C O V E R S H E E T

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

Company's Full Name

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

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

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

December 31
Fiscal Year Ended
(Month & Day)

DEFINITIVE INFORMATION STATEMENT
SEC Form 20-IS
FORM TYPE

LCU

Cashier

DTU

58648
SEC Reg. No.

File No.

Central Receiving Unit

Document ID

NONE
EACH ACTIVE SECONDARY LICENSE TYPE AND FILE NUMBER
(State "NONE" if that is the case)

Melco Crown Philippines

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

NOTICE AND AGENDA OF THE ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

Notice is hereby given that **MELCO CROWN (PHILIPPINES) RESORTS CORPORATION** (the "**Corporation**") will hold its Annual Stockholders' Meeting on June 20, 2016, 2:05 p.m. at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines, at which meeting the following matters shall be taken up:

1. Call to Order
2. Certification of the Existence of Quorum and the Sending of Notices
3. Approval of the Minutes of the Last Annual Stockholders' Meeting Held on May 18, 2015
4. Report of the Chairman or President
5. Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2015
6. Election of the Members of the Board of Directors
7. Appointment of External Auditor
8. Approval of the Private Placement Between the Corporation and MCE (Philippines) Investments Limited
9. Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting Held on May 18, 2015
10. Other Matters that May Properly be Brought Before the Meeting
11. Adjournment

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

The record date for the determination of stockholders entitled to notice of, and to vote at, the said meeting is fixed at the close of business hours on April 26, 2016.

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 13, 2016. The proxies submitted shall be validated on the same day at the office of the Corporate Secretary.

Parañaque City, Philippines, May 24, 2016.

Marissa T. Academia
Corporate Secretary

Annex "A"
Annual Stockholders' Meeting
Agenda Rationale

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

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

3. **Approval of the Minutes of the Last Annual Stockholders' Meeting Held on May 18, 2015** – 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 Consolidated Financial Statements of the Group for the Year Ended December 31, 2015** – The 2015 Audited Financial Statements of the Corporation, already incorporated in the Definitive Information Statement and submitted to the Securities and Exchange Commission and Bureau of Internal Revenue, shall 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, shall be presented to the stockholders during the Annual Stockholders' Meeting. The respective profiles of the nominees are included in Item 5 of the Definitive Information Statement, for the reference of the stockholders.

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

8. **Approval of the Private Placement Between the Corporation and MCE (Philippines) Investments Limited** – The approval of the stockholders shall be sought in connection with the subscription of MCE (Philippines) Investments Limited to 693,500,000 voting common shares of the Corporation through a private placement. A copy of the Comprehensive Corporate Disclosure showing the details of the transaction is attached as Annex "A-1".

9. **Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting Held on May 18, 2015 –** All actions taken by the Board of Directors and officers of the Corporation since the last Annual Stockholders' Meeting on May 18, 2015, 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 2015 Annual Report and Report of the Chairman, shall be presented to the stockholders for their approval and ratification.

10. **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.

11. **Adjournment** – Upon consideration of all business, the Chairman shall declare the meeting adjourned, formally ending the 2016 Annual Stockholders' Meeting of the Corporation.

ANNEX A-1

COMPREHENSIVE CORPORATE DISCLOSURE IN CONNECTION WITH A SUBSCRIPTION TRANSACTION IMPLEMENTED BY MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND MCE (PHILIPPINES) INVESTMENTS LIMITED

The transaction ("**Transaction**") as described below are being made pursuant to the approval of the board of directors of Melco Crown (Philippines) Resorts Corporation ("**MCP**" or the "**Corporation**"), for the conduct by the Corporation and MCE (Philippines) Investments Limited ("**MCE Investments**" or the "**Subscriber**"), the Corporation's controlling shareholder, of a subscription transaction:

a. Name of the listed company:

Melco Crown (Philippines) Resorts Corporation

b. Subject of the Disclosure:

Issuance of Shares by the Corporation (Private Placement)

c. Background/Description of the Disclosure:

MCE Investments is subscribing to an additional 693,500,000 common shares in the Corporation at a subscription price of Php3.90 per share.

d. Date of Approval by Board of Directors:

November 19, 2015

e. Description of the proposed transaction including the timetable for implementation, and related regulatory requirements:

On 19 November 2015, the Corporation and MCE Investments signed a subscription agreement for the subscription of 693,500,000 common shares ("Subscription Shares") in the Company at a subscription price of Php3.90 per share. The Corporation will apply for the listing of the Subscription Shares after obtaining the shareholders' approval.

f. Rationale for the transaction including the benefits which are expected to be accrued to the listed issuer as a result of the transaction:

MCE Investments, as a major shareholder of the Company, shows its continuous support to the Corporation and its subsidiaries through the subscription. In addition, the subscription allows the Corporation to raise capital in a most expeditious and efficient manner with the least cost. The proceeds will be used for the Corporation's additional investment in its subsidiary, MCE Leisure (Philippines) Corporation.

g. The aggregate value of the consideration, explaining how this is to be satisfied, including the terms of any agreements for payment on a deferred basis:

The subscription price in the aggregate amount of Php2,704,650,000 shall be paid in cash.

h. The basis upon which the consideration or the issue value was determined:

The subscription price is based on the mean weighted average of the closing prices for a period of thirty (30) trading days prior to the subscription.

i. Detailed work program of the application of proceeds, the corresponding timetable of disbursements and status of each project included in the work program. For debt retirement application, state which projects were finance by debt being retired, the project cost, amount of project financed by debt and financing sources for the remaining cost of the project:

As mentioned above the subscription price will be used to invest in the subsidiary, MCE Leisure (Philippines) Corporation.

j. Identify and/or corporate background of the beneficial owner of the shares subscribed, including the following:

Beneficial Owner/Subscriber	-	MCE (Philippines) Investments Limited
Nature of Business	-	Investment holding
Nature of any material relationship with the Issuer and the parties to the joint venture, their directors/officers or any of their affiliates	-	Significant shareholder of the Company

k. Organizational/Ownership Structure of Subscriber:

Beneficial Owner/Subscriber	-	MCE (Philippines) Investments Limited
Controlling Shareholders of Subscriber	-	MCE Holdings Limited
Number of Shares Held	-	1
Percentage	-	100%

l. The interest which directors of the parties to the transaction have in the proposed transaction:

None

m. Statement as to the steps to be taken, if any, to safeguard the interests of any independent shareholders:

The Corporation is committed to complying with all legal requirements under the law with respect to the Transaction to ensure that the interest of the shareholders is safeguarded.

n. Any conditions precedent to closing of the transaction:

None

o. Change(s) in the composition of the Board of Directors and Management:

None

p. Effects on the following:

1. Ownership structure

Principal Shareholder	Before		After	
	Number of Shares	%	Number of Shares	%
MCE (Philippines) Investments Limited	3,206,677,096	64.78%	3,900,177,096	69.11%

2. Capital structure

Issued Shares

Type of Security/Stock Symbol	Before	After
Common Shares / MCP	4,949,855,478	5,643,355,478

Outstanding Shares

Type of Security/Stock Symbol	Before	After
Common Shares / MCP	4,949,855,478	5,643,355,478

Treasury Shares

Type of Security/Stock Symbol	Before	After
Common Shares / MCP	-	-

Listed Shares

Type of Security/Stock Symbol	Before	After
Common Shares / MCP	4,949,855,478	5,643,355,478

3. Effect on the public float, if any:

The public float is now 27.639%.

4. Effect on foreign ownership level, if any:

The foreign ownership level is now 92.89%.

q. Other Relevant Information:

None

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

By:

MARISSA T. ACADEMIA
Corporate Secretary and
Corporate Information Officer
Date: 19 November 2015

The securities referred to in this document have not been, and will not be, registered under the Securities Act or applicable state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state law. Nothing in this document constitutes an offer to buy, or a solicitation of an offer to sell, securities in the United States or any other jurisdiction in which such offer or solicitation would be unlawful. This document is being issued pursuant to and in accordance with Rule 135c under the Securities Act.

THE SECURITIES REFERRED TO IN THIS DISCLOSURE HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES (SRC). ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

SUBSCRIPTION AGREEMENT

MCE (PHILIPPINES) INVESTMENTS LIMITED, a corporation duly organized and existing under and by virtue of the laws of the British Virgin Islands (the "Subscriber") hereby subscribes to Six Hundred Ninety Three Million Five Hundred Thousand (693,500,000) common shares of the capital stock of **MELCO CROWN (PHILIPPINES) RESORTS CORPORATION** (the "Issuer"), a corporation duly organized and existing under the laws of the Philippines, and with address at Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701, with a par value of One Peso (PhP1.00) per share, at a subscription price of Three Pesos and Ninety Centavos (₱3.90) per share, or a total subscription price of Two Billion Seven Hundred Four Million Six Hundred Fifty Thousand Pesos (₱2,704,650,000), which shall be delivered to the Issuer within three (3) business days from the date hereof. The amount in excess of the par value of the shares, or the total amount of Two Billion Eleven Million One Hundred Fifty Thousand Pesos (₱2,011,150,000), will be treated as Additional Paid-In Capital of the Issuer.

IN WITNESS WHEREOF, the parties have signed this Subscription Agreement on 19th November 2015.

MCE (PHILIPPINES) INVESTMENTS LIMITED	**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION**
(Subscriber)	*(Issuer)*
By: Marissa T. Academia	By: Adrian Hsen Bin Au
Title: Authorized Representative	Title: Treasurer

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF PARAÑAQUE) S.S.

BEFORE ME, a Notary Public in and for Parañaque City, this 19th day of November 2015, personally appeared the following, who have satisfactorily proven to me their identity:

Name	*Identification Nos.*	*Validity/Place*
Marissa T. Academia	Phil. Passport No. EB9104882	Valid Until 9/9/2018/DFA, Manila
Adrian Hsen Bin Au	Aus. Passport No. E4058359	Issued on 6/9/2011, Australia

that they are the same persons who executed and voluntarily signed the foregoing Subscription Agreement, which they acknowledged before me as their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, this 19th day of November 2015 in Parañaque City.

Doc. No. 301;
Page No. 62;
Book No. I;
Series of 2015.

CYRIL PATRICK P. ACASIO
NOTARY PUBLIC
Until December 31, 2015
Roll No. 54527
PTR No. 0202880 / 01-22-15 / Parañaque City
IBP No. 0992569 / 1-21-15 / Makati City
MCLE Compliance No. IV-0010778

MCE (Philippines) Investments Limited

Financial Highlights (unaudited)

As of December 31, 2014

	PHP
Current Assets	303,721,772
Investment in subsidiary companies	1,278,417,261
Current Liabilities	(860,803,136)
Shareholder's equity	(721,335,897)

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 CROWN (PHILIPPINES) RESORTS CORPORATION**

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

4. SEC Identification Number **58648**

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

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

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

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

   Date : June 20, 2016
   Time : 2:05 p.m.
   Place : City of Dreams Manila
   Asean Avenue cor. Roxas Boulevard
   Brgy. Tambo, Parañaque City
   1701 Philippines

9. Approximate date on which the Information Statement is first to be sent or given to security holders: May 30, 2016

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 May 10, 2016	Treasury Shares As of May 10, 2016	Outstanding Common Stock As of May 10, 2016
Common	5,660,415,090	NIL	5,660,415,090
Total	5,660,415,090	NIL	5,660,415,090

Outstanding debt:
PhP 15 billion Senior Note

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

Yes ✓ No _______

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

MCP MANAGEMENT IS NOT SOLICITING PROXIES FOR THIS STOCKHOLDERS' MEETING.
PLEASE DO NOT SEND MCP 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 Crown (Philippines) Resorts Corporation (the "**Company**" or "**MCP**") will be held on June 20, 2016 at 2:05 p.m. at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines.

THE COMPANY HAS SET MAY 30, 2016 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 5,643,355,478 common shares outstanding as of the record date, April 26, 2016, held by a total of 429 stockholders. The stockholders will vote on matters scheduled to be taken up at the Annual Stockholders' Meeting scheduled on June 20, 2016, 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 15, 2016, all stockholders at the close of business hours on April 26, 2016 shall be entitled to notice and to vote at the Annual Stockholders' Meeting.

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

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

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

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

As of April 30, 2016, the following are the shareholders who beneficially own in excess of 5% of the Company's common stock:

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent to Outstanding Shares
Common	MCE (Philippines) Investments Limited ("**MCE Investments**") Jayla Place, Wickams Cay I, Road Town, Tortola, British Virgin Islands Stockholder of Record	MCE Investments	British Virgin Islands ("**BVI**")	3,924,999,096*	69.34%
Common	PCD Nominee Corporation (Non-Filipino)	Various Stockholders	Various	854,285,481	15.09%
Common	PCD Nominee Corporation (Filipino)	Various Stockholders	Various	662,596,800	11.71%

Common	MCE (Philippines) Investments No.2 Corporation ("**MCE Investments No.2**") Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701 Stockholder of Record	MCE Investments Parent Company of MCE Investments No.2	BVI	173,836,968	3.07%

*Includes the 509,999,000 shares lodged with the Philippine Depository and Trust Corporation.

b. Security Ownership of Management

The following are the securities owned and held by the Directors and Executive Officers of the Company as of April 30, 2016:

A. Directors

Title Common	**Name of Director**	**Citizenship**	**Amount and Nature of Record/Beneficial Ownership[1]**	**Percent to Total Outstanding Shares**
Common	Clarence Yuk Man Chung	Chinese	Direct: 5,427,065 Indirect: 100	0.10%
Common	William Todd Nisbet	American	Direct: 4,036,603 Indirect: 100	0.07%
Common	James Andrew Charles MacKenzie	Australian	Direct: 1,110,339 Indirect: N/A	0.02%
Common	Alec Yiu Wa Tsui	British	Direct: 1,110,339 Indirect: N/A	0.02%
Common	Jose F. Buenaventura	Filipino	Direct: 28,125 Indirect: N/A	0.00%
Common	Johann M. Albano	Filipino	Direct: 56,160 Indirect: 3,000	0.00%
Common	Frances Marie T. Yuyucheng	Filipino	Direct: N/A Indirect: 100	0.00%
Common	Maria Marcelina O. Cruzana	Filipino	Direct: 8,848 Indirect: 100	0.00%
Common	Liberty A. Sambua	Filipino	Direct: 11,232 Indirect: 100	0.00%

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

B. Executive Officers

Title Common	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: 5,427,065 Indirect: 100	0.10%
Common	Geoffry P. Andres	American	Direct: N/A Indirect: N/A	-
Common	Marissa T. Academia	Filipino	Direct: 729,335 Indirect: N/A	0.01%
Common	Adrian Hsen Bin Au*	Australian	Direct: 464,078 Indirect: N/A	0.01%

** On 16 May 2016, Adrian Hsen Bin Au resigned, and was replaced by Donald Tateishi, as Treasurer of the Company.*

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*	53	Chinese	3 years	Since Dec. 19, 2012
Jose F. Buenaventura *Director*	81	Filipino	3 years	Since Feb. 20, 2013
William Todd Nisbet *Director*	48	American	3 years	Since Dec. 19, 2012
James Andrew Charles MacKenzie *Independent Director*	62	Australian	3 years	Since Dec. 19, 2012
Alec Yiu Wa Tsui *Independent Director*	67	British	3 years	Since Dec. 19, 2012
Frances Marie T. Yuyucheng *Director*	48	Filipino	1 year	Since May 18, 2015
Maria Marcelina O. Cruzana *Director*	57	Filipino	2 years	Since Mar. 13, 2014
Liberty A. Sambua *Director*	31	Filipino	2 years	Since Mar. 13, 2014
Johann M. Albano *Director*	39	Filipino	2 years	Since Apr. 11, 2014
Geoffry P. Andres *Property President / Chief Operating Officer*	49	American	6 months	Since Nov. 16, 2015

[2] Clarence Yuk Man Chung indirectly holds 100 shares in trust and for the benefit of MCE Investments.

Name And Position	Age	Citizenship	Term Of Office As A Director / Officer	Period Served As A Director / Officer
Donald Tateishi *Treasurer*	45	American	remainder of the current term	Since May 16, 2016
Marissa T. Academia *Corporate Information Officer** *Corporate Secretary / Compliance Officer***	49	Filipino	2 years	*Since Jan. 22, 2014 **Since Mar. 13, 2014

On May 18, 2015, Frances Marie T. Yuyucheng was elected to replace J.Y. Teo Kean Yin, who resigned effective as of May 18, 2015, as a member of the Board of Directors of MCP. Geoffry P. Andres was appointed as Property President/Chief Operating Officer effective as of November 16, 2015 to replace Kevin Sim who resigned effective on November 6, 2015.

