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)

PRELIMINARY INFORMATION STATEMENT
SEC Form 20-IS
FORM TYPE

LCU

Cashier

DTU

58648
SEC Reg. No.

File No.

Central Receiving Unit

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NONE
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MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION

NOTICE AND AGENDA OF THE ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

SECURITIES AND EXCHANGE COMMISSION

Notice is hereby given that **MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION** (the "**Corporation**") will hold its Annual Stockholders' Meeting on June 13, 2018, 9:30 a.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:

APR 2 2018
MARKET REGULATION DEPT.
BY: ___ TIME: 1:45

1. Call to Order
2. Certification of the Existence of Quorum and the Sending of Notices
3. Approval of the Minutes of the Stockholders' Meetings held on June 26, 2017 and September 26, 2017
4. Report of the Chairman or President
5. Approval of the Audited Financial Statements of the Corporation for the Year Ended December 31, 2017
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 26, 2017
9. Other Matters that May Properly be Brought Before the Meeting
10. Adjournment

The above agenda items are further explained in the Preliminary 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 April 18, 2018.

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 4, 2018. The proxies submitted shall be validated on the same day at the office of the Corporate Secretary.

Parañaque City, Philippines, April 20, 2018.

MARIE GRACE A. SANTOS
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' Meeting held on June 26, 2017 and September 26, 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, 2017** – The 2017 Audited Financial Statements of the Corporation, already incorporated in the Preliminary 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 Preliminary 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 26, 2017 –** All actions taken by the Board of Directors and Officers of the Corporation since the last Annual Stockholders' Meeting on June 26, 2017, 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 2017 Annual Report and Report of the Chairman, are required to be presented to the stockholders for their approval and ratification.

9. **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.

10. **Adjournment** – Upon consideration of all business, the Chairman shall declare the meeting adjourned, formally ending the 2018 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 **(02) 691-8899**

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

   Date : June 13, 2018
   Time : 9:30 a.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: May 16, 2018

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 March 31, 2018	Treasury Shares As of March 31, 2018	Outstanding Common Stock As of March 31, 2018
Common	5,666,764,407	NIL	5,666,764,407
Total	5,666,764,407	NIL	5,666,764,407

Outstanding debt:
PhP 7.5 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 13, 2018 at 9:30 a.m. at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines.

THE COMPANY HAS SET MAY 16, 2018 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, 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 5,666,764,407 common shares outstanding as of the record date, April 18, 2018, held by a total of 422 stockholders. The stockholders will vote on matters scheduled to be taken up at the Annual Stockholders' Meeting scheduled on June 13, 2018, 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 March 21, 2018, all stockholders at the close of business hours on April 18, 2018 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 March 31, 2018, 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	MCO (Philippines) Investments Limited, formerly known as MCE (Philippines) Investments Limited ("**MCO Investments**") Jayla Place, Wickams Cay I, Road Town, Tortola, British Virgin Islands Stockholder of Record	MCO Investments	British Virgin Islands ("**BVI**")	3,950,440,196*	69.71%
Common	PCD Nominee Corporation (Non-Filipino)	Various Stockholders	Various	962,430,729**	16.98%
Common	PCD Nominee Corporation (Filipino)	Various Stockholders	Filipino	540,889,933	9.54%

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

*These shares are lodged with the Philippine Depository and Trust Corporation. MPHIL is a wholly owned subsidiary of MCO Investments.

**Does not include the 3,950,440,196 shares of MCO Investments and 173,837,068 shares of MPHIL 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 March 31, 2018:

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: 7,049,729 Indirect: 100	0.2%
Common	Geoffrey Stuart Davis	American	Direct: 1,040,485 Indirect N/A	NIL
Common	Alec Yiu Wa Tsui	British	Direct: 1,379,908 Indirect: N/A	NIL
Common	John William C. Crawford	Canadian	Direct: 5,000 Indirect: N/A	NIL
Common	Frances Marie T. Yuyucheng	Filipino	Direct: N/A Indirect: 100	NIL
Common	Johann M. Albano	Filipino	Direct: 168,480 Indirect: 3,000	NIL
Common	Jose Maria B. Poe III	Filipino	Direct: 1,000 Indirect: N/A	NIL
Common	Maria Marcelina O. Cruzana	Filipino	Direct: 2,544 Indirect: 100	NIL
Common	Liberty A. Sambua	Filipino	Direct: 2,164 Indirect: N/A	NIL

[1] (1) Clarence Yuk Man Chung indirectly holds 100 shares in trust and for the benefit of MCO 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 MPHIL. (3) Geoffrey Stuart Davis, Alec Yiu Wa Tsui, John Crawford and Jose Maria B. Poe III are the registered and beneficial owners of the shares held by them.

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:7,049,729 Indirect: 100	NIL
Common	Kevin Richard Benning	American	Direct: N/A Indirect: N/A	NIL
-	Donald Nori Tateishi	American	Direct: N/A Indirect: N/A	NIL
Common	Marissa T. Academia	Filipino	Direct: 759 Indirect: N/A	NIL
Common	Marie Grace A. Santos	Filipino	Direct: 261 Indirect: N/A	NIL

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/Director*	55	Chinese	5 years	Since Dec. 19, 2012
Geoffrey Stuart Davis *Director*	49	American	3 months	Since Jan. 31, 2018
John William C. Crawford *Independent Director*	75	Canadian	1 year	Since Feb. 1, 2017
Alec Yiu Wa Tsui *Independent Director*	68	British	5 years	Since Dec. 19, 2012
Frances Marie T. Yuyucheng *Director*	50	Filipino	3 years	Since May 18, 2015
Johann M. Albano *Director*	41	Filipino	4 years	Since Apr. 11, 2014
Jose Maria B. Poe III *Independent Director*	53	Filipino	3 months	Since Jan. 31, 2018
Maria Marcelina O. Cruzana *Director*	59	Filipino	4 years	Since Mar. 13, 2014
Liberty A. Sambua *Director*	33	Filipino	4 years	Since Mar. 13, 2014
Kevin Richard Benning *Senior Vice President, Chief Operating Officer*	35	American	3 months	Since Feb. 1, 2018

[2] Clarence Yuk Man Chung indirectly holds 100 shares in trust and for the benefit of MCO (Philippines) Investments Limited.

Name And Position	Age	Citizenship	Term Of Office As A Director / Officer	Period Served As A Director / Officer
Donald Nori Tateishi *Treasurer*	47	American	2 years	Since May 16, 2016
Marissa T. Academia *Corporate Information Officer** *Compliance Officer***	51	Filipino	4 years	*Since Jan. 22, 2014 **Since Mar. 13, 2014
Marie Grace A. Santos *Corporate Secretary*/Alternate Corporate Information Officer***	36	Filipino	*4 months **4 years	*Since Dec. 4, 2017 **Since Jan. 22, 2014

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

On June 26, 2017, Ms. Sambua was again elected as a Director of the Company. On September 26, 2017, Mr. Geoffrey Stuart Davis and Mr. Jose Maria B. Poe III were also elected as Director and Independent Director, respectively, of the Company. However, the election of Mr. Davis and Mr. Poe as directors of the Company took effect only on January 31, 2018, upon the approval by the SEC of the Company's Amended Articles of Incorporation providing for the additional director seats to be occupied by Mr. Davis and Mr. Poe.

On January 31, 2018, Mr. Geoffry Philip Andres resigned as the Property President/Chief Operating Officer of the Company. He was replaced by Mr. Kevin Richard Benning, previously the Vice-President for Gaming Operations, who took over as Senior Vice President, Chief Operating Officer effective February 1, 2018.

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 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.

Geoffrey Stuart Davis – *Director*

On January 31, 2018, Mr. Davis was appointed as a director of the Company. Mr. Davis is the Executive Vice President and Chief Financial Officer of Melco since April 2011. He is also the Chief Financial Officer of Melco International since December 2017. Prior to that, he served as Melco's Deputy Chief Financial Officer from August 2010 to March 2011 and Senior Vice President, Corporate Finance from 2007. Mr. Davis was a research analyst for Citigroup Investment Research, where he covered the U.S. gaming industry from 2001 to 2007. From 1996 to 2000, he held a number of positions at Hilton Hotels Corporation and Park Place Entertainment. Park Place was spun off from Hilton Hotels Corporation and was subsequently renamed Caesars Entertainment. Mr. Davis has been a Chartered Financial Analyst charter holder since 2000 and obtained a Bachelor of Arts degree from Brown University.

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 and Risk 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 Hong Kong Stock Exchange 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 and a consultant of the Shenzhen Stock Exchange from July 2001 to June 2002. Mr. Tsui was an independent non-executive director of China Blue Chemical Limited from April 2006 to June 2012, China Chengtong Development Group Limited from March 2003 to November 2013, China Power International Development Limited from March 2004 to December 2016 and China Oilfield Services Limited from June 2009 to June 2015, all of which are companies listed on the Hong Kong Stock Exchange. Mr. Tsui has been a director of Industrial and Commercial Bank of China (Asia) Limited since August 2000. Mr. Tsui 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, including COSCO Shipping International (Hong Kong) Co. Ltd. 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. In addition, due to his long experience as an executive supervising finance and accounting functions, and extensive knowledge and expertise in internal controls and procedures for financial reporting and other matters performed by audit committees in general, Mr. Tsui also serves as a member of the audit committee on several of the companies on which he serves as a director.

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.

John William C. Crawford – *Independent Director*

Mr. 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 and up to his resignation on July 3, 2017. 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.

Frances Marie T. Yuyucheng – *Director*

On May 18, 2015, Ms. Yuyucheng was appointed as a director of the Company. Ms. Yuyucheng joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 1996 and was a senior partner until March 2018. 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.

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.

Jose Maria B. Poe III – *Independent Director*

On January 31, 2018, Mr. Poe was appointed as an independent director of the Company. Mr. Poe is the Chairman and Chief Executive Officer of J. Poe & Sons Inc., BCC Global Solutions and the CAT Security Group. He is also Chairman and Chief Executive Officer of Building Care Realty Corp., J. Poe Realty Inc., BCC Security Technologies Inc., BCC Diagnostics & Medical Services Inc., and the Security Academy of the Philippines Inc. He is a director of Sodexo On-Site Services Philippines Inc., and a member of the Board of Trustees of Kabayanihan Foundation. He was formerly the president of the Kellogg Northwestern Alumni Club of the Philippines.

Mr. Poe has 27 years of experience in the facilities management industry. He obtained his Masters of Business Administration degree from Kellogg School of Management in Northwestern University, Evanston IL. He graduated with a degree in Business Administration & Accountancy Magna Cum Laude from the University of the Philippines.

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.
Liberty A. Sambua – Director

Ms. Sambua was appointed as a director of the Company on March 13, 2014 and has served as the Company's director until her resignation on February 1, 2017. She has multiple years of auditing, accounting and finance working experience in an audit/accounting firm and a private company. She also has been with Chevron Philippines, Inc. as a Credit Analyst. Ms. Sambua is a Licensed Certified Public Accountant and holds a bachelor's degree in Science in Accountancy from PUP.

Kevin Richard Benning – *Senior Vice President, Chief Operating Officer*

Mr. Benning was appointed as the Senior Vice President, Chief Operating Officer of the Company effective February 1, 2018. Prior to that, he served as the Vice President for Gaming Operations of the Company's subsidiary, Melco Resorts Leisure (PHP) Corporation from March 31, 2016 to February 1, 2018. Mr. Benning has years of experience working in the gaming industry. From April 2015 to March 2016, he was the Vice President of Casino Marketing of Resorts World Sentosa, Singapore. He was formerly the Executive Director of Marketing Operations of Sands China Limited, Macau from April

2011 to April 2015. He graduated from the Arizona State University, USA with a Bachelor of Arts degree in Business.

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 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's subsidiary Melco Resorts Leisure (PHP) Corporation. 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.

Marie Grace A. Santos – *Corporate Secretary / Alternate Corporate Information Officer*

On December 5, 2017, Ms. Santos was appointed as the Company's Corporate Secretary. She was previously appointed as the Alternate Corporate Information Officer of the Company on January 22, 2014. Prior to joining the Company, Ms. Santos was the Assistant Vice-President of the Investigation and Enforcement Department of the Capital Markets Integrity Corporation, the spun-off regulatory arm of the PSE. Previously, she also held the position of Corporate Governance and Strategy Management Officer of the PSE and was also head of the Prosecution and Enforcement Department of the PSE's former Market Regulation Division. She obtained her Juris Doctor degree from the Ateneo Law School and was admitted to the Philippine Bar in 2007.

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 are no persons who are not Executive Officers 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 2018-2019

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

Information on, and details of, the nominees are stated on page 10 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, 2017 are included in Note 16 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:

Name and Position of (a) above for the year 2017

1.	Mr. Clarence Yuk Man Chung	(President / Chairman of the Board)
2.	Mr. Geoffry Philip Andres*	(Property President / Chief Operating Officer)
3.	Mr. Kevin Richard Benning	(Vice President, Gaming Operations**)
4.	Mr. Donald Nori Tateishi	(Vice President, Property Chief Financial Officer/Treasurer)
5.	Ms. Marissa T. Academia	(Vice President, Legal Affairs/Compliance Officer)

* Resigned on January 31, 2018
**Former position held prior to promotion as Senior Vice President, Chief Operating Officer on February 1, 2018

Summary of Compensation Table

	(Estimated) Year Ending December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
(a) President and four highest compensated officers and/or key management personnel:			
Basic salaries, allowances and benefits in kind	₱59,744	₱81,219	₱81,781
Performance bonuses	24,216	84,187	61,745
Retirement costs – defined contribution plans	80	3,867	3,358
Share-based compensation expenses	11,035	20,235	14,028
	₱95,075	₱189,508	₱160,912

	(Estimated) Year Ending December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
(b) All other Officers, key management personnel and Directors as a group unnamed:			
Basic salaries, allowances and benefits in kind	₱10,619	₱18,036	₱23,185
Performance bonuses	2,621	6,229	7,087
Retirement costs – defined contribution plans	45	62	58
Share-based compensation expenses	683	606	1,301
	₱13,968	₱24,933	₱31,631

[3] In thousands of Philippine peso.

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, 2018. 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 2018 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, 2017 and 2016. The remuneration of the Directors of the Company was borne by Melco.

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, 2017, 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:

	2017
In thousands of Philippine peso	
External audit fees and services	₱6,831
Other non-audit service fees	1,884
Tax fees	16,443
Out-of-pocket expenses	1,454

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 included fees incurred for professional services rendered for various agreed-upon procedures work and review of quarterly condensed consolidated financial statements.

c) Tax fees included fees 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 and Risk 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, an affiliate of the Company, was listed on Hong Kong Stock Exchange. 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 the Company approved the further amendment of the SIP to remove HKLR compliance provisions as a result of the delisting of Melco from Hong Kong Stock Exchange, 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 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.

Warrants and Options Outstanding

The Company did not have any outstanding warrants as of December 31, 2017 and 2016. Please refer to Note 27 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 of December 31, 2017 are as follows:

Date of grant/award	Exercise Price	Market Price as of date of grant/award
June 28, 2013	8.30	8.30
February 17, 2014	8.30	13.48
February 28, 2014	8.30	13.00
March 27, 2014	8.30	12.76
March 28, 2014	8.30	12.96
May 30, 2014	13.256	13.00
September 29, 2015	3.99	3.99
November 16, 2015	3.46	3.46
September 30, 2016	N/A	3.91
March 15, 2017	5.66	5.66
August 1, 2017	8.98	8.98

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 the Grant Date. The Grant Date represents the dates of grant and approval by the SEC of the issuance of shares under the SIP.

	As of December 31, 2017		**As of December 31, 2016**	
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
President	5,939,848	0	5,626,415	0
Property President/Chief Operating Officer*	3,808,071	11,005,987	2,548,700	6,796,532
Treasurer**	1,857,259	1,895,930	0	0
Compliance Officer	2,024,725	170,872	1,958,831	0
Corporate Secretary***	260,121***	0***	0***	0***
All other Officers, key management personnel and Directors as a group unnamed	4,943,103	867,212	8,629,204	0
Others	32,899,829	780,364	30,492,558	5,578,178
Total	**51,732,956**	**14,720,365**	**49,255,708**	**12,374,710**

*Referring to the previous Property President/Chief Operating Officer who resigned on January 31, 2018

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

***Formerly, the Company's Compliance Officer was also the Company's Corporate Secretary. A new Corporate Secretary was appointed in December 2017

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

There is no stockholders' action to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

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 of the Company and its subsidiaries (collectively referred to as the "**Group**") for the years ended December 31, 2017, 2016 and 2015 and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Information Statement as Appendix I.

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.

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.

<u>D. OTHER MATTERS</u>

Item 15. Action with Respect to Reports

The following are included in the Agenda for the June 13, 2018 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 26, 2017 and September 26, 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, 2017.

