalents (see Note 5), restricted cash (see Note 6), accounts receivable (see Note 7), deposits and receivables (including security deposit) included under prepayments and other current assets (see Note 8) and other non-current assets (see Note 12), amount due from a shareholder (see Note 17), amount due from ultimate holding company (see Note 17), amount due from an intermediate holding company (see Note 17), amount due from immediate holding company (see Note 17) and amount due from an affiliated company (see Note 17). The carrying values and fair values of loans and receivables are disclosed in Note 26.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at fair value through profit or loss upon the inception of the liability. These include liabilities arising from operations and loans and borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized, as well as through the amortization process. Other financial liabilities are included in current liabilities if maturity is within 12 months from the balance sheet date, otherwise, these are classified as non-current liabilities.

This category includes accounts payable, accrued expenses, other payables and other current liabilities (see Note 13), current and non-current portion of obligations under finance lease (see Note 20), amount due to immediate holding company (see Note 17), amounts due to affiliated companies (see Note 17), long-term debt (see Note 21) and other non-current liabilities. The carrying values and fair values of other financial liabilities are disclosed in Note 26.

Impairment of Financial Assets
The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. **Summary of Significant Accounting Policies** – continued

Impairment of Financial Assets – continued
Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be charged to current operations. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off at each balance sheet date when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. **Summary of Significant Accounting Policies** – continued

Derecognition of Financial Assets and Liabilities – continued
Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories
Inventories consist of retail merchandise, food and beverage items and certain operating supplies, which are stated at the lower of cost or net realizable value. Cost is calculated using the first-in, first-out, weighted average and specific identification methods. Write downs of potentially obsolete or slow-moving inventory are recorded based on management's specific analysis of inventory.

Property and Equipment
Property and equipment held for use in the production or supply of goods and services, or for administrative purposes, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. Property and equipment under construction are carried at cost less any recognized impairment losses, if any.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met. Property and equipment also include, if any, costs of dismantlement, removal or restoration, the obligation for which the entity incurs when it installs or uses the assets.

Property and equipment with a finite useful life is depreciated and amortized on a straight-line basis over the asset's estimated useful life. Estimated useful lives are as follows:

Classification	Estimated Useful Life
Building	25 years or over the term of the lease agreement, whichever is shorter
Leasehold improvements	5 to 10 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	2 to 7 years
Motor vehicles	5 years
Plant and gaming machinery	3 to 5 years

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each balance sheet date, to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

2. **Summary of Significant Accounting Policies** – continued

Property and Equipment – continued
When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement, if the recognition criteria are satisfied.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited or charged to the consolidated statements of comprehensive income.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

During the process of design and construction of City of Dreams Manila's fit-out under the Cooperation Agreement, direct and incremental costs related to the design and construction of the project's fit-out, including costs under the design and construction contracts, duties and tariffs, equipment installation, shipping costs, payroll and payroll-benefit related costs and applicable portion of finance interest cost are capitalized in appropriate categories of property and equipment. The capitalization of such costs begins when the design and construction of the project's fit-out starts and ceases once it is substantially completed or design and construction activity of the project's fit-out is suspended for more than a brief period.

Depreciation and amortization expense related to capitalized cost of the project's fit-out is recognized from the time each asset is placed in service and it will be depreciated over the term of the Operating Agreement or estimated useful life of the asset, whichever is shorter and tested for impairment if there is an indication that the asset may be impaired. This may occur at different stages as hotel casino entertainment complex are completed and opened.

Assets held under finance leases are depreciated when the assets are ready for intended use over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Capitalization of Interest and Amortization of Deferred Financing Costs
Interest and amortization of deferred financing costs incurred on funds used to construct the Group's casino gaming and entertainment resort facilities during the active construction period are capitalized. The capitalization of interest and amortization of deferred financing costs cease once a project is substantially completed or development activity is suspended for more than a brief period. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. If an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

2. **Summary of Significant Accounting Policies** – continued

Capitalization of Interest and Amortization of Deferred Financing Costs – continued
For the years ended December 31, 2016, 2015 and 2014, total interest expenses incurred amounted to ₱2,882,675, ₱2,803,699 and ₱2,649,230, of which ₱8,823, ₱82,746 and ₱734,133 were capitalized, respectively. No amortization of deferred financing costs was capitalized for the years ended December 31, 2016, 2015 and 2014.

Intangible Assets
Contract Acquisition Costs. Certain costs incurred by MCE Leisure to obtain various agreements in its capacity as the sole and exclusive operator and manager of the casino project have been capitalized in contract acquisition costs. As of December 31, 2016 and 2015, the contract acquisition costs, which represent the consideration paid to Belle for termination of various agreements related to the building lease, are amortized over the term of the Operating Agreement and tested for impairment if there is an indication that the asset may be impaired.

Other Intangible Assets. Other intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, other intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Other intangible assets are amortized over its useful life unless its life is determined to be indefinite in which case it is not amortized. The Group's finite-lived other intangible assets are amortized over the shorter of the contractual terms and estimated useful lives and tested for impairment if there is an indication that the other intangible assets may be impaired. As of December 31, 2016 and 2015, other intangible assets represent the license fees for right to use of trademarks for certain entertainment businesses for City of Dreams Manila and are amortized on a straight-line basis over the term of the license agreement which expires in 5 years from February 2015.

Gains or losses arising from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of comprehensive income when the asset is derecognized.

Impairment of Non-financial Assets
The carrying values of non-financial assets, including property and equipment, contract acquisition costs and other intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the higher of fair value less costs to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss, if any, is recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

2. **Summary of Significant Accounting Policies** – continued

Impairment of Non-financial Assets – continued
An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses, if any, may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of comprehensive income. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Capital Stock
Capital stock is measured at par value for all shares issued. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Equity Reserve
Equity reserve account pertains to the effect of the reverse acquisition discussed in Note 2 under basis of preparation. The analysis of the equity reserve account is presented in Note 14.

Accumulated Deficit
Accumulated deficit represents the Group's cumulative net losses. Accumulated deficit may also include effect of changes in accounting policies as may be required by the standards' transitional provisions or amendments to the standards.

Revenue Recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimation on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

2. **Summary of Significant Accounting Policies** – continued

Revenue Recognition – continued
The following specific recognition criteria must also be met before revenue is recognized:

Casino Revenues. Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession. Commissions rebated directly or indirectly through gaming promoters to customers related to gaming play are recorded as a reduction of gross casino revenues.

Rooms, Food and Beverage, Entertainment, Retail and Other Revenues. Rooms, food and beverage, entertainment, retail and other revenues are recognized when services are performed or the retail goods are sold. Advance deposits mainly on rooms are recorded as customer deposits until services are provided to the customer. Minimum operating fees, adjusted for contractual base fees and operating fees escalations, are included in entertainment, retail and other revenues and are recognized on a straight-line basis over the terms of the related agreements.

Revenues are recognized net of certain sales incentives which are required to be recorded as a reduction of revenue; consequently, the Group's casino revenues are reduced by discounts, commissions and points earned in customer loyalty programs.

The retail value of rooms, food and beverage, entertainment, retail and other services furnished to guests without charge is excluded from total net operating revenues in the accompanying consolidated statements of comprehensive income. The amounts of such promotional allowances excluded from total net operating revenues for the years ended December 31, 2016, 2015 and 2014 are as follows:

	Year Ended December 31,		
	2016	2015	2014
Rooms	**₱1,405,344**	₱1,556,654	₱17,477
Food and beverage	**1,386,418**	1,165,272	20,423
Entertainment, retail and others	**95,882**	65,927	–
	₱2,887,644	₱2,787,853	₱37,900

Management Fee Income. Revenue from the provision of management services is recognized when the services are provided and are included in entertainment, retail and other revenues.

Interest Income. Interest income is recognized on a time proportionate basis that reflects as the effective yield on the asset.

Point-loyalty Programs
The Group operates loyalty programs to encourage repeat business mainly from loyal slot machine customers and table games patrons. Members earn points primarily based on gaming activity and such points can be redeemed for free play and other free goods and services. The Group recognized the award points as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are initially recognized as deferred income at their fair value. Revenue from the award points is recognized when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

2. **Summary of Significant Accounting Policies** – continued

Expenses Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized in the consolidated statements of comprehensive income in the year these are incurred.

Pre-opening Costs
Pre-opening costs, consists primarily of expenses related to new or start-up operation, are expensed as incurred.

Property Charges and Others
Property charges and others consist primarily of termination costs related to organizational restructuring, write-off of certain equipment damaged by typhoon and the related insurance claim recovery and a provision for input VAT primarily pertaining to certain construction costs of City of Dreams Manila expected to be non-recoverable. Property charges and others of ₱73,399 (in credit), ₱1,472,385 and ₱157,693 were recognized for the years ended December 31, 2016, 2015 and 2014, respectively.

Deferred Financing Costs
Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are capitalized and amortized over the terms of the related debt agreements using the effective interest method. Deferred financing cost amortization of ₱66,148, ₱61,828 and ₱54,235 were recognized for the years ended December 31, 2016, 2015 and 2014, respectively.

Employee Benefit Expenses
Retirement Costs. Employees of the Group are members of government-managed Social Security System Scheme (the "SSS Scheme") operated by the Philippine Government and the Group is required to pay a certain percentage of the employees' relevant income and met the minimum mandatory requirements of the SSS Scheme to fund the benefits. The obligation of the Group with respect to the SSS Scheme operated by the Philippine Government is to make the required contributions under the SSS Scheme.

The Group also has defined benefit obligations covering all of its regular employees in the Philippines. Retirement expenses are determined based on the provisions of Republic Act No. 7641, "Retirement Pay law". The retirement benefit is computed as 50% of basic monthly salary plus one-twelfth of the 13th month pay for every year of service and the cash equivalent of not more than 5 days of service incentive leaves.

Remeasurements, comprising actuarial gains and losses, excluding amounts included in interest on the defined benefit obligations, are recognized immediately in the consolidated balance sheets with a corresponding debit or credit to retained earnings/accumulated deficit through other comprehensive income in the period in which they occur.

Interest is calculated by applying discount rates to the defined benefit obligations. The Group recognizes the change in defined benefit obligations such as service costs and interest costs as employee benefit expenses in the consolidated statements of comprehensive income.

2. **Summary of Significant Accounting Policies** – continued

Employee Benefit Expenses – continued
Certain employees employed by the Group are eligible to participate in voluntary defined contribution schemes (the "Macau Schemes") operated by the subsidiaries of Melco in the Macau Special Administrative Region of the People's Republic of China ("Macau"). The Group either contributes a fixed percentage of the eligible employees' base salaries, a fixed amount or an amount which matches the contributions of the employees up to a certain percentage of base salaries, determined by seniority, tenure and the type of plan, to the Macau Schemes. The Group's contributions to the Macau Schemes are vested in accordance to a vesting schedule, achieving full vesting 10 years from the date of employment. The Macau Schemes were established under trust with the fund assets being held separately from those of the Melco's subsidiaries in Macau and the Group by independent trustees in Macau.

An employee and the executive officers employed by the Group are members of Mandatory Provident Fund Scheme (the "MPF Scheme") operated by Melco and its subsidiary in Hong Kong. The Group is required to contribute a fixed percentage of the employee's and the executive officer's base salaries to the MPF Scheme, which included the Group's mandatory portion. The excess of contributions over the Group's mandatory portion are treated as the Group's voluntary contribution and are vested in accordance to a vesting schedule, achieving full vesting 10 years from the date of employment. The Group's mandatory contributions to the MPF Scheme are fully and immediately vested to the employee and the executive officer once they are paid. The MPF Scheme was established under trust with the fund assets being held separately from those of Melco and its subsidiary and the Group by an independent trustee in Hong Kong.

Annual Leave and Other Paid Leave. Employee entitlement to annual leave and other paid leave is recognized when it accrues to employees. A provision is made for the estimated liability for annual leave and other paid leave as a result of services rendered by employees for the year.

Bonus Plans. The Group recognizes a liability and an expense for bonuses when contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based Compensation Expenses. The Group measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award, while an award of equity instruments issued to consultants in exchange for services are measured at the fair values of services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the equity instruments granted. The cost of services received is recognized over the service period. Compensation is attributed to the periods of associate service and such expense is being recognized on an accelerated basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. Each portion is treated as a separate grant, as each portion has a different vesting period.

Forfeitures are estimated at the time of grant, and adjusted for actual forfeitures to the extent they differ from the estimate. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based compensation reserve will be transferred to retained profits. When the awarded shares are not vested or are forfeited during the vesting period, the amount previously recognized in share-based compensation reserve will be recognized as income immediately in the consolidated statements of comprehensive income.

2. **Summary of Significant Accounting Policies** – continued

Employee Benefit Expenses – continued
Further information on the Group's share-based compensation arrangement for the years ended December 31, 2016, 2015 and 2014 for restricted shares and share options granted under its share incentive plan ("Share Incentive Plan") is included in Note 28.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

As a Lessee. Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased asset to the Group, are 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 are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding lease obligations, net of finance charges, are included under current and non-current liabilities. Finance charges are recognized as interest expenses in the consolidated statements of comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

As a Lessor. When assets are leased/granted out under an agreement for the right of use, the asset is included in the consolidated balance sheets based on the nature of the asset. Lease rental (net of any incentives given to tenants or to retailers) is recognized over the terms of the lease on a straight-line basis. Turnover fees arising under operating leases are recognized as income in the period in which they are earned.

2. **Summary of Significant Accounting Policies** – continued

Foreign Currency Transactions
The Group's consolidated financial statements are presented in Philippine peso, the functional currency of the Parent Company and its subsidiaries. Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. All differences are taken to the consolidated statements of comprehensive income. All exchange rate differences including those arising on the settlement of monetary items at rates different from those at which these were recorded are recognized in the consolidated statements of comprehensive income in the year in which the differences arise.

For income tax reporting purposes, exchange gains or losses are treated as taxable income or deductible expense in the year these are realized.

Income Tax
Current Tax. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profits nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax ("MCIT") over regular corporate income tax and unused net operating loss carryover ("NOLCO") to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profits nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilized.

2. **Summary of Significant Accounting Policies** – continued

Income Tax – continued
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognized outside other comprehensive income is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the tax authority is included under other non-current assets as of December 31, 2016 and 2015 in the consolidated balance sheets.

2. **Summary of Significant Accounting Policies** – continued

Gaming Tax and Other License Fees
The Licensees are required to pay license fees to PAGCOR ranging from 15% to 25% of its gross gaming revenues on a monthly basis, starting from the date the casino commences operations. In May 2014, PAGCOR temporarily allowed the Licensees to reallocate 10% of the license fees for payment of corporate income taxes effective from April 1, 2014. The said reallocation of 10% of the license fees was required to be used for subsidizing the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). The parties agreed to revert to the original license fee structure under the Regular License, in the event the Bureau of Internal Revenue ("BIR") action to collect income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of BIR or the courts or under a new law. Such license fees include the 5% franchise tax on actual gross gaming revenues generated by the casino. The Group is also subject to fees based on 5% of certain non-gaming revenue and 2% of casino revenues generated from non-junket operation tables as further discussed in Note 24(c). These expenses are included in the accompanying consolidated statements of comprehensive income. On August 15, 2016, the reallocation of the 10% of the license fees was discontinued by PAGCOR and the Group was required to resume the ordinary license fee regime in accordance with Article IV, Section 20 of the Regular License as discussed in Note 19.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Segment Reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available.

City of Dreams Manila has operated in one geographical area for the years ended December 31, 2016, 2015 and 2014 where it derives its revenue. Segment information is presented in Note 29.

The Group currently operates in one business segment, namely, the management of its casino and hotel resort of the City of Dreams Manila. A single management team reports to the chief operating decision-maker who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments.

Reclassifications
The consolidated financial statements for prior years reflect certain reclassifications, which have no effect on previously reported net loss, to conform to the current year presentation.

3. **Accounting Policies Effective For the Year and Future Changes in Accounting Policies**

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for adoption of the following new and amended PAS, PFRS and Philippine Interpretations as of January 1, 2016. The adoption of these new and amended PAS, PFRS and Philippine Interpretations had no significant impact on the consolidated financial statements:

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

Standards Issued But Not Yet Effective
Standards issued but not yet effective up to the date of issuance of the consolidated financial statements which are relevant to the Group are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when adopted at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PAS and PFRS to have significant impact on the Group's financial position or performance.

- **PFRS 9, *Financial Instruments***

  The final version of PFRS 9, as issued, replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. PFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Except for hedge accounting, retrospective adoption is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally adopted prospectively, with some limited exceptions.