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

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

Jose F. Buenaventura – *Director*

Mr. Buenaventura joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 1976 and is currently a senior partner. He graduated from the Ateneo de Manila with a degree in Bachelor of Laws and was admitted to the Philippine Bar in 1960. He sits in the boards of various companies, including Cebu Pacific Air, BDO Unibank, Inc. (Independent Director), GROW, Inc., GROW Holdings, Inc., La Concha Land Investments Corporation, Philippine First Insurance Co., Inc., Philam Plans, Inc., Techzone Philippines, Inc., The Country Club, Inc., Total Consolidated Asset Management, Inc., and Turner Entertainment Manila, Inc. He is the President and a director of Consolidated Coconut Corporation and Milano Co., Inc. He is likewise a director and the Corporate Secretary of 2B3C Foundation, Inc., and the Corporate Secretary of Capital Managers and Advisors, Inc.

William Todd Nisbet – *Director*

Mr. Nisbet was appointed as a director of the Company on December 19, 2012. Mr. Nisbet joined Crown, an operator of casinos and integrated resorts, in 2007. In his role as Executive Vice President – Strategy & Development at Crown, Mr. Nisbet is responsible for all development and new business opportunities for Crown. Mr. Nisbet is also a Director of Studio City Holdings Limited. Prior to joining Crown, Mr. Nisbet was one of the original founding members of the Wynn Resorts management team holding the position of Executive Vice President – Project Director from August 2000 through July 2007 for Wynn Design and Development, a development subsidiary of Wynn Resorts Limited ("**Wynn**"), an operator of casinos and integrated resorts. Serving this role with Wynn, Mr. Nisbet led the development efforts for Wynn Resorts in both Las Vegas and Macau. Prior to joining Wynn, Mr. Nisbet was the Vice President of Operations for Marnell Corrao Associates. During Mr. Nisbet's fourteen years at Marnell Corrao from 1986 to 2000, he was responsible for managing various aspects of the construction of some of Las Vegas' most elaborate and industry-defining properties. Mr. Nisbet obtained a Bachelor of Science degree in Finance from the University of Nevada, Las Vegas in 1993.

James Andrew Charles MacKenzie – *Independent Director*

Mr. MacKenzie was appointed as an independent non-executive director of the Company on December 19, 2012 and has been an independent non-executive director of MCE, our ultimate holding company, listed on the NASDAQ, since his appointment on April 24, 2008. He is the chairman of the Company's Audit Committee and a member of the Company's Nominating and Corporate Governance Committee and Compensation Committee, and chairman of our ultimate holding company's Audit Committee. Mr. MacKenzie was appointed chairman of ShineWing Australia on February 1, 2015 and the chairman of Victorian Funds Management Corporation on June 25, 2015. He has extensive experience as a company director, having held a number of directorships including director and co-vice chairman of Yancoal Australia Limited, from June 2012 to April 2014, non-executive director and chairman of Mirvac Group from November 2005 to January 2014 and November 2005 to November 2013, respectively, and non-executive director and chairman of Pacific Brands Limited from May 2008 to May 2013 and May 2008 to May 2012, respectively. He led the transformation of the Victorian Government's Personal Injury Schemes from 2000 to 2007. Prior to 2005, he held senior executive positions with ANZ Banking Group, Standard Chartered Bank and Norwich Union plc and was a partner in both the Melbourne and Hong Kong offices of an international accounting firm now part of Deloitte. In 2001, Mr. MacKenzie was awarded the Australian Centenary Medal for services to public administration. In October 2015, Mr. MacKenzie was appointed as the President of the Victorian Arts Centre Trust for a term from December 11, 2015 to June 30, 2018. He obtained a bachelor of business (accounting and quantitative methods) degree from the Swinburne University of Technology in 1974. Mr. MacKenzie has been a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors since 1974 and 1994, respectively.

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

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

Frances Marie T. Yuyucheng – *Director*

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

Maria Marcelina O. Cruzana – *Director*

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

Liberty A. Sambua – *Director*

Ms. Sambua was appointed as a director of the Company on March 13, 2014. 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 degree in Science in Accountancy from PUP.

Johann M. Albano – *Director*

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

Geoffry P. Andres – *Property President / Chief Operating Officer*

On November 16, 2015, the Company appointed Mr. Andres as Property President / Chief Operating Officer. Mr. Andres was most recently the Chief Executive Officer and Executive Director on the Board of Aquis Entertainment Limited in Canberra, Australia responsible for an existing casino, and assisting with the development and acquisition of additional casinos. Prior to this position, from September 2011 until April 2015, he was Senior Vice-President and General Manager of Sands Macau, responsible for its overall operations, including a casino with 300 tables and 1,100 slot machines, six restaurants and a 289-room hotel. From December 2010 to September 2011, he was Vice-President, Slots for all of Sands China Limited, including The Venetian Macao, Sands Macao, and The Plaza Macao, totalling 3,490 slot machines. Mr. Andres began his career with Harrah's in 1988, and from June 2005 to December 2010, he was the Vice-President and General Manager for Harrah's Ak-Chin Casino Resort in Arizona. He graduated from the University of Nevada with a Bachelor of Science degree in Business Administration in 1989, and a Master's degree in Business Administration in 1994.

Donald Tateishi – *Treasurer*

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

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

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

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

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

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

Significant Employees

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

Family Relationship

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

Involvement of Directors and Officers in Certain Legal Proceedings

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

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

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

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

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

List of Candidates for Election as Members of the Board of Directors for 2016-2017

Nominees for Directors (A)	Person Recommending Nomination (B)	Relationship of (A) & (B)
Clarence Yuk Man Chung	William Todd Nisbet	None
William Todd Nisbet	Clarence Yuk Man Chung	None
James Andrew Charles MacKenzie – Independent Director	Clarence Yuk Man Chung	None
Alec Yiu Wa Tsui – Independent Director	Clarence Yuk Man Chung	None
Jose. F. Buenaventura	Clarence Yuk Man Chung	None
Frances Marie T. Yuyucheng	Clarence Yuk Man Chung	None
Maria Marcelina O. Cruzana	Clarence Yuk Man Chung	None
Liberty A. Sambua	Clarence Yuk Man Chung	None
Johann M. Albano	Clarence Yuk Man Chung	None

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

Certain Relationships and Related Transactions

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

Significant transactions with related parties for the year ended December 31, 2015 are included in Note 18 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 2015

1. Mr. Clarence Yuk Man Chung (President / Chairman of the Board)
2. Mr. Kevin Sim* (Chief Operating Officer)
3. Mr. Adrian Hsen Bin Au** (Vice President, Finance and Treasurer)
4. Mr. Jarlath Lynch (Senior Vice President, Non-Gaming Operations)
5. Mr. Soon Kok Tan* (Vice President, Strategic Marketing)

** resigned as of the year ended 2015*
*** resigned as of the date of this report*

[3] In thousands of Philippine peso.

Summary of Compensation Table

	(Estimated) Year Ending December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
(a) President and four highest compensated officers and/or key management personnel:			
Basic salaries, allowances and benefits in kind	₱85,876	₱66,986	₱71,716
Performance bonuses	43,714	0	15,723
Retirement costs – defined contribution plans	3,641	1,949	2,594
Termination benefits	0	39,572	0
Share-based compensation expenses	18,808	29,758	42,694
	₱152,039	₱138,265	₱132,727

	(Estimated) Year Ending December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
(b) All other officers, key management personnel and Directors as a group unnamed:			
Basic salaries, allowances and benefits in kind	₱78,081	₱99,576	₱77,605
Performance bonuses	14,025	0	19,167
Retirement costs – defined contribution plans	517	462	143
Termination benefits	0	0	0
Share-based compensation expenses	7,779	32,572	57,058
	₱100,402	₱132,610	₱153,973

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, 2016. 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 2016 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, 2015 and 2014. The remuneration of the Directors of the Company were borne by MCE.

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, 2015, 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:

	2015
In thousands of Philippine peso	
External audit fees and services	₱4,053
Other non-audit service fees	1,100
Tax fees	4,021
Out-of-pocket expenses	226

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 group auditor.

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

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

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

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

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

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

Item 8. Compensation Plans

Share Incentive Plan

On February 19, 2013, the MCP'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 MCP'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 MCE, the ultimate holding company of the Company, is listed on HKSE. The amendments include, but not limited to, additional provisions for compliance with HKLR requirements (i) when awards are granted to "connected persons" (as such term is defined under HKLR); and (ii) on restriction on timing of grant of awards. On June 24, 2013, additional

44,214,138 common shares were granted exemption from registration by the SEC under section 10.2 of the SRC.

On June 28, 2013, 181,239,503 underlying shares related to shares and options under the SIP were granted, and MCP 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 MCP approved the issuance of an additional 13,585,772 shares to eligible employees, directors, officers and other qualified persons under the Company's SIP. On May 30, 2014, the SEC resolved that the issuance of the 13,585,772 common shares under the Plan was exempt from registration requirements under section 10.2 of the SRC.

On May 18, 2015, the shareholders of the Company approved the further amendment of the SIP to remove HKLR compliance provisions as a result of the delisting of MCE from HKSE, which amendment is pending the approval of the SEC.
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.

Under the SIP, the Company may grant various share-based awards, including but not limited to, options to purchase the Company's common shares, restricted shares, share appreciation rights and other types of awards. The term of such awards shall not exceed ten years from the date of grant. The maximum aggregate number of common shares which may be issued pursuant to all awards under the SIP is 442,630,330 shares and with up to 5% of the issued capital stock of the Company from time to time over ten years. As of December 31, 2015 and 2014, 90,550,748 and 57,075,917 common shares remain available for the grant of various share-based awards under the SIP, respectively.

Warrants and Options Outstanding

The Company did not have any outstanding warrants as of December 31, 2015 and 2014. Please refer to Note 29 to the audited consolidated financial statements included in this Information Statement for the details of the SIP.

The details of outstanding MCP restricted shares ("**MCP Restricted Shares**") and MCP share options ("**MCP Share Options**") of the Company as at December 31, 2015 and 2014 are as follows:

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

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

	As of December 31, 2015		**As of December 31, 2014**	
Recipients	Total number of outstanding MCP Restricted Shares	Total number of outstanding MCP Share Options	Total number of outstanding MCP Restricted Shares	Total number of outstanding MCP Share Options
President	4,530,190	10,404,851	5,876,347	10,404,851
Chief Operating Officer*	995,138	4,286,017	2,143,008	4,286,017
Property President/Chief Operating Officer*	3,398,266	6,796,532	-	-
Treasurer	574,516	1,723,550	861,773	1,723,550
Corporate Secretary	342,898	1,939,118	969,559	1,939,118
All other officers, key management personnel and Directors as a group unnamed	6,220,955	27,046,585	15,157,551	27,046,585
Others	12,469,252	72,513,979	39,363,248	78,726,491
Total	**28,531,215**	**124,710,632**	**64,371,486**	**124,126,612**

* There has been a change in the Chief Operating Officer of the Company in 2015. The former Chief Operating Officer was replaced by the Property President/Chief Operating Officer.

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 for the years ended December 31, 2015, 2014 and 2013 and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Information Statement as Appendix I.

The unaudited condensed consolidated financial statements as of March 31, 2016 and for the three months ended March 31, 2016 and the audited consolidated balance sheet as of December 31, 2015 and the related notes to unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, "**the Group**" or "**we**") are filed as part of this Information Statement as Appendix II.

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

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Attendance of Principal Accountants at the Annual Stockholders' Meeting

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

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following are included in the Agenda for the June 20, 2016 Annual Stockholders' Meeting for the approval of the stockholders of the Company:

1. Approval of the Minutes of the Last Annual Stockholders' Meeting Held on May 18, 2015

   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, 2015

   The 2015 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
   William Todd Nisbet
   Jose. F. Buenaventura
   Frances Marie T. Yuyucheng
   Maria Marcelina O. Cruzana

Liberty A. Sambua
Johann M. Albano
James Andrew Charles MacKenzie – Independent Director
Alec Yiu Wa Tsui – Independent Director

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

4. Appointment of External Auditor

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

5. Approval of the Private Placement Between the Corporation and MCE Investments

   The approval of the stockholders shall be sought in connection with the subscription of MCE Investments to 693,500,000 voting common shares of the Corporation through a private placement.

6. Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting Held on May 18, 2015

   All actions taken by the Board of Directors and Officers of the Company since the last Annual Stockholders' Meeting on May 18, 2015, 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 2015 Annual Report and Report of the Chairman, shall be presented to the stockholders for their approval and ratification.

7. 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 May 18, 2015, 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 2015 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 May 18, 2015	Majority of the votes cast
Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2015	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
Approval of the Private Placement Between the Corporation and MCE Investments	Two-thirds (2/3) of outstanding capital stock
Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting held on May 18, 2015	Majority of the votes cast

MANAGEMENT REPORT

1. 2015 Audited Consolidated Financial Statements, Statement of Management's Responsibility, and Interim Financial Statements

The audited consolidated financial statements for the years ended December 31, 2015, 2014 and 2013 and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules, and the Statement of Management's Responsibility are filed as part of this Information Statement as Appendix I.

The unaudited condensed consolidated financial statements as of March 31, 2016 and for the three months ended March 31, 2016 and the audited consolidated balance sheet as of December 31, 2015 and the related notes to unaudited condensed consolidated financial statements of the Group are filed as part of this Information Statement as Appendix II.

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

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

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

The following management's discussion and analysis relate to the consolidated financial information and operating results of the Group and should be read in conjunction with the accompanying audited consolidated financial statements and related notes of the Group as of December 31, 2015 and 2014, and for the years ended December 31, 2015, 2014 and 2013, and unaudited consolidated financial statements and related notes of the Group as of March 31, 2016 and for the three months ended March 31, 2016.

<u>Overview and Plan of Operation</u>

The Company, through its subsidiaries, is engaged in the development and operation of an integrated hotel, gaming, retail and entertainment complex within the Entertainment City. The Company's subsidiaries, MCE Holdings (Philippines) Corporation ("**MCE Holdings**"), MCE Holdings No. 2 (Philippines) Corporation ("**MCE Holdings No. 2**"), and MCE Leisure (Philippines) Corporation ("**MCE Leisure**") (collectively referred to as the "**MCE Holdings Group**"), together with SM Investments Corporation ("**SMIC**"), Belle Corporation ("**Belle**") and PremiumLeisure Amusement, Inc. ("**PLAI**") (SMIC, Belle and PLAI are collectively referred to as the "**Philippine Parties**") (MCE Holdings Group and the Philippine Parties are collectively referred to as the "**Licensees**"), are the holders of the regular license issued by the Philippine Amusement and Gaming Corporation ("**PAGCOR**") for the development of City of Dreams Manila (the "**Regular License**"). The Company is an indirect subsidiary of MCE, a leading developer of integrated gaming resorts in Macau and other parts of Asia. The Group, through MCE Leisure, is responsible for the management and operation of City of Dreams Manila and its fit-out, including furniture, fixtures and equipment (including gaming equipment), as well as working capital expenses, non-real property improvements and personal property. Belle was responsible for provision of the land and building structures of City of Dreams Manila, including maintenance of the land where City of Dreams Manila is located.

City of Dreams Manila opened its doors to the public in December 2014 and marked the formal entry of MCE into the fast-growing and dynamic tourism industry in the Philippines. City of Dreams Manila had its grand opening on February 2, 2015. This new integrated casino resort at Entertainment City, Manila Bay, Manila is solely operated and managed by MCE Leisure. The dynamic and innovative resort complex, located on an approximately 6.2 hectare site at the gateway to Entertainment City, includes entertainment, hotel, retail and dining and lifestyle experiences with aggregated gaming space, including VIP and mass market gaming facilities with up to approximately 380 gaming tables, 1,700 slot machines and 1,700 electronic table games. As of March 31, 2016, City of Dreams Manila has around 264 gaming tables, 1,535 slot machines and 114 electronic table games in operation. The integrated resort features three distinctive entertainment venues, namely: DreamPlay by Dreamworks, Manila's first branded Family Entertainment Center; CenterPlay, a live performance central lounge inside the casino; and Chaos and Pangaea Ultra-Lounge, two night clubs situated within the Fortune Egg, an architecturally-unique dome-like structure, which is accented with creative exterior lighting design. It is expected to become an iconic landmark of the Manila Bay area.