   The 2017 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
   Geoffrey Stuart Davis
   Frances Marie T. Yuyucheng
   Johann M. Albano
   Maria Marcelina O. Cruzana
   Liberty A. Sambua
   John William C. Crawford – Independent Director
   Alec Yiu Wa Tsui – Independent Director
   Jose Maria B. Poe III – Independent Director

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

4. Appointment of External Auditor

   Upon the favorable recommendation of the Company's Audit and Risk 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 26, 2017

   All actions taken by the Board of Directors and Officers of the Company since the last Annual Stockholders' Meeting on June 26, 2017, 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 2017 Annual Report and Report of the Chairman, shall be presented to the stockholders for their approval and ratification.

6. 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 26, 2017, 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 2017 Annual Report and Report of the Chairman.

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

There is no action to be taken with respect to the amendment of the Corporation's Charter, By-Laws or other documents.

Item 18. Other Proposed Action

There is no other action with respect to any matter not specifically referred to above.

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' Meeting held on June 26, 2017 and Special Stockholders' Meeting held on September 26, 2017	Majority of the votes cast
Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2017	Majority of the votes cast
Election of the Members of the Board of Directors	The top nine (9) 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 26, 2017	Majority of the votes cast

MANAGEMENT REPORT

1. 2017 Audited Consolidated Financial Statements, Statement of Management's Responsibility, and Interim Financial Statements

The audited consolidated financial statements for the years ended December 31, 2017, 2016 and 2015 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.

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, 2017 and 2016, and for the years ended December 31, 2017, 2016 and 2015.

Overview and Plan of Operation

The Company, through its subsidiaries, is engaged in the development and operation of an integrated hotel, gaming, retail and entertainment complex within the Entertainment City. The Company's subsidiaries, MPHIL Holdings No. 1 Corporation ("**MPHIL Holdings No. 1**"), MPHIL Holdings No. 2 Corporation ("**MPHIL Holdings No. 2**"), and Melco Resorts Leisure (Philippines) Corporation ("**Melco Resorts Leisure**") (MPHIL Holdings No. 1, MPHIL Holdings No. 2 and Melco Resorts Leisure are collectively referred to as the "**MPHIL Holdings Group**"), together with SM Investments Corporation ("**SMIC**"), Belle Corporation ("**Belle**") and PremiereLeisure Amusement, Inc. ("**PLAI**") (SMIC, Belle and PLAI are collectively referred to as the "**Philippine Parties**"), are the holders of the Regular License (MPHIL Holdings Group and the Philippine Parties are collectively referred to as the "**Licensees**") issued by the Philippine Amusement and Gaming Corporation ("**PAGCOR**") for the development of City of Dreams Manila. The Company is an indirect subsidiary of Melco, a leading developer of integrated gaming resorts in Macau and other parts of Asia, and its subsidiary, Melco Resorts 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 opened its doors to the public in December 2014 and marked the formal entry of Melco into the fast-growing and dynamic tourism industry in the Philippines. 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 Melco Resorts Leisure. The dynamic and innovative resort complex, located on an approximately 6.2 hectare site at the gateway to Entertainment City, includes entertainment, hotel, retail 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, 2018, City of Dreams Manila has 299 gaming tables, 1,680 slot machines and 207 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, 2018 and December 31, 2017, MRP's wholly-owned subsidiaries included the MPHIL Holdings Group. MPHIL Holdings No. 1, MPHIL Holdings No. 2 and Melco Resorts Leisure were all incorporated in the Philippines and were registered with the SEC on August 13, 2012, August 22, 2012 and August 30, 2012, respectively. The primary purpose of MPHIL Holdings No. 1 and MPHIL Holdings No. 2 is investment holding and the primary purpose of Melco Resorts Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

Activities of MPHIL Holdings Group

On July 5, 2012, Melco, through its indirect subsidiary, entered into a memorandum of agreement (the "**MOA**") with SMIC and certain of its subsidiaries (the "**SM Group**"), Belle and PLAI for the development of City of Dreams Manila. Further to the MOA, on October 25, 2012, the MPHIL Holdings Group entered into a cooperation agreement (the "**Cooperation Agreement**") and other related arrangements with the SM Group, Belle and PLAI. Melco Resorts Leisure also entered into a lease agreement (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 MPHIL Holdings Group and the Philippine Parties entered into an operating agreement (the "**Operating Agreement**") on March 13, 2013, pursuant to which Melco Resorts Leisure has been granted the exclusive right to manage, operate and control City of Dreams Manila.

On December 19, 2013, Melco Resorts Leisure priced its ₱15 billion aggregate principal amount of Senior Notes at par, with a maturity date of January 24, 2019 (the "**Senior Notes**"). The issuance of the Senior Notes was completed on January 24, 2014. The net proceeds from the issuance of Senior Notes were used 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.

On October 9, 2017, Melco Resorts Leisure partially redeemed the Senior Notes in an aggregate principal amount of ₱7.5 billion, together with deemed interest.

<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, 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 other, and other non-operating income and expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating Results for the Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

Net profit for the year ended December 31, 2017 was ₱353.9 million, an increase of ₱1,935.2 million, or 122%, from the net loss of ₱1,581.3 million for the year ended December 31, 2016, which is primarily related to improved operating result during the current year, partially offset by an extinguishment loss from the partial repayment of debt during 2017.

(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		Change from Prior Year	
	2017	2016	2017	2016		
Net operating revenues						
Casino	30,463,494	21,298,942	93%	91%	9,164,552	43%
Rooms	1,071,832	981,554	3%	4%	90,278	9%
Food and beverage	688,773	707,255	2%	3%	(18,482)	-3%
Entertainment, retail and other	531,118	431,038	2%	2%	100,080	23%
Total net operating revenues	32,755,217	23,418,789	100%	100%	9,336,428	40%
Operating costs and expenses						
Gaming tax and license fees	(8,053,459)	(5,408,428)	-25%	-23%	(2,645,031)	49%
Inventories consumed	(944,129)	(819,730)	-3%	-4%	(124,399)	15%
Employee benefit expenses	(3,637,272)	(3,449,766)	-11%	-15%	(187,506)	5%
Depreciation and amortization	(4,285,650)	(4,388,885)	-13%	-19%	103,235	-2%
Other expenses	(10,031,247)	(6,457,016)	-31%	-28%	(3,574,231)	55%
Payments to the Philippine Parties	(2,609,353)	(1,642,175)	-8%	-7%	(967,178)	59%
Total operating costs and expenses	(29,561,110)	(22,166,000)	-90%	-95%	(7,395,110)	33%
Operating profit	3,194,107	1,252,789	10%	5%	1,941,318	155%
Non-operating income (expenses)						
Interest income	43,955	20,300	0%	0%	23,655	117%
Interest expenses, net of capitalized interest	(2,820,528)	(2,873,852)	-9%	-12%	53,324	-2%
Amortization of deferred financing costs	(62,493)	(66,148)	0%	0%	3,655	-6%
Other finance fees	(42,384)	(47,832)	0%	0%	5,448	-11%
Foreign exchange gains, net	128,190	215,840	0%	1%	(87,650)	-41%
Loss on extinguishment of debt	(48,641)	-	0%	0%	(48,641)	N/A
Total non-operating expenses, net	(2,801,901)	(2,751,692)	-9%	-12%	(50,209)	2%
Profit (loss) before income tax	392,206	(1,498,903)	1%	-6%	1,891,109	-126%
Income tax expense	(38,283)	(82,396)	0%	0%	44,113	-54%
Net profit (loss)	353,923	(1,581,299)	1%	-7%	1,935,222	-122%
Other comprehensive loss	(6,852)	(3,210)	0%	0%	(3,642)	113%
Total comprehensive income (loss)	347,071	(1,584,509)	1%	-7%	1,931,580	-122%
Basic earnings (loss) per share	₱0.06	(₱0.28)			₱0.34	-121%
Diluted earnings (loss) per share	₱0.06	(₱0.28)			₱0.34	-121%

Revenues

Total net operating revenues were ₱32,755.2 million for the year ended December 31, 2017, representing an increase of ₱9,336.4 million, from ₱23,418.8 million for the year ended December 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 year ended December 31, 2017 was comprised of ₱30,463.5 million of casino revenues, representing 93% of total net operating revenues, and ₱2,291.7 million of non-casino revenues. Total net operating revenues for the year ended December 31, 2016 was comprised of ₱21,298.9 million of casino revenues, representing 91% of total net operating revenues, and ₱2,119.9 million of non-casino revenues.

Casino - Casino revenues for the year ended December 31, 2017 were ₱30,463.5 million, an increase of ₱9,164.6 million, or 43%, from ₱21,298.9 million for the year ended December 31, 2016.

Rolling chip volume for the year ended December 31, 2017 was ₱580.5 billion, as compared to ₱326.5 billion for the year ended December 31, 2016. Rolling chip win rate (calculated before discounts and commissions) was 3.1%, as compared to 3.4% for the year ended December 31, 2016.

In the mass market table games segment, mass market table games drop was ₱34.7 billion for the year ended December 31, 2017 which represented an increase of ₱8.4 billion, or 32%, from ₱26.3 billion for the year ended December 31, 2016. The mass market table games hold percentage was 29.6% for the year ended December 31, 2017, as compared to 28.0% for the year ended December 31, 2016.

Gaming machine handle for the year ended December 31, 2017 was ₱153.3 billion, compared with ₱106.8 billion for the year ended December 31, 2016. The gaming machine win rates were 5.8% and 5.9% for the year ended December 31, 2017 and 2016 respectively.

The average number of table games and average number of gaming machines for the year ended December 31, 2017 were 283 and 1,786 as compared to 270 and 1,656, respectively, for the year ended December 31, 2016. Average net win per table games per day and average net win per gaming machine per day for the year ended December 31, 2017 were ₱274,016 and ₱13,643 as compared to ₱188,028 and ₱10,360, respectively, for the year ended December 31, 2016.

Rooms - Room revenues arising from Nüwa Hotel, Nobu Hotel and Hyatt City of Dreams Manila amounted to ₱1,071.8 million for the year ended December 31, 2017 and represented an increase of ₱90.3 million, or 9%, from ₱981.6 million for the year ended December 31, 2016, primarily due to improved occupancy rates as compared to the year ended December 31, 2016. City of Dreams Manila’s average daily rate, occupancy rate and REVPAR for the year ended December 31, 2017 were ₱7,961, 96.4% and ₱7,672 as compared to ₱7,597, 91.1% and ₱6,923, respectively, for the year ended December 31, 2016.

Food, beverage and others - Other non-casino revenues for the year ended December 31, 2017 included food and beverage revenues of ₱688.8 million and entertainment, retail and other revenues of ₱531.1 million. 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. The increase was primarily attributable from more limousine hire rental income and more ticket sales from DreamPlay during the year.

Operating costs and expenses

Total operating costs and expenses were ₱29,561.1 million for the year ended December 31, 2017, representing an increase of ₱7,395.1 million, from ₱22,166.0 million for the year ended December 31, 2016. The increase in operating costs was generally in-line with increased net operating revenues in the current year.

Gaming tax and license fees for the year ended December 31, 2017 amounted to ₱8,053.5 million, representing an increase of ₱2,645.0 million, or 49%, from ₱5,408.4 million for the year ended December 31, 2016. The increase was in-line with the increased casino revenue.

Inventories consumed for the year ended December 31, 2017 and 2016 amounted to ₱944.1 million and ₱819.7 million, respectively. The increase was attributable to the use of more playing cards and dice together with food and beverage items consumed during the year.

Employee benefit expenses for the year ended December 31, 2017 amounted to ₱3,637.3 million, as compared to ₱3,449.8 million for the year ended December 31, 2016. The increase was primarily due to higher labor demands from increased business volumes and general wage inflation.

Depreciation and amortization for the year ended December 31, 2017 and 2016 amounted to ₱4,285.7 million and ₱4,388.9 million, respectively. No material fluctuations were noted for the year.

Other expenses for the year ended December 31, 2017 amounted to ₱10,031.2 million, as compared to ₱6,457.0 million for the year ended December 31, 2016. The increase was primarily attributable to (i) ₱1,910.2 million of higher other gaming operations expenses; (ii) ₱602.7 million of higher trademark license fees; (iii) ₱288.1 million higher management fee expenses; (iv) ₱226.9 million of higher facilities and supplies expenses and (v) ₱185.6 million net loss on disposals of property and equipment in 2017 as compared to ₱377.2 million net gain on disposals of property and equipment in 2016. Refer to Note 15 to the audited consolidated financial statements for details.

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

Non-operating expenses, net

Interest income of ₱44.0 million for the year ended December 31, 2017, as compared to ₱20.3 million for the year ended December 31, 2016. The increase was due to more long-term deposits being placed at banks during the year ended December 31, 2017 compared to the same period in 2016.

Interest expenses (net of capitalized interest), represented by interest expenses on Senior Notes and obligations under a finance lease in relation to the Lease Agreement, amounted to ₱2,820.5 million for the year ended December 31, 2017 as compared to ₱2,873.9 million for the year ended December 31, 2016. The decrease was primarily due to lower interest expenses on Senior Notes as a result of its partial redemption in October 2017, partially offset by a higher effective interest on obligations under a finance lease during the year.

Amortization of deferred financing costs amounted to ₱62.5 million and ₱66.1 million for the year ended December 31, 2017 and 2016, respectively, representing amortization of deferred financing costs for the Senior Notes. The decrease was due to lower deferred financing costs amortized on Senior Notes upon partial redemption in October 2017.

Other finance fees amounted to ₱42.4 million and ₱47.8 million for the year ended December 31, 2017 and 2016, respectively, representing the gross receipt taxes in relation to the interest payments on the Senior Notes. Lower finance fees recorded for the current year solely due to the partial redemption on Senior Notes in October 2017.

The net foreign exchange gains of ₱128.2 million and ₱215.8 million for the year ended December 31, 2017 and 2016, respectively, mainly arose from the translation of foreign currency denominated bank balances and payables at the year-end closing rate as a result of the Philippine peso’s depreciation against the H.K. dollar and the U.S. dollar during the year ended December 31, 2017 and 2016.

Loss on extinguishment of debt amounted to ₱48.6 million for the year ended December 31, 2017, representing the write-off of unamortized deferred financing costs in relation to partial redemption of the Senior Notes in an amount of ₱7.5 billion. There was no loss on extinguishment of debt for the year ended December 31, 2016.

Income tax expense

The income tax expense for the year ended December 31, 2017 and 2016 primarily represents the deferred tax liability arising from net unrealized foreign exchange gains.

Net profit (loss)

As a result of the foregoing, the Group had a net profit of ₱353.9 million for the year ended December 31, 2017, as compared to a net loss of ₱1,581.3 million for the year ended December 31, 2016.

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, net gain on disposals of property and equipment to Belle, share-based compensation expenses, corporate expenses, property charges and other and other non-operating income and expenses. Adjusted EBITDAs were ₱11,854.0 million and ₱7,561.3 million for the year ended December 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 competitors. Adjusted EBITDA is also presented as a supplemental disclosure because management believes it is widely used to measure performance and as a basis for valuation of gaming companies. Our management also uses Adjusted EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported similar measures as a supplement to financial measures in accordance with generally accepted accounting principles. However, Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our Philippine Financial Reporting Standards operating performance, other operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this Information Statement 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.