3. **Accounting Policies Effective For the Year and Future Changes in Accounting Policies** – continued

Standards Issued But Not Yet Effective – continued

- **PFRS 15,** ***Revenue from Contracts with Customers***

  PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under PFRS. Either a full retrospective adoption or a modified retrospective adoption is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. Management is currently assessing the potential impact of adopting this standard on the Group's consolidated financial statements.

- **PFRS 16,** ***Leases***

  Under the new standard, lessees will no longer classify their leases as either operating or finance lease in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the asset and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessor is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transitions reliefs. Management is currently assessing the potential impact of adopting this standard on the Group's consolidated financial statements.

- **Amendments to PAS 7,** ***Statement of Cash Flows: Disclosure Initiative***

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial adoption of the amendments, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

3. **Accounting Policies Effective For the Year and Future Changes in Accounting Policies** – continued

Standards Issued But Not Yet Effective – continued

- **Amendments to PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses***

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial adoption of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

- **Amendments to PFRS 2, *Classification and Measurement of Share-based Payment Transactions***

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective adoption is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- **Amendments to PAS 40, *Investment Property, Transfers of Investment Property***

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be adopted prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first adopts the amendments. Retrospective adoption is only permitted if this is possible without the use of hindsight. These amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

3. **Accounting Policies Effective For the Year and Future Changes in Accounting Policies** – continued

Standards Issued But Not Yet Effective – continued

- **Amendments to PFRS 4, *Insurance Contracts*, applying PFRS 9, *Financial Instruments,* with PFRS 4**

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is adopted before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of adoption of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously adopted PFRS 9. The amendments are effective for annual periods beginning on or after January 1, 2018.

- **Annual Improvements to PFRSs (2014-2016 Cycle)**

  - **Amendments to PFRS 12, *Clarification of the Scope of the Standard***

    The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

  - **Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value***

    The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments should be adopted retrospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

3. **Accounting Policies Effective For the Year and Future Changes in Accounting Policies** – continued

Standards Issued But Not Yet Effective – continued

- **Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The SEC and the FRSC have deferred the effectivity of the amendments.

- **Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration***

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be adopted on a fully retrospective basis. Entities may adopt the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first adopts the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first adopts the interpretation. This interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments
In the process of applying the Group's policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements.

4. **Significant Accounting Judgments, Estimates and Assumptions** – continued

Judgments – continued

Functional Currency. Based on the economic substance of underlying circumstances relevant to the Group, the functional currency of the Parent Company and its subsidiaries has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Parent Company and its subsidiaries operate and it is the currency that mainly influences the revenues and expenses for management and operation of City of Dreams Manila.

Evaluating Lease Agreement. The determination of whether a lease agreement has to be accounted for as operating or finance lease requires significant judgment. The result of this determination can be significant to the Group's financial position or performance as the classification of the amounts of property and equipment and lease obligation depends on this assessment.

The Group, at inception of the Lease Agreement, has determined based on an evaluation of the terms and conditions of the arrangements, that the lessor transfers substantially all the risks and benefits incidental to ownership of the building to the Group. The present value of the minimum lease payments is significantly higher than the fair value of the building at the lease inception date. Management considered this factor as key in assessing whether the risks and rewards incidental to ownership of the building had effectively been transferred to the Group. Meanwhile, the lease on the land is considered as operating lease because Belle retains all the significant risks and rewards of ownership on the land at the end of the lease term and does not provide the Group with a bargain purchase option over the leased asset (see Note 23(c)).

As a Lessee. The Group has entered into various operating lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the Group the ownership over the assets at the end of the lease term and do not provide the Group with a bargain purchase option over the leased assets and so accounts for the contracts as operating leases.

As a Lessor. The Group has entered into various operating lease agreements as a lessor. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the Group retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the lessee the ownership over the assets at the end of the lease term and do not provide the lessee with a bargain purchase option over the leased assets and so accounts for the contracts as operating leases.

Reporting Revenue Gross as a Principal or Net as an Agent. The Group follows the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for the operations of one of the hotels which the Group is the owner of the hotel property, and the hotel manager operates the hotel under a management agreement providing management services to the Group, and the Group receives all rewards and takes substantial risks associated with the hotel business, it is the principal and the transactions of the hotel are therefore recognized on a gross basis.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. **Significant Accounting Judgments, Estimates and Assumptions** – continued

Estimates and Assumptions – continued
Estimating Allowance for Doubtful Debts. The allowance for doubtful debts represents the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivable balance. The Group evaluates allowance for doubtful debts based on specific review of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions. As customer payment experience evolves, management will continue to refine the estimated allowance for doubtful debts. Accordingly, the associate doubtful debts expense charge may fluctuate. Because individual customer account balances can be significant, the allowance and the expense can change significantly between periods, as customer information becomes known or as changes in a region's economy or legal systems occur.

The allowance for doubtful debts of accounts receivable for the years ended December 31, 2016, 2015 and 2014 amounted to ₱94,660, ₱1,700 and nil, respectively. The carrying amount of accounts receivable, net amounted to ₱1,391,213 and ₱1,283,575 as of December 31, 2016 and 2015, respectively (see Note 7).

Classification of Sales Incentives. Revenues are recognized net of certain sales incentives, such as commissions and discounts. Gaming promoters introduce rolling chip customers to City of Dreams Manila. In exchange for their services, the Group compensates gaming promoters by paying them commissions based on either a percentage of the gaming win or loss or rolling chip volume. The Group records a portion of the commissions paid or payable to the gaming promoters as a reduction of gross casino revenues, which correspond to the approximate amount of commissions returned to the rolling chip customers by the gaming promoters. The consolidated statement of comprehensive income classification for a portion of the commissions paid or payable to the gaming promoters as a reduction of gross casino revenues depends on management's judgments and estimations of the percentages of commissions returned to the rolling chip customers by the gaming promoters.

Estimating Useful Lives of Property and Equipment. The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for operational use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimations of the useful lives of property and equipment are based on collective assessments of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. A reduction in the estimated useful life of property and equipment would increase the recorded expenses and decrease non-current assets.

There were no changes made in the estimated useful lives of the Group's property and equipment. The carrying values of property and equipment amounted to ₱26,866,578 and ₱32,939,887 as of December 31, 2016 and 2015, respectively (see Note 9).

4. **Significant Accounting Judgments, Estimates and Assumptions** – continued

Estimates and Assumptions – continued
Estimating Fair Value of Share-based Compensation. The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based compensation transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in Note 28.

Estimating Retirement Benefits. The Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Group's actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the retirement benefit obligation. The amount of retirement benefit obligations and expenses and an analysis of the movements in the estimated present value and assumptions used are disclosed in Note 22.

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property and equipment, contract acquisition costs, other intangible assets and other non-current assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that such assets are impaired. Any resulting impairment could have a material impact on the financial condition and results of operation of the Group.

The preparation of the estimated future cash flows involves judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Except for provisions for input VAT expected to be non-recoverable amounted to ₱271,938 and ₱1,426,976 recognized for the years ended December 31, 2016 and 2015, respectively, no other impairment losses were recognized for the years ended December 31, 2016, 2015 and 2014. The carrying values of property and equipment amounted to ₱26,866,578 and ₱32,939,887 as of December 31, 2016 and 2015, respectively (see Note 9); the carrying values of contract acquisition costs amounted to ₱863,872 and ₱915,965 as of December 31, 2016 and 2015, respectively (see Note 10); and the carrying values of other intangible assets amounted to ₱5,436 and ₱7,176 as of December 31, 2016 and 2015, respectively (see Note 11).

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

4. **Significant Accounting Judgments, Estimates and Assumptions** – continued

Estimates and Assumptions – continued
Recognition of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits is based on the level and timing of forecasted taxable income of subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

Deferred tax assets on deferred rent under PAS 17 amounting to ₱232,178 and ₱255,353 were recognized as of December 31, 2016 and 2015, respectively, to the extent of the amount of the reversing deductible temporary difference arising from capitalized interest expense.

Certain deferred tax assets were not recognized because management believes that future taxable profits may not be available against which the deferred tax assets can be utilized.

Unrecognized deferred tax assets amounted to ₱6,239,850 and ₱5,007,129 as of December 31, 2016 and 2015, respectively (see Note 19).

5. **Cash and Cash Equivalents**

This account consists of:

	December 31,	
	2016	2015
Cash on hand	**₱1,517,325**	₱1,609,126
Cash in banks	**8,834,089**	5,851,103
	₱10,351,414	₱7,460,229

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱14,891, ₱7,881 and ₱34,912 for the years ended December 31, 2016, 2015 and 2014, respectively.

6. **Restricted Cash**

Restricted cash as of December 31, 2016 and 2015 represents escrow account that is restricted for foundation fee payable in accordance with the terms of the Regular License. Interest income earned from restricted cash amounted to ₱338, ₱1,580 and ₱4,563 for the years ended December 31, 2016, 2015 and 2014, respectively.

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

7. Accounts Receivable, Net

Components of accounts receivable, net are as follows:

	December 31, 2016	December 31, 2015
Casino	**₱1,442,270**	₱1,225,499
Hotel	**48,687**	56,607
Others	**3,079**	3,169
Sub-total	**1,494,036**	1,285,275
Less: Allowance for doubtful debts	**(102,823)**	(1,700)
	₱1,391,213	₱1,283,575

For the years ended December 31, 2016, 2015 and 2014, no accounts receivable were directly written off in each of those years.

Movement of allowance for doubtful debts are as follows:

	Year Ended December 31, 2016	2015	2014
Balance at beginning of year	**₱1,700**	₱–	₱–
Additional allowance	**94,660**	1,700	–
Exchange difference	**6,463**	–	–
Balance at end of year	**₱102,823**	₱1,700	₱–

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

The aging analysis of these trade receivables that were past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
Past due:		
1 – 30 days	**₱9,765**	₱6,832
31 – 60 days	**2,684**	95,677
61 – 90 days	**76,781**	–
Over 90 days	**117,318**	2,206
	₱206,548	₱104,715

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

7. **Accounts Receivable, Net** – continued

The Group currently has a legally enforceable right to offset the commissions payable and front money deposits against the casino receivables where it intends to settle on a net basis. As of December 31, 2016 and 2015, the gross amount of the casino receivables of ₱2,915,228 and ₱2,649,793 was offset by the commissions payable and front money deposits in an aggregate amount of ₱1,472,958 and ₱1,424,294, respectively.

8. **Prepayments and Other Current Assets**

This account consists of:

	December 31, 2016	December 31, 2015
Rental and other receivables, net	**₱84,730**	₱32,740
Creditable withholding tax	**60,957**	16,308
Deposits for acquisitions of inventory	**44,648**	29,013
Prepaid facilities expenses	**42,508**	67,020
Refundable deposits	**40,389**	14,925
Other prepaid expenses and receivables	**49,460**	34,417
	₱322,692	₱194,423

9. **Property and Equipment, Net**

December 31, 2016

	Building under Finance Lease	Leasehold Improvements	Motor Vehicles	Furniture, Fixtures and Equipment	Plant and Gaming Machinery	Construction in Progress	Total
Costs:							
Balance at beginning of year	**₱11,820,440**	**₱16,415,720**	**₱80,583**	**₱6,659,783**	**₱2,469,566**	**₱83,080**	**₱37,529,172**
Additions	**–**	**35,233**	**–**	**113,474**	**287,692**	**11,865**	**448,264**
Adjustments to project costs	**–**	**(202,596)**	**–**	**(32,762)**	**(20,346)**	**–**	**(255,704)**
Disposals	**–**	**(2,245,575)**	**–**	**(13,135)**	**(1,083)**	**–**	**(2,259,793)**
Transfer	**–**	**(13,249)**	**–**	**25,570**	**(12,321)**	**–**	**–**
Balance at end of year	**11,820,440**	**13,989,533**	**80,583**	**6,752,930**	**2,723,508**	**94,945**	**35,461,939**
Accumulated depreciation and amortization:							
Balance at beginning of year	**(662,580)**	**(1,736,072)**	**(19,739)**	**(1,702,672)**	**(468,222)**	**–**	**(4,589,285)**
Depreciation and amortization	**(636,078)**	**(1,564,874)**	**(16,117)**	**(1,583,151)**	**(534,832)**	**–**	**(4,335,052)**
Disposals	**–**	**320,957**	**–**	**7,649**	**370**	**–**	**328,976**
Transfer	**–**	**–**	**–**	**(2,269)**	**2,269**	**–**	**–**
Balance at end of year	**(1,298,658)**	**(2,979,989)**	**(35,856)**	**(3,280,443)**	**(1,000,415)**	**–**	**(8,595,361)**
Net book value	**₱10,521,782**	**₱11,009,544**	**₱44,727**	**₱3,472,487**	**₱1,723,093**	**₱94,945**	**₱26,866,578**

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

9. **Property and Equipment, Net** – continued

	December 31, 2015						
	Building under Finance Lease	Leasehold Improvements	Motor Vehicles	Furniture, Fixtures and Equipment	Plant and Gaming Machinery	Construction in Progress	Total
Costs:							
Balance at beginning of year	₱11,820,440	₱10,669,632	₱42,149	₱5,014,339	₱1,459,550	₱4,087,915	₱33,094,025
Additions	–	20,534	38,434	1,624,830	1,010,016	1,734,187	4,428,001
Transfer	–	5,725,554	–	20,614	–	(5,746,168)	–
Capitalization of depreciation and amortization	–	–	–	–	–	7,146	7,146
Balance at end of year	11,820,440	16,415,720	80,583	6,659,783	2,469,566	83,080	37,529,172
Accumulated depreciation and amortization:							
Balance at beginning of year	(26,503)	(68,063)	(8,344)	(135,820)	(24,963)	–	(263,693)
Depreciation and amortization	(636,077)	(1,668,009)	(11,395)	(1,566,852)	(443,259)	–	(4,325,592)
Balance at end of year	(662,580)	(1,736,072)	(19,739)	(1,702,672)	(468,222)	–	(4,589,285)
Net book value	₱11,157,860	₱14,679,648	₱60,844	₱4,957,111	₱2,001,344	₱83,080	₱32,939,887

Construction in progress represents the design and development cost for fit-out of City of Dreams Manila which included direct incidental costs capitalized (representing traveling expenses, salaries and wages, intercompany management fee expenses incurred, depreciation of equipment and applicable interest cost). As of December 31, 2016 and 2015, construction in progress included interest paid or payable on the obligations under finance lease which amounted to ₱13,061 and ₱4,238, respectively.

10. **Contract Acquisition Costs, Net**

This account consists of:

	December 31,	
	2016	2015
Costs:		
Balance at beginning and at end of year	**₱1,063,561**	₱1,063,561
Accumulated amortization:		
Balance at beginning of year	**(147,596)**	(95,503)
Amortization	**(52,093)**	(52,093)
Balance at end of year	**(199,689)**	(147,596)
Net book value	**₱863,872**	₱915,965

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

11. **Other Intangible Assets, Net**

This account consists of:

	December 31, 2016	2015
Costs:		
Balance at beginning and at end of year	**₱8,698**	₱8,698
Accumulated amortization:		
Balance at beginning of year	**(1,522)**	–
Amortization	**(1,740)**	(1,522)
Balance at end of year	**(3,262)**	(1,522)
Net book value	**₱5,436**	₱7,176

12. **Other Non-current Assets**

This account consists of:

	December 31, 2016	2015
Input VAT, net	**₱965,710**	₱1,097,921
Non-current portion of prepaid rent	**120,248**	127,533
Security and rental deposits	**115,943**	126,231
Other non-current assets and deposits	**68,147**	110,988
	₱1,270,048	₱1,462,673

Input VAT, net represents the VAT recoverable from the tax authority in the Philippines. For the years ended December 31, 2016 and 2015, provisions for input VAT expected to be non-recoverable amounted to ₱271,938 and ₱1,426,976, respectively, were recognized and included in other expenses in the consolidated statements of comprehensive income. No provision for input VAT was recognized for the year ended December 31, 2014 (Note 16). As of December 31, 2016 and 2015, provisions for input VAT were ₱1,698,914 and ₱1,426,976, respectively.

As of December 31, 2016, part of prepaid rent amounting to ₱113,219 represented the non-current portion of excess of principal amount of the security deposit paid pursuant to the Lease Agreement over its fair value at inception, is amortized on a straight-line basis over the lease term while part of the current portion of prepaid rent of ₱7,284 is included in prepayments and other current assets (Note 8).