City of Dreams Manila also includes an approximately 260 room Crown Towers hotels, Hyatt City of Dreams Manila, a 365 room hotel managed by Hyatt International Corporation ("**Hyatt**"), and Asia's first Nobu Hotel with 321 rooms. The Crown Towers hotel at City of Dreams Manila is designed to cater to the premium end of the market in Manila and leverages the Crown Towers brand and service standards. Hyatt City of Dreams Manila is a modern and international full service hotel and leverages Hyatt's international experience and knowledge of the operation of full service hotels throughout the world. The Nobu Hotel offers a fusion of laid-back luxury and exclusive guestroom and spa services.

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

Subsidiaries of MCP

As of March 31, 2016 and December 31, 2015, MCP's wholly-owned subsidiaries include the MCE Holdings Group. MCE Holdings, MCE Holdings No. 2 and MCE Leisure were all incorporated in the Philippines and were registered with the SEC on August 13, 2012, August 22, 2012 and August 30, 2012, respectively. The primary purpose of MCE Holdings and MCE Holdings No. 2 is investment holding and the primary purpose of MCE Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

Activities of MCE Holdings Group

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

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

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

The net proceeds from the issuance of Senior Notes were used for funding the City of Dreams Manila project, refinancing of debt and general corporate purposes.

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

Key Performance Indicators (KPIs)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue

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

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

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

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

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

Operating costs and expenses

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

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

Inventories consumed for the years ended December 31, 2015 and 2014 amounted to ₱784.7 million and ₱27.9 million respectively - represented the gaming playing cards and dice consumed, retail merchandise, food and beverage items and certain operating supplies consumed during the years ended December 31, 2015 and 2014.

Employee benefit expenses for the year ended December 31, 2015 amounted to ₱3,980.4 million, as compared to ₱2,796.6 million for the year ended December 31, 2014, which primarily consisted of basic salaries, allowances and bonus, consultancy fee in consideration for share awards, share-based compensation expenses, retirement costs - defined contribution plans and obligations and other employee benefit expenses. The increase was in-line with the full year operation of the resort.

Depreciation and amortization for the year ended December 31, 2015 of ₱4,372.0 million consisted of depreciation for property and equipment of ₱4,318.4 million, amortization of contract acquisition costs of ₱52.1 million and amortization of other intangible assets of ₱1.5 million, as compared to ₱285.7 million for the year ended December 31, 2014, which consisted of depreciation for property and equipment of ₱233.6 million and amortization of contract acquisition costs of ₱52.1 million respectively. The increase was primarily due to more property and equipment being put into use upon grand opening during the year ended December 31, 2015.

Other expenses for the year ended December 31, 2015 amounted to ₱6,701.6 million, as compared to ₱1,448.1 million for the year ended December 31, 2014, primarily consisted of provision for input VAT, rental expenses, management fee expenses, facilities expenses, supplies expenses, advertising, marketing, promotional and entertainment expenses, taxes and licenses, other gaming operations expenses, office and administrative expenses and operating expenses and others. The increase was primarily attributable to the opening of the property and consisted of (i) ₱454.2 million of higher management fee expenses; (ii) ₱699.1 million higher facilities expenses; (iii) ₱1,090.5 million higher other gaming operations expenses; (iv) ₱214.6 million higher supplies expenses; (v) ₱1,045.5 million higher advertising, marketing, promotional and entertainment expenses; (vi) ₱168.1 million higher office and administrative expenses; (vii) ₱154.5 million higher other general operating costs and (viii) ₱1,427.0 million of provision for input VAT primarily pertaining to certain construction of City of Dreams Manila expected to be non-recoverable.

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

Non-operating expenses, net

Interest income of ₱14.2 million for the year ended December 31, 2015, as compared to ₱42.9 million for the year ended December 31, 2014, represented the bank interest income mainly generated from net proceeds from the short-term fixed deposits. The decrease was due to less deposits being placed at the bank during the year ended December 31, 2015 compared to the same period in 2014.

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

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

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

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

Income tax expense

The provision for current income tax for the year ended December 31, 2015 represents tax provided by the Group on its taxable income for the year. Please refer to Note 20 to the audited consolidated financial statements (Appendix I) for the nature and details of the provision for income tax for the year ended December 31, 2015.

Net loss

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

Adjusted EBITDA

Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, pre-opening costs, share-based compensation expenses, corporate expenses, property charges and others and other non-operating income and expenses. Adjusted EBITDA were ₱2,520.2 million and ₱5.1 million for the years ended December 31, 2015 and 2014, respectively.

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

Financial Condition and Balance Sheet

The audited consolidated balance sheet of the Group as of December 31, 2015 with variance against December 31, 2014 is discussed, as follows:

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

Current assets

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

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

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

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

Prepayments and other current assets increased by ₱9.5 million, which was primarily due to increase in (i) deposit for acquisition of inventory of ₱13.0 million; (ii) prepaid facilities expenses of ₱53.5 million; (iii) rental and other receivables, net, of ₱32.6 million; (iv) creditable withholding tax of ₱15.8 million; (v) a net increase in others of ₱5.7 million; partially offset by decrease in (vi) prepaid advertising, marketing, promotional and entertainment expenses of ₱83.7 million and (vii) prepaid employee benefit expenses of ₱27.4 million.

Amount due from ultimate holding company of ₱175.6 million mainly represented the share based compensation costs for MCP directors recharged to MCE for the years ended December 31, 2015, 2014 and 2013. Please refer to Note 18 to the audited consolidated financial statements (Appendix I) for the nature and details of the related party transactions for the year ended December 31, 2015.

Noncurrent assets

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

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

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

Other noncurrent assets decreased by ₱2,161.5 million primarily due to (i) the decrease of advance payments and deposits for acquisition of property and equipment of ₱1,398.7 million as a result of capitalization of those costs to property and equipment during the year; (ii) decrease in input VAT, net of ₱858.0 million as a result of provision for input VAT of ₱1,427.0 million during the year; partially offset by (iii) increase in security and rental deposits and other non-current assets and deposits as well as noncurrent portion of prepaid rent of ₱95.2 million.

Current liabilities

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

Accrued expenses, other payables and other current liabilities increased by ₱3,572.2 million, which is mainly related to increase in (i) gaming tax and license fees of ₱1,624.3 million as a result of increased casino revenues; (ii) outstanding gaming chips and tokens of ₱1,219.3 million, which is in-line with the increase in credit markers during the year; (iii) restricted cash refundable to the Philippine Parties of ₱1,104.5 million and (iv) net increase in others of ₱707.3 million; partially offset by the decrease in (v) accruals for acquisition of property and equipment by ₱1,083.2 million.

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

Amounts due to affiliated companies, ultimate holding company and immediate holding company decreased by ₱1,164.7 million, which primarily resulted from the repayment made during the year. Please refer to Note 18 to the audited consolidated financial statements (Appendix I) for the nature and details of the related party transactions for the year ended December 31, 2015.

Noncurrent liabilities

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

Non-current portion of obligations under finance lease increased by ₱365.9 million. It represented the lease payments that are due more than one year.

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

Retirement liability of ₱23.6 million represented the retirement costs recognized as of December 31, 2015 based on the provisions of Republic Act No. 7641, otherwise known as the "Retirement Pay Law." Please refer to Note 23 to the audited consolidated financial statements for the details.

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

Equity

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

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

Equity reserve consisted of the net difference between the cost of MCP to acquire MCE Holdings Group and the legal capital of the latter at the date of reverse acquisition, plus the retained earnings of MCP as of December 19, 2012, the date when MCP was acquired by MCE. The amount remained unchanged as of December 31, 2015 as compared to December 31, 2014.

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

Total long-term debt and equity decreased by 23% to ₱21,390.4 million as of December 31, 2015, from ₱27,607.9 million as of December 31, 2014. The decrease was mainly due to (i) the net loss of ₱9,144.1 million during the year ended December 31, 2015; (ii) the recognition of share-based compensation reserve of ₱152.9 million; partially offset by (iii) the increase in capital stock and additional paid-in capital of ₱3,017.7 million; and (iv) the amortization of deferred financing costs of

₱61.8 million. There was no other change in our indebtedness as of December 31, 2015 as compared to December 31, 2014.

Results for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the year ended December 31,	For the year ended December 31,	% to Revenues		% of Change from Prior Period	
	2014	2013	**2014**	2013	**Inc / (Dec)**	**%**
Net Operating Revenues						
Casino	299,991	-	70%	0%	299,991	N/A
Rooms	7,317	-	2%	0%	7,317	N/A
Food and beverage	26,154	-	6%	0%	26,154	N/A
Entertainment, retail and others	96,756	52,952	22%	100%	43,804	83%
Total net operating revenues	430,218	52,952	100%	100%	377,266	712%
Operating costs and expenses						
Gaming tax and license fees	(64,077)	-	-15%	0%	(64,077)	N/A
Inventories consumed	(27,918)	-	-6%	0%	(27,918)	N/A
Employee benefit expenses	(2,796,583)	(460,965)	-650%	-871%	(2,335,618)	507%
Depreciation and amortization	(285,731)	(51,520)	-66%	-97%	(234,211)	455%
Other expenses	(1,448,147)	(644,861)	-337%	-1218%	(803,286)	125%
Payments to the Philippine Parties	(38,809)	-	-9%	0%	(38,809)	N/A
Total operating costs and expenses	(4,661,265)	(1,157,346)	-1083%	-2186%	(3,503,919)	303%
Operating loss	(4,231,047)	(1,104,394)	-983%	-2086%	(3,126,653)	283%
Non-operating income (expenses)						
Interest income	42,887	54,506	10%	103%	(11,619)	-21%
Interest expenses, net of capitalized interest	(1,915,097)	(1,316,877)	-445%	-2487%	(598,220)	45%
Other finance fees	(44,776)	-	-11%	0%	(44,776)	N/A
Foreign exchange loss, net	(101,013)	(112,195)	-23%	-211%	11,182	-10%
Amortization of deferred financing costs	(54,235)	-	-13%	0%	(54,235)	N/A
Other income	-	15,543	0%	29%	(15,543)	-100%
Total non-operating expenses, net	(2,072,234)	(1,359,023)	-482%	-2566%	(713,211)	52%
Net loss	(6,303,281)	(2,463,417)	-1465%	-4652%	(3,839,864)	156%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive loss	(6,303,281)	(2,463,417)	-1465%	-4652%	(3,839,864)	156%
Basic/diluted loss per share	(₱ 1.35)	(₱ 0.74)	0%	0%	(₱ 0.61)	82%

City of Dreams Manila had its soft opening on December 14, 2014 and a grand opening on February 2, 2015. The Group incurred losses for the year ended December 31, 2014 and 2013 since the Group only had half a month resort operations in 2014. As a result thereof, our financial data presented above may not be comparable year-to-year.

Total comprehensive loss for the year ended December 31, 2014 was ₱6,303.3 million, representing an increase of ₱3,839.9 million, or 156%, from ₱2,463.4 million for the year ended December 31, 2013, which is primarily related to gaming tax and license fees, inventories consumed, employee benefit expenses, depreciation and amortization, other expenses, payments to the Philippine Parties, as well as the interest expenses (net of capitalized interest) and other finance fees as a result of continuous development of City of Dreams Manila, partially offset by operating revenues generated upon soft opening.

Revenue

Total net operating revenues was ₱430.2 million for the year ended December 31, 2014, representing an increase of ₱377.3 million, from ₱53.0 million for the year ended December 31, 2013.

Casino. Casino revenues for the year ended December 31, 2014 were ₱300.0 million, representing 70% of total net operating revenues, including mass table games and gaming machines revenues.

Rooms. Room revenues for the year ended December 31, 2014 were ₱7.3 million, representing 2% of total net operating revenues, mainly from Nobu Hotel and Hyatt City of Dreams Manila.

Food, beverage and others. Food, beverage and other revenues for the year ended December 31, 2014 included food and beverage revenues of ₱26.2 million and entertainment, retail and other revenues of ₱96.8 million. Prior year entertainment, retail and other revenues solely represent the reimbursement for the share based compensation costs for certain MCP directors recharged to MCE.

Operating costs and expenses

Total operating costs and expenses were ₱4,661.3 million for the year ended December 31, 2014, representing an increase of ₱3,503.9 million, from ₱1,157.3 million for the year ended December 31, 2013. The increase in operating costs was attributable to the continuous development of City of Dreams Manila and commencement of resort operations.

Gaming tax and license fees for the year ended December 31, 2014 amounted to ₱64.1 million and represent a percentage of gross gaming revenues which are directly remitted to PAGCOR.

Inventories consumed for the year ended December 31, 2014 amounted to ₱27.9 million and represent the retail merchandise, food and beverage items and certain operating supplies consumed during the year ended December 31, 2014.

Employee benefit expenses for the year ended December 31, 2014 amounted to ₱2,796.6 million, as compared to ₱461.0 million for the year ended December 31, 2013, which primarily consist of basic salaries, allowances and bonus, consultancy fee in consideration for share awards, share-based compensation expenses, retirement costs – defined contribution plans and other employee benefit expenses. The increase was in line with the increase in headcount during the year ended December 31, 2014.

Depreciation and amortization for the year ended December 31, 2014 of ₱285.7 million consist of depreciation for property and equipment of ₱233.6 million and amortization of contract acquisition costs of ₱52.1 million, respectively, as compared to depreciation for property and equipment of ₱8.1 million and amortization of contract acquisition costs of ₱43.4 million, respectively, for the year ended December 31, 2013. The increase was primarily due to more property and equipment being put into use upon opening during the year ended December 31, 2014.

Other expenses for the year ended December 31, 2014 amounted to ₱1,448.1 million, as compared to ₱644.9 million for the year ended December 31, 2013, which primarily consist of rental expenses, project management fee expenses, repairs and maintenance, advertising and marketing expenses, travel and entertainment, legal and other professional fees, taxes and licenses and other operating expenses. The increase was primarily attributable to (i) a one-off damaged furniture, fixtures and equipment written off of ₱155.2 million during the year ended December 31, 2014 as a result of a typhoon in July 2014; (ii) ₱100.9 million higher advertising and marketing expenses; (iii) ₱58.6 million for food and beverage testing fee; (iv) ₱34.1 million for room and food and beverage supplies; (v) ₱155.8 million for rental expenses; (vi) others of ₱298.6 million. All increases were in-line with the active development of City of Dreams Manila.

Non-operating expenses, net

Interest income of ₱42.9 million for the year ended December 31, 2014, as compared to ₱54.5 million for the year ended December 31, 2013, represents the bank interest income mainly generated from net proceeds from the short-term fixed deposits. The decrease was due to less time deposit during the year end December 31, 2014.

Interest expenses (net of capitalized interest) for the year ended December 31, 2014 consist of interest expense on Senior Notes and obligation under finance lease, totaling ₱1,915.1 million, as compared to ₱1,316.9 million for the year ended December 31, 2013. The increase, which was primarily due to the recognition of interest expense on Senior Notes issued on January 24, 2014, amounted to ₱877.6 million. The interest expense for the year ended December 31, 2013 represent interest on obligation under finance lease in relation to the Lease Agreement of the building with Belle.

Other finance fees amounted to ₱44.8 million for the year ended December 31, 2014, representing the gross receipt tax in relation to the interest payment of Senior Notes issued in January 2014. There were no such costs in 2013.

Amortization of deferred financing costs amounted to ₱54.2 million for the year ended December 31, 2014, representing amortization of deferred financing costs capitalized for the Senior Notes effective from January 2014. There were no such costs in 2013.

Foreign exchange loss, net of ₱101.0 million for the year ended December 31, 2014, was mainly due to the translation of foreign currency denominated bank balances and payables at the period end closing rate. Because Philippine Peso fluctuated against H.K. Dollar and U.S. Dollar during the year ended December 31, 2014, foreign exchange loss decreased by ₱11.2 million from ₱112.2 million for the year ended December 31, 2013 as a result of the foreign exchange revaluation on foreign currencies payables/USD denominated bank accounts during the year.