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

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

Financial Condition and Balance Sheet

(in thousands of Philippine peso, except % change data)						
			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	December 31,	December 31,	% to Total Assets		Change from Prior Year	
ASSETS	**2017**	**2016**	**2017**	**2016**		
Current assets						
Cash and cash equivalents	6,332,581	10,351,414	18%	25%	(4,018,833)	-39%
Restricted cash	549,765	240,025	2%	1%	309,740	129%
Accounts receivable, net	1,328,372	1,391,213	4%	3%	(62,841)	-5%
Inventories	327,620	230,411	1%	1%	97,209	42%
Prepayments and other current assets	385,331	322,692	1%	1%	62,639	19%
Amount due from a shareholder	5,716	5,590	0%	0%	126	2%
Amount due from an intermediate holding company	156,887	139,264	0%	0%	17,623	13%
Amount due from immediate holding company	995	3,000	0%	0%	(2,005)	-67%
Amount due from an affiliated company	72	1,117	0%	0%	(1,045)	-94%
Total current assets	9,087,339	12,684,726	26%	30%	(3,597,387)	-28%
Non-current assets						
Property and equipment, net	23,130,988	26,866,578	67%	64%	(3,735,590)	-14%
Contract acquisition costs, net	811,779	863,872	2%	2%	(52,093)	-6%
Other intangible assets, net	2,446	5,436	0%	0%	(2,990)	-55%
Other non-current assets	1,395,847	1,270,048	4%	3%	125,799	10%
Total non-current assets	25,341,060	29,005,934	74%	70%	(3,664,874)	-13%
Total assets	**34,428,399**	**41,690,660**	100%	100%	(7,262,261)	-17%
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	136,758	139,270	0%	0%	(2,512)	-2%
Accrued expenses, other payables and other current liabilities	5,908,468	5,414,657	17%	13%	493,811	9%
Current portion of obligations under a finance lease	1,661,799	1,524,893	5%	4%	136,906	9%
Amounts due to affiliated companies	100,291	1,282,040	0%	3%	(1,181,749)	-92%
Income tax payable	179	160	0%	0%	19	12%
Total current liabilities	7,807,495	8,361,020	23%	20%	(553,525)	-7%
Non-current liabilities						
Non-current portion of obligations under a finance lease	13,271,953	13,061,462	39%	31%	210,491	2%
Long-term debt, net	7,459,634	14,848,500	22%	36%	(7,388,866)	-50%
Deferred rent liabilities	250,328	219,258	1%	1%	31,070	14%
Retirement liabilities	69,199	41,644	0%	0%	27,555	66%
Other non-current liabilities	34,539	43,485	0%	0%	(8,946)	-21%
Deferred tax liability, net	119,433	81,188	0%	0%	38,245	47%
Total non-current liabilities	21,205,086	28,295,537	62%	68%	(7,090,451)	-25%
Equity						
Capital stock	5,666,764	5,662,897	16%	14%	3,867	0%
Additional paid-in capital	22,108,082	22,076,822	64%	53%	31,260	0%
Share-based compensation reserve	401,964	416,835	1%	1%	(14,871)	-4%
Equity reserve	(3,613,990)	(3,613,990)	-10%	-9%	-	0%
Accumulated deficit	(19,147,002)	(19,508,461)	-56%	-47%	361,459	-2%
Total equity	5,415,818	5,034,103	16%	12%	381,715	8%
Total liabilities and equity	**34,428,399**	**41,690,660**	100%	100%	(7,262,261)	-17%

Current assets

Cash and cash equivalents decreased by ₱4,018.8 million, which is primarily the net result of operating cash inflows, payments made for capital expenditures and repayments on long-term debt. Refer below to “Liquidity and Capital Sources” for cash flow analysis for the year ended December 31, 2017.

Restricted cash represents an escrow account that is restricted for foundation fees payable in accordance with the terms of the Regular License. The increase represented the contribution to foundation for the current year.

Accounts receivable, net, primarily attributable to casino, hotel and other receivables, decreased by ₱62.8 million, primarily from settlement of several junkets, partially offset by increased casino receivables, result from the increased VIP gaming revenues. Refer to Note 7 to the audited consolidated financial statements for the details of the accounts receivable as of December 31, 2017.

Inventories of ₱327.6 million mainly consisted of gaming inventories, retail merchandise, food and beverage items and certain operating supplies. The increase during the year represented the promotional inventories purchased for the year.

Prepayments and other current assets increased by ₱62.6 million, primarily due to increases in (i) receivables from the Philippine Parties of ₱85.0 million; (ii) creditable withholding tax of ₱28.1 million; (iii) prepaid facilities expenses of ₱16.6 million and (iv) deposits for acquisitions of inventory ₱7.6 million. These increases were partially offset by a decrease in insurance claims receivable of ₱67.3 million.

Amount due from a shareholder/an intermediate holding company/immediate holding company/an affiliated company increased by ₱14.7 million, mainly due to the management fee income charged during the year.

Non-current assets

Property and equipment, net, decreased by ₱3,735.6 million mainly due to depreciation of ₱4,230.6 million during the year, partially offset by additions to property and equipment of ₱709.7 million.

Contract acquisition costs, net, decreased by ₱52.1 million solely due to amortization charges for the year ended December 31, 2017.

Other intangible assets, net, decreased by ₱3.0 million during the year as a result of amortization on the straight-line basis over the useful life of the license.

Other non-current assets increased by ₱125.8 million primarily due to (i) further recognition of net input VAT of ₱83.0 million during the year ended December 31, 2017 and (ii) increase in others, mainly attributable to deposits for acquisitions of property and equipment, of ₱42.8 million.

Current liabilities

Accounts payable of ₱136.8 million represented payables to suppliers for products and services such as playing cards and marketing. No material fluctuations were noted for the year.

Accrued expenses, other payables and other current liabilities increased by ₱493.8 million, mainly related to increases in (i) outstanding gaming chips and tokens of ₱351.9 million, which was in-line with the increased VIP business volume in 2017; (ii) accruals for gaming tax and license fees of ₱324.3 million as a result of increased casino revenues; (iii) accruals for acquisition of property and equipment of ₱120.4 million, partially offset by the decrease in (iv) interest expenses payable of ₱241.7 million as a result of interest payments made during the year and lower interest expenses payable as a result of the partial redemption of Senior Notes in October 2017. Refer to Note 12 to the audited consolidated financial statements for details.

Current portion of obligations under a finance lease represented building lease payments due within one year. The increase was due to finance lease charges of ₱1,781.7 million recognized during the year, partially offset by lease payments made of ₱1,644.8 million during the year.

Amounts due to affiliated companies decreased by ₱1,181.7 million primarily as a result of settlement of balances outstanding during the year, partially offset by management fees and trademark license fees recharged from affiliate companies during the year. Refer to Note 16 to the audited consolidated financial statements for details of related party transactions for the year ended December 31, 2017.

Non-current liabilities

The non-current portion of obligations under a finance lease increase of ₱210.5 million solely represented finance lease charges during the year.

Long-term debt, net, of ₱7,459.6 million represents the Senior Notes which will mature in 2019 and were priced at par of 100% of the principal amount of ₱7.5 billion (net of ₱40.4 million in unamortized deferred financing costs). The decrease was due to a partial redemption of the Senior Notes in an amount of ₱7.5 billion during the year.

Deferred rent liabilities increased by ₱31.1 million primarily due to effective rent recognized during the year.

Retirement liabilities increased by ₱27.6 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 a portion of retail tenant deposits being reclassified as current as of December 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 increased by ₱3.9 million and ₱31.3 million, respectively, as of December 31, 2017 as compared to December 31, 2016, which was mainly due to 3,867,129 restricted shares/share options having been vested/exercised during the year ended December 31, 2017.

The share-based compensation reserve decreased by ₱14.9 million due to transfer of ₱26.5 million to capital stock/additional paid-in capital as a result of the 3,867,129 restricted shares/share options vested/exercised as mentioned above and the transfer of ₱14.4 million to the accumulated deficit as a result of the expiry of certain share options during the year, partially offset by the recognition of share-based payments of ₱26.0 million during the year ended December 31, 2017.

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

The accumulated deficit decreased by ₱361.5 million to ₱19,147.0 million as of December 31, 2017, from ₱19,508.5 million as of December 31, 2016, primarily due to the net profit of ₱353.9 million recognized during the year ended December 31, 2017 and the transfer of ₱14.4 million from the share-based compensation reserve as mentioned above.

<u>Liquidity and Capital Sources</u>

The table below shows the Group's audited consolidated cash flows for the year ended December 31, 2017 and 2016:

In thousands of Philippine peso, except % change data	**For the Year Ended December 31, 2017**	**For the Year Ended December 31, 2016**	**% Change**
Net cash provided by operating activities	7,210,381	6,451,799	**12%**
Net cash used in investing activities	(996,344)	(1,233,785)	**-19%**
Net cash used in financing activities	(10,326,776)	(2,621,257)	**294%**
Effect of foreign exchange on cash and cash equivalents	93,906	294,428	**-68%**
Net (decrease) increase in cash and cash equivalents	(4,018,833)	2,891,185	**-239%**
Cash and cash equivalents at beginning of year	10,351,414	7,460,229	**39%**
Cash and cash equivalents at end of year	6,332,581	10,351,414	**-39%**

Cash and cash equivalents decreased by 39% as of December 31, 2017 compared to December 31, 2016 mainly due to the net effect of the following:

- For the year ended December 31, 2017, the Group recorded cash flow from operating activities of ₱7,210.4 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 ₱996.3 million for the year ended December 31, 2017, which primarily includes: (i) capital expenditure payments of ₱611.2 million; (ii) an increase in restricted cash of ₱309.7 million for the foundation fees payable; and (iii) advance payments and deposits for acquisitions of property and equipment of ₱81.4 million.

- Net cash used in financing activities for the year ended December 31, 2017 primarily represented (i) partial redemption of Senior Notes of ₱7.5 billion; (ii) interest and other finance fee payments for the Senior Notes of ₱1,190.6 million and repayments of obligations under a finance lease of ₱1,644.8 million.

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

In thousands of Philippine peso, except % change data	**As of December 31, 2017**	**As of December 31, 2016**	**% Change**
Long-term debt, net	7,459,634	14,848,500	**-50%**
Equity	5,415,818	5,034,103	**8%**
	12,875,452	19,882,603	**-35%**

Total long-term debt, net, and equity decreased by 35% to ₱12,875.5 million as of December 31, 2017, from ₱19,882.6 million as of December 31, 2016. The decrease was mainly due to a partial redemption of the Senior Notes in an amount of ₱7.5 billion during the year, partially offset by the net profit of ₱353.9 million during the year ended December 31, 2017.

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		Change from Prior Year	
	2016	2015	2016	2015		
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 other	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 loss per share	(₱0.28)	(₱1.82)			₱1.54	-85%
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.

Revenues

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 14 to the audited consolidated financial statements for 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 15 to the audited consolidated financial statements for details.

Payments to the Philippine Parties represented the agreed 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 18 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.

Financial Condition and Balance Sheet

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

(in thousands of Philippine peso, except % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	December 31,	December 31,	% to Total Assets		Change from Prior Year	
ASSETS	2016	2015	2016	2015		
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 contribution to the foundation 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.

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 useful life of the license.

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 12 to the audited consolidated financial statements for details.

Current portion of obligations under finance lease represented building lease payments that are due within one year. The increase 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 16 to the audited consolidated financial statements for the nature and details of the related party transactions for the year ended December 31, 2017.

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 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 18 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 MPHIL 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:

	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 increased 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.

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 deposit, other 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, accrued expenses, other payables and other current liabilities, obligations under a 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 as of and for the year ended December 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.

Financial Assets and Liabilities – Fair value of Financial Instruments

Please refer to Note 25 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 additional capital expenditures in the future as we continue to develop City of Dreams Manila.

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

The timing of any future debt and/or equity financing activities will be dependent on our funding needs, the availability of funds on 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 December 31, 2017, we had a shareholder loan facility of US$340.0 million and a bank credit facility of ₱2,350.0 million remains available for future drawdowns, subject to certain conditions precedent. For further details, refer to Note 20 to the audited consolidated financial statements (Appendix I).

As of December 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 ₱716.9 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 year.

4. Business Development and Corporate History

The Company, formerly Melco Crown (Philippines) Resorts Corporation, 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 articles of incorporation 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 MCP on February 19, 2013.

On March 20, 2013, MRP entered into a subscription and share sale agreement (the "**Subscription and Share Sale Agreement**") with MCO Investments, formerly MCE (Philippines) Investments Limited, under which MCO 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 MCO Investments completed a placing and subscription transaction (the "**Placing and Subscription Transaction**"), under which MCO 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. MCO 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 MCO Investments completed the 2014 Placing and Subscription Transaction, whereby MCO 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 (the "**2014 Offer**") in a private placement to various institutional investors. MCO 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, MCO 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, and immediately before the Shares Repurchase Transaction as described below, the ultimate holding company of MRP was Melco, formerly Melco Crown Entertainment Limited, 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.

In May 2016, due to the completion of a Shares Repurchase Transaction by Melco from a subsidiary of Crown followed by the cancellation of such shares and with certain changes in the composition of the board of directors of Melco (the “**Shares Repurchase Transaction**”), Melco became one of the Company’s intermediate holding companies and Melco International became the Company’s ultimate holding company.

On February 1, 2017 and April 7, 2017, the Board of Directors and stockholders of the Company, respectively, approved the change of the Company’s name to Melco Resorts and Entertainment (Philippines) Corporation. On May 19, 2017, the SEC approved the change in the corporate name of the Company.

On February 16, 2017, Melco International completed further acquisition of shares of Melco from Crown and as a result, Melco International became the single largest shareholder of Melco and the Company’s ultimate holding company for all purposes.

As of December 31, 2017 and 2016, the Company's ultimate holding company is Melco International and Melco became one of the Company's intermediate holding companies due to the Shares Repurchase Transaction as mentioned above.

As of December 31, 2017, Melco, through its subsidiaries, MCO Investments and MPHIL, formerly MCE (Philippines) Investments No.2 Corporation, held an indirect ownership in MRP of 72.78%.

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, Melco Resorts Leisure, is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

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 MCO Investments under which MRP acquired all equity interests of MCO Investments in MPHIL Holdings No. 1 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**”). MPHIL Holdings No. 1 holds 100% direct ownership interests in MPHIL Holdings No. 2, which in turn holds 100% direct ownership interests in Melco Resorts Leisure. As a result of the Asset Acquisition Transaction, MPHIL Holdings Group became wholly-owned subsidiaries of MRP.

Because MRP did not meet the definition of a business, the MPHIL 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 Philippine Financial Reporting Standards (“**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, MPHIL 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 MPHIL Holdings Group. The MPHIL Holdings Group has accounted for the acquisition of MRP on December 19, 2012, which was the date when Melco, through MCO Investments and MPHIL, 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 2016, 2017 and first quarter of 2018.

		HIGH	LOW
2018			
	First Quarter	9.27	7.20
2017			
	First Quarter	6.85	3.75
	Second Quarter	10.26	6.03
	Third Quarter	9.50	7.20
	Fourth Quarter	7.97	5.85
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

Shareholders. The Company has a single class of common shares. As of March 31, 2018:

(a) the percentage ownership of stockholders of record of the total outstanding shares of the Company was 10.24% Filipino and 89.76% Foreign;

(b) the number of shares outstanding of the Company is 5,666,764,407; and

(c) the number of shareholders of the Company is 422.

The following are the Company's top 20 shareholders as of March 31, 2018:

	NAME	NO. OF SHARES HELD	% TO TOTAL OUTSTANDING SHARES
1	PCD Nominee Corporation (Non-Filipino)*	5,086,707,993	89.76%
2	PCD Nominee Corporation (Filipino)	540,889,933	09.54%
3	F. Yap Securities, Inc.	35,009,200	00.62%
4	Victor Sy	187,500	00.00%
5	Lumen Tiaoqui	150,000	00.00%
6	Josephine T. Willer	118,750	00.00%
7	Alexander S. Araneta	116,250	00.00%
8	Jose Marcel Enriquez Panlilio	112,500	00.00%
9	Bernard Ong and/or Conchita Ong	100,000	00.00%
10	Elenita B. Alikpala	82,500	00.00%
11	Rafael Uyguanco	75,000	00.00%
12	Rosa T. Cabrera	75,000	00.00%
13	Ramon Cojuangco, Jr.	71,250	00.00%
14	Mario C. Tan	67,500	00.00%
15	Judy Tan Reynolds	62,500	00.00%
16	Mario A. Alix	57,937	00.00%
17	Rose Anne Cu Unjieng	50,625	00.00%

18	Patrick Paul Tan	50,000	00.00%
19	Quirino J. Munoz	50,000	00.00%
20	Eduardo Hedy Sonido	50,000	00.00%
	TOTAL	**5,664,084,438**	**99.95%**

* Includes the 3,950,440,196 shares of MCO Investments and 173,837,068 shares of MPHIL lodged with the Philippine Depository and Trust Corporation.

Dividends Per Share. No dividend was declared for the year ended December 31, 2017.

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 MCO 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 MCO 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. MCO 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. MCO 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 Company. 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, MCP'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 Hong Kong Stock Exchange. 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 Hong Kong Stock Exchange, 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 MCO Investments completed the 2014 Placing and Subscription Transaction, where a total of 485,177,000 shares of MRP were offered and sold by MCO Investments by way of a private placement to various institutional investors. MCO 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 MCO Investments, and MCO 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 Marie Grace A. Santos, 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 13, 2018 at 9:30 a.m. 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 Stockholders' Meetings held on June 26, 2017 and September 26, 2017.
   ❑ Yes ❑ No ❑ Abstain

2. Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2017
   ❑ Yes ❑ No ❑ Abstain

3. Election of the Members of the Board of Directors

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

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 26, 2017
   ❑ Yes ❑ No ❑ Abstain

6. 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 13, 2018 at 9:30 a.m. 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 26, 2017 and September 26, 2017.
   ❑ Yes ❑ No ❑ Abstain

2. Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2017
   ❑ Yes ❑ No ❑ Abstain

3. Election of the Members of the Board of Directors

	No. of Votes
Clarence Yuk Man Chung	___________
Geoffrey Stuart Davis	___________
Frances Marie T. Yuyucheng	___________
Johann M. Albano	___________
Maria Marcelina O. Cruzana	___________
Liberty A. Sambua	___________
John William Crawford (Independent)	___________
Alec Yiu Wa Tsui (Independent)	___________
Jose Maria B. Poe III	___________
_________________________________	___________
_________________________________	___________

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 26, 2017
   ❑ Yes ❑ No ❑ Abstain

6. 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

PART III

NOMINATION FORM

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

I, ____, of legal age, with address at ____, in my capacity as the Proxy (the "**Proxy**") of ____ (the "**Principal**"), with ______________________________________ (______) common shares (the "**Shares**") of the capital stock of MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION (the "**Corporation**"), do hereby nominate/recommend:

____ as director; and

____ as independent director

of the Corporation for a period of one (1) year from June 13, 2018 to May 31, 2019 or until their successors are duly elected and qualified.