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

13. **Accrued Expenses, Other Payables and Other Current Liabilities**

This account consists of:

	December 31, 2016	2015
Accruals for:		
Gaming tax and license fees	**₱852,907**	₱1,688,412
Employee benefit expenses	**536,204**	357,805
Payments to the Philippine Parties	**235,868**	137,077
Property and equipment	**61,477**	2,105,184
Taxes and licenses	**80,123**	51,683
Operating expenses and others	**808,884**	841,303
Outstanding gaming chips and tokens	**1,748,215**	1,223,387
Customer deposits	**489,369**	158,051
Interest expenses payable	**327,083**	327,083
Withholding tax payable	**191,125**	183,218
Other payables and liabilities	**83,402**	26,037
Escrow funds refundable to the Philippine Parties (inclusive of interest income)	**–**	1,104,507
	₱5,414,657	₱8,203,747

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

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

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

14. **Equity**

	Number of Shares	Capital Stock
Ordinary shares of ₱1 per share		
Authorized:		
As of January 1, 2015, December 31, 2015, January 1, 2016 and December 31, 2016	**5,900,000,000**	**₱5,900,000**
Issued and fully paid:		
As of January 1, 2015	4,911,480,300	₱4,911,480
Shares issued	693,500,000	693,500
Issuance of shares for restricted shares vested (Note 28)	38,375,178	38,375
As of December 31, 2015 and January 1, 2016	5,643,355,478	5,643,355
Issuance of shares for restricted shares vested (Note 28)	**19,541,800**	**19,542**
As of December 31, 2016	**5,662,897,278**	**₱5,662,897**

Pursuant to approval by the Board of Directors on November 19, 2015, MCP issued and MCE Investments subscribed for 693,500,000 common shares of MCP with par value of ₱1 per share at a total consideration of ₱2,704,650 on November 23, 2015. The net proceeds from this equity transaction, after deducting the share issuance expenses and documentary stamp tax of ₱16,597, amounted to ₱2,688,053.

On June 24, 2014, MCP and MCE Investments completed a placing and subscription transaction, under which MCE Investments offered and sold in a private placement to various institutional investors of 485,177,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱11.30 per share (the "2014 Offer"). MCE Investments then used the proceeds from the 2014 Offer to subscribe for an equivalent number of common shares of MCP at the subscription price of ₱11.30 per share. The net proceeds from the 2014 Offer, after deducting the underwriting commissions and other expenses of ₱106,596, amounted to ₱5,375,904.

Equity Reserve

The amount of equity reserve consists of the net difference between the cost of MCP to acquire MCE Holdings Group and the legal capital of the latter (i.e., common stock and additional paid-in capital) at the date of reverse acquisition plus the retained earnings of MCP as of December 19, 2012, the date when MCP was acquired by Melco through MCE Investments and MCE Investments No.2.

The equity reserve is accounted for as follows:

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

**Including share issuance costs of ₱2,094*

As of December 31, 2016 and 2015, the Parent Company had 428 and 430 stockholders, respectively.

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

15. **Employee Benefit Expenses**

	Year Ended December 31,		
	2016	2015	2014
Basic salaries, allowances, bonuses and other amenities expenses	**₱2,990,448**	₱3,286,577	₱2,051,341
Annual leave and other paid leave expenses	**142,723**	162,389	76,095
Retirement costs – defined contribution plans	**68,580**	77,764	40,233
Retirement costs – defined benefit obligations (Note 22)	**14,817**	23,617	–
Consultancy fees in consideration for share awards (Note 28)	**13,221**	66,913	274,302
Share-based compensation expenses (Note 28)	**(2,679)**	109,824	206,795
Other employee benefit expenses	**222,656**	253,280	147,817
	₱3,449,766	₱3,980,364	₱2,796,583

16. **Other Expenses**

	Year Ended December 31,		
	2016	2015	2014
Other gaming operations expenses	**₱3,466,744**	₱1,096,624	₱6,158
Facilities and supplies expenses	**1,256,021**	1,243,852	330,084
Management fee expenses	**516,483**	641,795	187,576
Advertising, marketing, promotional and entertainment expenses	**359,495**	1,167,884	122,335
Provision for input VAT (Note 12)	**271,938**	1,426,976	–
Rental expenses (Note 24(b))	**266,136**	300,432	315,077
Office and administrative expenses	**167,408**	264,815	96,719
Taxes and licenses	**104,661**	93,537	51,846
Net gain on disposals of property and equipment	**(377,167)**	–	–
Insurance claim recovery	**(100,000)**	–	–
Write-off of property and equipment	**–**	–	155,193
Operating expenses and others	**525,297**	465,656	183,159
	₱6,457,016	₱6,701,571	₱1,448,147

17. **Related Party Transactions**

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

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

17. **Related Party Transactions** – continued

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

	Amount of Transactions Year Ended December 31,			Outstanding Balance December 31,		Terms	Conditions
	2016	2015	2014	**2016**	2015		
Amount due from a shareholder							
MCE Investments No.2							
Amount due from MCE Investments No.2	**₱–**	₱–	₱–	**₱5,590**	₱5,588	Repayable on on demand; non-interest bearing	Unsecured, no impairment
Amount due from ultimate holding company							
Melco[1]							
Management fee income[2]	**₱11,134**	₱44,036	₱92,745	**₱–**	₱–		
Management fee expenses	**1,706**	60,104	42,759	**–**	–		
Amount due from Melco	**–**	–	–	**–**	175,557	Repayable on on demand; non-interest bearing	Unsecured, no impairment
Amount due from an intermediate holding company							
Melco[1]							
Management fee income[2]	**₱5,237**	₱–	₱–	**₱–**	₱–		
Management fee expenses	**39,533**	–	–	**–**	–		
Amount due from Melco	**–**	–	–	**139,264**	–	Repayable on on demand; non-interest bearing	Unsecured, no impairment
Amount due from (to) immediate holding company							
MCE Investments							
Amount due from (to) MCE Investments	**₱–**	₱–	₱–	**₱3,000**	(₱7,357)	Repayable on on demand; non-interest bearing	Unsecured, no impairment
Amount due from an affiliated company							
A subsidiary of Melco[1]							
Food and beverage and entertainment, retail and other revenues	**₱94**	₱455	₱–	**₱–**	₱–		
Amount due from a subsidiary of Melco	**–**	–	–	**–**	455	Repayable on on demand; non-interest bearing	Unsecured, no impairment
A subsidiary of Melco International[1]							
Food and beverage and entertainment, retail and other revenues	**₱568**	₱–	₱–	**₱–**	₱–		
Amount due from a subsidiary of Melco International	**–**	–	–	**1,117**	–	Repayable on on demand; non-interest bearing	Unsecured, no impairment

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

17. **Related Party Transactions** – continued

	Amount of Transactions Year Ended December 31, 2016	2015	2014	Outstanding Balance December 31, 2016	2015	Terms	Conditions
Amounts due to affiliated companies							
Melco's subsidiaries(1)							
Acquisitions of property and equipment	**₱23,097**	₱–	₱–	₱–	₱–		
Management fee and other expenses(3)	**166,861**	1,249,068	350,108	–	–		
Amounts due to Melco's subsidiaries	–	–	–	–	559,216	Repayable on on demand; non-interest bearing	Unsecured
Melco International's subsidiaries(1)							
Acquisitions of property and equipment	**₱15,010**	₱231,399	₱96,660	₱–	₱–		
Management fee, trademark license fees and other expenses(3)	**414,940**	–	–	–	–		
Amounts due to Melco International's subsidiaries	–	–	–	**1,221,141**	791	Repayable on on demand; non-interest bearing	Unsecured
Crown's subsidiaries and associated companies							
Acquisitions of property and equipment	**₱20,027**	₱1,453	₱37,000	₱–	₱–		
Adjustment of acquisitions of property and equipment	–	(2,109)	–	–	–		
Management fee, consultancy fee and facilities expenses	**53,883**	8,948	3,711	–	–		
Amounts due to Crown's subsidiaries and associated companies	–	–	–	**60,899**	49,944	Repayable on on demand; non-interest bearing	Unsecured

Notes:
(1) In May 2016, the Parent Company's ultimate holding company was changed from Melco to Melco International upon the completion of the Shares Repurchase Transaction (see Note 1(a)).
(2) The amount represents the recharge of share-based compensation expenses for certain directors of MCP for the years ended December 31, 2016, 2015 and 2014 to Melco.
(3) Management services are provided by Melco International group companies. These services include, but are not limited to, corporate expenses, gaming operations support, other various types of advertising, marketing, promotional and entertainment activities for the Group, facilities services and other design development and construction consultancy services.

Directors' Remuneration

For the years ended December 31, 2016, 2015 and 2014, the remuneration of directors of the Group was borne by Melco.

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

17. **Related Party Transactions** – continued

Compensation of Key Management Personnel

The compensation of key management personnel of the Group for the years ended December 31, 2016, 2015 and 2014 is as follows:

	Year Ended December 31,		
	2016	2015	2014
Basic salaries, allowances and benefits in kind	**₱104,966**	₱166,562	₱149,321
Performance bonuses	**68,832**	–	34,890
Retirement costs – defined contribution plans	**3,416**	2,411	2,737
Termination benefits	–	39,572	–
Share-based compensation expenses	**15,329**	62,330	99,752
	₱192,543	₱270,875	₱286,700

For the years ended December 31, 2016, 2015 and 2014, part of the compensation of key management personnel of the Group was borne by Melco.

18. **Basic/Diluted Loss Per Share**

The Group presents basic and diluted loss per share for its common shares.

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

	Year Ended December 31,		
	2016	2015	2014
Net loss (a)	**(₱1,581,299)**	(₱9,144,131)	(₱6,303,281)
Weighted average number of common shares outstanding of legal parent used in the calculation of basic and diluted loss per share (b)	**5,671,205,713**	5,014,093,527	4,680,190,442
Basic/Diluted loss per share (a)/(b)*1,000	**(₱0.28)**	(₱1.82)	(₱1.35)

For the years ended December 31, 2016, 2015 and 2014, 12,374,710, 124,710,632 and 124,126,612 outstanding share options and 49,255,708, 28,531,215 and 64,371,486 outstanding restricted shares as of December 31, 2016, 2015 and 2014, respectively, were excluded from the computation of diluted loss per share as their effect would have been anti-dilutive.

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

19. **Income Tax**

The provision for income tax for the years ended December 31, 2016, 2015 and 2014 consisted of:

	Year Ended December 31,		
	2016	2015	2014
Provision for current income tax	**₱327**	₱24,610	₱23,729
Deferred tax charge (credit)	**82,069**	(881)	(23,729)
	₱82,396	₱23,729	₱–

The provision for current income tax for the years ended December 31, 2016, 2015 and 2014 represents the tax provided by the Group on its taxable income for each year. The deferred tax charge mainly represents the deferred tax liability arising from unrealized foreign exchange gains and the receivable of the insurance claim recovery. The deferred tax credit represents the deferred tax asset which is recognized up to the amount of income tax recognized to the extent of the reversing deductible temporary differences arising from carryforward benefits from MCIT and share-based compensation expenses.

The components of the Group's net deferred tax liability and net deferred tax asset as of December 31, 2016 and 2015, respectively, were as follows:

	December 31,	
	2016	2015
Deferred tax assets:		
Deferred rent under PAS 17	**₱232,178**	₱255,353
MCIT	**–**	881
	232,178	256,234
Deferred tax liabilities:		
Capitalized interest expenses	**(232,178)**	(255,353)
Unrealized foreign exchange gains, net	**(61,688)**	–
Receivable of insurance claim recovery	**(19,500)**	–
	(313,366)	(255,353)
	(₱81,188)	₱881

The Group has not recognized the following deferred tax assets since management believes that the Group may not be able to realize the benefits from these deferred tax assets in the future.

	December 31,	
	2016	2015
NOLCO	**₱4,656,893**	₱3,887,014
Deferred rent under PAS 17	**1,079,195**	746,607
Share-based compensation expenses	**164,591**	173,504
Interest expenses	**122,656**	122,656
Others	**216,515**	77,348
	₱6,239,850	₱5,007,129

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

19. **Income Tax** – continued

As of December 31, 2016, the Group's NOLCO which can be carried forward and claimed as deduction from regular taxable income in future years is as follows:

Year Incurred	Expiry Year	Amount
2014	2017	**₱4,726,959**
2015	2018	**6,477,322**
2016	2019	**4,318,696**
		₱15,522,977

NOLCO incurred in 2013, 2012 and 2011 amounting to ₱8,742, ₱3,210 and ₱1,264, respectively, have been utilized for the year ended December 31, 2014. The amounts utilized included the NOLCO of ₱1,264 and ₱1,429 incurred by former business of MCP in 2011 and 2012, respectively. NOLCO incurred in 2013 and 2012 amounting to ₱1,440,046 and ₱48,224 have expired for the years ended December 31, 2016 and 2015, respectively.

A reconciliation of income tax benefit computed at statutory income tax rate to provision for income tax is as follows:

	Year Ended December 31,		
	2016	2015	2014
Income tax benefit computed at statutory income tax rate	**(₱449,671)**	(₱2,736,121)	(₱1,890,984)
Income tax effects of:			
Change in unrecognized deferred tax assets	**1,231,758**	2,357,040	1,883,550
Change in unrecognized deferred tax asset in prior year	**99,238**	1,714	12,527
Expenses not deductible for tax	**173,193**	390,890	11,739
Utilization of tax loss previously not recognized	**–**	–	(3,965)
Expired NOLCO	**432,014**	14,467	–
Effect of profits generated by gaming operations exempted from corporate income tax	**(1,398,046)**	–	–
Interest income subject to final tax	**(4,569)**	(2,838)	(11,843)
Interest income not taxable	**(1,521)**	(1,423)	(1,024)
	₱82,396	₱23,729	₱–

19. **Income Tax** – continued

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

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

To address the additional exposure to corporate income tax brought by BIR RMC No. 33-2013, in May 2014, PAGCOR temporarily allowed the Licensees to reallocate 10% of the license fees for payment of corporate income taxes effective from April 1, 2014. The said reallocation of 10% of the license fees was required to be used for subsidizing the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). On August 10, 2016, the Supreme Court of the Philippines (the "SC") found in the case of Bloomberry Resorts and Hotels, Inc. vs. the BIR, G. R. No. 212530 ("Bloomberry Case") that all contractees and licensees of PAGCOR, should be exempt from tax, including corporate income taxes realized from the casino operations, upon payment of the 5% franchise tax. The BIR subsequently filed a Motion for Reconsideration of the said decision. Based on the SC decision, MCE Leisure's gaming operations should be exempt from corporate income tax, among other taxes, provided the license fees which are inclusive of the 5% franchise tax under the PAGCOR Charter, is paid.

As of December 31, 2016 and 2015, MCE Leisure was registered with Philippine Economic Zone Authority ("PEZA") as a tourism economic zone enterprise ("Tourism Economic Zone Enterprise") for the development and operation of tourist facilities. As a Tourism Economic Zone Enterprise, MCE Leisure was granted the following fiscal incentives: (a) tax and duty-free importation of certain eligible capital equipment to be used as part of the registered activity; and (b) VAT-zero rating on local purchase of certain eligible capital equipment in accordance with the PEZA rules and regulations.

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

20. Obligations Under Finance Lease

On March 13, 2013, MCE Leisure entered into the Lease Agreement with Belle, as amended from time to time, for lease of the land and certain of the building structures for City of Dreams Manila and is expected to expire on July 11, 2033.

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

	December 31, 2016		December 31, 2015	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under finance lease:				
Within one year	**₱1,638,716**	**₱1,524,893**	₱1,506,510	₱1,401,702
In more than one year and not more than five years	**8,316,154**	**5,499,231**	7,580,256	5,011,130
In more than five years	**29,594,438**	**7,562,231**	32,023,338	7,733,705
	39,549,308	**14,586,355**	41,110,104	14,146,537
Less: Finance charges	**(24,962,953)**	**–**	(26,963,567)	–
Present value of lease obligations	**₱14,586,355**	**14,586,355**	₱14,146,537	14,146,537
Less: Current portion of obligations under finance lease		**(1,524,893)**		(1,401,702)
Non-current portion of obligations under finance lease		**₱13,061,462**		₱12,744,835

For the years ended December 31, 2016, 2015 and 2014, finance charges on obligations under finance lease amounted to ₱1,945,175, ₱1,866,199 and ₱1,771,625, of which ₱8,823, ₱82,746 and ₱734,133, were capitalized, respectively.