Net loss

As a result of the foregoing, the Group incurred net loss of ₱6,303.3 million for the year ended December 31, 2014, as compared to ₱2,463.4 million for the year ended December 31, 2013.

Financial Condition and Balance Sheet

Significant change in the audited consolidated balance sheet of the Group as of December 31, 2014 versus December 31, 2013 mainly included:

(i) The issuance of the Senior Notes by MCE Leisure on January 24, 2014, which was priced at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019.
(ii) The 2014 Placing and Subscription Transaction by MCE Investments, which offered and sold 485,177,000 common shares of MCP with a par value of ₱1 per share, at the offer price of ₱11.30 per share, on June 24, 2014.
(iii) On May 30, 2014, MCP has granted to certain employees and directors of MCE and MCP and other eligible participants under the MCP SIP (i) share options to subscribe for a total of 4,861,003 common shares with a par value of ₱1.00 each of MCP (the "**MCP Shares**") and (ii) restricted shares in respect of a total of 4,738,684 MCP Shares, pursuant to the MCP SIP.
(iv) City of Dreams Manila had its soft opening on December 14, 2014, resulting changes in working capital as of December 31, 2014 when compared to December 31, 2013.

The audited consolidated balance sheet of the Group as of December 31, 2014 with variance of plus or minus 5% against of December 31, 2013 is discussed, as follows:

(in thousands of Philippine peso, except % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
					% of Change from Prior Period	
	December 31,	December 31,	% to Total Assets			
ASSETS	**2014**	2013	**2014**	2013	**Inc / (Dec)**	%
Current assets						
Cash and cash equivalents	7,651,187	8,599,842	16%	31%	(948,655)	-11%
Restricted Cash	2,230,850	-	5%	0%	2,230,850	N/A
Accounts receivable	24,719	-	0%	0%	24,719	N/A
Inventories	194,609	-	0%	0%	194,609	N/A
Prepayments and other current assets	184,957	391,140	1%	1%	(206,183)	-53%
Amount due from a shareholder	5,425	5,425	0%	0%	-	0%
Total current assets	10,291,747	8,996,407	22%	32%	1,295,340	14%
Noncurrent assets						
Property and equipment	32,830,332	14,995,010	69%	53%	17,835,322	119%
Contract acquisition costs	968,058	1,020,151	2%	4%	(52,093)	-5%
Other intangible assets	8,698	8,698	0%	0%	-	0%
Other noncurrent assets	3,624,180	895,795	7%	3%	2,728,385	305%
Restricted cash	-	2,226,674	0%	8%	(2,226,674)	-100%
Deferred tax asset	23,729	-	0%	0%	23,729	N/A
Total noncurrent assets	37,454,997	19,146,328	78%	68%	18,308,669	96%
Total assets	**47,746,744**	**28,142,735**	100%	100%	19,604,009	70%
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	160,219	-	0%	0%	160,219	N/A
Accrued expenses, other payables and other current liabilities	4,631,506	918,389	10%	3%	3,713,117	404%
Current portion of obligations under finance lease	1,041,760	1,214,187	2%	4%	(172,427)	-14%
Amount due to ultimate holding company	58,363	107,787	0%	1%	(49,424)	-46%
Amount due to immediate holding company	889,239	887,415	2%	3%	1,824	0%
Amounts due to affiliated companies	834,384	353,591	2%	1%	480,793	136%
Income tax payable	3,882	-	0%	0%	3,882	N/A
Total current liabilities	7,619,353	3,481,369	16%	12%	4,137,984	119%
Noncurrent liabilities						
Long-term debt	14,720,524	-	31%	0%	14,720,524	N/A
Noncurrent portion of obligations under finance lease	12,378,968	11,268,283	26%	40%	1,110,685	10%
Deferred rent liability	122,131	59,392	0%	0%	62,739	106%
Other noncurrent liabilities	18,357	-	0%	0%	18,357	N/A
Total noncurrent liabilities	27,239,980	11,327,675	57%	40%	15,912,305	140%
Equity						
Capital stock	4,911,480	4,426,303	10%	17%	485,177	11%
Additional paid-in capital	19,647,157	14,756,430	41%	52%	4,890,727	33%
Share-based compensation reserve	759,248	278,151	2%	1%	481,097	173%
Equity reserve	(3,613,990)	(3,613,990)	-8%	-13%	-	0%
Accumulated deficits	(8,816,484)	(2,513,203)	-18%	-9%	(6,303,281)	251%
Total equity	12,887,411	13,333,691	27%	48%	(446,280)	-3%
Total equity and liabilities	**47,746,744**	**28,142,735**	100%	100%	19,604,009	70%

Current assets

Cash and cash equivalents decreased by ₱948.7 million, which is the net result of the payments made for the capital and operating expenditures during the year presented, partially offset by net proceeds from issuance of the Senior Notes and the 2014 Placing and Subscription Transaction and cash inflow generated from operations since the soft opening in December 2014.

Restricted cash – current portion increased by ₱2,230.9 million mainly resulting from the reclassification of the US$50.0 million escrow account as required under the Provisional License, from noncurrent assets to current assets as a result of the funds to be released within the next twelve months given the project is moving to completion.

Account receivable increased by ₱24.7 million. This was mainly attributable from casino, hotel and F&B receivables, which resulted from the commencement of operations.

Inventories increased by ₱194.6 million, which mainly consist of retail merchandise, food and beverage items and certain operating supplies.

Prepayments and other current assets decreased by ₱206.2 million, which was primarily due to (i) the reclassification of input VAT mainly arising from the payments of constructions costs and rental expenses of ₱351.5 million from current assets to noncurrent assets; partially offset by the increase in (ii) prepaid advertising, marketing and promotional expenses for grand opening of ₱51.5 million; (iii) prepaid staff benefits primarily related to health insurance and housing allowances of ₱34.2 million and (iv) increase in others of ₱59.6 million (mainly for prepaid production costs of entertainment events and maintenance costs etc.).

Noncurrent assets

Property and equipment increased by ₱17,835.3 million, primarily due to the additional capital expenditures mainly from construction in progress of ₱11,922.5 million and recognition of operating assets of ₱6,319.3 million incurred during the year ended December 31, 2014, which were partially offset by the write off of damaged operating equipment of ₱155.2 million as a result of a typhoon in July 2014 and depreciation of ₱247.6 million for those operating assets since opening in December 2014.

Contract acquisition costs decreased by ₱52.1 million, mainly due to the amortization for the year ended December 31, 2014.

Other intangible assets representing the license fees incurred for the right to the use of certain third party trademarks for City of Dreams Manila. The balance remained stable as at December 31, 2014 as compared to December 31, 2013.

Other noncurrent assets increased by ₱2,728.4 million primarily due to (i) further recognition of input VAT during the year and the reclassification of input VAT from current assets; (ii) the increase of advance payments and deposits for property and equipment of ₱722.6 million; (iii) increase in security and rental deposits and other noncurrent assets and deposits of ₱61.2 million; (iv) the long term prepayment on license fee of ₱15.8 million mainly pertaining to the usage of information technology software and certain license; which are offset in part by (v) the netting-off of deferred financing costs of ₱20.9 million with Senior Notes in January 2014.

Restricted cash decreased by ₱2,226.7 million due to the reclassification of such escrow account to current assets as discussed above.

Current liabilities

Accounts payable of ₱160.2 million represented the payables to suppliers with products and services such as playing cards and marketing costs.

Accrued expenses, other payables and other current liabilities increased by ₱3,713.1 million, which is mainly related to increase in accruals for fit-out construction costs by ₱2,481.7 million, increase in interest expenses and other finance costs payable of ₱347.5 million as a result of the aforesaid issuance of the Senior Notes, increase in accruals for staff costs of ₱332.6 million, increase in gaming tax and license fees of ₱64.1 million, increase in withholding tax payable of ₱142.1 million, payments to the Philippine Parties of ₱38.8 million, as well as a net increase in others of ₱306.3 million.

Current portion of obligations under finance lease is comprised of the building lease portion. It represented the lease payments that are due within one year. The decrease during the period was mainly due to (i) the finance lease charges of ₱627.0 million recognized during the year, partially offset by (ii) the lease payments made of ₱792.4 million during the year.

Amounts due to affiliated companies, ultimate holding company and immediate holding company increased by ₱433.2 million, which primarily resulted from project management fee and payroll recharged from affiliates/holding companies, as well as funds advance from MCE Investments, which partially offset by the share-based compensation costs for MCP directors recharged to MCE, during the year ended December 31, 2014. Please refer to Note 18 to the audited consolidated financial statements (Appendix I) for the nature and details of the related party transactions for the year ended December 31, 2014.

Noncurrent liabilities

Long-term debt of ₱14.7 billion representing the Senior Notes which will mature in 2019 and priced at par of 100% of the principal amount of ₱15.0 billion, net with ₱279.5 million unamortized deferred financing costs issued on January 24, 2014.

Non-current portion of obligations under finance lease represented the building lease payments that are due more than one year.

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

Other non-current liabilities represent the retail tenants' deposits which are due more than one year.

Equity

Capital stock and additional paid-in capital increased by ₱485.2 million and ₱4,890.7 million, respectively, as of December 31, 2014 as compared to December 31, 2013, which was mainly due to the aforesaid 2014 Placing and Subscription Transaction.

Share-based compensation reserve increased by ₱481.1 million mainly due to the recognition of share-based payments during the year ended December 31, 2014.

Equity reserve consisted of the net difference between the cost of MCP to acquire MCE Holdings Group and the legal capital of the latter at the date of reverse acquisition, plus the retained earnings of MCP as of December 19, 2012, the date when MCP was acquired by MCE. The amount remained unchanged as of December 31, 2014 as compared to December 31, 2013.

Accumulated deficits increased by ₱6,303.3 million to ₱8,816.5 million as of December 31, 2014, from ₱2,513.2 million as of December 31, 2013, which was solely due to the net loss recognized during the year ended December 31, 2014.

<u>Liquidity and Capital Resources</u>

The table below shows the Group's audited consolidated cash flows for the year ended December 31, 2014 and for the year ended December 31, 2013:

	For the Year Ended December 31, 2014	**For the Year Ended December 31, 2013**	**% Change**
In thousands of Philippine peso, except % change data			
Net cash used in operating activities	**(4,154,244)**	(771,474)	438%
Cash used in investing activities	**(15,476,149)**	(13,471,049)	15%
Net cash provided by financing activities	**18,811,633**	21,689,092	-13%
Effect of foreign exchange on cash and cash equivalents	**(129,895)**	1,251	-10,483%
Net (decrease) increase in cash and cash equivalents	**(948,655)**	7,447,820	-113%
Cash and cash equivalents at beginning of year	**8,599,842**	1,152,022	646%
Cash and cash equivalents at end of year	**7,651,187**	8,599,842	-11%

Cash and cash equivalents decreased by 11% as of December 31, 2014 compared to December 31, 2013 mainly due to the net effect of the following:

- For the year ended December 31, 2014, the Group recorded a net cash outflow from operating activities of ₱4,154.2 million primarily due to a continuous development of City of Dreams Manila as discussed in the aforesaid sections.

- Net cash used in investing activities amounted to ₱15,476.1 million for the year ended December 31, 2014, which primarily includes: (i) capital expenditure payments of ₱11,669.1 million; (ii) advance payments and deposits for the acquisition of property and equipment of ₱3,800.5 million; and (iii) an increase in restricted cash of ₱4.2 million for the escrow account as a result of depreciation of Philippine Peso against the U.S. Dollar and therefore more Philippine Peso are required to fulfill the US$50 million minimum requirement on the escrow account as required under the Provisional License granted by PAGCOR.

- Net cash provided by financing activities for the year ended December 31, 2014 mainly represented: (i) net proceeds from the 2014 Placing and Subscription Transaction of ₱5,375.9 million; (ii) proceeds from the issuance of Senior Notes of ₱15,000 million; partially offset by (iii) payment of deferred financing costs related to the issuance of Senior Notes of ₱328.2 million; (iv) payment for transaction costs of issuance of share capital during the year ended December 31, 2013 of ₱6.1 million during the year ended December 31, 2014; (v) repayments of obligations under the finance lease of ₱737.5 million and (vi) interest and other finance fee payments for Senior Notes of ₱492.7 million.

The table below shows the Group's capital resources as of December 31, 2014 and 2013.

	As of December 31, 2014	**As of December 31, 2013**	**% Change**
In thousands of Philippine peso, except % change data			
Long-term debt	14,720,524	-	N/A
Equity	12,887,411	13,333,691	-3%
	27,607,935	13,333,691	107%

Total long-term debt and equity increased by 107% to ₱27,607.9 million as of December 31, 2014, from ₱13,333.7 million as of December 31, 2013. The increase was due to (i) the 2014 Placing and Subscription Transaction in June 2014; (ii) the issuance of the Senior Notes; (iii) recognition of share-based compensation reserve of ₱481.1 million; partially offset by (iv) the net loss of ₱6,303.3 million during the year ended December 31, 2014.

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

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

On June 24, 2014, MCP and MCE Investments completed the 2014 Placing and Subscription Transaction, under which MCE Investments offered and sold in a private placement to various institutional investors 485,177,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱11.30 per share (the "**2014 Offer**"). MCE Investments then used the proceeds from the 2014 Offer to subscribe to an equivalent number of common shares of MCP at the subscription price of

₱11.30 per share. The aggregate net proceeds from aforementioned equity transactions, after deducting the underwriting commissions and other expenses of ₱106.6 million, was ₱5,375.9 million.

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, net, security deposits, amount due from a shareholder, amount due from ultimate holding company, amount due from an affiliated company, other deposits and receivables, accrued expenses, accounts payable, other payables and other current liabilities, amount due to ultimate holding company, amount due to immediate holding company, amounts due to affiliated companies, and other noncurrent liabilities which arise directly from its operation.

The main risks arising from the Group's financial instruments as of and for year ended December 31, 2015 are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks. Please refer to Note 26 to the audited consolidated financial statements (Appendix I) for details.

Financial Assets and Liabilities – Fair value of Financial Instruments

Please refer to Note 27 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 flow to fund the development of City of Dreams Manila. We are a growing company with significant financial needs. We may have significant capital expenditures in the future as we continue to develop City of Dreams Manila.

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

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

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

As of December 31, 2015, we had a shareholder loan facility of US$340.0 million and a credit facility of ₱2,350.0 million remains available for future drawdowns, subject to certain conditions precedent. For further details, please refer to Note 22 to the audited consolidated financial statements (Appendix I) included in this report.

As of December 31, 2015, we had capital commitments contracted for, but not provided, mainly for the acquisition of property and equipment for City of Dreams Manila totaling ₱434.3 million. For further details of our commitments and contingencies, please refer to Note 25 to the audited consolidated financial statements (Appendix I) included in this report.