Signed on _____________________________.

____
NAME OF CORPORATE STOCKHOLDER

By: ______________________________________
Signature of the Proxy over Printed Name

NOMINATION FORM

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

I, ____, of legal age, with address at ____, a stockholder of _______________________________________ (______) common shares (the "**Shares**") of the capital stock of MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION (the "**Corporation**"), do hereby nominate/recommend:

____ as director; and

____ as independent director

of the Corporation for a period of one (1) year from June 13, 2018 to May 31, 2019 or until their successors are duly elected and qualified.

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 April 20, 2018.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION

By:

MARIE GRACE A. SANTOS
Corporate Secretary

APPENDIX I

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

Consolidated Financial Statements
December 31, 2017 and 2016
and For The Years Ended December 31, 2017, 2016 and 2015

and

Independent Auditor's Report

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Melco Resorts and Entertainment (Philippines) Corporation (formerly known as 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, 2017, 2016 and 2015, 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

SUBSCRIBED AND SWORN to before me this 11th day of April 2018, affiants exhibiting to me their Passport details, as follows:

Name	Passport No.	Expiration Date	Place of Issue
Clarence Yuk Man Chung	KJ0527144	July 15, 2026	China
Donald N. Tateishi	518936680	October 1, 2024	USA

GUILLERMO B. BARROA III
NOTARY PUBLIC
Until December 31, 2019
Notarial Commission No. 202-2018
Roll No. 58025
PTR No. 1236851/01-04-18/ Parañaque City
IBP No. 021060/01-04-18/ Manila III
MCLE Compliance No. V-0012320

Doc. No. 328;
Page No. 67;
Book No. III;
Series of 2018.

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Melco Resorts and Entertainment (Philippines) Corporation
(formerly known as 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 Resorts and Entertainment (Philippines) Corporation (formerly known as Melco Crown (Philippines) Resorts Corporation) and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 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) performing an understanding of the management's estimation process for allowance for doubtful accounts, which included understanding and testing of the relevant controls over such process and analysis of management's assumptions and judgements of the qualitative factors and historical collection trends; (ii) evaluating the historical collection analysis by examining the supporting documents for credits granted to players and their subsequent settlement and by performing analyses of gaming receivable's aging brackets; (iii) checking subsequent collections of credit markers and performing inquiries with management on the status of collections; (iv) re-calculating the allowance for doubtful accounts using management's model and considering the adequacy of the doubtful debt expense; (v) obtaining evidence of approval on credit markers with allowance percentages which are higher or lower than what is required by the provisioning policy; and (vi) performing ratio analyses on the Group's allowance for doubtful accounts and write-offs as a percentage of gross gaming receivables and comparisons with the ratios of major competitors in the industry.

Classification of Gaming Promoter's Commissions

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 statements 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 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 gaming promoter's commissions is included in Notes 2 and 4 to the consolidated financial statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2018 TSIS
RECEIVED
ELMER B. TANAY

Audit Response

Our audit procedures included, among others, (i) confirming and testing the design and operating effectiveness of the controls over the capture of commission expenses and the estimation process relative to the classification of the commissions paid to the gaming promoters; (ii) reviewing management's classification percentage bases by validating the data used such as win percentages, commission rates and rebate percentages and by checking the mathematical accuracy of the computations; (iii) re-calculating the amounts netted against gaming revenues and included in operating expenses, as presented in the consolidated financial statements; and (iv) comparing the Group's classification percentages to the industry practice.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2017 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 SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2017, 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 conclusions 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 Roel E. Lucas.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-2 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2016,
January 3, 2017, valid until January 2, 2020
PTR No. 6621278, January 9, 2018, Makati City

March 21, 2018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2018 TSIS
RECEIVED
ELMER B. TANAY

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

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In thousands of Philippine peso, except share and per share data)

	Notes	December 31, 2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	5, 24 and 25	**₱6,332,581**	₱10,351,414
Restricted cash	6, 24 and 25	**549,765**	240,025
Accounts receivable, net	7, 24 and 25	**1,328,372**	1,391,213
Inventories		**327,620**	230,411
Prepayments and other current assets		**385,331**	322,692
Amount due from a shareholder	16, 24 and 25	**5,716**	5,590
Amount due from an intermediate holding company	16, 24 and 25	**156,887**	139,264
Amount due from immediate holding company	16, 24 and 25	**995**	3,000
Amount due from an affiliated company	16, 24 and 25	**72**	1,117
Total Current Assets		**9,087,339**	12,684,726
Non-current Assets			
Property and equipment, net	8	**23,130,988**	26,866,578
Contract acquisition costs, net	9	**811,779**	863,872
Other intangible assets, net	10	**2,446**	5,436
Other non-current assets	11	**1,395,847**	1,270,048
Total Non-current Assets		**25,341,060**	29,005,934
		₱34,428,399	₱41,690,660
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	24 and 25	**₱136,758**	₱139,270
Accrued expenses, other payables and other current liabilities	12, 24 and 25	**5,908,468**	5,414,657
Current portion of obligations under a finance lease	19, 24 and 25	**1,661,799**	1,524,893
Amounts due to affiliated companies	16, 24 and 25	**100,291**	1,282,040
Income tax payable		**179**	160
Total Current Liabilities		**7,807,495**	8,361,020
Non-current Liabilities			
Non-current portion of obligations under a finance lease	19, 24 and 25	**13,271,953**	13,061,462
Long-term debt, net	20, 24 and 25	**7,459,634**	14,848,500
Deferred rent liabilities		**250,328**	219,258
Retirement liabilities	21	**69,199**	41,644
Other non-current liabilities		**34,539**	43,485
Deferred tax liability, net	18	**119,433**	81,188
Total Non-current Liabilities		**₱21,205,086**	₱28,295,537

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

CONSOLIDATED BALANCE SHEETS – continued
DECEMBER 31, 2017 AND 2016
(In thousands of Philippine peso, except share and per share data)

	Notes	December 31, 2017	December 31, 2016
Equity			
Capital stock	13	**₱5,666,764**	₱5,662,897
Additional paid-in capital		**22,108,082**	22,076,822
Share-based compensation reserve		**401,964**	416,835
Equity reserve	2 and 13	**(3,613,990)**	(3,613,990)
Accumulated deficit		**(19,147,002)**	(19,508,461)
Total Equity		**5,415,818**	5,034,103
		₱34,428,399	₱41,690,660

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands of Philippine peso, except share and per share data)

	Notes	Year Ended December 31, 2017	2016	2015
NET OPERATING REVENUES				
Casino		**₱30,463,494**	₱21,298,942	₱11,901,497
Rooms		**1,071,832**	981,554	719,422
Food and beverage		**688,773**	707,255	677,380
Entertainment, retail and other		**531,118**	431,038	429,028
Total Net Operating Revenues		**32,755,217**	23,418,789	13,727,327
OPERATING COSTS AND EXPENSES				
Gaming tax and license fees		**(8,053,459)**	(5,408,428)	(3,404,915)
Inventories consumed		**(944,129)**	(819,730)	(784,678)
Employee benefit expenses	14	**(3,637,272)**	(3,449,766)	(3,980,364)
Depreciation and amortization		**(4,285,650)**	(4,388,885)	(4,372,061)
Other expenses	15	**(10,031,247)**	(6,457,016)	(6,701,571)
Payments to the Philippine Parties		**(2,609,353)**	(1,642,175)	(757,039)
Total Operating Costs and Expenses		**(29,561,110)**	(22,166,000)	(20,000,628)
OPERATING PROFIT (LOSS)		**3,194,107**	1,252,789	(6,273,301)
NON-OPERATING INCOME (EXPENSES)				
Interest income		**43,955**	20,300	14,203
Interest expenses, net of capitalized interest	19 and 20	**(2,820,528)**	(2,873,852)	(2,720,953)
Amortization of deferred financing costs		**(62,493)**	(66,148)	(61,828)
Other finance fees		**(42,384)**	(47,832)	(47,832)
Foreign exchange gains (losses), net		**128,190**	215,840	(30,691)
Loss on extinguishment of debt	20	**(48,641)**	–	–
Total Non-operating Expenses, Net		**(2,801,901)**	(2,751,692)	(2,847,101)
PROFIT (LOSS) BEFORE INCOME TAX		**392,206**	(1,498,903)	(9,120,402)
INCOME TAX EXPENSE	18	**(38,283)**	(82,396)	(23,729)
NET PROFIT (LOSS)		**353,923**	(1,581,299)	(9,144,131)
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified to profit or loss in subsequent period				
Remeasurement loss on defined benefit obligations	21	**(6,852)**	(3,210)	–
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱347,071**	(₱1,584,509)	(₱9,144,131)
Basic Earnings (Loss) Per Share	17	**₱0.06**	(₱0.28)	(₱1.82)
Diluted Earnings (Loss) Per Share	17	**₱0.06**	(₱0.28)	(₱1.82)

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands of Philippine peso, except share and per share data)

	Notes	Capital Stock (Note 13)	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 13)	Cumulative Remeasurement Loss	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		**–**	**–**	**–**	**–**	**–**	**353,923**	**353,923**
Other comprehensive loss	21	**–**	**–**	**–**	**–**	**(6,852)**	**–**	**(6,852)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(6,852)**	**353,923**	**347,071**
Issuance of shares for restricted shares vested	13 and 27	**2,827**	**19,838**	**(22,665)**	**–**	**–**	**–**	**–**
Exercise of share options	13 and 27	**1,040**	**11,422**	**(3,826)**	**–**	**–**	**–**	**8,636**
Share-based compensation	27	**–**	**–**	**26,008**	**–**	**–**	**–**	**26,008**
Transfer of share-based compensation reserve upon expiry of share options		**–**	**–**	**(14,388)**	**–**	**–**	**14,388**	**–**
Transfer of remeasurement loss on defined benefit obligations		**–**	**–**	**–**	**–**	**6,852**	**(6,852)**	**–**
Balance as of December 31, 2017		**₱5,666,764**	**₱22,108,082**	**₱401,964**	**(₱3,613,990)**	**₱–**	**(₱19,147,002)**	**₱5,415,818**
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	21	–	–	–	–	(3,210)	–	(3,210)
Total comprehensive loss		–	–	–	–	(3,210)	(1,581,299)	(1,584,509)
Issuance of shares for restricted shares vested	13 and 27	19,542	143,859	(163,401)	–	–	–	–
Share-based compensation	27	–	–	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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY – continued
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands of Philippine peso, except share and per share data)

	Notes	Capital Stock (Note 13)	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 13)	Cumulative Remeasurement Loss	Accumulated Deficit	Total
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	27	38,375	291,253	(329,628)	–	–	–	–
Share-based compensation	27	–	–	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

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands of Philippine peso, except share and per share data)

		Year Ended December 31,		
	Notes	**2017**	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before income tax		**₱392,206**	(₱1,498,903)	(₱9,120,402)
Adjustments for:				
Unrealized foreign exchange gains, net		**(192,277)**	(229,660)	(214,099)
Interest income		**(43,955)**	(20,300)	(14,203)
Consultancy fees in consideration for share awards	27	**(5,156)**	13,221	66,913
Depreciation and amortization		**4,285,650**	4,388,885	4,372,061
Interest expenses, net of capitalized interest		**2,820,528**	2,873,852	2,720,953
Net loss (gain) on disposals of property and equipment	15	**185,569**	(377,167)	–
Provisions for input value-added tax (“VAT”)	11	**142,051**	271,938	1,426,976
Provision for doubtful debts		**95,865**	96,937	2,311
Amortization of deferred financing costs		**62,493**	66,148	61,828
Loss on extinguishment of debt	20	**48,641**	–	–
Other finance fees		**42,384**	47,832	47,832
Share-based compensation expenses	27	**31,164**	(2,679)	109,824
Retirement costs – defined benefit obligations	14 and 21	**20,703**	14,817	23,617
Amortization of prepaid rent		**7,284**	7,285	7,118
Operating profit (loss) before working capital changes		**7,893,150**	5,652,206	(509,271)
Changes in assets and liabilities:				
(Decrease) increase in amounts due to related parties		**(1,016,467)**	595,776	264,825
Increase in other non-current assets		**(226,864)**	(115,417)	(586,550)
(Increase) decrease in inventories		**(97,209)**	38,408	(74,210)
Increase in prepayments and other current assets		**(50,830)**	(68,055)	(5,591)
Decrease in accounts payable		**(49,087)**	(11,018)	(21,076)
Increase in accounts receivable		**(34,604)**	(207,203)	(1,260,121)
(Increase) decrease in amounts due from related parties		**(13,604)**	24,204	(213,104)
Increase in accrued expenses, other payables and other current liabilities		**720,103**	473,323	3,478,329
Increase in deferred rent liabilities		**31,070**	42,750	54,377
Increase in other non-current liabilities		**14,142**	13,973	10,320
Net cash generated from operations		**7,169,800**	6,438,947	1,137,928
Income tax paid		**(19)**	(337)	(4,593)
Interest received		**40,600**	13,189	9,531
Net cash provided by operating activities		**₱7,210,381**	₱6,451,799	₱1,142,866

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

CONSOLIDATED STATEMENTS OF CASH FLOWS – continued
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands of Philippine peso, except share and per share data)

	Notes	Year Ended December 31, 2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Placement of bank deposits with original maturities over three months		**(₱2,644,743)**	₱–	₱–
Payments for acquisitions of property and equipment		**(611,236)**	(2,112,996)	(4,525,685)
(Increase) decrease in restricted cash		**(309,740)**	(197,500)	2,188,325
Advance payments and deposits for acquisitions of property and equipment		**(81,384)**	(78,573)	(6,576)
Withdrawals of bank deposits with original maturities over three months		**2,644,743**	–	–
Proceeds from disposals of property and equipment		**6,016**	1,155,284	–
Escrow funds refundable to the Philippine Parties		**–**	–	1,103,905
Payment for other non-current assets		**–**	–	(62,192)
Payment for acquisition of other intangible assets		**–**	–	(4,307)
Net cash used in investing activities		**(996,344)**	(1,233,785)	(1,306,530)
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal payments on long-term debt		**(7,500,000)**	–	–
Repayments of obligations under a finance lease		**(1,644,802)**	(1,623,162)	(1,079,468)
Interest paid		**(1,132,813)**	(937,500)	(937,500)
Other finance fees paid		**(57,797)**	(47,832)	(47,832)
Proceeds from exercise of share options		**8,636**	–	–
(Payments for) net proceeds from issuance of capital stock		**–**	(12,763)	2,701,183
Net repayment to immediate holding company		**–**	–	(804,202)
Net cash used in financing activities		**(10,326,776)**	(2,621,257)	(167,819)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS		**93,906**	294,428	140,525
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(4,018,833)**	2,891,185	(190,958)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**10,351,414**	7,460,229	7,651,187
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱6,332,581**	₱10,351,414	₱7,460,229

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

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

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

Immediately before the Shares Repurchase Transaction as described below, 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, 2017 and 2016, 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 cancellation 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, 2017 and 2016, the immediate holding company of the Parent Company is MCO (Philippines) Investments Limited (formerly known as MCE (Philippines) Investments Limited) ("MCO Investments"), an indirect subsidiary of Melco International.

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors on March 21, 2018.

1. **Organization and Business** – continued

(b) Subsidiaries of MRP

As of December 31, 2017 and 2016, MRP's wholly-owned subsidiaries included MPHIL Holdings No. 1 Corporation (formerly known as MCE Holdings (Philippines) Corporation) ("MPHIL Holdings No. 1"), MPHIL Holdings No. 2 Corporation (formerly known as MCE Holdings No. 2 (Philippines) Corporation) ("MPHIL Holdings No. 2") and Melco Resorts Leisure (PHP) Corporation (formerly known as MCE Leisure (Philippines) Corporation) ("Melco Resorts Leisure") (collectively referred to as "MPHIL Holdings Group"). MPHIL Holdings No. 1, MPHIL Holdings No. 2 and Melco Resorts Leisure were all incorporated in the Philippines. The primary purpose of MPHIL Holdings No. 1 and MPHIL Holdings No. 2 is investment holding and the primary purpose of Melco Resorts Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

(c) Activities of MPHIL 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, MPHIL Holdings Group entered into a cooperation agreement (the "Cooperation Agreement") and other related arrangements with SM Group, Belle and PLAI; and Melco Resorts 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, MPHIL 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 Melco Resorts 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 22.