21. Long-term Debt, Net

This account consists of:

	December 31,	
	2016	2015
Senior Notes	**₱15,000,000**	₱15,000,000
Less: Deferred financing costs, net	**(151,500)**	(217,648)
	14,848,500	14,782,352
Current portion of long-term debt	**–**	–
	₱14,848,500	₱14,782,352

(a) Senior Notes

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

21. **Long-term Debt, Net** – continued

(a) Senior Notes – continued

The Senior Notes are general obligations of MCE Leisure, secured on a first-ranking basis by pledge of shares of all present and future direct and indirect subsidiaries of MCP, rank equally in right of payment to all existing and future senior indebtedness of MCE Leisure (save and except for any statutory preference or priority) and rank senior in right of payment to any existing and future subordinated indebtedness of MCE Leisure.

The Senior Notes are guaranteed by MCP and all present and future direct and indirect subsidiaries of MCP (subject to certain limited exceptions) (collectively the "Guarantors"), jointly and severally with MCE Leisure; and irrevocably and unconditionally by Melco on a senior basis. The guarantees are general obligations of the Guarantors, rank equally in right of payment to all existing and future senior indebtedness of the Guarantors (except for any statutory preference or priority) and rank senior in right of payment to any existing and future subordinated indebtedness of the Guarantors.

The Senior Notes mature on January 24, 2019. Interest on the Senior Notes is accrued at a rate of 5% per annum and is payable semi-annually in arrears on January 24 and July 24 of each year, commenced on July 24, 2014. In addition, the Senior Notes includes a tax gross up provision requiring MCE Leisure to pay without any deduction or withholding for or on account of tax.

The net proceeds from the offering of the Senior Notes, after deducting the underwriting commissions and other expenses of ₱230,769, amounted to ₱14,769,231. The net proceeds from the offering are for funding the City of Dreams Manila project, refinancing of debt and general corporate purposes.

MCE Leisure had the option to redeem all or a portion of the Senior Notes at any time prior to January 24, 2015 at 100% of the principal amount plus applicable premium as defined in the notes facility and security agreement (the "Notes Facility and Security Agreement") governing the Senior Notes. Thereafter, MCE Leisure has the option to redeem all or a portion of the Senior Notes at any time at fixed prices that decline ratably over time.

The Notes Facility and Security Agreement contains certain covenants that, subject to certain exceptions and conditions, limit the ability of MCP and its subsidiaries ability, including MCE Leisure to, among other things: (i) incur or guarantee additional indebtedness; (ii) sell assets; (iii) create liens; and (iv) effect a consolidation and merger.

The Senior Notes are exempted from registration with the SEC under the Philippine Securities Regulation Code Rule ("SRC Rule") 9.2.2(B) promulgated by the SEC as the Senior Notes were offered via private placement to not more than nineteen primary institutional lenders, accordingly, the Senior Notes are subject to the conditions of SRC Rule 9.2.2(B) which limit the assignment and transfer of the Senior Notes to primary institutional lenders only and to be held by not more than nineteen primary institutional lenders at any time before maturity of the Senior Notes.

21. **Long-term Debt, Net** – continued

(b) Shareholder Loan Facility

On December 23, 2013, MCE Leisure, as borrower (the "Borrower"), signed the definitive agreement of the senior secured shareholder loan facility (the "Shareholder Loan Facility") in an aggregate amount of up to US$340,000,000 (the "Shareholder Loan") with MCE Investments as lender (the "Lender") with reference to certain terms and conditions set out in a commitment letter entered by MCE Leisure with MCE Investments on April 12, 2013. The Shareholder Loan Facility is a term loan facility denominated in the United States dollars. MCP, MCE Holdings, MCE Holdings No. 2 (together with the Borrower, the "Obligors") have provided a guarantee under the Shareholder Loan Facility in favor of the Lender in relation to the obligations of the Obligors under the Shareholder Loan. The Lender may require such security as is notified by the Lender to the Borrower, including a pledge of shares (legally and beneficially held) over each of the present and future direct and indirect subsidiaries of MCP to be provided as a condition precedent to the initial utilization of the Shareholder Loan.

The Shareholder Loan Facility availability period is to be notified by the Lender prior to the initial utilization of the Shareholder Loan, and is subject to quarterly amortization payments commencing on six months after the opening of City of Dreams Manila. The individual drawdowns under the Shareholder Loan Facility are subject to certain conditions precedents, including completion of a utilization request of proposed drawdown and issuance of promissory note in favor of the Lender with the same amount of proposed drawdown. Borrowings under the Shareholder Loan Facility bear interest at a fixed rate of 5% per annum, accrued prior to the first interest payment date. The Shareholder Loan Facility includes a tax gross up provision requiring MCE Leisure to pay without any deduction or withholding for or on account of tax.

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

(c) The Credit Facility

On October 14, 2015, the Parent Company entered into an on-demand, unsecured credit facility agreement of ₱2,350,000 (the "Credit Facility") with a lender to finance advances to MCE Leisure. The Credit Facility availability period was extended from August 31, 2016 to November 29, 2016 and further extended to February 28, 2017 for the year ended December 31, 2016, and the maturity date of each individual drawdown cannot extend beyond the earlier of: (i) the date which is one year from the date of drawdown, and (ii) 90 days after the end of the availability period. The individual drawdowns under the Credit Facility are subject to certain conditions precedents, including issuance of a promissory note in favor of the lender evidencing such drawdown. Borrowings under the Credit Facility bear interest at the higher of: (i) the Philippine Dealing System Treasury Reference Rate PM (the "PDST-R2") of the selected interest period plus the applicable PDST-R2 margin of 1.25% per annum, and (ii) Philippines Special Deposit Account Rate (the "SDA") of the selected interest period plus the applicable SDA margin ranging from 0.50% to 0.75% per annum, such rate to be set one business day prior to the relevant interest period. The Credit Facility includes a tax gross up provision requiring the Parent Company to pay without any deduction or withholding for or on account of tax.

21. **Long-term Debt, Net** – continued

(c) The Credit Facility – continued

As of December 31, 2016 and 2015, the Credit Facility has not been drawn. As of the date of this report, the Credit Facility availability period was extended to February 28, 2018 on substantially similar terms as before, except that (i) the “SDA” is replaced by Philippines Term Deposit Facility Rate, and (ii) the maturity date shall not extend beyond 180 days from February 28, 2018.

(d) Deferred Financing Costs, Net

Direct and incremental costs of ₱333,711 incurred in connection with the issuance of the Senior Notes are capitalized in deferred financing costs. For the years ended December 31, 2016, 2015 and 2014, deferred financing costs of ₱66,148, ₱61,828 and ₱54,235 were amortized to the consolidated statements of comprehensive income, respectively. As of December 31, 2016 and 2015, the unamortized deferred financing costs of ₱151,500 and ₱217,648 were netted off and included in the amount of long-term debt as shown in the consolidated balance sheets, respectively.

For the years ended December 31, 2016, 2015 and 2014, interest expenses on long-term debt consisted of interest for the Senior Notes amounted to ₱937,500, ₱937,500 and ₱877,605, respectively. No interest on long-term debt was capitalized for the years ended December 31, 2016, 2015 and 2014.

For the years ended December 31, 2016, 2015 and 2014, the Group’s borrowing rate was approximately 6.25% per annum in each of those years, including a tax gross up impact on interest on the Senior Notes which required MCE Leisure to pay without any deduction or withholding for or on account of tax.

For the years ended December 31, 2016, 2015 and 2014, other finance fees on long-term debt represent the gross receipt tax on interest on the Senior Notes, including a tax gross up impact which required MCE Leisure to pay without any deduction or withholding for or on account of tax amounted to ₱47,832, ₱47,832 and ₱44,776, respectively.

22. **Retirement Costs – Defined Benefit Obligations**

The Group has defined benefit obligations covering substantially all of its regular employees. The costs of providing benefits are valued every year by a professional qualified independent actuary in compliance with PAS 19. Benefits are dependent on the years of service and the respective employees’ compensation and are determined using the projected unit credit actuarial cost method.

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

22. **Retirement Costs – Defined Benefit Obligations** – continued

The following tables summarize the components of retirement costs of defined benefit obligations recognized in the consolidated statements of comprehensive income for the years ended December 31, 2016, 2015 and 2014 and the retirement liabilities of defined benefit obligations recognized in the consolidated balance sheets as of December 31, 2016 and 2015:

	Year Ended December 31,		
	2016	2015	2014
Retirement costs – defined benefit obligations:			
Current service costs	**₱13,681**	₱23,617	₱–
Interest costs	**1,136**	–	–
	₱14,817	₱23,617	₱–

	December 31,	
	2016	2015
Retirement liabilities – defined benefit obligations (at present value):		
Balance at beginning of year	**₱23,617**	₱–
Current service costs	**13,681**	23,617
Interest costs	**1,136**	–
Remeasurement loss due to:		
Experience adjustments	**7,113**	–
Changes in financial assumptions	**(3,903)**	–
Balance at end of year	**₱41,644**	₱23,617

The principal assumptions used in determining the Group's retirement liabilities for defined benefit obligations as of December 31, 2016 and 2015 are as below:

	December 31,	
	2016	2015
Discount rate	**5.46%**	4.81%
Salary increase rate	**3.00%**	3.00%
Mortality rate	**1994 GAM**	1994 GAM
Disability rate	**1952 Disability Study, Period 2, Benefit 5**	1952 Disability Study, Period 2, Benefit 5
Turnover rate	**A scale ranging from 11% at age 25 to 0% at age 60**	A scale ranging from 11% at age 20 to 0% at age 60

The Group does not maintain a fund for its retirement benefit obligations.

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

22. **Retirement Costs – Defined Benefit Obligations** – continued

As of December 31, 2016 and 2015, the expected maturity of undiscounted expected benefit payments are as below:

	December 31, **2016**	December 31, 2015
Plan year:		
Less than 1 year	**₱–**	₱–
More than 1 year but less than 5 years	**13,958**	11,098
More than 5 years but less than 10 years	**73,313**	25,267
More than 10 years but less than 15 years	**102,330**	79,276
More than 15 years but less than 20 years	**182,643**	147,359
More than 20 years	**513,283**	454,131

As of December 31, 2016 and 2015, the average duration of the expected benefit payments were 21.63 and 23.42 years, respectively.

As above, the retirement benefit obligations are subject to several key assumptions. The following sensitivity analysis summarizes the impact of key assumptions which have been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligations as of December 31, 2016 and 2015, assuming all other assumptions were held constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

	December 31, 2016 Effect on Present Value of Obligations
Discount rate:	
6.46% (Actual + 1.00%)	**₱36,474**
5.46% (Actual)	**41,644**
4.46% (Actual - 1.00%)	**47,871**
Salary increase rate:	
4.00% (Actual + 1.00%)	**₱48,193**
3.00% (Actual)	**41,644**
2.00% (Actual - 1.00%)	**36,142**

	December 31, 2015 Effect on Present Value of Obligations
Discount rate:	
5.81% (Actual + 1.00%)	₱20,181
4.81% (Actual)	23,617
3.81% (Actual - 1.00%)	27,852
Salary increase rate:	
4.00% (Actual + 1.00%)	₱27,746
3.00% (Actual)	23,617
2.00% (Actual - 1.00%)	20,200

23. **Cooperation Agreement, Operating Agreement and Lease Agreement**

(a) Cooperation Agreement

On March 13, 2013, the Cooperation Agreement and other related arrangements which were entered on October 25, 2012 among MCE Holdings Group, SM Group, Belle and PLAI became effective upon completion of the closing arrangement conditions, with minor changes to the original terms (except for certain provisions which were effective on signing).

The Cooperation Agreement governs the relationship and the rights and obligations of the Licensees. Under the Cooperation Agreement, MCE Leisure has been designated as the operator to operate City of Dreams Manila and appointed as the sole and exclusive representative of the Licensees in connection with the Regular License and the operation and management of City of Dreams Manila until the expiry of the Regular License (currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms).

(b) Operating Agreement

On March 13, 2013, the Licensees entered into the Operating Agreement which governs the operation and management of City of Dreams Manila by MCE Leisure. The Operating Agreement was effective on March 13, 2013 and ends on the date of expiry of the Regular License (as that Regular License is extended, restored or renewed), unless terminated earlier in accordance with the terms of the Operating Agreement. The Regular License is currently scheduled to expire on July 11, 2033. Under the Operating Agreement, MCE Leisure is appointed as the sole and exclusive operator and manager of City of Dreams Manila, and is responsible for, and has sole discretion (subject to certain exceptions) and control over, all matters relating to the management and operation of City of Dreams Manila (including the casino and gaming operations, hotel and retail components and all other activities necessary, desirable or incidental for the management and operation of City of Dreams Manila). The Operating Agreement also included terms of certain payments to PLAI upon commencement of operations of City of Dreams Manila in December 2014, in particular, PLAI has the right to receive monthly payments from MCE Leisure, based on the performance of gaming operations of City of Dreams Manila and was included in payments to the Philippine Parties in the consolidated statements of comprehensive income, and MCE Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

(c) Lease Agreement

The Lease Agreement entered into between MCE Leisure and Belle, and was subsequently amended from time to time, became effective on March 13, 2013. Under the Lease Agreement, Belle agreed to lease to MCE Leisure the land and certain of the building structures for City of Dreams Manila. The lease continues until termination of the Operating Agreement (currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms). The leased property is used by MCE Leisure and any of its affiliates exclusively as a hotel, casino and resort complex with retail, entertainment, convention, exhibition, food and beverages services as well as other activities ancillary, related or incidental to the operation of any of the preceding uses.

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

24. **Commitments and Contingencies**

(a) Capital Commitments

As of December 31, 2016, the Group had capital commitments contracted for but not provided mainly for the acquisitions of property and equipment for City of Dreams Manila totaling ₱202,888.

(b) Lease Commitments

Operating Leases – As a Lessee

The Group leased a portion of land under the Lease Agreement for City of Dreams Manila and certain office spaces, warehouses, staff quarter and various equipment under non-cancelable operating lease agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by the Group and its lessors or contingent rental expenses stated as a percentage of turnover. For the years ended December 31, 2016, 2015 and 2014, the Group incurred rental expenses amounting to ₱266,136, ₱309,102 and ₱342,988, of which ₱266,136, ₱300,432 and ₱315,077 were recognized as other expenses (Note 16) and nil, ₱8,670 and ₱27,911 were capitalized in construction in progress, respectively. Minimum rental expenses amounting to ₱266,136, ₱307,348 and ₱342,947 and contingent rental expenses amounting to nil, ₱1,754 and ₱41 were recognized for the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, minimum lease payments under all non-cancelable leases were as follows:

	December 31, 2016
Within one year	**₱198,693**
In more than one year and not more than five years	**656,380**
In more than five years	**2,090,508**
	₱2,945,581

Operating Leases – As a Lessor

The Group entered into non-cancelable operating agreements mainly for mall spaces in City of Dreams Manila with various retailers that expire at various dates through July 2020. Certain of the operating agreements include minimum base fees with escalated contingent fee clauses. Contingent fees amounting to ₱9,178, ₱7,249 and nil were recognized for the years ended December 31, 2016, 2015 and 2014, respectively.

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

24. **Commitments and Contingencies** – continued

(b) Lease Commitments – continued

Operating Leases – As a Lessor – continued

As of December 31, 2016, minimum future fees to be received under all non-cancelable operating agreements were as follows:

	December 31, 2016
Within one year	**₱72,725**
In more than one year and not more than five years	**99,454**
	₱172,179

The total minimum future fees do not include the escalated contingent fee clauses.

(c) Other Commitments

Regular License

PAGCOR issued the Regular License dated April 29, 2015 in replacement of the Provisional License to the Licensees for the operation of City of Dreams Manila. Other commitments required by PAGCOR under the Regular License include as follows:

(i) To secure a surety bond in favor of PAGCOR in the amount of ₱100 million to ensure prompt and punctual remittance/payment of all license fees.

(ii) License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operation. The license fees are inclusive of the 5% franchise tax under the PAGCOR Charter.

24. **Commitments and Contingencies** – continued

(c) Other Commitments – continued

Regular License – continued

For taxable periods prior to April 1, 2014, under Article IV, Section 20 of the Regular License, PAGCOR and the Licensees agreed the license fees that are paid to PAGCOR by the Licensees are in lieu of all taxes with reference to the income component of the gross gaming revenues. In May 2014, PAGCOR temporarily allowed the Licensees to reallocate 10% of the license fees for payment of corporate income taxes effective from April 1, 2014. The said reallocation of 10% of the license fees was required to be used for subsidizing the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). This adjustment was to address the additional exposure to corporate income tax on the Licensees brought by the BIR RMC No. 33-2013 as disclosed in Note 19. The 10% license fee adjustment was a temporary measure to address the unilateral BIR action and is not intended to modify, amend or revise the Regular License. PAGCOR and the Licensees agreed to revert to the original license fee structure under the Regular License, in the event BIR action to collect corporate income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of BIR or the courts or under a new law. PAGCOR and the Licensees also agreed that the 10% license fee adjustment is not an admission of the validity of BIR RMC No. 33-2013 and it is not a waiver of any of the remedies against any assessments by BIR for corporate income tax on the gaming revenue of the Licensees. On August 10, 2016, the SC found in the Bloomberry Case that all contractees and licensees of PAGCOR, should be exempt from tax, including corporate income taxes realized from the casino operations, upon payment of the 5% franchise tax. On August 15, 2016, PAGCOR discontinued the 10% license fee adjustment.