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

Operating Results for the Three Months Ended March 31, 2016 Compared to the Three Months ended March 31, 2015

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the three months ended March 31,	For the three months ended March 31,	% to Revenues		% of Change in Prior Period	
	2016	2015	2016	2015	Inc / (Dec)	%
Net Operating Revenues						
Casino	4,051,809	1,951,520	89%	83%	2,100,289	108%
Rooms	226,334	158,813	5%	7%	67,521	43%
Food and beverage	165,596	165,371	4%	7%	225	0%
Entertainment, retail and others	91,010	64,394	2%	3%	26,616	41%
Total net operating revenues	4,534,749	2,340,098	100%	100%	2,194,651	94%
Operating costs and expenses						
Gaming tax and license fees	(1,132,471)	(578,998)	-25%	-25%	(553,473)	96%
Inventories consumed	(191,074)	(164,368)	-4%	-7%	(26,706)	16%
Employee benefit expenses	(868,504)	(1,107,022)	-19%	-47%	238,518	-22%
Depreciation and amortization	(1,153,893)	(951,792)	-25%	-41%	(202,101)	21%
Other expenses	(1,218,579)	(1,809,473)	-27%	-77%	590,894	-33%
Payments to the Philippine Parties	(337,904)	(139,000)	-7%	-6%	(198,904)	143%
Total operating costs and expenses	(4,902,425)	(4,750,653)	-108%	-203%	(151,772)	3%
Operating loss	(367,676)	(2,410,555)	-8%	-103%	2,042,879	-85%
Non-operating income (expenses)						
Interest income	2,822	4,169	0%	0%	(1,347)	-32%
Interest expenses, net of capitalized interest	(713,215)	(621,911)	-16%	-27%	(91,304)	15%
Amortization of deferred financing costs	(16,109)	(15,057)	0%	-1%	(1,052)	7%
Other finance fees	(11,958)	(11,958)	0%	-1%	-	0%
Foreign exchange loss, net	(28,630)	(10,853)	-1%	0%	(17,777)	164%
Total non-operating expenses, net	(767,090)	(655,610)	-17%	-28%	(111,480)	17%
Loss before income tax	(1,134,766)	(3,066,165)	-25%	-131%	1,931,399	-63%
Income tax expense	(1,050)	(23,729)	0%	-1%	22,679	-96%
Net loss	(1,135,816)	(3,089,894)	-25%	-132%	1,954,078	-63%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive loss	(1,135,816)	(3,089,894)	-25%	-132%	1,954,078	-63%
Basic/diluted loss per share	(₱ 0.20)	(₱ 0.63)	0%	0%	₱ 0.43	-68%

Total comprehensive loss for the three months ended March 31, 2016 was ₱1,135.8 million, a decrease of ₱1,954.1 million, or 63%, from ₱3,089.9 million for the three months ended March 31, 2015, which is primarily related to improved operating revenues generated during the current quarter and a lower other expenses for the three months ended March 31, 2016 mainly pertaining to the higher advertising and marketing expenses incurred for the grand opening events incurred for the first quarter of 2015, partially offset by the increase in gaming tax and license fees, inventories consumed, payments to the Philippine Parties, depreciation and amortization, as well as the interest expenses (net of capitalized interest) as a result of lower interest capitalization since the project completion in the first quarter of 2015 and an increase in foreign exchange loss during the period.

Revenues

Total net operating revenues were ₱4,534.7 million for the three months ended March 31, 2016, representing an increase of ₱2,194.6 million, from ₱2,340.1 million for the three months ended March 31, 2015. The increase in total net operating revenues was primarily due to the ramp up of resort operations since the opening in December 2014.

Total net operating revenues for the three months ended March 31, 2016 comprised of ₱4,051.8 million of casino revenues, representing 89% of total net operating revenues, and ₱482.9 million of non-casino revenues. Total net operating revenues for the three months ended March 31, 2015 comprised of ₱1,951.5 million casino revenues, representing 83% total net operating revenues and ₱388.6 million of non-casino revenues.

Casino - Casino revenues for the three months ended March 31, 2016 were ₱4,051.8 million, an increase of ₱2,100.3 million, or 108%, from ₱1,951.5 million for the three months ended March 31, 2015. Rolling chip volume for the three months ended March 31, 2016 was ₱70.9 billion, as compared to ₱8.2 billion for the three months ended March 31, 2015. Rolling chip win rate (calculated before discounts and commissions) was 2.8%, and improved from a negative 0.8% for the three months ended March 31, 2015. In the mass market table games segment, mass market table games drop was ₱5.7 billion for the three months ended March 31, 2016 which represented an increase of ₱1.2 billion, or 27% from ₱4.5 billion for the three months ended March 31, 2015. The mass market table games hold percentage was 27.5% for the three months ended March 31, 2016 and demonstrated an increase from 25.2% for the three months ended March 31, 2015. Gaming machine handle for the first quarter of 2016 was ₱21.3 billion, compared with ₱17.1 billion in the first quarter of 2015. The gaming machine win rate was 6.1% for the three months ended March 31, 2016 versus 5.9% for the three months ended March 31, 2015. Average number of table games and average number of gaming machines for the three months ended March 31, 2016 were 277 and 1,656, respectively, as compared to 231 and 1,745 respectively for the three months ended March 31, 2015. Average net win per table games per day and average net win per gaming machine per day for the three months ended March 31, 2016 were ₱139,566 and ₱8,627, respectively, as compared to ₱55,123 and ₱6,448, respectively for the three months ended March 31, 2015.

Rooms - Room revenues primarily come mainly from Crown Towers Hotel, Nobu Hotel and Hyatt City of Dreams Manila and amounted to ₱226.3 million for the three months ended March 31, 2016 and represented an increase of ₱67.5 million, or 43%, from ₱158.8 million for the three months ended March 31, 2015, primarily due to improved occupancy as a result of more available rooms open for sales for the current quarter as compared to the three months ended March 31, 2015. City of Dreams Manila's average daily rate, occupancy rate and REVPAR for the three months ended March 31, 2016 were ₱7,400, 85.7% and ₱6,342, respectively, as compared to ₱10,063, 76.2% and ₱7,669, respectively, for the three months ended March 31, 2015.

Food, beverage and others - Other non-casino revenues for the three months ended March 31, 2016 included food and beverage revenues of ₱165.6 million and entertainment, retail and other revenues of ₱91.0 million. Other non-casino revenues for the three months ended March 31, 2015 included food and beverage revenues of ₱165.4 million and entertainment, retail and other revenues of ₱64.4 million. The increase was primarily attributable from the ticket sales from DreamPlay by DreamWorks, which officially opened on June 12, 2015.

Operating costs and expenses

Total operating costs and expenses were ₱4,902.4 million for the three months ended March 31, 2016, representing an increase of ₱151.8 million, from ₱4,750.6 million for the three months ended March 31, 2015. The increase in operating costs was attributable to ramp up of resort operations since the opening in December 2014.

Gaming tax and license fees for the three months ended March 31, 2016 amounted to ₱1,132.5 million, representing an increase of ₱553.5 million, or 96% from ₱579.0 million for the three months ended March 31, 2015. The increase is in-line with the increased gaming volume.

Inventories consumed for the three months ended March 31, 2016 and 2015 amounted to ₱191.1 million and ₱164.4 million respectively and represented the gaming playing cards and dice consumed, retail merchandise, food and beverage items and certain operating supplies consumed during the quarter. The increase is in-line with the increased revenues for the quarter.

Employee benefit expenses for the three months ended March 31, 2016 amounted to ₱868.5 million, as compared to ₱1,107.0 million for the three months ended March 31, 2015, which primarily consisted of basic salaries, allowances and bonus, meals and other amenities expenses, annual leave and other paid leave expenses, consultancy fee in consideration for share awards, share-based compensation expenses, retirement costs – defined contribution plans and other employee benefit expenses. The decrease was mainly due to lower basic salaries, allowances and bonuses, meals and other amenities expenses and the full vesting of share options/restricted shares granted in previous years.

Depreciation and amortization for the three months ended March 31, 2016 and 2015 of ₱1,153.9 million and ₱951.8 million respectively, consisted of depreciation for property and equipment of ₱1,140.4 million, amortization of contract acquisition costs of ₱13.0 million and amortization of license fees of ₱0.4 million, as compared to depreciation for property and equipment of ₱938.6 million and amortization of contract acquisition costs of ₱13.0 million and amortization of license fees of ₱0.2 million, for the three months ended March 31, 2015. The increase was primarily due to the more property and equipment being put into use upon opening in December 2014.

Other expenses for the three months ended March 31, 2016 amounted to ₱1,218.6 million, as compared to ₱1,809.5 million for the three months ended March 31, 2015 and primarily consisted of other gaming operations expenses, facilities expenses, management fee expenses, supplies expenses, rental expenses, advertising, marketing, promotional and entertainment expenses, office and administration expenses, taxes and licenses and operating expenses and others. The decrease was primarily attributable to (i) ₱855.1 million of lower advertising, marketing, promotional and entertainment expenses as the grand opening of the resort was launched in February 2015; (ii) ₱66.7 million lower management fee expenses during the three months ended March 31, 2016; (iii) ₱27.2 million lower supplies expenses; (iv) ₱16.8 million lower rental expenses; (v) ₱44.0 million lower other general operating costs; partially offset by (vi) ₱390.3 million higher other gaming operations expenses and (vii) ₱28.6 million higher facilities expenses.

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

Non-operating expenses, net

Interest income of ₱2.8 million for the three months ended March 31, 2016, as compared to ₱4.2 million for the three months ended March 31, 2015, represented the bank interest income mainly generated from net proceeds from the short-term fixed deposits. The decrease was due to less deposits being placed at the bank during the three months ended March 31, 2016 compared to the same period in 2015.

Interest expenses (net of capitalized interest), mainly represented the interest expenses on Senior Notes and obligations under finance lease in relation to the Lease Agreement with Belle, amounted to ₱713.2 million for the three months ended March 31, 2016 as compared to ₱621.9 million for the three months ended March 31, 2015. The increase was primarily due to lower interest capitalization of ₱2.0 million (₱69.6 million for the three months ended March 31, 2015) as the project moved to completion since the first quarter of 2015.

Amortization of deferred financing costs remained stable at ₱16.1 million and ₱15.1 million for the three months ended March 31, 2016 and 2015, respectively, representing amortization of deferred financing costs capitalized for the Senior Notes which is effective from January 2014.

Other finance fees amounted to ₱12.0 million for the both three months ended March 31, 2016 and 2015, representing the gross receipt tax in relation to the interest payment of Senior Notes issued in January 2014.

Foreign exchange loss, net of ₱28.6 million for the three months ended March 31, 2016 was mainly due to the translation of foreign currency denominated bank balances and payables at the period end closing rate. Because Philippine Peso fluctuated against H.K. Dollar and U.S. Dollar during the three months ended March 31, 2016, foreign exchange loss increased by ₱17.8 million from ₱10.8 million for the three months ended March 31, 2015 as a result of the foreign exchange revaluation on foreign currencies payables/USD denominated bank accounts during the period.

Income tax expense

The provision for current income tax for the three months ended March 31, 2016 and 2015 represents tax provided by the Group on its taxable income for the period. Please refer to Note 14 to the unaudited condensed consolidated financial statements (Appendix II) for the nature and details of the provision for income tax for the three months ended March 31, 2016.

Net loss

As a result of the foregoing, the Group incurred net loss of ₱1,135.8 million for the three months ended March 31, 2016, as compared to ₱3,089.9 million for the three months ended March 31, 2015.

Adjusted Property EBITDA

Adjusted EBITDA is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, pre-opening costs, share-based compensation expenses, corporate expenses and other non-operating income and expenses. Adjusted EBITDA were ₱1,311.4 million and ₱125.0 million for the three months ended March 31, 2016 and 2015, respectively.

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

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

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

Financial Condition and Balance Sheet

The consolidated balance sheet of the Group as of March 31, 2016 with variance against December 31, 2015 is discussed, as follows:

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	March 31,	December 31,	% to Total Assets		% of Change in Prior Period	
ASSETS	2016	2015	2016	2015	Inc / (Dec)	%
Current assets						
Cash and cash equivalents	7,560,680	7,460,229	17%	17%	100,451	1%
Restricted cash	86,332	42,525	0%	0%	43,807	103%
Accounts receivable, net	1,254,312	1,283,575	3%	3%	(29,263)	-2%
Inventories	262,336	268,819	1%	1%	(6,483)	-2%
Prepayments and other current assets	210,806	194,423	0%	0%	16,383	8%
Amount due from a shareholder	5,588	5,588	0%	0%	-	0%
Amount due from ultimate holding company	172,322	175,557	0%	0%	(3,235)	-2%
Amount due from immediate holding company	3,000	-	0%	0%	3,000	N/A
Amount due from an affiliated company	549	455	0%	0%	94	21%
Total current assets	9,555,925	9,431,171	22%	21%	124,754	1%
Noncurrent assets						
Property and equipment, net	31,770,391	32,939,887	72%	74%	(1,169,496)	-4%
Contract acquisition costs, net	902,942	915,965	2%	2%	(13,023)	-1%
Other intangible assets, net	6,741	7,176	0%	0%	(435)	-6%
Other noncurrent assets	1,620,297	1,462,673	4%	3%	157,624	11%
Deferred tax asset	-	881	0%	0%	(881)	-100%
Total noncurrent assets	34,300,371	35,326,582	78%	79%	(1,026,211)	-3%
Total assets	**43,856,296**	**44,757,753**	100%	100%	(901,457)	-2%
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	74,328	150,806	0%	0%	(76,478)	-51%
Accrued expenses, other payables and other current liabilities	8,200,815	8,203,747	19%	18%	(2,932)	0%
Current portion of obligations under finance lease	1,430,562	1,401,702	3%	3%	28,860	2%
Amount due to immediate holding company	-	7,357	0%	0%	(7,357)	-100%
Amounts due to affiliated companies	772,322	609,951	2%	1%	162,371	27%
Income tax payable	339	170	0%	0%	169	99%
Total current liabilities	10,478,366	10,373,733	24%	23%	104,633	1%
Noncurrent liabilities						
Long-term debt, net	14,798,461	14,782,352	34%	33%	16,109	0%
Noncurrent portion of obligations under finance lease	12,814,342	12,744,835	29%	28%	69,507	1%
Deferred rent liability	187,885	176,508	0%	0%	11,377	6%
Retirement liability	27,321	23,617	0%	0%	3,704	16%
Other noncurrent liabilities	43,426	48,638	0%	0%	(5,212)	-11%
Total noncurrent liabilities	27,871,435	27,775,950	64%	62%	95,485	0%
Equity						
Capital stock	5,643,355	5,643,355	13%	13%	-	0%
Additional paid-in capital	21,932,963	21,932,963	50%	49%	-	0%
Share-based compensation reserve	637,370	606,279	1%	1%	31,091	5%
Equity reserve	(3,613,990)	(3,613,990)	-8%	-8%	-	0%
Accumulated deficits	(19,093,203)	(17,960,537)	-44%	-40%	(1,132,666)	6%
Total equity	5,506,495	6,608,070	13%	15%	(1,101,575)	-17%
Total equity and liabilities	**43,856,296**	**44,757,753**	100%	100%	(901,457)	-2%

Current assets

Cash and cash equivalents increased by ₱100.5 million, which is the net result of operating cash inflows and the payments made for the capital expenditures. Please see below "Liquidity and Capital Resources" for cash flow analysis for the three months ended March 31, 2016.

Restricted cash represents escrow account that is restricted for foundation fee payable in accordance with the terms of the Regular/Provisional License.

Accounts receivable, net, primarily attributable to casino, hotel and F&B receivables, decreased by ₱29.3 million, which was mainly due to the allowance for doubtful debts made for the current quarter. Please refer to Note 5 to the unaudited condensed consolidated financial statements (Appendix II) for the details and aging of the accounts receivable, net as of March 31, 2016.

Inventories of ₱262.3 million mainly consisted of gaming inventories, retail merchandise, food and beverage items and certain operating supplies. No material fluctuation noted.

Prepayments and other current assets increased by ₱16.3 million, which was primarily due to increase in (i) prepaid employee benefit expenses of ₱13.3 million; (ii) other prepaid expenses and receivables of ₱20.3 million; (iii) creditable withholding tax of ₱4.8 million; partially offset by the decrease in (iv) refundable deposits of ₱10.7 million; (v) prepaid facilities expenses of ₱5.7 million and (iv) others, net of ₱5.7 million.

Noncurrent assets

Property and equipment decreased by ₱1,169.5 million, mainly due to the depreciation of ₱1,140.4 million for the operating equipment during the period.

Contract acquisition costs decreased by ₱13.0 million, mainly due to the amortization for the three months ended March 31, 2016.

Other intangible assets represent the license fees incurred for the right to the use of certain third party trademarks for City of Dreams Manila. The balance decreased by ₱0.4 million during the period as a result of amortization on a straight line basis over the license term of 5 years from February 14, 2015, the opening date of the attraction.

Other noncurrent assets increased by ₱157.6 million primarily due to (i) further recognition of net input VAT, net of ₱134.4 million during the three months ended March 31, 2016 and (ii) increase in advance payments and deposits for acquisition of property and equipment ₱35.2 million; partially offset by a net decrease in others of ₱12.0 million.

Current liabilities

Accounts payable of ₱74.3 million represented the payables to suppliers with products and services such as playing cards and marketing. The decrease in balance was due to more settlements made to suppliers during the quarter.