(d) Regular License

As of March 13, 2013, the Philippine Amusement and Gaming Corporation ("PAGCOR") allowed the inclusion of, amongst others, Melco Resorts 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, MPHIL 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.

1. **Organization and Business** – continued

(d) Regular License – continued

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

PAGCOR issued the Regular License dated April 29, 2015 in replacement of the Provisional License to the Licensees for the operation of City of Dreams Manila. The Regular License has the same terms and conditions as the Provisional License, is concurrent with section 13 of Presidential Decree No. 1869 (the "PAGCOR Charter"), and is valid until July 11, 2033. The Regular License was subsequently amended on March 14, 2016 to clarify certain provisions therein but, which made no changes to the commitments of the Regular License as disclosed in Note 23(c).

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, MRP completed the acquisition of 100% ownership interests in the MPHIL Holdings Group with net assets value of ₱2,609,589 from MCO Investments for a consideration of ₱7,198,590. Because MRP did not meet the definition of a business, the MPHIL 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 Philippine Financial Reporting Standards ("PFRS"). In a reverse acquisition, the legal parent, MRP is identified as the acquiree for accounting purposes based on the substance of the transaction, the legal subsidiary, MPHIL 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 MPHIL Holdings Group. The MPHIL Holdings Group has accounted for the acquisition of MRP on December 19, 2012, which was the date when Melco through its indirect subsidiaries including MCO Investments and MPHIL Corporation (formerly known as MCE (Philippines) Investments No.2 Corporation) ("MPHIL") acquired control of MRP.

Reverse acquisition applies only to the consolidated financial statements of MRP. The Parent Company financial statements will continue to represent MRP as a stand-alone entity as of December 31, 2017 and 2016.

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

Statement of Compliance
The Group's consolidated financial statements have been prepared in conformity with PFRS. PFRS include all PFRS, 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.

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.

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 items of value held by the Group on behalf of the respective customer and for which the Group intends to set off such amounts when such right exists. As of December 31, 2017 and 2016, 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.

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

Accounts Receivable and Credit Risk – continued
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 receivables are 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 reviews 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 costs.

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 classifications depend on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classifications at initial recognition and, where allowed and appropriate, re-evaluate these classifications 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, 2017 and 2016.

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.

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

Financial Assets and Liabilities – continued

"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.

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 deposits) included under prepayments and other current assets and other non-current assets (see Note 11), amount due from a shareholder (see Note 16), amount due from an intermediate holding company (see Note 16), amount due from immediate holding company (see Note 16) and amount due from an affiliated company (see Note 16). The carrying values and fair values of loans and receivables are disclosed in Note 25.

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 12), obligations under a finance lease (see Note 19), amounts due to affiliated companies (see Note 16), long-term debt (see Note 20) and other non-current liabilities. The carrying values and fair values of other financial liabilities are disclosed in Note 25.

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

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.

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 an 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.

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

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.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled 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 a 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 inventories are recorded based on management's specific analysis of inventory items.

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 impairments in value. Property and equipment under construction are carried at cost less recognized impairment losses, if any.

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

Property and Equipment – continued
The initial cost of a property and equipment item 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 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.

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 were capitalized in appropriate categories of property and equipment. The capitalization of such costs began when the design and construction of the project's fit-out started and ceased once it was substantially completed or design and construction activity on the project's fit-out was suspended for more than a brief period.

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

Property and Equipment – continued
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 related 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.

For the years ended December 31, 2017, 2016 and 2015, total interest expenses incurred amounted to ₱2,822,963, ₱2,882,675 and ₱2,803,699, of which ₱2,435, ₱8,823 and ₱82,746 were capitalized, respectively. No amortization of deferred financing costs was capitalized for the years ended December 31, 2017, 2016 and 2015.

Intangible Assets
Contract Acquisition Costs. Certain costs incurred by Melco Resorts 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, 2017 and 2016, 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.

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

Intangible Assets – continued
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, 2017 and 2016, 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 useful life of the license agreement from February 2015 to March 2019.

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.

An assessment is made at each balance sheet date as to whether there is an 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.

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

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 13.

Accumulated Deficit
The accumulated deficit represents the Group's cumulative net losses. Such deficit may also include the effects of changes in any accounting policies as may be required by standard 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.

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.

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

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

Revenue Recognition – continued
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 reductions of revenue. Consequently, the Group's casino revenues are reduced by discounts, commissions and points earned in customer loyalty programs.

The retail values of rooms, food and beverage, entertainment, retail and other services furnished to guests without charge are 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, 2017, 2016 and 2015 are as follows:

	Year Ended December 31,		
	2017	2016	2015
Rooms	**₱1,550,857**	₱1,405,344	₱1,556,654
Food and beverage	**1,893,010**	1,386,418	1,165,272
Entertainment, retail and other	**138,189**	95,882	65,927
	₱3,582,056	₱2,887,644	₱2,787,853

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, consisting primarily of expenses related to new or start-up operations, are expensed as incurred.

Property Charges and Other
Property charges and other consist primarily of write-off of certain property and equipment for gaming floor expansion, termination costs related to organizational restructuring, the insurance claim recovery of certain equipment damaged by typhoon 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 other of ₱132,849, ₱73,399 (in credit) and ₱1,472,385 were recognized for the years ended December 31, 2017, 2016 and 2015, 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. The amortization of deferred financing costs of ₱62,493, ₱66,148 and ₱61,828 were recognized for the years ended December 31, 2017, 2016 and 2015, 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 substantially 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.

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

Employee Benefit Expenses – continued
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.

The Group also 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 to the defined contribution plans (the "Defined Contribution Fund Scheme") which operated by Melco and its subsidiaries. The Group's contributions to the Defined Contribution Fund Scheme are vested with employees in accordance to a vesting schedule, achieving full vesting 10 years from the date of employment. The Defined Contribution Fund Scheme was established under trust with the fund assets being held separately from those of the Group by independent trustees.

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, no share-based compensation expense is recognized.

Further information on the Group's share-based compensation arrangement for the years ended December 31, 2017, 2016 and 2015 for restricted shares and share options granted under its share incentive plan ("Share Incentive Plan") is included in Note 27.

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

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

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

Income Tax – continued

- 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.

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, 2017 and 2016 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 was 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 23(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 18.

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, 2017, 2016 and 2015 where it derives its revenue. Segment information is presented in Note 28.

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.

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 and PFRS as of January 1, 2017. The adoption of these new and amended PAS and PFRS as follows had no significant impact on the consolidated financial statements:

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

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 impacts on the Group's financial position or performance.

- **Amendments to PFRS 2, *Share-based Payment, 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 transactions; the classification of share-based payment transactions with net settlement features for withholding tax obligations; and the 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 adopt the amendments without restating prior periods, but retrospective adoption is permitted if elected for all three amendments and if other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group is currently assessing the impact of adopting the amendments on the consolidated financial statements.

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

Standards Issued But Not Yet Effective – continued

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

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for 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. Retrospective adoption is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally adopted prospectively, with some limited exceptions. The Group is currently assessing the impact of adopting this standard on the consolidated financial statements.

- **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 new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from adopting PFRS 9 and an overlay approach. The temporary exemption is first adopted for annual periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first adopts PFRS 9 and adopt that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when adopting PFRS 9.

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

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers ("New Revenue Standard"). Under PFRS 15, revenues are recognized at amounts that reflect the consideration which an entity expects to be entitled in exchange for transferring goods or services to customers. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The New Revenue Standard is applicable to all entities and 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, with early adoption permitted.

  The Group expects to adopt the New Revenue Standard using the modified retrospective approach and expects the following significant impacts from adopting the New Revenue Standard. However, the Group is still finalizing the impact of adopting the New Revenue Standard on the consolidated financial statements.

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*** – continued

  - Under the New Revenue Standard, promotional allowances will be netted against casino revenues in primarily all cases rather than the revenues related to the respective goods or services. The promotional allowances will be measured based on stand-alone selling prices. These changes will primarily result in a decrease in casino revenues and an increase in the revenues related to the respective goods or services.

  - A portion of commissions paid to gaming promoters, representing the estimated incentives that were returned to customers, are currently reported as a reduction in revenue, with the balance of commissions expense reflected as a casino expense. As a result of the adoption of the New Revenue Standard, all commissions paid to gaming promoters will be reflected as a reduction in casino revenue. This change will primarily result in a decrease in casino expense and a corresponding decrease in casino revenue.

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

  - **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 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 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.

- **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. Entities may adopt the interpretation on a fully retrospective basis. Alternatively, an entity 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.

- **Amendments to PFRS 9,** ***Prepayment Features with Negative Compensation***

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall adopt these amendments for annual periods beginning on or after January 1, 2019, 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

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

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right of use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right of use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right of use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted, but not before an entity adopts PFRS 15. A lessee can choose to adopt the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is currently assessing the impact of adopting this standard on the consolidated financial statements and anticipates the primary effect upon adoption of this guidance is an increase in assets and liabilities on the accompanying consolidated balance sheets.

- **Amendments to PAS 28,** ***Long-term Interests in Associates and Joint Ventures***

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not adopted using PFRS 9. An entity shall adopt these amendments for annual periods beginning on or after January 1, 2019, 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

- **Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments***

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the adoption of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. This interpretation is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Group is currently assessing the impact of adopting this interpretation on the consolidated financial statements.

- **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 a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The SEC and FRSC have deferred the effectivity of the amendments.

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.

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

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.

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 22(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.

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

Judgments – continued
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.

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 associated doubtful debts expense 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 provision for doubtful debts of accounts receivable for the years ended December 31, 2017, 2016 and 2015 amounted to ₱95,649, ₱94,660 and ₱1,700, respectively. The carrying amount of accounts receivable, net amounted to ₱1,328,372 and ₱1,391,213 as of December 31, 2017 and 2016, 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.

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

Estimates and Assumptions – continued

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 ₱23,130,988 and ₱26,866,578 as of December 31, 2017 and 2016, respectively (see Note 8).

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 27.

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 21.

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.

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

Estimates and Assumptions – continued
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 ₱142,051, ₱271,938 and ₱1,426,976 recognized for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 15), no other impairment losses were recognized for the years ended December 31, 2017, 2016 and 2015. The carrying values of property and equipment amounted to ₱23,130,988 and ₱26,866,578 as of December 31, 2017 and 2016, respectively (see Note 8); the carrying values of contract acquisition costs amounted to ₱811,779 and ₱863,872 as of December 31, 2017 and 2016, respectively (see Note 9); and the carrying values of other intangible assets amounted to ₱2,446 and ₱5,436 as of December 31, 2017 and 2016, respectively (see Note 10).

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 ₱207,291 and ₱232,178 were recognized as of December 31, 2017 and 2016, 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 ₱6,651,693 and ₱6,239,850 as of December 31, 2017 and 2016, respectively (see Note 18).

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

5. Cash and Cash Equivalents

This account consists of:

	December 31, 2017	December 31, 2016
Cash on hand	**₱1,750,376**	₱1,517,325
Cash in banks	**4,582,205**	8,834,089
	₱6,332,581	₱10,351,414

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱37,649, ₱14,891 and ₱7,881 for the years ended December 31, 2017, 2016 and 2015, respectively.

6. Restricted Cash

Restricted cash as of December 31, 2017 and 2016 represents an escrow account that is restricted for foundation fees payable in accordance with the terms of the Regular License. Interest income earned from restricted cash amounted to ₱995, ₱338 and ₱1,580 for the years ended December 31, 2017, 2016 and 2015, respectively.

7. Accounts Receivable, Net

Components of accounts receivable, net are as follows:

	December 31, 2017	December 31, 2016
Casino	**₱1,374,486**	₱1,442,270
Hotel	**60,170**	48,687
Others	**3,716**	3,079
	1,438,372	1,494,036
Less: Allowance for doubtful debts	**(110,000)**	(102,823)
	₱1,328,372	₱1,391,213

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

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

Movement in the allowance for doubtful debts were as follows:

	Year Ended December 31, 2017	2016	2015
Balance at beginning of year	**₱102,823**	₱1,700	₱–
Additional provision	**95,649**	94,660	1,700
Write-offs, net of recoveries	**(354)**	–	–
Reclassified to long-term receivables, net	**(84,475)**	–	–
Revaluations	**(3,643)**	6,463	–
Balance at end of year	**₱110,000**	₱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 histories.

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

	December 31, 2017	2016
Past due:		
1 – 30 days	**₱26,066**	₱9,765
31 – 60 days	**158,325**	2,684
61 – 90 days	**61,994**	76,781
Over 90 days	**85,948**	117,318
	₱332,333	₱206,548

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, 2017 and 2016, the gross amounts of current casino receivables of ₱3,161,533 and ₱2,915,228 were offset by commissions payable and front money deposits in aggregate amounts of ₱1,787,047 and ₱1,472,958, respectively.

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

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

8. Property and Equipment, Net

	December 31, 2017						
	Building under a 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**	**₱13,989,533**	**₱80,583**	**₱6,752,930**	**₱2,723,508**	**₱94,945**	**₱35,461,939**
Additions	**–**	**103,595**	**20,148**	**363,876**	**200,475**	**21,606**	**709,700**
Adjustments to project costs	**–**	**(7,280)**	**–**	**(15,612)**	**(246)**	**–**	**(23,138)**
Disposals	**–**	**(313,727)**	**(6,126)**	**(21,719)**	**(17,761)**	**–**	**(359,333)**
Transfer	**–**	**116,113**	**–**	**(796)**	**1,234**	**(116,551)**	**–**
Balance at end of year	**11,820,440**	**13,888,234**	**94,605**	**7,078,679**	**2,907,210**	**–**	**35,789,168**
Accumulated depreciation and amortization:							
Balance at beginning of year	**(1,298,658)**	**(2,979,989)**	**(35,856)**	**(3,280,443)**	**(1,000,415)**	**–**	**(8,595,361)**
Depreciation and amortization	**(636,078)**	**(1,485,966)**	**(18,080)**	**(1,500,873)**	**(589,570)**	**–**	**(4,230,567)**
Disposals	**–**	**133,849**	**4,391**	**19,671**	**9,837**	**–**	**167,748**
Transfer	**–**	**(21)**	**–**	**63**	**(42)**	**–**	**–**
Balance at end of year	**(1,934,736)**	**(4,332,127)**	**(49,545)**	**(4,761,582)**	**(1,580,190)**	**–**	**(12,658,180)**
Net book value	**₱9,885,704**	**₱9,556,107**	**₱45,060**	**₱2,317,097**	**₱1,327,020**	**₱–**	**₱23,130,988**

	December 31, 2016						
	Building under a 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

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 costs). As of December 31, 2017 and 2016, construction in progress included interest paid or payable on the obligations under a finance lease which amounted to nil and ₱13,061, respectively.

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

9. Contract Acquisition Costs, Net

This account consists of:

	December 31, 2017	2016
Costs:		
Balance at beginning and at end of year	**₱1,063,561**	₱1,063,561
Accumulated amortization:		
Balance at beginning of year	**(199,689)**	(147,596)
Amortization	**(52,093)**	(52,093)
Balance at end of year	**(251,782)**	(199,689)
Net book value	**₱811,779**	₱863,872

10. Other Intangible Assets, Net

This account consists of:

	December 31, 2017	2016
Costs:		
Balance at beginning and at end of year	**₱8,698**	₱8,698
Accumulated amortization:		
Balance at beginning of year	**(3,262)**	(1,522)
Amortization	**(2,990)**	(1,740)
Balance at end of year	**(6,252)**	(3,262)
Net book value	**₱2,446**	₱5,436

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

11. Other Non-current Assets

This account consists of:

	December 31, 2017	2016
Input VAT, net	**₱1,048,663**	₱965,710
Security and rental deposits	**114,153**	115,943
Non-current portion of prepaid rents	**105,935**	120,248
Other non-current assets and deposits	**127,096**	68,147
	₱1,395,847	₱1,270,048

Input VAT, net represents the VAT expected to be recoverable from the tax authority in the Philippines. For the years ended December 31, 2017, 2016 and 2015, provisions for input VAT expected to be non-recoverable amounting to ₱142,051, ₱271,938 and ₱1,426,976, respectively, were recognized and included in other expenses in the consolidated statements of comprehensive income (Note 15). As of December 31, 2017 and 2016, provisions for input VAT were ₱1,840,965 and ₱1,698,914, respectively.