(iii) The Licensees are required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the Licensees and approved by PAGCOR.

(iv) PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% fee except for rental income received from retail concessionaires.

(v) Grounds for revocation of the Regular License, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt or insolvent; and (d) if the debt-to-equity ratio is more than 70:30.

As of December 31, 2016 and 2015, MCE Holdings Group, as one of the parties as Licensees, has complied with the required debt-to-equity ratio under definition as agreed with PAGCOR, further details please refer to Note 25 under capital risk management.

24. **Commitments and Contingencies** – continued

(c) Other Commitments – continued

Cooperation Agreement

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any loss suffered or incurred by that Licensees arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular License. Also, each of the Philippine Parties and MCE Holdings Group agree to indemnify the non-breaching party for any loss suffered or incurred as a result of a breach of any warranty.

(d) Guarantee

MCE Leisure has issued a corporate guarantee of ₱100 million to a bank in respect of the surety bond issued to PAGCOR as disclosed in Note 24(c)(i).

(e) Litigation

As of December 31, 2016, 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 would have no material impact on the Group's consolidated financial statements as a whole.

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

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

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Other than the bank balances which carry interest at market rates and the Senior Notes which carry interest at fixed rate, the Group has no other significant interest-bearing assets and liabilities and its operating cash flows are substantially independent of changes in market interest rates. Accordingly, management is of the opinion that the Group does not have significant interest rate risk.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

25. **Financial Risk Management Objectives and Policies** – continued

Credit Risk – continued
The Group trades only with recognized and creditworthy third parties. It is the policy of the Group that all third parties who wish to trade on credit terms are subjected to credit verification procedures. Other current and non-current assets are monitored on an on-going basis with the result that the exposure of the Group to bad debts is not significant. The Group does not offer credit terms to third parties, without the specific approval of management.

With respect to credit risk from the financial assets of the Group, which are composed of cash and cash equivalents, restricted cash, accounts receivable, security deposit, other deposits and receivables, amount due from a shareholder, amount due from ultimate holding company, amount due from an intermediate holding company, amount due from immediate holding company and amount due from an affiliated company, the exposure of the Group to credit risk arises from the default of bank where the Group's cash and cash equivalents and restricted cash were deposited, the default of the counterparty of which the accounts receivable, security deposit and other deposits and receivables were held and the default of repayment from a shareholder, ultimate holding company, an intermediate holding company, immediate holding company and an affiliated company, with a maximum exposure equal to the carrying amount of these instruments. As described in Note 2, the Group has a concentration of credit risk with casino customers. The Group believes that the concentration of its credit risk in casino receivables is mitigated substantially by its credit evaluation process, credit policies, credit control and collection procedures, and also believes that no significant credit risk is inherent in the Group's accounts receivable not provided for as at December 31, 2016 and 2015. Other than casino receivables, there are no other concentrations of credit risk.

Credit Risk Exposures. The carrying values of the Group's financial assets represent the maximum exposure to credit risk since the financial assets have no collateral or credit enhancements as of December 31, 2016 and 2015.

Credit Quality per Class of Financial Assets. Cash and cash equivalents and restricted cash are considered as high grade and include deposits made to reputable banks in the Philippines. Accounts receivable and other deposits and receivables (excluding amount of past due but not impaired), amount due from a shareholder, amount due from immediate holding company and amount due from an affiliated company are considered as high grade as the Group only trades with recognized and creditworthy third parties and Melco will provide financial support to the shareholder, the immediate holding company and the affiliated company of the Parent Company to meet in full its financial obligations as they fall due. Amount due from ultimate holding company and amount due from an intermediate holding company are considered as high grade as Melco is listed on the NASDAQ Global Select Market with positive financial performance. Security deposit is also classified as high grade since the security deposit in relation to the Lease Agreement is placed with Belle, a company listed on the PSE with positive financial performance.

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

25. **Financial Risk Management Objectives and Policies** – continued

Credit Risk – continued

	December 31, 2016					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Allowance for Doubtful Debts	Total
Financial Assets						
Cash and cash equivalents	**₱8,834,089**	**₱–**	**₱–**	**₱–**	**₱–**	**₱8,834,089**
Restricted cash	**240,025**	–	–	–	–	**240,025**
Accounts receivable, net	**1,287,488**	–	**206,548**	–	**(102,823)**	**1,391,213**
Deposits and receivables, net	**282,050**	–	**3,770**	–	**(2,889)**	**282,931**
Amount due from a shareholder	**5,590**	–	–	–	–	**5,590**
Amount due from an intermediate holding company	**139,264**	–	–	–	–	**139,264**
Amount due from immediate holding company	**3,000**	–	–	–	–	**3,000**
Amount due from an affiliated company	**1,117**	–	–	–	–	**1,117**
	₱10,792,623	**₱–**	**₱210,318**	**₱–**	**(₱105,712)**	**₱10,897,229**

	December 31, 2015					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Allowance for Doubtful Debts	Total
Financial Assets						
Cash and cash equivalents	₱5,851,103	₱–	₱–	₱–	₱–	₱5,851,103
Restricted cash	42,525	–	–	–	–	42,525
Accounts receivable, net	1,180,560	–	104,715	–	(1,700)	1,283,575
Deposits and receivables, net	224,170	–	6,417	–	(611)	229,976
Amount due from a shareholder	5,588	–	–	–	–	5,588
Amount due from ultimate holding company	175,557	–	–	–	–	175,557
Amount due from an affiliated company	455	–	–	–	–	455
	₱7,479,958	₱–	₱111,132	₱–	(₱2,311)	₱7,588,779

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain adequate funding or is the risk that the Group will not be able to meet its obligations associated with financial difficulties.

The Group uses historical data and forecasts from its collection and disbursement to ensure it has sufficient cash to meet capital expenditure and operational needs and manages its liquid funds through cash planning on a monthly basis. The forecast takes into consideration of the Group's issuance of new shares, debt financing plans and covenant compliance requirements and funding from intermediate holding companies.

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and financial liabilities as of December 31, 2016 and 2015 based on undiscounted contractual cash flows.

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

25. **Financial Risk Management Objectives and Policies** – continued

Liquidity Risk – continued

	December 31, 2016				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	**₱10,351,414**	**₱–**	**₱–**	**₱–**	**₱10,351,414**
Restricted cash	**240,025**	**–**	**–**	**–**	**240,025**
Accounts receivable, net	**1,391,213**	**–**	**–**	**–**	**1,391,213**
Deposits and receivables, net	**138,039**	**7,029**	**–**	**266,740**	**411,808**
Amount due from a shareholder	**5,590**	**–**	**–**	**–**	**5,590**
Amount due from an intermediate holding company	**139,264**	**–**	**–**	**–**	**139,264**
Amount due from immediate holding company	**3,000**	**–**	**–**	**–**	**3,000**
Amount due from an affiliated company	**1,117**	**–**	**–**	**–**	**1,117**
Financial Liabilities					
Accounts payable	**₱139,270**	**₱–**	**₱–**	**₱–**	**₱139,270**
Accrued expenses, other payables and other current liabilities	**1,561,937**	**–**	**–**	**–**	**1,561,937**
Amounts due to affiliated companies	**1,221,141**	**–**	**–**	**–**	**1,221,141**
Current portion of obligations under finance lease	**1,638,716**	**–**	**–**	**–**	**1,638,716**
Non-current portion of obligations under finance lease	**–**	**3,760,948**	**4,555,206**	**29,594,438**	**37,910,592**
Long-term debt	**–**	**15,000,000**	**–**	**–**	**15,000,000**
Interest expenses payable on long-term debt (including withholding tax)	**937,500**	**997,396**	**–**	**–**	**1,934,896**
Other finance fees payable on long-term debt (including gross up withholding tax)	**47,832**	**50,887**	**–**	**–**	**98,719**
Other non-current liabilities	**–**	**16,440**	**12,208**	**–**	**28,648**

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

25. **Financial Risk Management Objectives and Policies** – continued

Liquidity Risk – continued

	December 31, 2015				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	₱7,460,229	₱–	₱–	₱–	₱7,460,229
Restricted cash	42,525	–	–	–	42,525
Accounts receivable, net	1,283,575	–	–	–	1,283,575
Deposits and receivables, net	51,189	45,989	–	266,673	363,851
Amount due from a shareholder	5,588	–	–	–	5,588
Amount due from ultimate holding company	175,557	–	–	–	175,557
Amount due from an affiliated company	455	–	–	–	455
Financial Liabilities					
Accounts payable	₱150,806	₱–	₱–	₱–	₱150,806
Accrued expenses, other payables and other current liabilities	1,451,652	–	–	–	1,451,652
Amount due to immediate holding company	7,357	–	–	–	7,357
Amounts due to affiliated companies	560,007	–	–	–	560,007
Current portion of obligations under finance lease	1,506,510	–	–	–	1,506,510
Non-current portion of obligations under finance lease	–	3,440,461	4,139,795	32,023,338	39,603,594
Long-term debt	–	–	15,000,000	–	15,000,000
Interest expenses payable on long-term debt (including withholding tax)	937,500	1,875,000	59,896	–	2,872,396
Other finance fees payable on long-term debt (including gross up withholding tax)	47,832	95,663	3,056	–	146,551
Other non-current liabilities	–	14,269	13,590	–	27,859

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group has transactional currency exposures arising from transactions denominated in foreign currencies, mainly Hong Kong dollars, United States dollars, Macau Patacas and Australian dollars. Foreign exchange risks of the Group are regularly reviewed by the management and appropriate processes are in place to monitor and mitigate the said risks by maintaining a certain amount of operating funds in the same currencies in which the Group has obligations to pay from time to time. Management decides not to hedge the currency exposures considering the cost of hedging being higher than the currency exposure.

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

25. **Financial Risk Management Objectives and Policies** – continued

Foreign Exchange Risk – continued

The following table shows the Group's foreign currency-denominated monetary assets and liabilities and their peso equivalents:

	December 31, 2016		December 31, 2015	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Financial Assets				
Cash and cash equivalents:				
Australian dollar ("AUD")	**AUD762,338**	**27,303**	AUD8,762	300
Euro ("EUR")	**EUR16,448**	**859**	–	–
Hong Kong dollar ("HK$")	**HK$488,665,392**	**3,128,778**	HK$156,058,850	946,102
Singapore dollar ("SGD")	**SGD56,431**	**1,934**	–	–
United States dollar ("US$")	**US$46,919,150**	**2,337,184**	US$19,308,248	910,693
		5,496,058		1,857,095
Accounts receivable, net:				
HK$	**HK$33,160,278**	**212,315**	HK$50,049,755	303,425
Deposits and receivables, net:				
US$	**US$84,302**	**4,199**	US$13,790	650
Amount due from ultimate holding company:				
HK$	–	–	(HK$23,973)	(145)
US$	–	–	(US$295,388)	(13,932)
		–		(14,077)
Amount due from an intermediate holding company:				
HK$	**(HK$23,973)**	**(153)**	–	–
US$	**(US$1,128,861)**	**(56,232)**	–	–
		(56,385)		–
Foreign Currency-denominated Financial Assets		**5,656,187**		2,147,093

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

25. **Financial Risk Management Objectives and Policies** – continued

Foreign Exchange Risk – continued

	December 31, 2016		December 31, 2015	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Financial Liabilities				
Accounts payable:				
HK$	**HK$128,235**	**821**	–	–
Japanese yen ("JPY")	**JPY668,960**	**284**	JPY360,000	140
US$	**US$34,139**	**1,701**	US$280,010	13,207
		2,806		13,347
Accrued expenses, other payables and other current liabilities:				
EUR	**EUR828**	**43**	–	–
HK$	**HK$9,158,897**	**58,642**	HK$338,342	2,051
Macau Patacas ("MOP")	**–**	**–**	MOP38,652	228
US$	**US$1,431,489**	**71,307**	US$2,098,297	98,968
		129,992		101,247
Amounts due to affiliated companies:				
HK$	**HK$73,586,323**	**471,151**	HK$63,452,666	384,680
MOP	**MOP105,310,239**	**654,631**	MOP26,974,056	158,766
SGD	**SGD1,713**	**59**	SGD1,713	57
US$	**US$903,740**	**45,018**	US$351,647	16,586
		1,170,859		560,089
Foreign Currency-denominated Financial Liabilities		**1,303,657**		674,683

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Group used the following rates of exchange as of December 31, 2016 and 2015:

	December 31, 2016	2015
Philippine peso to 1 unit of foreign currency:		
AUD	**35.82**	34.22
EUR	**52.22**	N/A
HK$	**6.40**	6.06
JPY	**0.42**	0.39
MOP	**6.22**	5.89
SGD	**34.27**	33.21
US$	**49.81**	47.17

The Group recognized a net foreign exchange gain of ₱215,840 and a net foreign exchange loss of ₱30,691 for the years ended December 31, 2016 and 2015, respectively.

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

25. **Financial Risk Management Objectives and Policies** – continued

Foreign Exchange Risk – continued

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Group's loss before income tax. There is no other impact on the Group's equity other than those already affecting the total comprehensive loss.

	December 31, 2016		December 31, 2015	
	% Change Currency Rate	Effect on Loss Before Income Tax	% Change Currency Rate	Effect on Loss Before Income Tax
AUD	**+2.5%**	**(₱683)**	+2.1%	(₱6)
	-2.5%	**683**	-2.1%	6
EUR	**+1.4%**	**(11)**	N/A	N/A
	-1.4%	**11**	N/A	N/A
HK$	**+1.3%**	**(36,534)**	+0.9%	(7,764)
	-1.3%	**36,534**	-0.9%	7,764
JPY	**+4.0%**	**11**	+1.7%	2
	-4.0%	**(11)**	-1.7%	(2)
MOP	**+1.3%**	**8,510**	+0.9%	1,431
	-1.3%	**(8,510)**	-0.9%	(1,431)
SGD	**+1.7%**	**(32)**	+1.2%	1
	-1.7%	**32**	-1.2%	(1)
US$	**+1.3%**	**(28,173)**	+0.9%	(6,918)
	-1.3%	**28,173**	-0.9%	6,918

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences.

Positive change in currency rate reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

Capital Risk Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain funding from issuance of new shares, debt financing and from intermediate holding companies.

The Group considers total equity and long-term debt as its capital which amounted to ₱19,882,603 and ₱21,390,422 as of December 31, 2016 and 2015, respectively.

Under the terms of the Regular License, it requires each of the Licensees to maintain a debt-to-equity ratio under the definition as agreed with PAGCOR (the "D/E Ratio") of not more than 70:30. The Group's strategy is to monitor capital and maintain the D/E Ratio to comply with the PAGCOR requirements. As of December 31, 2016 and 2015, MCE Holdings Group, as one of the parties as Licensees, has complied with the D/E Ratio as required by PAGCOR.

26. **Financial Instruments**

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

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

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

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

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

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

As of December 31, 2016 and 2015, the Group does not have financial instruments that are carried and measured at fair value. For the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

27. **Note to Consolidated Statements of Cash Flows**

(a) For the year ended December 31, 2016, fit-out construction costs and cost of property and equipment in total of ₱8,547, ₱23,097 and ₱1,483 were funded through accrued expenses, other payables and other current liabilities, amounts due to affiliated companies and other non-current liabilities, respectively (For the year ended December 31, 2015: ₱595,972, nil and ₱20,779, respectively; for the year ended December 31, 2014: ₱3,016,357, ₱329,997 and nil, respectively).

(b) For the year ended December 31, 2016, accruals for property and equipment of ₱255,704 were reversed for project costs adjustments (For the years ended December 31, 2015 and 2014: nil for both years).

(c) For the year ended December 31, 2016, interest expenses capitalized in fit-out construction costs of ₱8,823 were funded through obligations under finance lease (For the year ended December 31, 2015 and 2014: ₱82,746 and ₱734,133, respectively).

27. **Note to Consolidated Statements of Cash Flows** – continued

(d) For the year ended December 31, 2016, amount due to immediate holding company of ₱10,357 was offset with amount due from ultimate holding company (For the years ended December 31, 2015 and 2014: nil for both years).