Accrued expenses, other payables and other current liabilities decreased by ₱2.9 million, which is mainly related to decrease in (i) accruals for acquisition of property and equipment by ₱1,100.2 million; (ii) outstanding gaming chips and tokens of ₱96.2 million; (iii) interest expenses payable of ₱187.5 million; (iv) net decrease in others of ₱0.7 million; partially offset by the increase in (v) gaming tax and license fees of ₱567.7 million as a result of increased casino revenues; (vi) customer deposits of ₱66.8 million; (vii) payments to the Philippine Parties of ₱337.9 million; (viii) unpaid portion of obligation under finance lease of ₱409.3 million.

Current portion of obligations under finance lease comprised of the building lease portion. It represented the lease payments that are due within one year. The increase during the period was mainly due to (i) the finance lease charges of ₱411.3 million recognized during the period, partially offset by (ii) the reclassification of January to March 2016 scheduled installments of ₱382.4 million to unpaid portion of finance lease obligation under accrued expenses.

Amounts due to affiliated companies and immediate holding company increased by ₱155.0 million, which primarily resulted from management fee/payroll/expenses recharged from affiliates/holding companies during the quarter. Please refer to Note 12 to the unaudited condensed consolidated financial statements (Appendix II) for the nature and details of the related party transactions for the three months ended March 31, 2016.

Noncurrent liabilities

Long-term debt of ₱14.8 billion represent the Senior Notes which will mature in 2019 and priced at par of 100% of the principal amount of ₱15.0 billion, net of ₱201.5 million unamortized deferred financing costs, and offered to certain primary institutional lenders as noteholders through a private placement in the Philippines, issued on January 24, 2014. The increase during the period solely represented the amortization of deferred financing costs of ₱16.1 million for the period.

Non-current portion of obligations under finance lease increased by ₱69.5 million. It represented the lease payments that are due more than one year.

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

Retirement liability of ₱27.3 million represented the retirement costs recognized as of March 31, 2016 based on the provisions of Republic Act No. 7641, otherwise known as the "Retirement Pay Law".

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

Equity

Capital stock and additional paid-in capital remained unchanged as of March 31, 2016 and December 31, 2015.

Share-based compensation reserve increased by ₱31.1 million mainly due to the recognition of share-based payments of ₱34.2 million during the three months ended March 31, 2016; partially offset by the transfer of ₱3.1 million to accumulated deficits as a result of expiry of shared options during the period.

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

Deficit increased by ₱1,132.7 million to ₱19,093.2 million as of March 31, 2016, from ₱17,960.5 million as of December 31, 2015, which was primarily due to the net loss by ₱1,135.8 million recognized during the three months ended March 31, 2016, partially offset by the transfer of ₱3.1 million from share-based compensation reserve mentioned above.

Liquidity and Capital Resources

The table below shows the Group's unaudited condensed consolidated cash flows for the three months ended March 31, 2016 and 2015, respectively:

	For the Three Months Ended March 31, 2016	**For the Three Months Ended March 31, 2015**	**% Change**
In thousands of Philippine peso, except % change data			
Net cash provided by operating activities	1,728,008	35,980	**4703%**
Net cash used in investing activities	(1,084,111)	(587,918)	**84%**
Cash used in financing activities	(493,706)	(828,435)	**-40%**
Effect of foreign exchange on cash and cash equivalents	(49,740)	7,030	**-808%**
Net increase (decrease) in cash and cash equivalents	100,451	(1,373,343)	**-107%**
Cash and cash equivalents at beginning of period	7,460,229	7,651,187	**-2%**
Cash and cash equivalents at end of period	7,560,680	6,277,844	**20%**

Cash and cash equivalents increased by 1% as of March 31, 2016 compared to December 31, 2015 mainly due to the net effect of the following:

- For the three months ended March 31, 2016, the Group recorded cash flow from operating activities of ₱1,728.0 million primarily attributable to the operating performance at City of Dreams Manila as discussed in the aforesaid sections.

- Net cash used in investing activities amounted to ₱1,084.1 million for the three months ended March 31, 2016, which primarily includes: (i) capital expenditure payments of ₱1,003.9 million; (ii) deposit for acquisition of property and equipment of ₱36.4 million; and (iii) increase in restricted cash of ₱43.8 million for the foundation fee payable.

- Cash used in financing activities for the three months ended March 31, 2016 mainly represented interest and other finance fee payments for the Senior Notes of ₱492.7 million.

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

	As of March 31, 2016	As of December 31, 2015	% Change
In thousands of Philippine peso, except % change data			
Long-term debt, net	14,798,461	14,782,352	**0 %**
Equity	5,506,495	6,608,070	**-17%**
	20,304,956	21,390,422	**-5%**

Total long-term debt and equity decreased by 5% to ₱20,305.0 million as of March 31, 2016, from ₱21,390.4 million as of December 31, 2015. The decrease was mainly due to (i) the net loss of ₱1,135.8 million during the three months ended March 31, 2016; partially offset by (ii) the recognition of share-based compensation reserve of ₱34.2 million.

Risks Related to Financial Instruments

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

The main risks arising from the Group's financial instruments as of and for three months ended March 31, 2016 are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks.

Other Financing and Liquidity Matters

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

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

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

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

As of March 31, 2016, we had capital commitments contracted for, but not provided, mainly for the acquisition of property and equipment of City of Dreams Manila totaling ₱371.3 million.

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

4. Business Development and Corporate History

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

On February 19, 2013, the shareholders of MCP approved the declassification of the existing ₱900 million authorized capital stock of MCP, 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 MCP'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 MCP 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 MCP.

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, MCP entered into a subscription and share sale agreement (the "**Subscription and Share Sale Agreement**") with MCE Investments under which MCE Investments subscribed for 2,846,595,000 common shares of MCP 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 MCP's authorized capital stock as mentioned above, was completed on April 8, 2013.

On April 24, 2013, MCP and MCE Investments completed a placing and subscription transaction ("**Placing and Subscription Transaction**"), under which MCE Investments offered and sold in a private placement to various institutional investors 981,183,700 common shares of MCP 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 MCP 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 MCP. MCE Investments then used the proceeds from the Offer and Over-allotment Option to subscribe to an equivalent number of common shares of MCP at the subscription price of ₱14.00 per share.

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

On November 23, 2015, MCE Investments subscribed to an additional 693,500,000 common shares of MCP, 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, MCE, through its subsidiaries, MCE Investments and MCE Investments No.2, held an indirect ownership in MCP of 72.19%.

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

Bankruptcy, Receivership or Similar Proceedings

None for any of the companies above.

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

None for any of the companies above.

Basis of Preparation of Financial and Non-financial Information

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

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

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 2014, 2015 and first quarter of 2016.

		HIGH	LOW
2016			
	First Quarter	2.99	1.15
		HIGH	**LOW**
2015			
	First Quarter	13.40	8.70
	Second Quarter	10.56	5.10
	Third Quarter	8.22	3.71
	Fourth Quarter	4.20	1.86
2014			
	First Quarter	14.46	12.30
	Second Quarter	13.90	10.94
	Third Quarter	13.30	11.02
	Fourth Quarter	15.20	12.20

Shareholders. The Company has a single class of common shares. As of April 30, 2016:

(a) the percentage ownership of stockholders of record of the total outstanding shares of the Company was 12.49% Filipino and 87.51% Foreign;

(b) the number of shares outstanding of the Company is 5,660,415,090; and

(c) the number of shareholders of the Company is 430.

The following are the Company's top 20 shareholders as of April 30, 2016:

	NAME	NO. OF SHARES HELD	% TO TOTAL OUTSTANDING SHARES
1	MCE (Philippines) Investments Limited	3,415,000,096*	60.33%
2	PCD Nominee Corporation (Non-Filipino)	1,364,284,481	24.10%
3	PCD Nominee Corporation (Filipino)	662,596,800	11.71%
4	MCE (Philippines) Investments No.2 Corporation	173,836,968	03.07%
5	F. Yap Securities, Inc.	38,355,100	00.68%
6	MCP SIP – Various Employees	1,690,783	00.03%
7	Jose Cuisia	187,500	00.00%
8	Victor Sy	187,500	00.00%
9	Lumen Tiaoqui	150,000	00.00%
10	Leonardo Chua Lian	150,000	00.00%
11	Josephine T. Willer	118,750	00.00%
12	Alexander S. Araneta	116,250	00.00%
13	Jose Marcel Enriquez Panlilio	112,500	00.00%
14	Bernard Ong and/or Conchita Ong	100,000	00.00%
15	Elena B. Alikpala	82,500	00.00%
16	Rosa T. Cabrera	75,000	00.00%
17	Rafael Uyguanco	75,000	00.00%
18	Ramon Cojuangco, Jr.	71,250	00.00%
19	Mario C. Tan	67,500	00.00%
20	Van Tan	65,000	00.00%
	TOTAL	**5,657,322,978**	**99.94%**

*Does not include the 509,999,000 shares lodged with the Philippine Depository and Trust Corporation.

Dividends Per Share. No dividend was declared for the year ended December 31, 2015.

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

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

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

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

On June 21, 2013, MCP shareholders approved the amendment of the SIP made in order to comply with the relevant provisions of HKLR since MCE, an affiliate of the Company, is listed on SEHK. 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 MCP approved the further amendment of the SIP to remove HKLR compliance provisions as a result of the delisting of MCE from SEHK, which amendment is pending the approval of the SEC.

On June 28, 2013, 181,239,503 underlying shares related to shares and options under the SIP were granted, and MCP 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 MCP 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, MCP and MCE Investments completed the 2014 Placing and Subscription Transaction, where a total of 485,177,000 shares of MCP were offered and sold by MCE Investments by way of a private placement to various institutional investors. MCE Investments then used the proceeds of the placing transaction to subscribe to an equivalent number of 485,177,000 shares in MCP. The offer and the subscription of new shares as a result of the 2014 Placing and Subscription Transaction is an exempt transaction under sections 10.1 (k) and (l) of the SRC.

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

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

6. Discussion on Compliance with Leading Practice on Corporate Governance

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

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

7. Undertaking to Provide Annual Report

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

PART II

PROXY

MELCO CROWN (PHILIPPINES) RESORTS 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 CROWN (PHILIPPINES) RESORTS CORPORATION (the "**Corporation**") registered in the Principal's name as proxy of the Principal, at the Annual Stockholders' Meeting on June 20, 2016 at 2:05 pm at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines, and at any adjournments thereof, for the purpose of acting on the following matters:

1. Approval of the Minutes of the Last Annual Stockholders' Meeting Held on May 18, 2015
   ❑ Yes ❑ No ❑ Abstain

2. Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2015
   ❑ Yes ❑ No ❑ Abstain

3. Election of the Members of the Board of Directors

	No. of Votes
Clarence Yuk Man Chung	____________
William Todd Nisbet	____________
Jose. F. Buenaventura	____________
Frances Marie T. Yuyucheng	____________
Johann M. Albano	____________
Maria Marcelina O. Cruzana	____________
Liberty A. Sambua	____________
James Andrew Charles MacKenzie (Independent)	____________
Alec Yiu Wa Tsui (Independent)	____________

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

5. Approval of the Private Placement Between the Corporation and MCE (Philippines) Investments Limited
   ❑ Yes ❑ No ❑ Abstain

6. Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting Held on May 18, 2015
   ❑ Yes ❑ No ❑ Abstain

7. 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 CROWN (PHILIPPINES) RESORTS 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 CROWN (PHILIPPINES) RESORTS 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 20, 2016 at 2:05 pm at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines, and at any adjounrments thereof, for the purpose of acting on the following matters:

1. Approval of the Minutes of the Last Annual Stockholders' Meeting Held on May 18, 2015
   ❑ Yes ❑ No ❑ Abstain

2. Approval of the Audited Consolidated Financial Statements of the Group for the Year Ended December 31, 2015
   ❑ Yes ❑ No ❑ Abstain

3. Election of the Members of the Board of Directors

	No. of Votes
Clarence Yuk Man Chung	____________
William Todd Nisbet	____________
Jose. F. Buenaventura	____________
Frances Marie T. Yuyucheng	____________
Johann M. Albano	____________
Maria Marcelina O. Cruzana	____________
Liberty A. Sambua	____________
James Andrew Charles MacKenzie (Independent)	____________
Alec Yiu Wa Tsui (Independent)	____________

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

5. Approval of the Private Placement Between the Corporation and MCE (Philippines) Investments Limited
   ❑ Yes ❑ No ❑ Abstain

6. Ratification of Actions Taken by the Board of Directors and Officers Since the Annual Stockholders' Meeting Held on May 18, 2015
   ❑ Yes ❑ No ❑ Abstain

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

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

Signed on ______________.

____
SIGNATURE OF STOCKHOLDER
OVER PRINTED NAME

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Parañaque City on May 24, 2016.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

By:

MARISSA T. ACADEMIA
Corporate Secretary

Melco Crown (Philippines) Resorts Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2015 and 2014 and
for The Years Ended December 31, 2015,
2014 and 2013

and

Independent Auditors' Report

SGV
Building a better working world

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 5 8 6 4 8

COMPANY NAME

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Melco Crown (Philippines) Resorts Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable under the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the company 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 examination.

CLARENCE YUK MAN CHUNG
President & Chairman of the Board

ADRIAN HSEN BIN AU
Treasurer

Signed this 11th day of April 2016

SUBSCRIBED AND SWORN TO
BEFORE ME ON THIS APR 11 2016
AT PARANAQUE CITY EXHIBITING
HIS / HER RES. CERT. NO. ____
ISSUED ON ____ AT ____

ATTY. AGUSTIN B. CABREDO
Notary Public
Notarial Commission No. 2015-109
Until December 31, 2016 Roll No. 26047
PTR No. 4866571 / 1-4-16 / Manila
IBP Lifetime Member 05097
MCLE No. V0003138-07-26-14
Rm. 409, First United Bldg. Co., Escolta, Manila

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SERIES OF 2016

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 AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Melco Crown (Philippines) Resorts Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Melco Crown (Philippines) Resorts Corporation and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015, in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321714, January 4, 2016, Makati City

April 11, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In thousands of Philippine peso, except share and per share data)

	December 31, 2015 (Note 2)	December 31, 2014 (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 26 and 27)	**₱7,460,229**	₱7,651,187
Restricted cash (Notes 6, 26 and 27)	**42,525**	2,230,850
Accounts receivable, net (Notes 7, 26 and 27)	**1,283,575**	24,719
Inventories	**268,819**	194,609
Prepayments and other current assets (Note 8)	**194,423**	184,957
Amount due from a shareholder (Notes 18, 26 and 27)	**5,588**	5,425
Amount due from ultimate holding company (Notes 18, 26 and 27)	**175,557**	–
Amount due from an affiliated company (Notes 18, 26 and 27)	**455**	–
Total Current Assets	**9,431,171**	10,291,747
Noncurrent Assets		
Property and equipment, net (Note 9)	**32,939,887**	32,830,332
Contract acquisition costs, net (Note 10)	**915,965**	968,058
Other intangible assets, net (Note 11)	**7,176**	8,698
Other noncurrent assets (Note 12)	**1,462,673**	3,624,180
Deferred tax asset (Note 20)	**881**	23,729
Total Noncurrent Assets	**35,326,582**	37,454,997
	₱44,757,753	₱47,746,744
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (Notes 26 and 27)	**₱150,806**	₱160,219
Accrued expenses, other payables and other current liabilities (Notes 13, 26 and 27)	**8,203,747**	4,631,506
Current portion of obligations under finance lease (Notes 21, 26 and 27)	**1,401,702**	1,041,760
Amount due to ultimate holding company (Notes 18, 26 and 27)	**–**	58,363
Amount due to immediate holding company (Notes 18, 26 and 27)	**7,357**	889,239
Amounts due to affiliated companies (Notes 18, 26 and 27)	**609,951**	834,384
Income tax payable (Note 20)	**170**	3,882
Total Current Liabilities	**10,373,733**	7,619,353
Noncurrent Liabilities		
Long-term debt, net (Notes 22, 26 and 27)	**14,782,352**	14,720,524
Noncurrent portion of obligations under finance lease (Notes 21, 26 and 27)	**12,744,835**	12,378,968
Deferred rent liability	**176,508**	122,131
Retirement liability (Note 23)	**23,617**	–
Other noncurrent liabilities	**48,638**	18,357
Total Noncurrent Liabilities	**₱27,775,950**	₱27,239,980

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS – continued
DECEMBER 31, 2015 AND 2014
(In thousands of Philippine peso, except share and per share data)