Long-term receivables, net represent casino receivables from casino customers where settlements are not expected within the next financial year. For the years ended December 31, 2017 and 2016, net amount of current accounts receivable of ₱84,475 and nil and net amount of allowance for doubtful debts of ₱84,475 and nil, respectively, were reclassified to non-current. As of December 31, 2017 and 2016, the gross amount of non-current casino receivables of ₱86,094 and nil were offset by commissions payable and front money deposits in an aggregate amount of ₱1,619 and nil, respectively. As of December 31, 2017 and 2016, the balance of long-term receivables, net was nil in each of those periods.

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

12. Accrued Expenses, Other Payables and Other Current Liabilities

This account consists of:

	December 31, 2017	2016
Outstanding gaming chips and tokens	**₱2,100,157**	₱1,748,215
Accruals for:		
Gaming tax and license fees	**1,177,194**	852,907
Employee benefit expenses	**656,783**	536,204
Property and equipment	**181,894**	61,477
Taxes and licenses	**41,039**	80,123
Payments to the Philippine Parties	–	235,868
Operating expenses and others	**898,136**	808,884
Customer deposits	**582,889**	489,369
Withholding tax payable	**140,768**	191,125
Interest expenses payable	**85,417**	327,083
Other payables and liabilities	**44,191**	83,402
	₱5,908,468	₱5,414,657

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

13. Equity

	Note	Number of Shares	Capital Stock
Ordinary shares of ₱1 per share			
Authorized:			
As of January 1, 2016, December 31, 2016, January 1, 2017 and December 31, 2017		**5,900,000,000**	**₱5,900,000**
Issued and fully paid:			
As of January 1, 2016		5,643,355,478	₱5,643,355
Issuance of shares for restricted shares vested	27	19,541,800	19,542
As of December 31, 2016 and January 1, 2017		5,662,897,278	5,662,897
Issuance of shares for restricted shares vested	27	**2,826,644**	**2,827**
Exercise of share options	27	**1,040,485**	**1,040**
As of December 31, 2017		**5,666,764,407**	**₱5,666,764**

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

13. **Equity** – continued

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

Pursuant to approval by the Board of Directors on November 19, 2015, MRP issued and MCO Investments subscribed for 693,500,000 common shares of MRP with a par value of ₱1 per share at a subscription price of ₱3.90 per share, for 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.

Equity Reserve

The amount of equity reserve consists of the net difference between the cost of MRP to acquire MPHIL Holdings Group and the legal capital of the latter (i.e., common stock and additional paid-in capital) at the date of reverse acquisition plus the retained earnings of MRP as of December 19, 2012, the date when MRP was acquired by Melco through MCO Investments and MPHIL.

The equity reserve is accounted for as follows:

	December 31,	
	2017	2016
Retained earnings of MRP as of December 19, 2012	**₱732,453**	₱732,453
Consideration to MRP for the acquisition of MPHIL Holdings Group	**(7,198,590)**	(7,198,590)
Legal capital of MPHIL 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, 2017 and 2016, the Parent Company had 423 and 428 stockholders, respectively.

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

14. Employee Benefit Expenses

	Notes	Year Ended December 31, 2017	2016	2015
Basic salaries, allowances, bonuses and other amenities expenses		**₱3,149,680**	₱2,990,448	₱3,286,577
Annual leave and other paid leave expenses		**163,680**	142,723	162,389
Retirement costs – defined contribution plans		**67,311**	68,580	77,764
Share-based compensation expenses	27	**31,164**	(2,679)	109,824
Retirement costs – defined benefit obligations	21	**20,703**	14,817	23,617
Consultancy fees in consideration for share awards	27	**(5,156)**	13,221	66,913
Other employee benefit expenses		**209,890**	222,656	253,280
		₱3,637,272	₱3,449,766	₱3,980,364

15. Other Expenses

	Notes	Year Ended December 31, 2017	2016	2015
Other gaming operations expenses		**₱5,376,929**	₱3,466,744	₱1,096,624
Facilities and supplies expenses		**1,482,897**	1,256,021	1,243,852
Management fee expenses		**804,629**	516,483	641,795
Trademark license fees	16	**674,940**	72,224	–
Advertising, marketing, promotional and entertainment expenses		**437,532**	359,495	1,167,884
Rental expenses	23(b)	**220,837**	266,136	300,432
Net loss (gain) on disposals of property and equipment		**185,569**	(377,167)	–
Office and administrative expenses		**169,649**	167,408	264,815
Provisions for input VAT	11	**142,051**	271,938	1,426,976
Taxes and licenses		**52,755**	104,661	93,537
Insurance claim recovery		**–**	(100,000)	–
Operating expenses and others		**483,459**	453,073	465,656
		₱10,031,247	₱6,457,016	₱6,701,571

16. 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)

16. **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 years:

	Amount of Transactions Year Ended December 31,			Outstanding Balance December 31,			
	2017	2016	2015	2017	2016	Terms	Conditions
Amount due from a shareholder							
MPHIL							
Amount due from MPHIL	₱–	₱–	₱–	₱5,716	₱5,590	Repayable on demand; non-interest bearing	Unsecured, no impairment
Amount due from ultimate holding company							
Melco[1]							
Management fee income[2]	₱–	₱11,134	₱44,036	₱–	₱–		
Management fee expenses	–	1,706	60,104	–	–		
Amount due from an intermediate holding company							
Melco[1]							
Management fee income[2]	₱9,915	₱5,237	₱–	₱–	₱–		
Management fee expenses	148,397	39,533	–	–	–		
Amount due from Melco	–	–	–	156,887	139,264	Repayable on demand; non-interest bearing	Unsecured, no impairment
Amount due from immediate holding company							
MCO Investments							
Amount due from MCO Investments	₱–	₱–	₱–	₱995	₱3,000	Repayable on demand; non-interest bearing	Unsecured, no impairment
Amount due from an affiliated company							
A subsidiary of Melco International[1] (other than MPHIL, Melco and MCO Investments)							
Management fees and other expenses[3]	₱5,848	₱–	₱–	₱–	₱–		
Amount due from a subsidiary of Melco International	–	–	–	72	1,117	Repayable on demand; non-interest bearing	Unsecured, no impairment

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

16. **Related Party Transactions** – continued

	Amount of Transactions Year Ended December 31, 2017	2016	2015	Outstanding Balance December 31, 2017	2016	Terms	Conditions
Amounts due to affiliated companies							
Melco's subsidiaries(1)							
Acquisitions of property and equipment	**₱–**	₱23,097	₱–	**₱–**	₱–		
Management fees and other expenses(3)	**–**	166,861	1,249,068	**–**	–		
Melco International's subsidiaries(1)							
Acquisitions of property and equipment	**₱–**	₱15,010	₱231,399	**₱–**	₱–		
Management fees and other expenses(3)	**689,805**	342,716	–	**–**	–		
Trademark license fees	**674,940**	72,224	–	**–**	–		
Amounts due to Melco International's subsidiaries	**–**	–	–	**100,291**	1,221,141	Repayable on demand; non-interest bearing	Unsecured
Crown's subsidiaries and an associated company(4)							
Acquisitions of property and equipment	**₱–**	₱20,027	₱1,453	**₱–**	₱–		
Adjustment of acquisitions of property and equipment	**–**	–	(2,109)	**–**	–		
Management fees, consultancy fee and facilities expenses	**5,126**	53,883	8,948	**–**	–		
Amounts due to Crown's subsidiaries and an associated company	**–**	–	–	**–**	60,899	Repayable 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 MRP for the years ended December 31, 2017, 2016 and 2015.
(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.
(4) 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 subsidiaries and associated company are no longer regarded as related parties of Melco and the Group.

Directors' Remuneration

For the years ended December 31, 2017, 2016 and 2015, the remuneration of directors of the Group was borne by Melco.

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

16. **Related Party Transactions** – continued

Compensation of Key Management Personnel

The compensation of key management personnel of the Group for the years ended December 31, 2017, 2016 and 2015 is as follows:

	Year Ended December 31,		
	2017	2016	2015
Basic salaries, allowances and benefits in kind	**₱99,255**	₱104,966	₱166,562
Performance bonuses	**90,416**	68,832	–
Retirement costs – defined contribution plans	**3,929**	3,416	2,411
Termination benefits	–	–	39,572
Share-based compensation expenses	**20,841**	15,329	62,330
	₱214,441	₱192,543	₱270,875

For the years ended December 31, 2017, 2016 and 2015, part of the compensation of key management personnel of the Group was borne by Melco.

17. **Basic/Diluted Earnings (Loss) Per Share**

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

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

17. Basic/Diluted Earnings (Loss) Per Share – continued

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

	Year Ended December 31,		
	2017	2016	2015
Net profit (loss)	**₱353,923**	(₱1,581,299)	(₱9,144,131)
Weighted average number of common shares outstanding used in the calculation of basic earnings (loss) per share	**5,664,563,576**	5,671,205,713	5,014,093,527
Adjustments for share options and restricted shares	**44,764,328**	–	–
Weighted average number of common shares outstanding used in the calculation of diluted earnings (loss) per share	**5,709,327,904**	5,671,205,713	5,014,093,527
Basic earnings (loss) per share	**₱0.06**	(₱0.28)	(₱1.82)
Diluted earnings (loss) per share	**₱0.06**	(₱0.28)	(₱1.82)
Anti-dilutive share options and restricted shares excluded from the calculation of diluted earnings (loss) per share	**12,363,436**	61,630,418	153,241,847

18. Income Tax

The provision for income tax for the years ended December 31, 2017, 2016 and 2015 consisted of:

	Year Ended December 31,		
	2017	2016	2015
Provision for current income tax	**₱198**	₱327	₱24,610
Over-provision of income tax in prior year	**(160)**	–	–
Deferred tax charge (credit)	**38,245**	82,069	(881)
	₱38,283	₱82,396	₱23,729

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

18. **Income Tax** – continued

A reconciliation of income tax provision (benefit) computed at statutory income tax rate to provision for income tax is as follows:

	Year Ended December 31,		
	2017	2016	2015
Income tax provision (benefit) computed at statutory income tax rate	**₱117,662**	(₱449,671)	(₱2,736,121)
Income tax effects of:			
Over-provision of income tax in prior year	**(160)**	–	–
Change in unrecognized deferred tax assets	**409,787**	1,231,758	2,357,040
Change in unrecognized deferred tax assets in prior year	**(67,339)**	99,238	1,714
Expenses not deductible for tax purposes	**165,002**	173,193	390,890
Expired NOLCO	**1,418,088**	432,014	14,467
Effect of profits generated by gaming operations exempted from corporate income tax	**(1,991,571)**	(1,398,046)	–
Interest income subject to final tax	**(11,593)**	(4,569)	(2,838)
Interest income not taxable	**(1,593)**	(1,521)	(1,423)
	₱38,283	₱82,396	₱23,729

The components of the Group's net deferred tax liabilities as of December 31, 2017 and 2016 were as follows:

	December 31,	
	2017	2016
Deferred tax asset:		
Deferred rent under PAS 17	**₱207,291**	₱232,178
Deferred tax liabilities:		
Capitalized interest expenses	**(207,291)**	(232,178)
Unrealized foreign exchange gains, net	**(119,433)**	(61,688)
Receivable of insurance claim recovery	**–**	(19,500)
	(326,724)	(313,366)
	(₱119,433)	(₱81,188)

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

18. **Income Tax** – continued

The Group has not recognized the following deferred tax assets on deductible temporary difference since management believes that the Group may not be able to realize the benefits from these deferred tax assets in the future.

	December 31, 2017	2016
NOLCO	**₱4,777,998**	₱4,656,893
Deferred rent under PAS 17	**1,413,723**	1,079,195
Share-based compensation expenses	**165,758**	164,591
Interest expenses	**32,031**	122,656
Others	**262,183**	216,515
	₱6,651,693	₱6,239,850

As of December 31, 2017, the Group's NOLCO which can be carried forward and claimed as deductions from regular taxable income in future years is analysed as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2017	2020	**₱4,920,503**	**₱–**	**₱–**	**₱4,920,503**
2016	2019	**4,528,834**	**–**	**–**	**4,528,834**
2015	2018	**6,477,322**	**–**	**–**	**6,477,322**
2014	2017	**4,726,959**	**–**	**4,726,959**	**–**
		₱20,653,618	**₱–**	**₱4,726,959**	**₱15,926,659**

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, and individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter as of March 31, 2013.

18. **Income Tax** – continued

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, which was denied by the SC with finality in its resolution dated November 28, 2016. Based on the SC decision, management believes that Melco Resorts 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, are paid.

As of December 31, 2017 and 2016, Melco Resorts 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, Melco Resorts Leisure was granted the following fiscal incentives: (a) tax and duty-free importation of certain eligible capital equipment to be used as part of its registered activities; and (b) VAT-zero rating on local purchases of certain eligible capital equipment in accordance with the PEZA rules and regulations.

In June 2017, Melco Resorts Leisure received a Final Assessment Notice ("FAN") from the BIR relating to an alleged deficiency of VAT for 2014. The Group believes the legal basis for the FAN is without merit. The Group has filed a protest letter with the BIR requesting cancellation of the FAN in July 2017 and has not yet received a reply from the BIR as of the date of this report.

In June 2016, Melco Resorts Leisure received from the BIR a Letter of Authority ("LOA") for the audit of 2015 VAT. In August 2017, two separate LOAs were received for the review of 2015 and 2016 all internal revenue taxes. No assessment pertaining to the LOAs has been issued by the BIR as of the date of this report.

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

18. **Income Tax** – continued

Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act ("TRAIN") was signed into law on December 19, 2017 to take effect on January 1, 2018, meaning the new tax law has been enacted as of the reporting date. The TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis. Management have assessed that TRAIN will not have any significant impact on the consolidated financial statements as of the date of this report.

19. Obligations Under a Finance Lease

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

	December 31, 2017		December 31, 2016	
	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	**₱1,786,101**	**₱1,661,799**	₱1,638,716	₱1,524,893
In more than one year and not more than five years	**8,942,975**	**5,939,560**	8,316,154	5,499,231
In more than five years	**27,101,474**	**7,332,393**	29,594,438	7,562,231
	37,830,550	**14,933,752**	39,549,308	14,586,355
Less: Finance charges	**(22,896,798)**	**–**	(24,962,953)	–
Present value of lease obligations	**₱14,933,752**	**14,933,752**	₱14,586,355	14,586,355
Less: Current portion of obligations under a finance lease		**(1,661,799)**		(1,524,893)
Non-current portion of obligations under a finance lease		**₱13,271,953**		₱13,061,462

For the years ended December 31, 2017, 2016 and 2015, finance charges on obligations under a finance lease amounted to ₱1,992,234, ₱1,945,175 and ₱1,866,199, of which ₱2,435, ₱8,823 and ₱82,746, were capitalized, respectively.

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

20. **Long-term Debt, Net**

This account consists of:

	December 31, 2017	2016
Senior Notes	**₱7,500,000**	₱15,000,000
Less: Unamortized deferred financing costs	**(40,366)**	(151,500)
	7,459,634	14,848,500
Current portion of long-term debt	**–**	–
	₱7,459,634	₱14,848,500

(a) Senior Notes

On January 24, 2014, Melco Resorts Leisure issued ₱15,000,000 in aggregate principal amount of 5% senior notes due 2019 (the "Senior Notes") and priced at 100% and offered to certain primary institutional lenders as noteholders via private placement in the Philippines.

The Senior Notes are general obligations of Melco Resorts Leisure, secured on a first-ranking basis by pledge of shares of all present and future direct and indirect subsidiaries of MRP, rank equally in right of payment to all existing and future senior indebtedness of Melco Resorts 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 Melco Resorts Leisure.

The Senior Notes are guaranteed by MRP and all present and future direct and indirect subsidiaries of MRP (subject to certain limited exceptions) (collectively the "Guarantors"), jointly and severally with Melco Resorts 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 Melco Resorts 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 were for funding the City of Dreams Manila project, refinancing of debt and general corporate purposes.

20. **Long-term Debt, Net** – continued

(a) Senior Notes – continued

Melco Resorts 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, Melco Resorts 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 MRP and its subsidiaries, including Melco Resorts 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 Notes Facility and Security Agreement also contains conditions and events of default customary for such financings.

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.

On October 9, 2017, Melco Resorts Leisure partially redeemed the Senior Notes in an aggregate principal amount of ₱7,500,000, together with accrued interest. Accordingly, the Group recorded a ₱48,641 loss on extinguishment of debt which represented the write-off of unamortized deferred financing costs in relation to such redemption in the consolidated statements of comprehensive income for the year ended December 31, 2017.