(e) For the year ended December 31, 2016, part of the Reimbursable Amount for consideration of disposals of property and equipment to Belle of ₱ 1,152,700 were offset by escrow funds refundable to the Philippine Parties (For the years ended December 31, 2015 and 2014: nil for both years).

(f) For the year ended December 31, 2015, other non-current assets of ₱22,459 were funded through accrued expenses, other payables and other current liabilities (For the year ended December 31, 2014: nil).

(g) For the year ended December 31, 2015, part of the transaction costs for the issuance of shares capitalized in additional paid-in capital of ₱13,130 were funded through accrued expenses, other payables and other current liabilities (For the year ended December 31, 2014: nil).

(h) For the year ended December 31, 2014, buy-out fee of a finance lease agreement of ₱36,173 was funded through accrued expenses, other payables and other current liabilities.

28. **Share Incentive Plan**

The Group adopted the Share Incentive Plan, effective on June 24, 2013 and was subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase the Parent Company's common shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of the Group and its affiliates. The maximum term of an award is 10 years from the date of grant. The maximum aggregate number of common shares to be available for all awards under the Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of the Parent Company from time to time over 10 years. As of December 31, 2016, there were 163,597,467 common shares available for grants of various share-based awards under the Share Incentive Plan.

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

28. **Share Incentive Plan** – continued

Share Options

There was no share options granted under the Share Incentive Plan during the year ended December 31, 2016. During the year ended December 31, 2015, the exercise price for share options granted under the Share Incentive Plan was determined with reference to the market closing price of the Parent Company's common shares on the date of grant. During the year ended December 31, 2014, there were 9,543,186 share options granted under the Share Incentive Plan, the exercise price for 4,861,003 share options granted was determined at the higher of the closing price of the Parent Company's common shares on the date of grant and the average closing price for the five trading days preceding the date of grant, and the exercise price for 4,682,183 share options granted was fixed at ₱8.3 per share, with the same exercise price with the share options granted on June 28, 2013 as approved by the management that these personnel would contribute significantly to the pre-opening of City of Dreams Manila and joined the Group prior to March 31, 2014. These share options generally became exercisable over vesting periods of three years. The share options granted expire 10 years from the date of grant.

The Group uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. Expected volatility is based on the historical volatility of a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical of expected term of the Parent Company. The risk-free interest rate used for each period presented is based on the Philippine Government bond yield at the time of grant for the period equal to the expected term.

The fair value of share option granted under the Share Incentive Plan was estimated on the date of grant using the following weighted average assumptions:

	Year Ended December 31,		
	2016	2015	2014
Expected dividend yield	–	–	–
Expected stock price volatility	–	45%	40%
Risk-free interest rate	–	4.08%	3.77%
Expected average term (years)	–	5.4	5.2
Weighted average share price per share	–	3.46	13.05
Weighted average exercise price per share	–	3.46	10.82

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

28. **Share Incentive Plan** – continued

Share Options – continued

On August 2, 2016, the Board approved a proposal to allow for an option exchange program, designed to provide the eligible personnel an opportunity to exchange certain outstanding underwater share options for new restricted shares to be granted (the "Option Exchange Program"). Share options eligible for exchange were those that were granted during the years ended December 31, 2013 and 2014 under the Share Incentive Plan, including those unvested, or vested but not exercised. The acquiescence of the SEC on the Option Exchange Program was obtained by the Group on September 30, 2016. The exchange was subject to the eligible personnel's consent and became effective on October 21, 2016, which was the deadline for acceptance of the exchange by the eligible personnel. A total of 96,593,629 eligible share options were tendered by eligible personnel, representing 99.2% of the total share options eligible for exchange. The Group granted an aggregate of 43,700,116 new restricted shares in exchange for the eligible share options surrendered. The new restricted shares have vesting periods of three years. A total incremental share-based compensation expenses resulting from the Option Exchange Program was approximately ₱42,425, representing the excess of the fair value of the new restricted shares over the fair value of the surrendered share options immediately before the exchange. The fair value of the new restricted shares is determined with reference to the market closing price of the Parent Company's common shares at the effective date of the exchange. The incremental share-based compensation expense is being recognized over the new vesting period.

A summary of share options activity under the Share Incentive Plan as of December 31, 2016, and changes for the years ended December 31, 2016, 2015 and 2014 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share
Outstanding as of January 1, 2014	116,144,153	₱8.30
Granted	9,543,186	10.82
Forfeited	(1,560,727)	8.30
Outstanding as of December 31, 2014	124,126,612	8.49
Granted	6,796,532	3.46
Forfeited	(6,195,610)	8.40
Expired	(16,902)	13.26
Outstanding as of December 31, 2015	124,710,632	8.22
Forfeited	**(6,850,299)**	**9.68**
Canceled under Option Exchange Program	**(96,593,629)**	**8.39**
Expired	**(8,891,994)**	**8.81**
Outstanding as of December 31, 2016	**12,374,710**	**₱5.72**
Exercisable as of December 31, 2016	**7,277,311**	**₱7.31**

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

28. **Share Incentive Plan** – continued

Share Options – continued

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

	Year Ended December 31,					
	2016		2015		2014	
	Number of Share Options Outstanding (Note)	Weighted Average Remaining Contractual Term	Number of Share Options Outstanding (Note)	Weighted Average Remaining Contractual Term	Number of Share Options Outstanding (Note)	Weighted Average Remaining Contractual Term
Exercise price per share:						
₱3.46	**6,796,532**	**8.88**	6,796,532	9.88	–	–
₱8.30	**5,375,838**	**6.59**	113,196,113	7.52	119,265,609	8.52
₱13.26	**202,340**	**7.42**	4,717,987	8.42	4,861,003	9.42
	12,374,710	**7.86**	124,710,632	7.69	124,126,612	8.56

Note: 36,483,787 share options vested for the year ended December 31, 2016 and 95,509,140 vested share options were canceled under the Option Exchange Program for the year ended December 31, 2016.

No share options were exercised for the years ended December 31, 2016, 2015 and 2014.

Restricted Shares

During the years ended December 31, 2015 and 2014, the grant date fair value for restricted shares granted under the Share Incentive Plan, with vesting periods generally of three years, was determined with reference to the market closing price of the Parent Company's common shares on the date of grant.

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

28. **Share Incentive Plan** – continued

Restricted Shares – continued

A summary of restricted shares activity under the Share Incentive Plan as of December 31, 2016, and changes for the years ended December 31, 2016, 2015 and 2014 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2014	58,072,076	₱8.30
Granted	7,079,775	13.03
Forfeited	(780,365)	8.30
Unvested as of December 31, 2014	64,371,486	8.82
Granted	5,745,033	3.68
Vested	(38,375,178)	8.59
Forfeited	(3,210,126)	8.56
Unvested as of December 31, 2015	28,531,215	8.12
Granted under Option Exchange Program	**43,700,116**	**4.38**
Vested	**(19,541,800)**	**8.36**
Forfeited	**(3,433,823)**	**10.10**
Unvested as of December 31, 2016	**49,255,708**	**₱4.57**

No restricted shares were vested for the year ended December 31, 2014.

The impact of share options and restricted shares for the years ended December 31, 2016, 2015 and 2014 recognized in the consolidated financial statements is as follows:

	Year Ended December 31,		
	2016	2015	2014
Share Incentive Plan:			
Share options	**(₱3,585)**	₱80,401	₱220,730
Restricted shares	**14,127**	96,336	260,367
Total share-based compensation expenses	**₱10,542**	₱176,737	₱481,097
Share-based compensation expenses	**(₱2,679)**	₱109,824	₱206,795
Consultancy fees in consideration for share awards	**13,221**	66,913	274,302
	₱10,542	₱176,737	₱481,097

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

29. **Segment Information**

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

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

TOTAL ASSETS

	December 31,		
	2016	2015	2014
Total Assets – Located in the Philippines at City of Dreams Manila	**₱41,690,660**	₱44,757,753	₱47,746,744

CAPITAL EXPENDITURES

	Year Ended December 31,		
	2016	2015	2014
Total Capital Expenditures[(1)] – All in the Philippines at City of Dreams Manila	**₱448,264**	₱4,428,001	₱18,227,901

Note:
(1) Capital expenditures of ₱448,264 for the year ended December 31, 2016 did not include the adjustments to project costs of ₱255,704.

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

29. **Segment Information** – continued

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

	Year Ended December 31,		
	2016	2015	2014
NET OPERATING REVENUES			
The Philippines:			
City of Dreams Manila	**₱23,418,789**	₱13,727,327	₱430,218
Total Net Operating Revenues	**₱23,418,789**	₱13,727,327	₱430,218
ADJUSTED EBITDA(1)			
The Philippines:			
City of Dreams Manila	**₱7,561,263**	₱2,520,151	₱5,055
OPERATING COSTS AND EXPENSES			
Payments to the Philippine Parties	**(1,642,175)**	(757,039)	(38,809)
Land rent to Belle	**(158,478)**	(158,466)	(158,466)
Net gain on disposals of property and equipment to Belle	**380,454**	–	–
Pre-opening costs	**–**	(1,262,923)	(3,114,306)
Depreciation and amortization	**(4,388,885)**	(4,372,061)	(285,731)
Share-based compensation expenses	**2,679**	(109,824)	(206,795)
Consultancy fees in consideration for share awards	**(13,221)**	(66,913)	(274,302)
Corporate expenses	**(562,247)**	(593,841)	–
Property charges and others	**73,399**	(1,472,385)	(157,693)
Total Operating Costs and Expenses	**(6,308,474)**	(8,793,452)	(4,236,102)
OPERATING PROFIT (LOSS)	**1,252,789**	(6,273,301)	(4,231,047)
NON-OPERATING INCOME (EXPENSES)			
Interest income	**20,300**	14,203	42,887
Interest expenses, net of capitalized interest	**(2,873,852)**	(2,720,953)	(1,915,097)
Amortization of deferred financing costs	**(66,148)**	(61,828)	(54,235)
Other finance fees	**(47,832)**	(47,832)	(44,776)
Foreign exchange gains (losses), net	**215,840**	(30,691)	(101,013)
Total Non-operating Expenses, Net	**(2,751,692)**	(2,847,101)	(2,072,234)
LOSS BEFORE INCOME TAX	**(1,498,903)**	(9,120,402)	(6,303,281)
INCOME TAX EXPENSE	**(82,396)**	(23,729)	–
NET LOSS	**(₱1,581,299)**	(₱9,144,131)	(₱6,303,281)

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

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

29. **Segment Information** – continued

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

LONG-LIVED ASSETS

	December 31, 2016	2015	2014
The Philippines	**₱27,735,886**	₱33,863,028	₱33,807,088
Total Long-lived Assets	**₱27,735,886**	₱33,863,028	₱33,807,088

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Melco Crown (Philippines) Resorts Corporation
Asean Avenue cor. Roxas Boulevard
Brgy. Tambo, Parañaque City 1701

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Melco Crown (Philippines) Resorts Corporation and Subsidiaries, which comprise the consolidated balance sheets as at and for the years ended December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2016, included in this Form 17-A and have issued our report thereon dated April 7, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908781, January 3, 2017, Makati City

April 7, 2017

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2016
Schedule A. Financial Assets
(In thousands of Philippine peso)

Name of issuing entity and association of each issue	Amounts shown in the balance sheet	Interest income received or receivable
Cash and cash equivalents:		
BDO Unibank, Inc.	3,296,948	9,707
Metropolitan Bank and Trust Company	3,195,906	4,266
Bank of China Manila Branch	2,140,786	490
Eastwest Bank	200,334	428
Industrial and Commercial Bank of China	115	-
Cash on hand	1,517,325	-
	10,351,414	14,891
Restricted cash:		
BDO Unibank, Inc.	240,025	338
Accounts receivable, net:		
Various customers	1,391,213	-
Deposits and receivables, net:		
Belle Corporation	108,914	4,998
Prudential Guarantee and Assurance, Inc.	65,000	-
The Manila Electric Company	28,948	73
Froehlich Tours Inc.	20,169	-
Nissan Car Lease Philippines, Inc.	18,495	-
Bureau of Internal Revenue	7,620	-
SM Investments Corporation	7,129	-
BDO Unibank, Inc.	2,366	-
Pioneer Insurance and Surety Corporation	2,242	-
Ding Xian Top Fresh Concepts, Inc.	1,801	-
Global Poker Tours Ltd	1,533	-
Tiger Resort, Leisure and Entertainment, Inc.	1,298	-
Luxusmarken Von Adrenaline Inc.	1,095	-
Dreamgastrobar, Inc.	1,088	-
Ruby Jack's Manila, Inc.	958	-
Kitchenstory Inc.	936	-
Others	13,339	-
	282,931	5,071
Amount due from a shareholder:		
MCE (Philippines) Investments No.2 Corporation	5,590	-
Amount due from an intermediate holding company:		
Melco Resorts & Entertainment Limited (formerly known as Melco Crown Entertainment Limited)	139,264	-
Amount due from immediate holding company:		
MCE (Philippines) Investments Limited	3,000	-
Amount due from an affiliated company:		
MCE Transportation Limited	1,117	-

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2016
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
(In thousands of Philippine peso)

Receivable of MCE Leisure (Philippines) Corporation from Melco Crown (Philippines) Resorts Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-current	Ending balance
Melco Crown (Philippines) Resorts Corporation	25,552	1,998	-	-	86	27,636	-	27,636

Receivable of Melco Crown (Philippines) Resorts Corporation and MCE Leisure (Philippines) Corporation from MCE Holdings (Philippines) Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-current	Ending balance
MCE Holdings (Philippines) Corporation	3,266	530	-	-	529	4,325	-	4,325

Receivable of Melco Crown (Philippines) Resorts Corporation, MCE Holdings (Philippines) Corporation and MCE Leisure (Philippines) Corporation from MCE Holdings No. 2 (Philippines) Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-current	Ending balance
MCE Holdings No. 2 (Philippines) Corporation	23,167	1,196	-	-	3	24,366	-	24,366

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2016
Schedule D. Intangible Assets
(In thousands of Philippine peso)

Description	Beginning balance	Additions of cost	Amortization charged to cost and expenses	Other changes additions (deductions)	Ending balance
Contract acquisition costs	915,965	-	(52,093)	-	863,872
Other intangible assets (for right to use of trademarks)	7,176	-	(1,740)	-	5,436

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2016
Schedule E. Long-term Debt
(In thousands of Philippine peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (i)
5.00% senior notes, due 2019	15,000,000	-	14,848,500

(i) Balance represents principal amount net against deferred financing costs of 151,500.
See note 21(a) to Consolidated Financial Statements for details of interest rates, amounts or number of periodic installments, and maturity dates.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Schedule H. Capital Stock
As of December 31, 2016

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held by		
				Affiliates/Related Parties	Directors, Officers and Employees	Others
Common	5,900,000,000	5,662,897,278	61,630,418	4,124,277,064	14,062,007	1,524,558,207