	December 31, 2015 (Note 2)	December 31, 2014 (Note 2)
Equity		
Capital stock (Note 14)	**₱5,643,355**	₱4,911,480
Additional paid-in capital	**21,932,963**	19,647,157
Share-based compensation reserve	**606,279**	759,248
Equity reserve (Notes 2 and 14)	**(3,613,990)**	(3,613,990)
Accumulated deficits	**(17,960,537)**	(8,816,484)
Total Equity	**6,608,070**	12,887,411
	₱44,757,753	₱47,746,744

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In thousands of Philippine peso, except share and per share data)

	Year Ended December 31,		
	2015 (Note 2)	2014 (Note 2)	2013 (Note 2)
NET OPERATING REVENUES			
Casino	₱11,901,497	₱299,991	₱–
Rooms	719,422	7,317	–
Food and beverage	677,380	26,154	–
Entertainment, retail and others	429,028	96,756	52,952
Total Net Operating Revenues	13,727,327	430,218	52,952
OPERATING COSTS AND EXPENSES			
Gaming tax and license fees	(3,404,915)	(64,077)	–
Inventories consumed	(784,678)	(27,918)	–
Employee benefit expenses (Note 15)	(3,980,364)	(2,796,583)	(460,965)
Depreciation and amortization	(4,372,061)	(285,731)	(51,520)
Other expenses (Note 16)	(6,701,571)	(1,448,147)	(644,861)
Payments to the Philippine Parties (Note 24(b))	(757,039)	(38,809)	–
Total Operating Costs and Expenses (Note 17)	(20,000,628)	(4,661,265)	(1,157,346)
OPERATING LOSS	(6,273,301)	(4,231,047)	(1,104,394)
NON-OPERATING INCOME (EXPENSES)			
Interest income	14,203	42,887	54,506
Interest expenses, net of capitalized interest	(2,720,953)	(1,915,097)	(1,316,877)
Amortization of deferred financing costs	(61,828)	(54,235)	–
Other finance fees	(47,832)	(44,776)	–
Foreign exchange loss, net	(30,691)	(101,013)	(112,195)
Other income	–	–	15,543
Total Non-operating Expenses, Net	(2,847,101)	(2,072,234)	(1,359,023)
LOSS BEFORE INCOME TAX	(9,120,402)	(6,303,281)	(2,463,417)
INCOME TAX EXPENSE (Note 20)	(23,729)	–	–
NET LOSS	(9,144,131)	(6,303,281)	(2,463,417)
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE LOSS	(₱9,144,131)	(₱6,303,281)	(₱2,463,417)
Basic/Diluted Loss Per Share (Note 19)	(₱1.82)	(₱1.35)	(₱0.74)

See accompanying Notes to Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In thousands of Philippine peso, except share and per share data)

	Capital Stock (Note 14)									
	Class A	Class B	Common Stock	Subtotal Capital Stock	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 14)	Accumulated Deficits	Cost of Treasury Shares Held (Note 14)	Total
Balance as of January 1, 2015	**₱–**	**₱–**	**₱4,911,480**	**₱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)**
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	**(9,144,131)**	–	**(9,144,131)**
Shares issued, net of share issuance expenses (Note 14)	–	–	**693,500**	**693,500**	**1,994,553**	–	–	–	–	**2,688,053**
Issuance of shares for restricted shares vested (Notes 14 and 29)	–	–	**38,375**	**38,375**	**291,253**	**(329,628)**	–	–	–	–
Share-based compensation (Note 29)	–	–	–	–	–	**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**	**₱5,643,355**	**₱21,932,963**	**₱606,279**	**(₱3,613,990)**	**(₱17,960,537)**	**₱–**	**₱6,608,070**
Balance as of January 1, 2014	₱–	₱–	₱4,426,303	₱4,426,303	₱14,756,430	₱278,151	(₱3,613,990)	(₱2,513,203)	₱–	₱13,333,691
Net loss	–	–	–	–	–	–	–	(6,303,281)	–	(6,303,281)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	(6,303,281)	–	(6,303,281)
Shares issued, net of offering expenses (Note 14)	–	–	485,177	485,177	4,890,727	–	–	–	–	5,375,904
Share-based compensation (Note 29)	–	–	–	–	–	481,097	–	–	–	481,097
Balance as of December 31, 2014	₱–	₱–	₱4,911,480	₱4,911,480	₱19,647,157	₱759,248	(₱3,613,990)	(₱8,816,484)	₱–	₱12,887,411

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY – continued
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In thousands of Philippine peso, except share and per share data)

	Capital Stock (Note 14)									
	Class A	Class B	Common Stock	Subtotal Capital Stock	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 14)	Accumulated Deficits	Cost of Treasury Shares Held (Note 14)	Total
Balance as of January 1, 2013	₱337,500	₱225,000	₱–	₱562,500	₱92,679	₱–	₱740,763	(₱49,786)	(₱288,514)	₱1,057,642
Net loss	–	–	–	–	–	–	–	(2,463,417)	–	(2,463,417)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	(2,463,417)	–	(2,463,417)
Declassification of Class A shares and Class B shares (Note 14)	(337,500)	(225,000)	562,500	–	–	–	–	–	–	–
Shares issued, net of offering expenses (Note 14)	–	–	3,863,803	3,863,803	12,816,082	–	–	–	–	16,679,885
Sale of treasury shares (Note 14)	–	–	–	–	1,847,669	–	–	–	288,514	2,136,183
Share-based compensation (Note 29)	–	–	–	–	–	278,151	–	–	–	278,151
Movement of equity reserve (Note 2)	–	–	–	–	–	–	(4,354,753)	–	–	(4,354,753)
Balance as of December 31, 2013	₱–	₱–	₱4,426,303	₱4,426,303	₱14,756,430	₱278,151	(₱3,613,990)	(₱2,513,203)	₱–	₱13,333,691

See accompanying Notes to Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

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

	Year Ended December 31,		
	2015 (Note 2)	2014 (Note 2)	2013 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱9,120,402)**	(₱6,303,281)	(₱2,463,417)
Adjustments for:			
Unrealized foreign exchange (gain) loss, net	**(214,099)**	132,495	105,941
Interest income	**(14,203)**	(42,887)	(54,506)
Depreciation and amortization	**4,372,061**	285,731	51,520
Interest expenses, net of capitalized interest	**2,720,953**	1,915,097	1,316,877
Provision for input value-added tax ("VAT") (Note 12)	**1,426,976**	–	–
Share-based compensation expenses (Note 29)	**109,824**	206,795	95,936
Consultancy fee in consideration for share awards (Note 29)	**66,913**	274,302	182,215
Amortization of deferred financing costs	**61,828**	54,235	–
Other finance fees	**47,832**	44,776	–
Amortization of prepaid rent	**7,118**	5,288	4,407
Allowance for doubtful debts	**2,311**	–	–
Written off of property and equipment (Note 16)	–	155,193	–
Written off from contract acquisition costs (Note 16)	–	–	64,721
Operating loss before working capital changes	**(532,888)**	(3,272,256)	(696,306)
Changes in assets and liabilities:			
Increase in accounts receivable	**(1,260,121)**	(24,719)	–
Increase in other noncurrent assets	**(586,550)**	(2,038,788)	(27,784)
Increase in amount due from ultimate holding company	**(212,486)**	–	–
Increase in inventories	**(74,210)**	(194,609)	–
(Decrease) increase in amount due to ultimate holding company	–	(49,986)	6,929
(Decrease) increase in accounts payable	**(21,076)**	160,608	–
(Increase) decrease in prepayments and other current assets	**(5,591)**	201,349	(373,696)
Increase in amount due from an affiliated company	**(455)**	–	–
Increase in amount due from a shareholder	**(163)**	–	(5,425)
Increase in accrued expenses, other payables and other current liabilities	**3,478,329**	799,864	98,212
Increase in amounts due to affiliated companies	**264,825**	147,558	120,164
Increase in deferred rent liability	**54,377**	62,739	59,392
Increase in retirement liability	**23,617**	–	–
Increase in other noncurrent liabilities	**10,320**	18,357	–
Net cash generated from (used in) operations	**1,137,928**	(4,189,883)	(818,514)
Income tax paid (Note 20)	**(4,593)**	(8,603)	–
Interest received	**9,531**	44,242	47,040
Net cash provided by (used in) operating activities	**₱1,142,866**	(₱4,154,244)	(₱771,474)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS – continued
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In thousands of Philippine peso, except share and per share data)

	Year Ended December 31,		
	2015 (Note 2)	2014 (Note 2)	2013 (Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property and equipment	**(₱4,525,685)**	(₱11,669,108)	(₱2,059,683)
Payment for other noncurrent assets (Note 12)	**(62,192)**	(1,000)	(175,599)
Advance payments and deposits for acquisition of property and equipment	**(6,576)**	(3,800,548)	(678,661)
Payment for acquisition of other intangible assets	**(4,307)**	(1,317)	(3,074)
Decrease (increase) in restricted cash	**2,188,325**	(4,176)	(2,226,674)
Escrow funds refundable to the Philippine Parties (Note 6)	**1,103,905**	–	–
Cash used in reverse acquisition (Note 2)	–	–	(7,198,590)
Payment for contract acquisition costs	–	–	(1,128,768)
Net cash used in investing activities	**(1,306,530)**	(15,476,149)	(13,471,049)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of obligations under finance lease	**(1,079,468)**	(737,458)	(785,003)
Interest paid	**(937,500)**	(468,750)	–
Net (repayment to) advance from immediate holding company	**(804,202)**	154	811,405
Other finance fees paid	**(47,832)**	(23,916)	–
Net proceeds from issuance of capital stock (Note 14)	**2,701,183**	5,369,846	16,685,943
Proceeds from long-term debt (Note 22)	–	15,000,000	–
Payment for deferred financing costs	–	(328,243)	–
Net proceeds from capital stock issuance of legal subsidiary (Note 14)	–	–	2,843,837
Proceeds from sale of treasury shares (Note 14)	–	–	2,136,183
Prepayment of other noncurrent assets	–	–	(3,273)
Net cash (used in) provided by financing activities	**(167,819)**	18,811,633	21,689,092
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	**140,525**	(129,895)	1,251
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(190,958)**	(948,655)	7,447,820
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,651,187**	8,599,842	1,152,022
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱7,460,229**	₱7,651,187	₱8,599,842

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date 13 APR 2016 SDS
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1. **Organization and Business**

(a) Corporate Information

Melco Crown (Philippines) Resorts Corporation (herein referred to as "MCP" or the "Parent Company") is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (the "SEC"). The shares of stock of the Parent Company are publicly traded on The Philippine Stock Exchange, Inc. (the "PSE").

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

The Parent Company's principal place of business is the Philippines and its registered office address was Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701. On April 8, 2015, the Board of Directors of MCP approved the change of the Parent Company's registered office address to Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701, which was further approved by MCP's stockholders and the SEC on May 18, 2015 and July 14, 2015, respectively.

As of December 31, 2015 and 2014, the ultimate holding company of the Parent Company is Melco Crown Entertainment Limited (referred to as "MCE"), a company incorporated in the Cayman Islands with its American depository shares traded on the NASDAQ Global Select Market in the United States of America and its ordinary shares traded on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE") in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") until 4:00 p.m. on July 3, 2015, the date of MCE completed the voluntary withdrawal of the listing of its ordinary shares on the Main Board of HKSE.

As of December 31, 2015 and 2014, the immediate holding company of the Parent Company is MCE (Philippines) Investments Limited ("MCE Investments"), an indirect subsidiary of MCE.

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors on April 11, 2016.

(b) Subsidiaries of MCP

As of December 31, 2015 and 2014, MCP's wholly owned subsidiaries included MCE Holdings (Philippines) Corporation ("MCE Holdings"), MCE Holdings No. 2 (Philippines) Corporation ("MCE Holdings No. 2") and MCE Leisure (Philippines) Corporation ("MCE Leisure") (collectively referred to as "MCE Holdings Group"). MCE Holdings, MCE Holdings No. 2 and MCE Leisure were all incorporated in the Philippines. The primary purpose of MCE Holdings and MCE Holdings No. 2 is investment holding and the primary purpose of MCE Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

1. **Organization and Business** – continued

(c) Activities of MCE Holdings Group

In 2012, MCE, through one of its indirect subsidiary, 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" upon the execution of a trademark licensing agreement (the "Trademark Licensing Agreement") signed between MCP and MCE (IP) Holdings Limited ("MCE (IP) Holdings"), a subsidiary of MCE, on October 9, 2013. Further to the MOA, MCE Holdings Group entered into a cooperation agreement (the "Cooperation Agreement") and other related arrangements with SM Group, Belle and PLAI; and MCE Leisure entered into a lease agreement (the "Lease Agreement") with Belle, for City of Dreams Manila. On March 13, 2013, the Cooperation Agreement and the Lease Agreement became effective upon completion of the closing arrangement conditions, with minor changes to the original terms (except for certain provisions of the Cooperation Agreement which were effective on signing). In addition, MCE Holdings Group entered into an operating agreement (the "Operating Agreement") with SMIC, Belle and PLAI (collectively, the "Philippine Parties") on March 13, 2013, pursuant to which MCE Leisure has been granted the exclusive right to manage, operate and control City of Dreams Manila. The Cooperation Agreement, the Lease Agreement and the Operating Agreement ends on the date of expiry of the Regular/Provisional License as mentioned in Note 1(d) below, currently expected to be on July 11, 2033 unless terminated earlier in accordance with the respective terms of the individual agreements. Details of these agreements are further discussed in Note 24.

(d) Regular/Provisional License

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

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

PAGCOR issued the Regular License dated April 29, 2015 in replacement of the Provisional License to the Licensees for the operation of City of Dreams Manila. The Regular License has the same terms and conditions as the Provisional License, is concurrent with section 13 of Presidential Decree No. 1869 (the "PAGCOR Charter"), and is valid until July 11, 2033. Further details of the terms and commitments under the Regular/Provisional License are included in Note 25(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.

Although the Group had net current liabilities of ₱942,562 as of December 31, 2015 (December 31, 2014: Net current assets of ₱2,672,394), the Group had the Shareholder Loan Facility as defined in an aggregate amount of up to US$340,000,000 as of December 31, 2015. The Shareholder Loan Facility availability and other terms are described in Note 22(b).

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

Reverse acquisition applies only to the consolidated financial statements of MCP. The Parent Company financial statements will continue to represent MCP as a stand-alone entity as of December 31, 2015 and 2014.

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

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

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

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

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and cash in banks which are unrestricted as to withdrawal and use.

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

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

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

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

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

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

Financial Assets and Liabilities – continued
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date. The Group has no financial assets or liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets as of December 31, 2015 and 2014.

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

"Day 1" Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, 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 nonderivative 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 noncurrent assets.

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

Financial Assets and Liabilities – continued
This category includes cash and cash equivalents (see Note 5), restricted cash (see Note 6), accounts receivable (see Note 7), other deposits and receivables included under prepayments and other current assets (see Note 8) and other noncurrent assets (see Note 12), amount due from a shareholder (see Note 18), amount due from ultimate holding company (see Note 18), amount due from an affiliated company (see Note 18) and security deposit included under other noncurrent assets (see Note 12). The carrying values and fair values of loans and receivables are disclosed in Note 27.

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 noncurrent liabilities.

This category includes accounts payable, accrued expenses, other payables and other current liabilities (see Note 13), current and noncurrent portion of obligations under finance lease (see Note 21), amount due to ultimate holding company (see Note 18), amount due to immediate holding company (see Note 18), amounts due to affiliated companies (see Note 18), long-term debt (see Note 22) and other noncurrent liabilities. The carrying values and fair values of other financial liabilities are disclosed in Note 27.

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

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

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

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

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Derecognition of Financial Assets and Liabilities – continued
Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, 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 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. This is generally not the case with master netting agreements and the related assets and liabilities are presented at gross amounts in the consolidated balance sheets.

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

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

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

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

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

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

Property and Equipment – continued
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 are capitalized in appropriate categories of property and equipment. The capitalization of such costs begins when the design and construction of the project's fit-out starts and ceases once it is substantially completed or design and construction activity of the project's fit-out is suspended for more than a brief period.

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

Assets held under finance leases are depreciated when the asset is 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.