(b) Shareholder Loan Facility

On December 23, 2013, Melco Resorts 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$340,000,000 (the "Shareholder Loan") with MCO Investments as lender (the "Lender"). The Shareholder Loan Facility is a term loan facility denominated in the United States dollars ("US$"). MRP, MPHIL Holdings No. 1, MPHIL 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 MRP to be provided as a condition precedent to the initial utilization of the Shareholder Loan.

20. **Long-term Debt, Net** – continued

(b) Shareholder Loan Facility – continued

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 Melco Resorts Leisure to pay without any deduction or withholding for or on account of tax.

As of December 31, 2017 and 2016, 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 Melco Resorts Leisure. The Credit Facility availability period was first extended from August 31, 2016 to November 29, 2016, then second 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. For the year ended December 31, 2017, the Credit Facility availability period was third 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.

As of December 31, 2017 and 2016, the Credit Facility has not been drawn. As of the date of this report, the Credit Facility availability period was fourth extended to May 29, 2018.

20. **Long-term Debt, Net** – continued

(d) Unamortized Deferred Financing Costs

Direct and incremental costs of ₱333,711 incurred in connection with the issuance of the Senior Notes are capitalized in deferred financing costs. Other than the write-off of unamortized deferred financing costs of ₱48,641 as loss on extinguishment of debt during the year ended December 31, 2017 as discussed in Note 20(a), deferred financing costs of ₱62,493, ₱66,148 and ₱61,828 were amortized to the consolidated statements of comprehensive income for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, the unamortized deferred financing costs of ₱40,366 and ₱151,500 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, 2017, 2016 and 2015, interest expenses on long-term debt consisted of interest on the Senior Notes in the amounts of ₱830,729, ₱937,500 and ₱937,500, respectively. No interest on long-term debt was capitalized for the years ended December 31, 2017, 2016 and 2015.

For the years ended December 31, 2017, 2016 and 2015, 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 Melco Resorts Leisure to pay without any deduction or withholding for or on account of tax.

For the years ended December 31, 2017, 2016 and 2015, 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 Melco Resorts Leisure to pay without any deduction or withholding for or on account of tax amounted to ₱42,384, ₱47,832 and ₱47,832, respectively.

21. **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, *Employee Benefits*. 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)

21. **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, 2017, 2016 and 2015 and the retirement liabilities of defined benefit obligations recognized in the consolidated balance sheets as of December 31, 2017 and 2016:

	Year Ended December 31,		
	2017	2016	2015
Retirement costs – defined benefit obligations:			
Current service costs	**₱18,429**	₱13,681	₱23,617
Interest costs	**2,274**	1,136	–
	₱20,703	₱14,817	₱23,617

	December 31,	
	2017	2016
Retirement liabilities – defined benefit obligations (at present value):		
Balance at beginning of year	**₱41,644**	₱23,617
Current service costs	**18,429**	13,681
Interest costs	**2,274**	1,136
Remeasurement loss due to:		
Experience adjustments	**2,066**	7,113
Changes in demographic assumptions	**7,758**	–
Changes in financial assumptions	**(2,972)**	(3,903)
Balance at end of year	**₱69,199**	₱41,644

The principal assumptions used in determining the Group's retirement liabilities for defined benefit obligations as of December 31, 2017, 2016 and 2015 are as follows:

	December 31,	
	2017	2016
Discount rate	**5.79%**	5.46%
Salary increase rate	**3.00%**	3.00%
Mortality rate	**2017 PICM**	1994 GAM
Disability rate	**1952 Disability Study, Period 2, Benefit 5**	1952 Disability Study, Period 2, Benefit 5
Turnover rate	**A scale ranging from 21% at age 18 to 0% at age 60**	A scale ranging from 11% at age 25 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)

21. **Retirement Costs – Defined Benefit Obligations** – continued

As of December 31, 2017 and 2016, the expected maturity of undiscounted expected benefit payments are as follows:

	December 31, 2017	2016
Plan year:		
Less than 1 year	**₱161**	₱–
More than 1 year but less than 5 years	**22,209**	13,958
More than 5 years but less than 10 years	**57,354**	73,313
More than 10 years but less than 15 years	**204,087**	102,330
More than 15 years but less than 20 years	**234,920**	182,643
More than 20 years	**534,939**	513,283

As of December 31, 2017 and 2016, the average duration of the expected benefit payments were 19.81 and 21.63 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, 2017 and 2016, 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.

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

21. **Retirement Costs – Defined Benefit Obligations** – continued

	December 31, 2017 Effect on Present Value of Obligations
Discount rate:	
6.79% (Actual + 1.00%)	**₱61,111**
5.79% (Actual)	**69,199**
4.79% (Actual - 1.00%)	**78,828**
Salary increase rate:	
4.00% (Actual + 1.00%)	**₱79,392**
3.00% (Actual)	**69,199**
2.00% (Actual - 1.00%)	**60,537**

	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

22. 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 MPHIL 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, Melco Resorts 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).

22. **Cooperation Agreement, Operating Agreement and Lease Agreement** – continued

(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 Melco Resorts 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, Melco Resorts 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 Melco Resorts 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 Melco Resorts 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 Melco Resorts Leisure and Belle, which has been subsequently amended from time to time, became effective on March 13, 2013. Under the Lease Agreement, Belle agreed to lease to Melco Resorts 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 Melco Resorts 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.

23. **Commitments and Contingencies**

(a) Capital Commitments

As of December 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 ₱716,911.

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

23. **Commitments and Contingencies** – continued

(b) Lease Commitments

Operating Leases – As a Lessee

The Group leased a portion of land under the Lease Agreement for City of Dreams Manila and certain office spaces, warehouses, staff quarter and various equipment under non-cancellable operating lease agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by the Group and its lessors or contingent rental expenses stated as a percentage of turnover. For the years ended December 31, 2017, 2016 and 2015, the Group incurred rental expenses amounting to ₱220,837, ₱266,136 and ₱309,102, of which ₱220,837, ₱266,136 and ₱300,432 were recognized as other expenses (Note 15) and nil, nil and ₱8,670 were capitalized in construction in progress, respectively. Minimum rental expenses amounting to ₱220,837, ₱266,136 and ₱307,348 and contingent rental expenses amounting to nil, nil and ₱1,754 were recognized for the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, future minimum lease payments under non-cancellable operating leases were as follows:

	December 31, 2017
Within one year	**₱148,826**
In more than one year and not more than five years	**676,565**
In more than five years	**1,910,032**
	₱2,735,423

Operating Leases – As a Lessor

The Group entered into non-cancellable operating lease agreements mainly for mall spaces in City of Dreams Manila with various retailers that expire at various dates through December 2021. Certain of the operating lease agreements include minimum base fees with escalated contingent fee clauses. Contingent fees amounting to ₱11,160, ₱9,178 and ₱7,249 were recognized for the years ended December 31, 2017, 2016 and 2015, respectively.

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

23. **Commitments and Contingencies** – continued

(b) Lease Commitments – continued

Operating Leases – As a Lessor – continued

As of December 31, 2017, future minimum fees to be received under non-cancellable operating lease were as follows:

	December 31, 2017
Within one year	₱63,060
In more than one year and not more than five years	58,368
	₱121,428

The total future minimum 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.

23. **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 18. The 10% license fee adjustment was a temporary measure to address the unilateral BIR action and was 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 was 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 was not an admission of the validity of BIR RMC No. 33-2013 and it was 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. The BIR subsequently filed a Motion for Reconsideration of the said decision, which was denied by the SC with finality in its resolution dated November 28, 2016.

(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, 2017 and 2016, MPHIL Holdings Group, as one of the Licensee parties, has complied with the required debt-to-equity ratio under definition as agreed with PAGCOR. For further details refer to Note 24 under capital risk management.

23. **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 losses 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 MPHIL 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

Melco Resorts 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 23(c)(i).

(e) Litigation

As of December 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 have no material impacts on the Group's consolidated financial statements as a whole.

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

The Group has financial assets and liabilities including cash and cash equivalents, restricted cash, accounts receivable, security deposits, other 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, accrued expenses, other payables and other current liabilities, obligations under a 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.

24. **Financial Risk Management Objectives and Policies** – continued

Credit Risk
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

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 deposits, other deposits and receivables, amount due from a shareholder, 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 deposits and other deposits and receivables were held and the default of repayment from a shareholder, 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 with allowance for doubtful debts as at December 31, 2017 and 2016. 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 and the Group did not hold any collateral or credit enhancements to cover its credit risk associated with its financial assets as of December 31, 2017 and 2016.

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 an intermediate holding company is considered as high grade as Melco is listed on the NASDAQ Global Select Market with positive financial performance. Security deposits are also classified as high grade since the security deposits in relation to the Lease Agreement are placed with Belle, a company listed on the PSE with positive financial performance.

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

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

24. **Financial Risk Management Objectives and Policies** – continued

Credit Risk – continued

	December 31, 2017					
	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	**₱4,582,205**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,582,205**
Restricted cash	**549,765**	–	–	–	–	**549,765**
Accounts receivable, net	**1,106,039**	–	**416,808**	–	**(194,475)**	**1,328,372**
Deposits and receivables, net	**303,978**	–	**3,104**	–	**(3,104)**	**303,978**
Amount due from a shareholder	**5,716**	–	–	–	–	**5,716**
Amount due from an intermediate holding company	**156,887**	–	–	–	–	**156,887**
Amount due from immediate holding company	**995**	–	–	–	–	**995**
Amount due from an affiliated company	**72**	–	–	–	–	**72**
	₱6,705,657	**₱–**	**₱419,912**	**₱–**	**(₱197,579)**	**₱6,927,990**

	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

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.

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

24. **Financial Risk Management Objectives and Policies** – continued

Liquidity Risk – continued

The Group uses historical data and forecasts on its collections and disbursements to ensure it has sufficient cash to meet capital expenditures and operational needs and manages its liquid funds through cash planning on a monthly basis. The forecast takes into consideration 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, 2017 and 2016 based on undiscounted contractual cash flows.

	December 31, 2017				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	₱6,332,581	₱–	₱–	₱–	₱6,332,581
Restricted cash	549,765	–	–	–	549,765
Accounts receivable, net	1,328,372	–	–	–	1,328,372
Deposits and receivables, net	154,385	6,420	–	266,811	427,616
Amount due from a shareholder	5,716	–	–	–	5,716
Amount due from an intermediate holding company	156,887	–	–	–	156,887
Amount due from immediate holding company	995	–	–	–	995
Amount due from an affiliated company	72	–	–	–	72
Financial Liabilities					
Accounts payable	₱136,758	₱–	₱–	₱–	₱136,758
Accrued expenses, other payables and other current liabilities	1,604,147	–	–	–	1,604,147
Amounts due to affiliated companies	100,291	–	–	–	100,291
Current portion of obligations under a finance lease	1,786,101	–	–	–	1,786,101
Non-current portion of obligations under a finance lease	–	4,121,938	4,821,037	27,101,474	36,044,449
Long-term debt	–	7,500,000	–	–	7,500,000
Interest expenses payable on long-term debt (including withholding tax)	468,750	29,948	–	–	498,698
Other finance fees payable on long-term debt (including gross-up withholding tax)	23,916	1,528	–	–	25,444
Other non-current liabilities	–	17,619	1,185	–	18,804

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

24. **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 a finance lease	1,638,716	–	–	–	1,638,716
Non-current portion of obligations under a 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

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 foreign currency exposures arising from translation of certain financial assets and financial liabilities denominated in foreign currencies, which are primarily denominated in Hong Kong dollars ("HK$"), US$ and Macau Patacas ("MOP"). 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)

24. **Financial Risk Management Objectives and Policies** – continued

Foreign Exchange Risk – continued

Foreign currency denominated financial assets and financial liabilities, translated into Philippine peso equivalents, are as follows:

	December 31, 2017					
	HK$ (In Unit)	Philippine Peso	US$ (In Unit)	Philippine Peso	MOP (In Unit)	Philippine Peso
Financial assets	**329,276,772**	**2,112,916**	**8,585,338**	**428,606**	**–**	**–**
Financial liabilities	**(6,477,737)**	**(41,567)**	**(361,712)**	**(18,058)**	**(9,439,724)**	**(58,809)**
	322,799,035	**2,071,349**	**8,223,626**	**410,548**	**(9,439,724)**	**(58,809)**

	December 31, 2016					
	HK$ (In Unit)	Philippine Peso	US$ (In Unit)	Philippine Peso	MOP (In Unit)	Philippine Peso
Financial assets	521,801,697	3,340,940	45,874,591	2,285,151	–	–
Financial liabilities	(82,873,455)	(530,614)	(2,369,368)	(118,026)	(105,310,239)	(654,631)
	438,928,242	2,810,326	43,505,223	2,167,125	(105,310,239)	(654,631)

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the Group used the following rates of exchange as of December 31, 2017 and 2016:

	December 31,	
	2017	2016
Philippine peso to 1 unit of foreign currency:		
HK$	**6.42**	6.40
US$	**49.92**	49.81
MOP	**6.23**	6.22

The sensitivity of the profit (loss) before income tax with regard to the Group's financial assets and financial liabilities in HK$, US$ and MOP translated into Philippine peso with exchange rate assumes +/- 0.9% and +/-1.3% changes in exchange rate for each of the foreign currencies as mentioned above for the years ended December 31, 2017 and 2016, respectively. The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences.

24. **Financial Risk Management Objectives and Policies** – continued

Foreign Exchange Risk – continued
If the Philippine peso had strengthened against HK$ and US$, with all other variables held constant, profit before income tax would have decreased by ₱18,642 and ₱3,695 for the year ended December 31, 2017, respectively, mainly as a result of the translation of HK$ and US$-denominated cash and cash equivalents. If the Philippine peso had strengthened against MOP, with all other variables held constant, profit before income tax would have increased by ₱529 for the year ended December 31, 2017, mainly as a result of the translation of MOP-denominated amounts due to affiliated companies. If the Philippine peso had strengthened against HK$ and US$, with all other variables held constant, loss before income tax would have increased by ₱36,534 and ₱28,173 for the year ended December 31, 2016, respectively, mainly as a result of the translation of HK$ and US$-denominated cash and cash equivalents. If the Philippine peso had strengthened against MOP, with all other variables held constant, loss before income tax would have decreased by ₱8,510 for the year ended December 31, 2016, mainly as a result of the translation of MOP-denominated amounts due to affiliated companies.

However, if the Philippine peso had weakened against HK$, US$ and MOP by the same percentage, profit (loss) before income tax would have changed in the opposite direction by the same amounts.

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 ₱12,875,452 and ₱19,882,603 as of December 31, 2017 and 2016, 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, 2017 and 2016, MPHIL Holdings Group, as one of the Licensee parties, has complied with the D/E Ratio as required by PAGCOR.

25. **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 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 December 31, 2017 and 2016, the carrying values approximate their fair values at the reporting dates due to the relatively short-term maturities of the transactions.

25. **Financial Instruments** – continued

Fair Value of Financial Instruments – continued
Security deposits, Obligations under a finance lease and Long-term debt. As of December 31, 2017 and 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.

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, 2017 and 2016, the Group does not have financial instruments that are carried and measured at fair value. For the years ended December 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.

26. **Note to Consolidated Statements of Cash Flows**

(a) For the year ended December 31, 2017, fit-out construction costs and costs of property and equipment totaling ₱138,582, nil and nil were funded through accrued expenses, other payables and other current liabilities, amounts due to affiliated companies and other non-current liabilities, respectively (For the year ended December 31, 2016: ₱8,547, ₱23,097 and ₱1,483, respectively; and for the year ended December 31, 2015: ₱595,972, nil and ₱20,779, respectively).

(b) For the year ended December 31, 2017, accruals for property and equipment of ₱23,138 were reversed for project costs adjustments (For the years ended December 31, 2016 and 2015: ₱255,704 and nil, respectively).

(c) For the year ended December 31, 2017, interest expenses capitalized in fit-out construction costs of ₱2,435 were funded through obligations under a finance lease (For the years ended December 31, 2016 and 2015: ₱8,823 and ₱82,746, respectively).

(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 year ended December 31, 2015: nil).

26. **Note to Consolidated Statements of Cash Flows** – continued

(e) For the year ended December 31, 2016, part of the reimbursable amount from the Philippine Parties to the MPHIL Holdings Group 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 year ended December 31, 2015: nil).

(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.

(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.

27. **Share Incentive Plan**

The Group adopted the Share Incentive Plan, effective on June 24, 2013, which has been 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 ten 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 ten years. As of December 31, 2017, there were 154,430,056 common shares available for grants of various share-based awards under the Share Incentive Plan.

Share Options

During the years ended December 31, 2017 and 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. These share options generally became exercisable over vesting periods of two to three years. The share options granted expire ten years from the date of grant. There was no share options granted under the Share Incentive Plan during the year ended December 31, 2016.