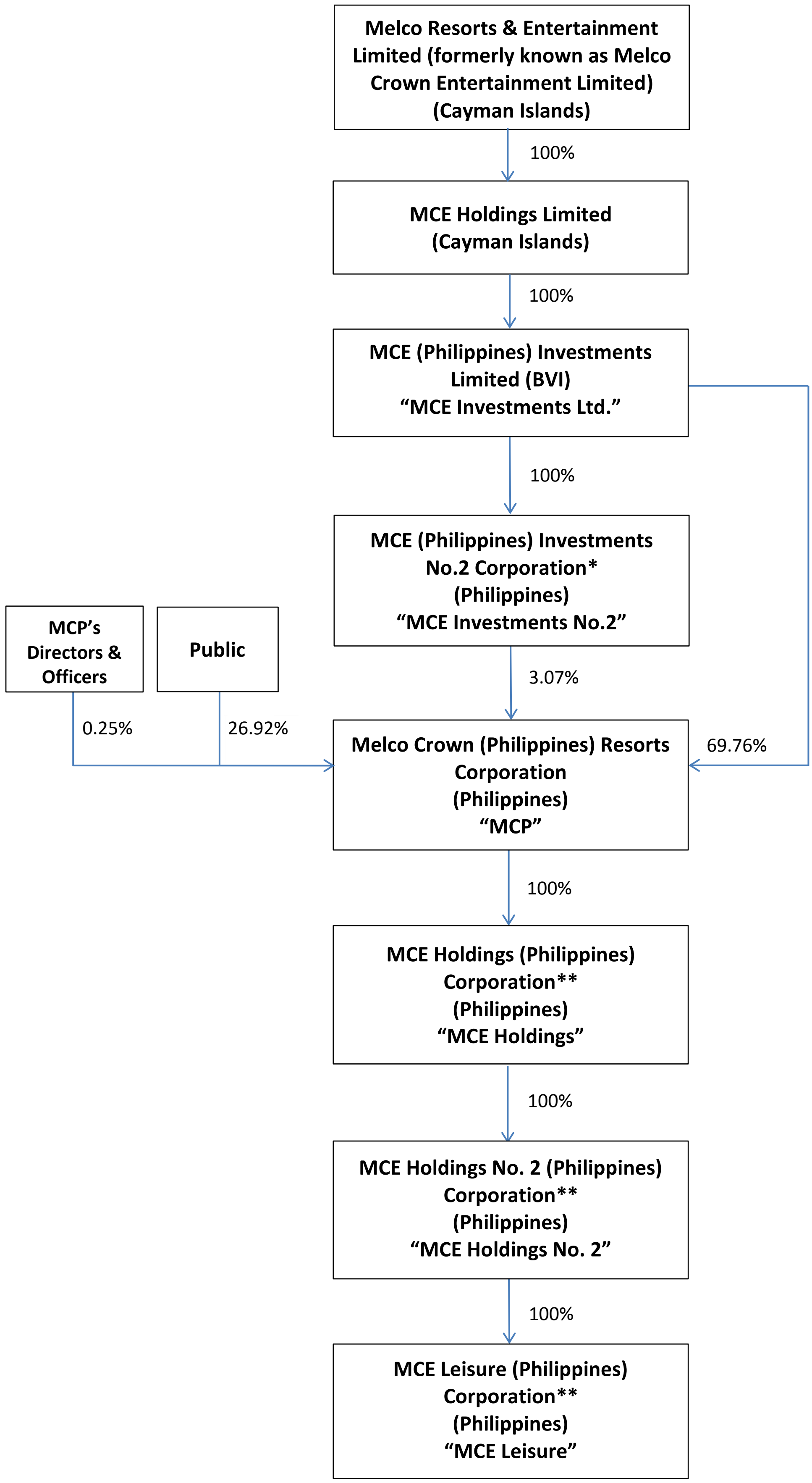
RECONCILIATION OF RETAINED EARNINGS
As of December 31, 2016

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701

Unappropriated deficit per financial statements, beginning		**(₱85,406,720)**
Adjustments: Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)		**112,835**
Unappropriated deficit, as adjusted, beginning		**(85,293,885)**
Net loss based on the face of AFS	**(₱32,087,755)**	
Add: Non-actual losses:		
Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)	**467,234**	
Net loss actual/realized		**(31,620,521)**
		(116,914,406)
Add: Transfer of share-based compensation reserve upon expiry of share options		**36,663,249**
UNAPPROPRIATED DEFICIT, AS ADJUSTED, ENDING		**(₱80,251,157)**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Key Performance Indicators
For the year ended December 31, 2016 and 2015

		December 31, 2016	December 31, 2015	Note
Current ratio	Current assets over current liabilities	**1.52**	**0.91**	
Debt-to-equity ratio	Long term and short term debt over total equity	**2.95**	**2.24**	
Interest rate coverage ratio	Net income before interest expense and taxes over interest expense	**Not applicable**	**Not applicable**	**MCP is making a loss**
Return on assets	Net income over total assets	**Not applicable**	**Not applicable**	**MCP is making a loss**
Return on equity	Net income over total equity	**Not applicable**	**Not applicable**	**MCP is making a loss**



* 0.0067% of this company is owned by 5 nominee directors

** 0.00000022% of these companies are owned by 5 nominee directors of each company respectively

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		X			
PFRSs Practice Statement Management Commentary					X
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	X			
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate				X
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters				X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters				X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters				X
	Amendments to PFRS 1: Government Loans				X
PFRS 2	Share-based Payment	X			
	Amendments to PFRS 2: Vesting Conditions and Cancellations	X			
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	X			
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		X		
PFRS 3 (Revised)	Business Combinations				X
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination				X
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements				X
PFRS 4	Insurance Contracts				X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				X
	Amendments to PFRS 4: Insurance Contracts – applying PFRS 9: Financial Instruments, with PFRS 4		X		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendment to PFRS 5 : Changes in Method of Disposal				X
PFRS 6	Exploration for and Evaluation of Mineral Resources				X
PFRS 7	Financial Instruments: Disclosures	X			
	Amendments to PFRS 7: Transition	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X			
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X			
	Amendments to PFRS 7: Disclosures – Servicing Contracts	X			
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	X			
PFRS 8	Operating Segments	X			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	X			
PFRS 9	Financial Instruments		X		
	Financial Instruments – New Hedge Accounting Requirements		X		
	Financial Instruments – Classification and Measurement (2010 version)		X		
	Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		X		
	Financial Instruments (2014 or final version)		X		
PFRS 10	Consolidated Financial Statements	X			
	Amendments to PFRS 10: Investment Entities	X			
	Amendments to PFRS 10 : Sale of Contribution of Assets between an Investor and its Associate of Joint Venture		X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendments to PFRS 10 : Applying the Consolidation Exception	X			
PFRS 11	Joint Arrangements				X
	Amendments to PFRS 11 : Accounting for Acquisitions of Interests in Joint Operations				X
PFRS 12	Disclosure of Interests in Other Entities				X
	Amendments to PFRS 12: Investment Entities	X			
	Amendments to PFRS 12: Applying the Consolidation Exception	X			
	Amendment to PFRS 12: Clarification of the Scope of the Standard		X		
PFRS 13	Fair Value Measurement	X			
	Amendment to PFRS 3 : Portfolio Exception	X			
PFRS 14	Regulatory Deferral Accounts				X
PFRS 15	Revenue from Contracts with Customers		X		
PFRS 16	Leases		X		
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	X			
	Amendment to PAS 1: Capital Disclosures	X			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	X			
	Amendments to PAS 1: Disclosure Initiative	X			
PAS 2	Inventories	X			
PAS 7	Statement of Cash Flows	X			
	Amendments to PAS 7: Disclosure Initiative		X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X			
PAS 10	Events after the Balance Sheet Date	X			
PAS 11	Construction Contracts				X
PAS 12	Income Taxes	X			
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		X		
PAS 16	Property, Plant and Equipment	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendment to PAS16 : Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization				X
	Amendment to PAS16 : Clarification of Acceptable Methods of Depreciation and Amortization	X			
	Amendment to PAS 16 - Agriculture : Bearer Plants				X
PAS 17	Leases	X			
PAS 18	Revenue	X			
PAS 19	Employee Benefits	X			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X			
PAS 19 (Revised)	Employee Benefits	X			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	X			
	Amendments to PAS 19: regional market issue regarding discount rate	X			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance				X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X			
	Amendment: Net Investment in a Foreign Operation				X
PAS 23 (Revised)	Borrowing Costs	X			
PAS 24 (Revised)	Related Party Disclosures	X			
	Amendment to PAS 24 : Key Management Personnel	X			
PAS 26	Accounting and Reporting by Retirement Benefit Plans				X
PAS 27	Consolidated and Separate Financial Statements	X			
PAS 27 (Amended)	Separate Financial Statements	X			
	Amendments to PAS 27: Investment Entities	X			
	Amendments to PAS 27 : Equity Method in Separate Financial Statements				X
PAS 28	Investments in Associates				X
PAS 28 (Amended)	Investments in Associates and Joint Ventures				X
	Amendments to PAS 28 : Sale or Contribution of Assets between an Investor and its Associate of Joint Venture		X		
	Amendments to PAS 28 : Applying the Consolidation Exception				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value		X		
PAS 29	Financial Reporting in Hyperinflationary Economies				X
PAS 32	Financial Instruments: Disclosure and Presentation	X			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				X
	Amendment to PAS 32: Classification of Rights Issues				X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X			
PAS 33	Earnings per Share	X			
PAS 34	Interim Financial Reporting	X			
	Amendment to PAS 34 : disclosure of information ‘elsewhere in the interim financial report’	X			
PAS 36	Impairment of Assets	X			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	X			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X			
PAS 38	Intangible Assets	X			
	Amendment to PAS38 : Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization				X
	Amendment to PAS38 : Clarification of Acceptable Methods of Depreciation and Amortization	X			
PAS 39	Financial Instruments: Recognition and Measurement	X			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions				X
	Amendments to PAS 39: The Fair Value Option				X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives				X
	Amendment to PAS 39: Eligible Hedged Items				X
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting				X
PAS 40	Investment Property				X
	Amendment to PAS 40 : Investment Property – Transfers of Investment Property		X		
PAS 41	Agriculture				X
	Amendment to PAS 41- Agriculture : Bearer Plants				X
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities				X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments				X
IFRIC 4	Determining Whether an Arrangement Contains a Lease	X			
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds				X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment				X
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies				X
IFRIC 8	Scope of PFRS 2	X			
IFRIC 9	Reassessment of Embedded Derivatives				X
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives				X
IFRIC 10	Interim Financial Reporting and Impairment				X
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	X			
IFRIC 12	Service Concession Arrangements				X
IFRIC 13	Customer Loyalty Programmes	X			
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction				X
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement				X
IFRIC 16	Hedges of a Net Investment in a Foreign Operation				X
IFRIC 17	Distributions of Non-cash Assets to Owners				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers				X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments				X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine				X
IFRIC 21	Levies	X			
IFRIC 22	Foreign Currency Transactions and Advance Consideration		X		
SIC-7	Introduction of the Euro				X
SIC-10	Government Assistance - No Specific Relation to Operating Activities				X
SIC-12	Consolidation - Special Purpose Entities	X			
	Amendment to SIC - 12: Scope of SIC 12	X			
SIC-15	Operating Leases - Incentives	X			
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets				X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders				X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X			
SIC-29	Service Concession Arrangements: Disclosures				X
SIC-31	Revenue - Barter Transactions Involving Advertising Services				X
SIC-32	Intangible Assets - Web Site Costs				X

Melco Crown (Philippines) Resorts Corporation and Subsidiaries

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2017 AND DECEMBER 31, 2016
(In thousands of Philippine peso, except share and per share data)

	Notes	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱9,892,211**	₱10,351,414
Bank deposits with original maturities over three months		**1,003,880**	–
Restricted cash		**309,715**	240,025
Accounts receivable, net	5	**1,623,566**	1,391,213
Inventories		**214,129**	230,411
Prepayments and other current assets		**367,493**	322,692
Amount due from a shareholder	11	**5,590**	5,590
Amount due from an intermediate holding company	11	**135,538**	139,264
Amount due from immediate holding company	11	**3,000**	3,000
Amount due from an affiliated company	11	**1,385**	1,117
Total Current Assets		**13,556,507**	12,684,726
Non-current Assets			
Property and equipment, net	6	**25,957,024**	26,866,578
Contract acquisition costs, net		**850,849**	863,872
Other intangible assets, net		**4,077**	5,436
Other non-current assets		**1,360,226**	1,270,048
Total Non-current Assets		**28,172,176**	29,005,934
		₱41,728,683	₱41,690,660
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable		**₱105,680**	₱139,270
Accrued expenses, other payables and other current liabilities	7	**6,025,030**	5,414,657
Current portion of obligations under a finance lease	14	**1,558,219**	1,524,893
Amounts due to affiliated companies	11	**479,226**	1,282,040
Income tax payable		**–**	160
Total Current Liabilities		**8,168,155**	8,361,020
Non-current Liabilities			
Long-term debt, net	15	**14,865,735**	14,848,500
Non-current portion of obligations under a finance lease	14	**13,106,771**	13,061,462
Deferred rent liabilities		**227,022**	219,258
Retirement liabilities		**46,819**	41,644
Other non-current liabilities		**37,820**	43,485
Deferred tax liability, net		**100,206**	81,188
Total Non-current Liabilities		**₱28,384,373**	₱28,295,537

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS – continued

MARCH 31, 2017 AND DECEMBER 31, 2016

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

	Notes	**March 31, 2017 (Unaudited)**	December 31, 2016 (Audited)
Equity			
Capital stock	8	**₱5,662,897**	₱5,662,897
Additional paid-in capital		**22,076,822**	22,076,822
Share-based compensation reserve		**396,557**	416,835
Equity reserve		**(3,613,990)**	(3,613,990)
Accumulated deficit		**(19,346,131)**	(19,508,461)
Total Equity		**5,176,155**	5,034,103
		₱41,728,683	₱41,690,660

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

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

	Notes	Three Months Ended March 31, 2017	2016
NET OPERATING REVENUES			
Casino		**₱7,299,172**	₱4,051,809
Rooms		**264,124**	226,334
Food and beverage		**175,232**	165,596
Entertainment, retail and others		**141,884**	91,010
Total Net Operating Revenues		**7,880,412**	4,534,749
OPERATING COSTS AND EXPENSES			
Gaming tax and license fees		**(1,857,641)**	(1,132,471)
Inventories consumed		**(216,771)**	(191,074)
Employee benefit expenses	9	**(844,352)**	(868,504)
Depreciation and amortization		**(1,086,682)**	(1,153,893)
Other expenses	10	**(2,249,388)**	(1,218,579)
Payments to the Philippine Parties		**(773,855)**	(337,904)
Total Operating Costs and Expenses		**(7,028,689)**	(4,902,425)
OPERATING PROFIT (LOSS)		**851,723**	(367,676)
NON-OPERATING INCOME (EXPENSES)			
Interest income		**5,806**	2,822
Interest expenses, net of capitalized interest		**(726,554)**	(713,215)
Amortization of deferred financing costs		**(17,235)**	(16,109)
Other finance fees		**(11,958)**	(11,958)
Foreign exchange gains (losses), net		**65,652**	(28,630)
Total Non-operating Expenses, Net		**(684,289)**	(767,090)
PROFIT (LOSS) BEFORE INCOME TAX		**167,434**	(1,134,766)
INCOME TAX EXPENSE	13	**(18,858)**	(1,050)
NET PROFIT (LOSS)		**148,576**	(1,135,816)
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱148,576**	(₱1,135,816)
Basic/Diluted Earnings (Loss) Per Share	12	**₱0.03**	(₱0.20)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(In thousands of Philippine peso, except share and per share data)

	Capital Stock (Note 8)	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve	Accumulated Deficit	Total
Balance as of January 1, 2017	**₱5,662,897**	**₱22,076,822**	**₱416,835**	**(₱3,613,990)**	**(₱19,508,461)**	**₱5,034,103**
Net profit	**–**	**–**	**–**	**–**	**148,576**	**148,576**
Total comprehensive income	**–**	**–**	**–**	**–**	**148,576**	**148,576**
Share-based compensation	**–**	**–**	**(6,524)**	**–**	**–**	**(6,524)**
Transfer of share-based compensation reserve upon expiry of share options	**–**	**–**	**(13,754)**	**–**	**13,754**	**–**
Balance as of March 31, 2017	**₱5,662,897**	**₱22,076,822**	**₱396,557**	**(₱3,613,990)**	**(₱19,346,131)**	**₱5,176,155**
Balance as of January 1, 2016	₱5,643,355	₱21,932,963	₱606,279	(₱3,613,990)	(₱17,960,537)	₱6,608,070
Net loss	–	–	–	–	(1,135,816)	(1,135,816)
Total comprehensive loss	–	–	–	–	(1,135,816)	(1,135,816)
Share-based compensation	–	–	34,241	–	–	34,241
Transfer of share-based compensation reserve upon expiry of share options	–	–	(3,150)	–	3,150	–
Balance as of March 31, 2016	₱5,643,355	₱21,932,963	₱637,370	(₱3,613,990)	(₱19,093,203)	₱5,506,495

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(In thousands of Philippine peso, except share and per share data)

	Three Months Ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	**₱1,596,985**	₱1,728,008
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of bank deposits with original maturities over three months	**(1,003,880)**	–
Increase in restricted cash	**(69,690)**	(43,807)
Deposits for acquisitions of property and equipment	**(63,040)**	(36,397)
Payments for acquisitions of property and equipment	**(62,014)**	(1,003,907)
Proceeds from disposals of property and equipment	**2,945**	–
Net cash used in investing activities	**(1,195,679)**	(1,084,111)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of obligations under a finance lease	**(415,979)**	–
Interest paid	**(468,750)**	(468,750)
Other finance fees paid	**(23,916)**	(23,916)
Payments for issuance of capital stock	**–**	(1,040)
Cash used in financing activities	**(908,645)**	(493,706)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	**48,136**	(49,740)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(459,203)**	100,451
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**10,351,414**	7,460,229
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱9,892,211**	₱7,560,680

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

1. Organization and Business

Corporate Information

Melco Crown (Philippines) Resorts Corporation (herein referred to as "MCP" or the "Parent Company") is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (the "SEC"). The shares of stock of the Parent Company are publicly traded on The Philippine Stock Exchange, Inc. (the "PSE"). On February 1, 2017 and April 7, 2017, the Board of Directors and stockholders of MCP, respectively, approved the change of the Parent Company's name to Melco Resorts and Entertainment (Philippines) Corporation, subject to the SEC's approval.

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

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

As of March 31, 2017 and December 31, 2016, the Parent Company's ultimate holding company is Melco International Development Limited ("Melco International"), a Hong Kong-listed company.

As of March 31, 2017 and December 31, 2016, the immediate holding company of the Parent Company is MCE (Philippines) Investments Limited ("MCE Investments"), an indirect subsidiary of Melco International.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
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.

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash on hand	**₱1,196,860**	₱1,517,325
Cash in banks	**8,695,351**	8,834,089
	₱9,892,211	₱10,351,414

5. Accounts Receivable, Net

Components of accounts receivable, net are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Casino	**₱1,593,495**	₱1,442,270
Hotel	**48,368**	48,687
Others	**993**	3,079
Sub-total	**1,642,856**	1,494,036
Less: Allowance for doubtful debts	**(19,290)**	(102,823)
	₱1,623,566	₱1,391,213

For the three months ended March 31, 2017 and 2016, the Group written back allowance for doubtful debts, net of ₱2,026 and provided allowance for doubtful debts, net of ₱19,035, and reclassified allowance for doubtful debts of ₱79,649 and nil to long-term receivables, respectively, and no accounts receivable were directly written off in each of those periods.

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

6. **Property and Equipment, Net**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Carrying amount as of January 1	**₱26,866,578**	₱32,939,887
Additions	**171,246**	448,264
Adjustments to project costs	**–**	(255,704)
Disposals	**(8,500)**	(1,930,817)
Depreciation and amortization	**(1,072,300)**	(4,335,052)
Carrying amount as of March 31/December 31	**₱25,957,024**	₱26,866,578
Building under a finance lease	**₱10,362,762**	₱10,521,782
Other property and equipment	**15,594,262**	16,344,796
	₱25,957,024	₱26,866,578

7. **Accrued Expenses, Other Payables and Other Current Liabilities**

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Outstanding gaming chips and tokens	**₱2,025,892**	₱1,748,215
Accruals for:		
Gaming tax and license fees	**1,013,518**	852,907
Employee benefit expenses	**550,573**	536,204
Payments to the Philippine Parties	**332,815**	235,868
Property and equipment	**220,996**	61,477
Taxes and licenses	**92,654**	80,123
Operating expenses and others	**786,811**	808,884
Customer deposits	**594,501**	489,369
Withholding tax payable	**203,863**	191,125
Interest expenses payable	**139,583**	327,083
Other payables and liabilities	**63,824**	83,402
	₱6,025,030	₱5,414,657

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

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

8. **Equity**

	Number of Shares	**Capital Stock**
Ordinary shares of ₱1 per share		
Authorized:		
As of January 1, 2017 (Audited) and March 31, 2017 (Unaudited)	**5,900,000,000**	**₱5,900,000**
Issued and fully paid:		
As of January 1, 2017 (Audited) and March 31, 2017 (Unaudited)	**5,662,897,278**	**₱5,662,897**

As of March 31, 2017 and December 31, 2016, the Parent Company had 425 and 428 stockholders, respectively.

9. **Employee Benefit Expenses**

	Three Months Ended March 31,	
	2017 (Unaudited)	2016 (Unaudited)
Basic salaries, allowances, bonuses and other amenities expenses	**₱741,463**	₱737,539
Annual leave and other paid leave expenses	**34,345**	25,937
Retirement costs – defined contribution plans	**17,590**	18,354
Retirement costs – defined benefit obligations	**5,175**	3,704
Share-based compensation expenses	**4,826**	21,765
Consultancy fees in consideration for share awards	**(11,350)**	12,476
Other employee benefit expenses	**52,303**	48,729
	₱844,352	₱868,504

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

10. Other Expenses

	Three Months Ended March 31, 2017 (Unaudited)	2016 (Unaudited)
Other gaming operations expenses	**₱1,234,509**	₱501,448
Facilities and supplies expenses	**349,871**	310,590
Management fee expenses	**157,315**	121,903
Advertising, marketing, promotional and entertainment expenses	**93,694**	59,128
Rental expenses	**66,166**	62,569
Office and administrative expenses	**41,750**	48,937
Taxes and licenses	**20,504**	13,227
Net loss on disposals of property and equipment	**5,555**	–
Operating expenses and others	**280,024**	100,777
	₱2,249,388	₱1,218,579

11. Related Party Transactions

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

	Amount of Transactions for the Three Months Ended March 31, 2017 (Unaudited)	Outstanding Balance March 31, 2017 (Unaudited)	Terms	Conditions
Amount due from a shareholder				
MCE (Philippines) Investments No.2 Corporation (“MCE Investments No.2”)				
Amount due from MCE Investments No.2	**₱–**	**₱5,590**	Repayable on demand; non-interest bearing	Unsecured, no impairment
Amount due from an intermediate holding company				
Melco Resorts & Entertainment Limited (“Melco”)				
Management fee income[(1)]	**₱1,485**	**₱–**		
Management fee expenses	**4,271**	**–**		
Amount due from Melco	**–**	**135,538**	Repayable on demand; non-interest bearing	Unsecured, no impairment

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

11. **Related Party Transactions** – continued

	Amount of Transactions for the Three Months Ended March 31, 2017 (Unaudited)	Outstanding Balance March 31, 2017 (Unaudited)	Terms	Conditions
Amount due from immediate holding company				
MCE Investments				
Amount due from MCE Investments	**₱–**	**₱3,000**	Repayable on demand; non-interest bearing	Unsecured, no impairment
Amount due from an affiliated company				
A subsidiary of Melco International (other than MCE Investments No.2, Melco and MCE Investments)				
Food and beverage and entertainment, retail and other revenues	**₱268**	**₱–**		
Amount due from a subsidiary of Melco International	**–**	**1,385**	Repayable on demand; non-interest bearing	Unsecured, no impairment
Amounts due to affiliated companies				
Melco International's subsidiaries				
Management fee, trademark license fees and other expenses[2]	**₱309,364**	**₱–**		
Amounts due to Melco International's subsidiaries	**–**	**479,226**	Repayable on demand; non-interest bearing	Unsecured

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

11. **Related Party Transactions** – continued

	Amount of Transactions for the Three Months Ended March 31, 2017 (Unaudited)	Outstanding Balance March 31, 2017 (Unaudited)	Terms	Conditions
A subsidiary and an associated company of Crown Resorts Limited ("Crown")(3)				
Management fee, consultancy fee and facilities expenses	**₱5,126**	**₱–**		
Amounts due to a subsidiary and an associated company of Crown	**–**	**–**	Repayable on demand; non-interest bearing	Unsecured

Notes:

(1) The amount represents the recharge of share-based compensation expenses for certain directors of MCP for the three months ended March 31, 2017 to a subsidiary of Melco International.
(2) Management services are provided by Melco International group companies. These services include, but are not limited to, corporate expenses and gaming operations support.
(3) In February 2017, Melco International completed the purchase of certain ordinary shares of Melco from a subsidiary of Crown. Upon completion of the transaction, Crown's beneficial interests in Melco decreased to below 10%, and Crown and its subsidiary and associated company are not regarded as related parties of Melco and the Group.

Directors' Remuneration

For the three months ended March 31, 2017, the remuneration of directors of the Group was borne by a subsidiary of Melco International.

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

12. **Basic/Diluted Earnings (Loss) Per Share**

	Three Months Ended March 31, 2017 (Unaudited)	2016 (Unaudited)
Net profit (loss) (a)	**₱148,576**	(₱1,135,816)
Weighted average number of common shares outstanding used in the calculation of basic earnings (loss) per share (b)	**5,662,897,278**	5,643,355,478
Basic earnings (loss) per share (a)/(b)*1,000	**₱0.03**	(₱0.20)
Net profit (loss) (a)	**₱148,576**	(₱1,135,816)
Weighted average number of common shares outstanding used in the calculation of diluted earnings (loss) per share (b)	**5,704,239,047**	5,643,355,478
Diluted earnings (loss) per share (a)/(b)*1,000	**₱0.03**	(₱0.20)

For the three months ended March 31, 2017 and 2016, 3,872,203 and 123,068,384 outstanding share options and 1,674,485 and 28,149,394 outstanding restricted shares as of March 31, 2017 and 2016, respectively, were excluded from the computation of diluted earnings (loss) per share as their effect would have been anti-dilutive.

13. **Income Tax**

The provision for income tax for the three months ended March 31, 2017 and 2016 consisted of:

	Three Months Ended March 31, 2017 (Unaudited)	2016 (Unaudited)
Provision for current income tax	**₱–**	₱169
Over-provision of income tax in prior year	**(160)**	–
Deferred tax charge	**19,018**	881
	₱18,858	₱1,050

For the three months ended March 31, 2017, other than the Supreme Court's decision to deny the Motion for Reconsideration filed by the Bureau of Internal Revenue in a resolution dated November 28, 2016, there is no significant change to the tax exposures as disclosed in the Group's audited consolidated financial statements as of December 31, 2016.

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

14. Obligations Under a Finance Lease

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

	March 31, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under a finance lease:				
Within one year	**₱1,677,317**	**₱1,558,219**	₱1,638,716	₱1,524,893
In more than one year and not more than five years	**8,476,575**	**5,602,909**	8,316,154	5,499,231
In more than five years	**28,979,437**	**7,503,862**	29,594,438	7,562,231
	39,133,329	**14,664,990**	39,549,308	14,586,355
Less: Finance charges	**(24,468,339)**	**–**	(24,962,953)	–
Present value of lease obligations	**₱14,664,990**	**14,664,990**	₱14,586,355	14,586,355
Less: Current portion of obligations under a finance lease		**(1,558,219)**		(1,524,893)
Non-current portion of obligations under a finance lease		**₱13,106,771**		₱13,061,462

15. Long-term Debt, Net

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Senior Notes	**₱15,000,000**	₱15,000,000
Less: Deferred financing costs, net	**(134,265)**	(151,500)
	14,865,735	14,848,500
Current portion of long-term debt	**–**	–
	₱14,865,735	₱14,848,500

For the three months ended March 31, 2017, there is no significant change to the long-term debt as disclosed in the Group's audited consolidated financial statements as of December 31, 2016. As of March 31, 2017, the Shareholder Loan Facility and the Credit Facility have not yet been drawn.

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

16. Cooperation Agreement, Operating Agreement and Lease Agreement

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

17. Commitments and Contingencies

(a) Capital Commitments

As of March 31, 2017, the Group had capital commitments contracted for but not provided mainly for the acquisitions of property and equipment for City of Dreams Manila totaling ₱225,035.

(b) Lease Commitments

Operating Leases – As a Lessee

As of March 31, 2017, minimum lease payments under all non-cancelable leases were as follows:

	March 31, 2017
Within one year	**₱158,421**
In more than one year and not more than five years	**667,600**
In more than five years	**2,045,389**
	₱2,871,410

(c) Other Commitments and Guarantees

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

(d) Litigation

As of March 31, 2017, the Group is a party to certain legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings would have no material impact on the Group's unaudited condensed consolidated financial statements as a whole.

18. Financial Risk Management Objectives and Policies

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

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

19. **Financial Instruments**

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

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

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

20. **Note to Unaudited Condensed Consolidated Statements of Cash Flows**

(a) For the three months ended March 31, 2017, fit-out construction costs and cost of property and equipment in total of ₱153,380 and nil were funded through accrued expenses, other payables and other current liabilities and amounts due to affiliated companies, respectively (For the three months ended March 31, 2016: ₱94,830 and ₱43,124, respectively).

(b) For the three months ended March 31, 2016, accruals for property and equipment of ₱206,223 were reversed for project costs adjustments.

(c) For the three months ended March 31, 2016, amount due to immediate holding company of ₱10,357 was offset with amount due from ultimate holding company.

21. **Share Incentive Plan**

Share Options

During the three months ended March 31, 2017, the exercise price for share options granted under the Share Incentive Plan was determined with reference to the market closing price of the Parent Company's common shares on the date of grant. These share options generally became exercisable over vesting periods of 2 years. The share options granted expire 10 years from the date of grant.

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

21. **Share Incentive Plan** – continued

Share Options – continued

The Group uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. Expected volatility is based on the historical volatility of the Parent Company's common shares trading on the PSE and the historical volatility of a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical of expected term of the Parent Company. The risk-free interest rate is based on the Philippine Government bond yield at the time of grant for the period equal to the expected term.

The fair value of share option granted under the Share Incentive Plan was estimated on the date of grant using the following weighted average assumptions:

	Three Months Ended March 31, 2017
Expected dividend yield	**–**
Expected stock price volatility	**45%**
Risk-free interest rate	**4.28%**
Expected average term (years)	**5.2**
Weighted average share price per share	**₱5.66**
Weighted average exercise price per share	**₱5.66**

A summary of share options activity under the Share Incentive Plan as of March 31, 2017, and changes for the three months ended March 31, 2017 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share
Outstanding as of January 1, 2017	12,374,710	₱5.72
Granted	**1,531,112**	**5.66**
Expired	**(3,237,087)**	**8.61**
Outstanding as of March 31, 2017	**10,668,735**	**₱4.84**
Exercisable as of March 31, 2017	**4,040,224**	**₱6.26**

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

21. **Share Incentive Plan** – continued

Share Options – continued

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

	March 31, 2017	
	Number of Share Options Outstanding	Weighted Average Remaining Contractual Term
Exercise price per share:		
₱3.46	**6,796,532**	**8.64**
₱5.66	**1,531,112**	**9.96**
₱8.30	**2,341,091**	**6.25**
	10,668,735	**8.30**

No share options were vested and exercised for the three months ended March 31, 2017.

Restricted Shares

During the three months ended March 31, 2017, the grant date fair value for restricted shares granted under the Share Incentive Plan was determined with reference to the market closing price of the Parent Company's common shares on the date of grant. These restricted shares generally have vesting periods of 2 years.

A summary of restricted shares activity under the Share Incentive Plan as of March 31, 2017, and changes for the three months ended March 31, 2017 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2017	49,255,708	₱4.57
Granted	**1,674,485**	**5.66**
Forfeited	**(193,317)**	**4.88**
Unvested as of March 31, 2017	**50,736,876**	**₱4.61**

No restricted shares were vested for the three months ended March 31, 2017.

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22. **Segment Information**

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

CAPITAL EXPENDITURES

	Three Months Ended March 31,	
	2017 (Unaudited)	2016 (Unaudited)
Total capital expenditures[1] – All in the Philippines at City of Dreams Manila	**₱171,246**	₱177,162

Note:
(1) Capital expenditures of ₱177,162 for the three months ended March 31, 2016 did not include the adjustments to project costs of ₱206,223.

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22. **Segment Information** – continued

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

	Three Months Ended March 31,	
	2017 (Unaudited)	2016 (Unaudited)
NET OPERATING REVENUES		
The Philippines:		
City of Dreams Manila	**₱7,880,412**	₱4,534,749
Total Net Operating Revenues	**₱7,880,412**	₱4,534,749
ADJUSTED EBITDA(1)		
The Philippines:		
City of Dreams Manila	**₱3,046,205**	₱1,311,429
OPERATING COSTS AND EXPENSES		
Payments to the Philippine Parties	**(773,855)**	(337,904)
Land rent to Belle Corporation ("Belle")	**(39,617)**	(39,616)
Depreciation and amortization	**(1,086,682)**	(1,153,893)
Share-based compensation expenses	**(4,826)**	(21,765)
Consultancy fees in consideration for share awards	**11,350**	(12,476)
Corporate expenses	**(300,852)**	(113,451)
Total Operating Costs and Expenses	**(2,194,482)**	(1,679,105)
OPERATING PROFIT (LOSS)	**851,723**	(367,676)
NON-OPERATING INCOME (EXPENSES)		
Interest income	**5,806**	2,822
Interest expenses, net of capitalized interest	**(726,554)**	(713,215)
Amortization of deferred financing costs	**(17,235)**	(16,109)
Other finance fees	**(11,958)**	(11,958)
Foreign exchange gains (losses), net	**65,652**	(28,630)
Total Non-operating Expenses, Net	**(684,289)**	(767,090)
PROFIT (LOSS) BEFORE INCOME TAX	**167,434**	(1,134,766)
INCOME TAX EXPENSE	**(18,858)**	(1,050)
NET PROFIT (LOSS)	**₱148,576**	(₱1,135,816)

Note:
(1) "Adjusted EBITDA" is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, share-based compensation expenses, corporate expenses 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.