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 Melco. 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.

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

27. **Share Incentive Plan** – continued

Share Options – continued

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

	Year Ended December 31,		
	2017	2016	2015
Expected dividend yield	**–**	–	–
Expected stock price volatility	**45%**	–	45%
Risk-free interest rate	**4.47%**	–	4.08%
Expected average term (years)	**5.9**	–	5.4
Weighted average share price per share	**₱8.27**	₱–	₱3.46
Weighted average exercise price per share	**₱8.27**	₱–	₱3.46

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.

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

27. **Share Incentive Plan** – continued

Share Options – continued

A summary of share options activity under the Share Incentive Plan as of December 31, 2017, and changes for the years ended December 31, 2017, 2016 and 2015 are presented as follows:

	Number of Share Options	Weighted Average Exercise Price per Share
Outstanding as of January 1, 2015	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
Cancelled 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
Granted	**7,143,469**	**8.27**
Exercised	**(1,040,485)**	**8.30**
Expired	**(3,410,501)**	**8.59**
Outstanding as of December 31, 2017	**15,067,193**	**₱6.10**
Exercisable as of December 31, 2017	**4,525,458**	**₱4.67**

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

27. **Share Incentive Plan** – continued

Share Options – continued

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

	Year Ended December 31, 2017		2016		2015	
	Number of Share Options Outstanding (Note)	Weighted Average Remaining Contractual Term	Number of Share Options Outstanding	Weighted Average Remaining Contractual Term	Number of Share Options Outstanding	Weighted Average Remaining Contractual Term
Exercise price per share:						
₱3.46	**6,796,532**	**7.88**	6,796,532	8.88	6,796,532	9.88
₱5.66	**1,531,112**	**9.21**	–	–	–	–
₱8.30	**1,127,192**	**5.49**	5,375,838	6.59	113,196,113	7.52
₱8.98	**5,612,357**	**9.59**	–	–	–	–
₱13.26	**–**	**–**	202,340	7.42	4,717,987	8.42
	15,067,193	**8.47**	12,374,710	7.86	124,710,632	7.69

Note: 1,699,133 share options vested for the year ended December 31, 2017.

Share options exercised for the year ended December 31, 2017 resulted in 1,040,485 common shares of the Parent Company being issued at a weighted average price of ₱8.30. The related weighted average share price at the time of exercise was ₱8.60 during the year. No share options were exercised for the years ended December 31, 2016 and 2015.

Restricted Shares

During the years ended December 31, 2017 and 2015, the grant date fair values for restricted shares granted under the Share Incentive Plan were determined with reference to the market closing prices of the Parent Company's common shares on the dates of grant. These restricted shares generally have vesting periods of two to three years. There was no restricted shares granted under the Share Incentive Plan during the year ended December 31, 2016.

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

27. **Share Incentive Plan** – continued

Restricted Shares – continued

A summary of restricted shares activity under the Share Incentive Plan as of December 31, 2017, and changes for the years ended December 31, 2017, 2016 and 2015 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2015	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
Granted	**7,298,372**	**8.22**
Vested	**(2,826,644)**	**8.02**
Forfeited	**(5,081,073)**	**4.45**
Unvested as of December 31, 2017	**48,646,363**	**₱4.91**

The impact of share options and restricted shares for the years ended December 31, 2017, 2016 and 2015 recognized in the consolidated financial statements is as follows:

	Year Ended December 31,		
	2017	2016	2015
Share Incentive Plan:			
Share options	**(₱13,051)**	(₱3,585)	₱80,401
Restricted shares	**39,059**	14,127	96,336
Total share-based compensation expenses	**₱26,008**	₱10,542	₱176,737
Share-based compensation expenses	**₱31,164**	(₱2,679)	₱109,824
Consultancy fees in consideration for share awards	**(5,156)**	13,221	66,913
	₱26,008	₱10,542	₱176,737

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

28. 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, 2017, 2016 and 2015, the Group operates in one geographical area, the Philippines, where it derives its revenue.

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

TOTAL ASSETS

	December 31,		
	2017	2016	2015
Total assets – Located in the Philippines at City of Dreams Manila	**₱34,428,399**	₱41,690,660	₱44,757,753

CAPITAL EXPENDITURES

	Year Ended December 31,		
	2017	2016	2015
Total capital expenditures – All in the Philippines at City of Dreams Manila(Note)	**₱709,700**	₱448,264	₱4,428,001

Note – For the years ended December 31, 2017 and 2016, the amount of total capital expenditures did not include the adjustments for reversal of project costs of ₱23,138 and ₱255,704, respectively. There was no adjustment to project costs for the year ended December 31, 2015.

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

28. **Segment Information** – continued

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

	Year Ended December 31,		
	2017	2016	2015
NET OPERATING REVENUES			
The Philippines – City of Dreams Manila	**₱32,755,217**	₱23,418,789	₱13,727,327
Total Net Operating Revenues	**₱32,755,217**	₱23,418,789	₱13,727,327
ADJUSTED EBITDA (Note)			
The Philippines – City of Dreams Manila	**₱11,854,024**	₱7,561,263	₱2,520,151
OPERATING COSTS AND EXPENSES			
Payments to the Philippine Parties	**(2,609,353)**	(1,642,175)	(757,039)
Land rent to Belle	**(158,469)**	(158,478)	(158,466)
Net gain on disposals of property and equipment to Belle	**–**	380,454	–
Pre-opening costs	**–**	–	(1,262,923)
Depreciation and amortization	**(4,285,650)**	(4,388,885)	(4,372,061)
Share-based compensation expenses	**(31,164)**	2,679	(109,824)
Consultancy fees in consideration for share awards	**5,156**	(13,221)	(66,913)
Corporate expenses	**(1,447,588)**	(562,247)	(593,841)
Property charges and other	**(132,849)**	73,399	(1,472,385)
Total Operating Costs and Expenses	**(8,659,917)**	(6,308,474)	(8,793,452)
OPERATING PROFIT (LOSS)	**3,194,107**	1,252,789	(6,273,301)
NON-OPERATING INCOME (EXPENSES)			
Interest income	**43,955**	20,300	14,203
Interest expenses, net of capitalized interest	**(2,820,528)**	(2,873,852)	(2,720,953)
Amortization of deferred financing costs	**(62,493)**	(66,148)	(61,828)
Other finance fees	**(42,384)**	(47,832)	(47,832)
Foreign exchange gains (losses), net	**128,190**	215,840	(30,691)
Loss on extinguishment of debt	**(48,641)**	–	–
Total Non-operating Expenses, Net	**(2,801,901)**	(2,751,692)	(2,847,101)
PROFIT (LOSS) BEFORE INCOME TAX	**392,206**	(1,498,903)	(9,120,402)
INCOME TAX EXPENSE	**(38,283)**	(82,396)	(23,729)
NET PROFIT (LOSS)	**₱353,923**	(₱1,581,299)	(₱9,144,131)

28. **Segment Information** – continued

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

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

LONG-LIVED ASSETS

	December 31,		
	2017	2016	2015
Total long-lived assets – All in the Philippines	**₱23,945,213**	₱27,735,886	₱33,863,028

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Melco Resorts and Entertainment (Philippines) Corporation
(formerly known as 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 Resorts and Entertainment (Philippines) Corporation and Subsidiaries (the Group) (formerly known as Melco Crown (Philippines) Resorts Corporation and Subsidiaries), which comprise the consolidated balance sheets as at and for the years ended December 31, 2017 and 2016, 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, 2017, included in this Form 17-A and have issued our report thereon dated March 21, 2018. 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.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-2 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2016,
January 3, 2017, valid until January 2, 2020
PTR No. 6621278, January 9, 2018, Makati City

March 21, 2018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2018 TSIS
RECEIVED
ELMER B. TANAY

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS CORPORATION)
As of December 31, 2017
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, net	863,872	-	(52,093)	-	811,779
Other intangible assets, net (for right to use of trademarks)	5,436	-	(2,990)	-	2,446

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION AND SUBSIDIARIES
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS CORPORATION)
As of December 31, 2017
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	7,500,000	-	7,459,634

(i) Balance represents principal amount net against unamortized deferred financing costs of 40,366
See note 20(a) to Consolidated Financial Statements for details of interest rates, amounts or number of periodic installments, and maturity dates.

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS CORPORATION)
As of December 31, 2017
Schedule H. Capital Stock

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	5,666,764,407	63,713,556	4,124,277,264	11,352,762	1,531,134,381

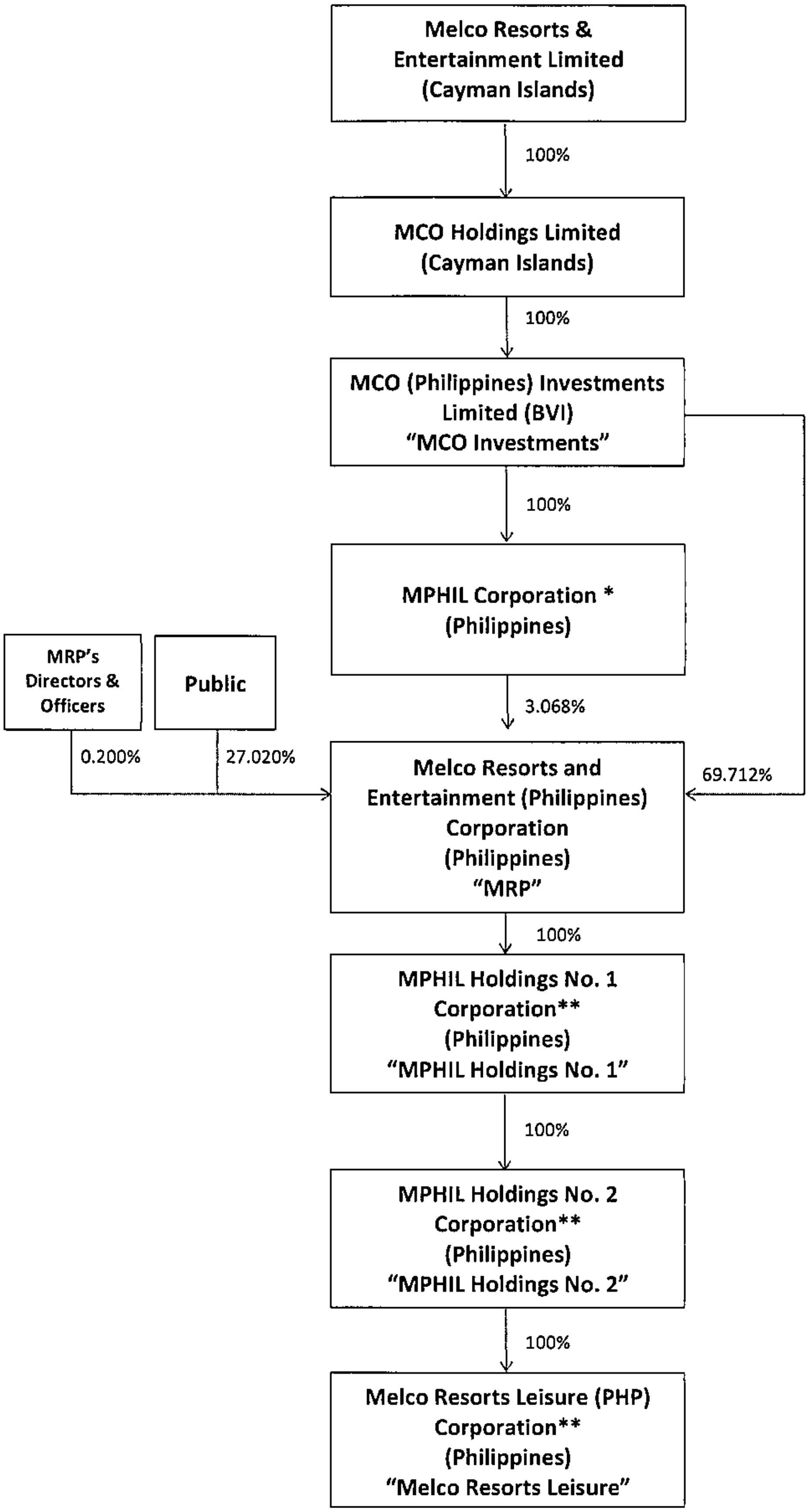
RECONCILIATION OF RETAINED EARNINGS
As of December 31, 2017

MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS CORPORATION)
Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701

Unappropriated deficit per financial statements, beginning		**(₱80,831,226)**
Adjustments: (see adjustments in previous year's reconciliation)		**580,069**
Unappropriated deficit, as adjusted, beginning		**(80,251,157)**
Net loss based on the face of AFS	**(₱59,470,496)**	
Adjustment: Non-actual gains:		
Unrealized foreign exchange gains – net (except those attributable to cash and cash equivalents)	**(10,178)**	
Net loss actual/realized		**(59,480,674)**
		(139,731,831)
Adjustment: Transfer of share-based compensation reserve upon expiry of share options		**14,387,694**
UNAPPROPRIATED DEFICIT, AS ADJUSTED, ENDING		**(₱125,344,137)**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Key Performance Indicators
For the year ended December 31, 2017 and 2016

		December 31, 2017	December 31, 2016	Note
Current ratio	Current assets over current liabilities	1.16	1.52	
Debt-to-equity ratio	Long term and short term debt over total equity	1.38	2.95	
Interest coverage ratio	Net income before interest and taxes over interest expense	1.12	0.47	
Return on assets	Net income over total assets	1.0%	Not applicable	MRP incurred loss in 2016
Return on equity	Net income over total equity	6.5%	Not applicable	MRP incurred loss in 2016



* 0.0033% 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 RESORTS AND ENTERTAINMENT (PHILIPPINES) CORPORATION
(FORMERLY KNOWN AS MELCO CROWN (PHILIPPINES) RESORTS CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2017		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 1: Management Commentary					X
PFRSs Practice Statement 2: Making Materiality Judgements		X			
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	X			
PFRS 2	Share-based Payment	X			
	Amendment to PFRS 2: Definition of Vesting Condition	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 Ventures				X
PFRS 4	Insurance Contracts				X
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4		X		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations				X
	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: 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	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2017		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	X			
PFRS 9 (2014)	Financial Instruments		X		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		X		
PFRS 10	Consolidated Financial Statements	X			
	Amendments to PFRS 10 : Applying the Consolidation Exception	X			
	Amendments to PFRS 10 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		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: 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 13 : 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			
	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 Reporting Period	X			
PAS 11	Construction Contracts				X
PAS 12	Income Taxes	X			
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2017		Adopted	Not Early Adopted	Not adopted	Not Applicable
PAS 16	Property, Plant and Equipment	X			
	Amendment to PAS16 : Revaluation Method – Proportionate Restatement of Accumulated Depreciation				X
	Amendment to PAS16 : Clarification of Acceptable Methods of Depreciation and Amortization	X			
	Amendment to PAS 16: Bearer Plants				X
PAS 17	Leases	X			
PAS 18	Revenue	X			
PAS 19 (Revised)	Employee Benefits	X			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	X			
	Amendments to PAS 19: Discount Rate: Regional Market Issue	X			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance				X
PAS 21	The Effects of Changes in Foreign Exchange Rates	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 (Amended)	Separate Financial Statements				X
	Amendments to PAS 27 : Equity Method in Separate Financial Statements				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 or Joint Venture		X		
	Amendments to PAS 28 : Applying the Consolidation Exception				X
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value		X		
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2017		Adopted	Not Early Adopted	Not adopted	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies				X
PAS 32	Financial Instruments: Presentation	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			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X			
PAS 38	Intangible Assets	X			
	Amendment to PAS 38 : Revaluation Method – Proportionate Restatement of Accumulated Amortization				X
	Amendment to PAS 38 : Clarification of Acceptable Methods of Depreciation and Amortization	X			
PAS 39	Financial Instruments: Recognition and Measurement	X			
PAS 40	Investment Property				X
	Amendment to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-occupied Property				X
	Amendment to PAS 40 : Transfers of Investment Property		X		
PAS 41	Agriculture				X
	Amendment to PAS 41: 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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2017		Adopted	Not Early Adopted	Not adopted	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies				X
IFRIC 9	Reassessment of Embedded Derivatives	X			
IFRIC 10	Interim Financial Reporting and Impairment				X
IFRIC 12	Service Concession Arrangements				X
IFRIC 13	Customer Loyalty Programmes	X			
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction				X
IFRIC 16	Hedges of a Net Investment in a Foreign Operation				X
IFRIC 17	Distributions of Non-cash Assets to Owners				X
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		
IFRIC 23	Uncertainty over Income Tax Treatments		X		
SIC-7	Introduction of the Euro				X
SIC-10	Government Assistance - No Specific Relation to Operating Activities				X
SIC-15	Operating Leases - Incentives	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