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

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. Interest subject to capitalization primarily includes interest paid or payable on the Group's long-term debt and the obligations under finance lease. The capitalization of interest and amortization of deferred financing costs ceases 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, 2015, 2014 and 2013, total interest expenses incurred amounted to ₱2,803,699, ₱2,649,230 and ₱1,464,430, of which ₱82,746, ₱734,133 and ₱147,553 were capitalized, respectively. No amortization of deferred financing costs was capitalized for the years ended December 31, 2015 and 2014.

Intangible Assets
Contract Acquisition Costs. Certain costs incurred by MCE Leisure to obtain various agreements in its capacity as the sole and exclusive operator and manager of the casino project have been capitalized in contract acquisition costs. These costs include considerations paid to Belle for termination of various agreements with a third party upon completion of the closing arrangement conditions on March 13, 2013 and the amounts paid to third parties and other directly attributable costs in obtaining the contracts such as legal fees, documentary stamp tax on the agreements and other professional fees incurred in the contract negotiations.

Upon completion of the closing arrangement conditions and the effective of the Lease Agreement on March 13, 2013, the portion of the contract acquisition costs incurred in relation to the contract negotiations classified as operating lease is immediately written off to the development costs (see Note 16), with the remaining portion incurred in relation to the contract negotiations classified as building under finance lease is capitalized to the finance lease asset. As of December 31, 2015 and 2014, the contract acquisition costs, which represents the consideration paid to Belle for termination of various agreements related to the building lease, is amortized over the term of the Operating Agreement and tested for impairment if there is an indication that the asset may be impaired.

Other Intangible Assets. Other intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, other intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Other intangible assets are amortized over its useful life unless its life is determined to be indefinite in which case it is not amortized. The Group's finite-lived other intangible assets are amortized over the shorter of the contractual terms and estimated useful lives and tested for impairment if there is an indication that the other intangible assets may be impaired.

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

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

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

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

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

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

Accumulated Deficits
Accumulated deficits represent the Group's cumulative net losses. Accumulated deficits may also include effect of changes in accounting policy as may be required by the standards' transitional provisions or amendments to the standards.

Treasury Shares
The Parent Company's equity instruments which are reacquired are classified as treasury shares, and are deducted from equity at acquisition cost. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's equity instruments.

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.

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 and right to use fee, adjusted for contractual base fee and operating fee escalations, are included in entertainment, retail and other revenues and are recognized on a straight-line basis over the terms of the related agreement.

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

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

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

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

	Year Ended December 31,	
	2015	2014
Rooms	**₱1,556,654**	₱17,477
Food and beverage	**1,165,272**	20,423
Entertainment, retail and others	**65,927**	–
	₱2,787,853	₱37,900

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

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

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

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.

Development Costs
Development costs include costs associated with the Group's evaluation and pursuit of new business opportunities, which are expensed as incurred.

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

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

Property Charges and Others
Property charges and others consist primarily of one-off activities related to organizational restructuring and written off of certain equipment damaged by typhoon, and a provision for input VAT primarily pertaining to certain construction of City of Dreams Manila expected to be non-recoverable. Property charges and others of ₱1,472,385, ₱157,693 and nil were recognized for the years ended December 31, 2015, 2014 and 2013, respectively.

Deferred Financing Costs
Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are capitalized and amortized over the terms of the related debt agreements using the effective interest method. Deferred financing cost amortization of ₱61,828, ₱54,235 and nil were recognized for the years ended December 31, 2015, 2014 and 2013, respectively.

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

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

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

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

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

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

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

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

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

Further information on the Group's share-based compensation arrangement for the years ended December 31, 2015, 2014 and 2013 for restricted shares and share options granted under its share incentive plan ("Share Incentive Plan") is included in Note 29.

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 noncurrent 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.

Foreign Currency Transactions
The Group's consolidated financial statements are presented in the 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.

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

Foreign Currency Transactions – continued
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 profit 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 credit 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 profit will be available against which the deductible temporary differences and the carryforward benefits of unused tax credit 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 profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit 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 profit 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 profit will allow the deferred tax assets to be recovered.

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

Income Tax – continued
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 noncurrent assets as of December 31, 2015 and 2014 in the consolidated balance sheets.

Gaming Tax and License Fees
The Licensees are required to pay license fees to PAGCOR ranging from 15% to 25% of its gross gaming revenues on a monthly basis, starting from the date the casino commences operations. In May 2014, PAGCOR temporarily reduced the license fees by 10% to 5% and 15% effective from April 1, 2014. The license fee reduction is required to be used for the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). The parties agreed to revert to the original license fee structure under the Regular/Provisional License, in the event the Bureau of Internal Revenue ("BIR") action to collect income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of BIR or the courts or under a new law. Such license fees include franchise tax on actual gross gaming revenues generated by the casino. The Group is also required to remit on a monthly basis 5% of non-gaming revenue and 2% of casino revenues generated from non-junket operation tables. These expenses are reported as gaming tax and license fees in the accompanying consolidated statements of comprehensive income.

Loss Per Share
The Group presents basic and diluted loss per share for its common shares.

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

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

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

Loss Per Share – continued
The weighted average number of common and common equivalent shares used in the calculation of basic and diluted loss per share consisted of the following:

	Year Ended December 31,		
	2015	2014	2013
Weighted average number of common shares outstanding used in the calculation of basic loss per share	**5,014,093,527**	4,680,190,442	3,312,053,436
Incremental weighted average number of common shares from assumed vesting of restricted shares and exercise of share options	–	–	–
Weighted average number of common shares outstanding used in the calculation of diluted loss per share	**5,014,093,527**	4,680,190,442	3,312,053,436

For the years ended December 31, 2015, 2014 and 2013, 124,710,632, 124,126,612 and 116,144,153 outstanding share options and 28,531,215, 64,371,486 and 58,072,076 outstanding restricted shares as of December 31, 2015, 2014 and 2013, respectively, were excluded from the computation of diluted loss per share as their effect would have been anti-dilutive.

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 operates in one geographical area for the years ended December 31, 2015 and 2014 where it derives its revenue. Comparative financial information has been presented for the year ended December 31, 2013. Segment information is presented in Note 30.

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.

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

Comparatives
Upon commencement of operations of City of Dreams Manila on December 14, 2014, the management has decided to change the Group's analysis of expenses from by function to by nature as the analysis of expenses by nature is more reliable and relevant to the Group's operations. Accordingly, the Group presented the years 2015 and 2014's analysis of expenses by function as additional disclosure for comparison with the year 2013. Such reclassifications have no impact on the overall results and financial position of the Group.

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

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for adoption of the following new and amended PAS, PFRS and Philippine Interpretations as of January 1, 2015. The adoption of these new and amended PAS, PFRS and Philippine Interpretations had no significant impact on the consolidated financial statements:

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
- Annual Improvements to PFRSs (2010 – 2012 Cycle):
  - PFRS 2, *Share-based Payment*
  - PFRS 3, *Business Combinations*
  - PFRS 8, *Operating Segments*
  - PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*
  - PAS 24, *Related Party Disclosures*
- Annual Improvements to PFRSs (2011 – 2013 Cycle):
  - PFRS 3, *Business Combinations*
  - PFRS 13, *Fair Value Measurement*
  - PAS 40, *Investment Property*

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 applied at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PAS and PFRS to have significant impact on the Group's financial position or performance.

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***

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

- **PFRS 14, *Regulatory Deferral Accounts***

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the balance sheets and present movements in these account balances as separate line items in the statements of comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016.

- **International Financial Reporting Standards ("IFRS") 15, *Revenue from Contracts with Customers***

  IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

- **IFRS 16, *Leases***

  On January 13, 2016, the International Accounting Standards Board ("IASB") issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards ("IAS") 17, the current lease standard, and the related interpretations.

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

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

Standards Issued But Not Yet Effective – continued

- **IFRS 16, *Leases*** – continued

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

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

- **Amendments to PFRS 11, *Joint Arrangements: Accounting for Acquisitions of Interests***

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- **Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization***

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, 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 16 and PAS 41, *Agriculture: Bearer Plants***

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- **Amendments to PAS 27, *Equity Method in Separate Financial Statements***

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

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

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

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

Standards Issued But Not Yet Effective – continued

- **Annual Improvements to PFRSs (2012-2014 Cycle)**

  These improvements are effective for annual periods beginning on or after January 1, 2016. They include:

  - **PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations***

    Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. This amendment must be applied prospectively.

  - **PFRS 7, *Financial Instruments: Disclosures***

    (a) Servicing Contracts

    The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

    (b) Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

    The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

  - **PAS 19, *Employee Benefits***

    The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

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

Standards Issued But Not Yet Effective – continued

- **Annual Improvements to PFRSs (2012-2014 Cycle)** – continued

  - **PAS 34, *Interim Financial Reporting***

    The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

- **Amendments to PAS 1, *Disclosure Initiative***

  The amendments to PAS 1, *Presentation of Financial Statements* clarify, rather than significantly change, existing PAS 1 requirements. The amendments clarify:

  - the materiality requirements in PAS 1;

  - that specific line items in the statements of comprehensive income and the balance sheets may be disaggregated;

  - that entities have flexibility as to the order in which they present the notes to financial statements; and

  - that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the balance sheets and the statements of comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- **Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception***

  The amendments address issues that have arisen in applying the investment entities exception under PFRS 10. The amendments to PFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

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

Standards Issued But Not Yet Effective – continued

- **Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*** – continued

  Furthermore, the amendments to PFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to PAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

  These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that the revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Constructions Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where risk and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final revenue standard is issued by the IASB and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed.

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

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

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

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.

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

Judgments – continued

Evaluating Lease Agreement. The Group has entered into the Lease Agreement with Belle for City of Dreams Manila which became effective on March 13, 2013. 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 on March 13, 2013, 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 24(c)).

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

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

Reporting Revenue Gross as a Principal or Net as an Agent. The Group follows the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for operations of Hyatt City of Dreams Manila hotel. For the operation of Hyatt City of Dreams Manila hotel, 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.

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

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.

Net Realizable Value of Inventories. The Group writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Inventories and supplies identified to be obsolete and unusable are also written off and charged as expense for the period.

There were no provisions for inventory obsolescences for the years ended December 31, 2015, 2014 and 2013. Inventories at cost amounted to ₱268,819 and ₱194,609 as of December 31, 2015 and 2014, respectively.

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, estimation of the useful lives of property and equipment is based on collective assessment 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 noncurrent 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 ₱ 32,939,887 and ₱ 32,830,332 as of December 31, 2015 and 2014, respectively (see Note 9).

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 29.

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 23.

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

Estimates and Assumptions – continued
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 noncurrent assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that such assets are impaired. Any resulting impairment could have a material impact on the financial condition and results of operation of the Group.

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

Except for a provision for input VAT primarily pertaining to certain construction of City of Dreams Manila expected to be non-recoverable amounted to ₱1,426,976 recognized for the year ended December 31, 2015, no other impairment losses were recognized for the years ended December 31, 2015, 2014 and 2013. The carrying values of property and equipment amounted to ₱32,939,887 and ₱32,830,332 as of December 31, 2015 and 2014, respectively (see Note 9); the carrying values of contract acquisition costs amounted to ₱915,965 and ₱968,058 as of December 31, 2015 and 2014, respectively (see Note 10); and the carrying values of other intangible assets amounted to ₱7,176 and ₱8,698 as of December 31, 2015 and 2014, respectively (see Note 11).

Recognition of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax assets at the end of each reporting period and reduced 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 the 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 ₱255,353 and ₱260,936 were recognized as of December 31, 2015 and 2014, 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 profit will not be available against which the deferred tax assets can be utilized.

Unrecognized deferred tax assets amounted to ₱5,007,129 and ₱2,650,089 as of December 31, 2015 and 2014, respectively (see Note 20).

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

5. Cash and Cash Equivalents

This account consists of:

	December 31, 2015	2014
Cash on hand	**₱1,609,126**	₱1,128,060
Cash in banks	**5,851,103**	6,523,127
	₱7,460,229	₱7,651,187

Cash in banks earn interest at the respective bank deposit rates. Interest income from bank deposits amounted to ₱9,461, ₱39,475 and ₱51,807 for the years ended December 31, 2015, 2014 and 2013, respectively.

6. Restricted Cash

Restricted cash as of December 31, 2015 represents escrow account that is restricted for foundation fee payable in accordance with the terms of the Regular/Provisional License.

As of December 31, 2014, MCE Leisure, as the sole representative of the Licensees, maintained a balance of ₱2,230,850 in the escrow account for US$ equivalent of US$50 million based on the prevailing exchange rate in accordance with the terms of the Regular/Provisional License. On May 7, 2015, PAGCOR granted the approval to close the escrow account as the Licensees had fulfilled the completion of City of Dreams Manila and funds of US$50 million equivalent based on the prevailing exchange rate held in the escrow account were released to MCE Leisure on June 15, 2015. The escrow account balance released to MCE Leisure was partly funded by the Philippine Parties for the year ended December 31, 2015 with ₱1,103,905 (equivalent to US$25 million based on the prevailing exchange rate on transaction date) in accordance with the terms of the Cooperation Agreement and the amount was included in the accrued expenses, other payables and other current liabilities as disclosed in Note 13.

7. Accounts Receivable, Net

Components of accounts receivable, net are as follows:

	December 31, 2015	2014
Casino	**₱1,225,499**	₱6,812
Hotel	**56,607**	12,042
Others	**3,169**	5,865
Sub-total	**1,285,275**	24,719
Less: Allowance for doubtful debts	**(1,700)**	–
	₱1,283,575	₱24,719

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

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

For the years ended December 31, 2015, 2014 and 2013, the Group provided allowance for doubtful debts of ₱1,700, nil and nil, respectively, and no accounts receivable were directly written off in each of those years.

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

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

	December 31,	
	2015	2014
Current	**₱1,180,560**	₱24,719
1 – 30 days	**6,633**	–
31 – 60 days	**95,677**	–
61 – 90 days	**–**	–
Over 90 days	**705**	–
	₱1,283,575	₱24,719

8. **Prepayments and Other Current Assets**

This account consists of:

	December 31,	
	2015	2014
Prepaid facilities expenses	**₱67,020**	₱13,541
Rental and other receivables, net	**32,740**	176
Deposits for acquisition of inventory	**29,013**	16,012
Creditable withholding tax	**16,308**	483
Refundable deposits	**14,925**	16,855
Prepaid employee benefit expenses	**6,751**	34,181
Prepaid advertising, marketing, promotional and entertainment expenses	**3,280**	87,018
Other prepaid expenses and receivables	**24,386**	16,691
	₱194,423	₱184,957

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

9. Property and Equipment, Net

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

	December 31, 2014						
	Building under Finance Lease	Leasehold Improvements	Motor Vehicles	Furniture, Fixtures and Equipment	Plant and Gaming Machinery	Construction in Progress	Total
Costs:							
Balance at beginning of year	₱11,820,440	₱186,536	₱14,293	₱258,289	₱–	₱2,731,558	₱15,011,116
Additions	–	697,111	27,856	4,134,827	1,459,550	11,908,557	18,227,901
Transfer	–	9,785,985	–	780,164	–	(10,566,149)	–
Capitalization of depreciation and amortization	–	–	–	–	–	13,949	13,949
Adjustment on purchase of leased asset	–	–	–	(3,748)	–	–	(3,748)
Written off	–	–	–	(155,193)	–	–	(155,193)
Balance at end of year	11,820,440	10,669,632	42,149	5,014,339	1,459,550	4,087,915	33,094,025
Accumulated depreciation and amortization:							
Balance at beginning of year	–	(109)	(1,620)	(14,377)	–	–	(16,106)
Depreciation and amortization	(26,503)	(67,954)	(6,724)	(121,443)	(24,963)	–	(247,587)
Balance at end of year	(26,503)	(68,063)	(8,344)	(135,820)	(24,963)	–	(263,693)
Net book value	₱11,793,937	₱10,601,569	₱33,805	₱4,878,519	₱1,434,587	₱4,087,915	₱32,830,332

Upon the Lease Agreement becoming effective on March 13, 2013, management made an assessment at inception of the lease and recorded the portion related to the lease of certain of the building structures as finance lease and capitalized the fair value based on valuation by independent external valuer at inception date on the leased property (see Note 21) as well as capitalized the portion of the contract acquisition costs of ₱64,721 to building under finance lease incurred in relation to the contract negotiations classified as building under finance lease (see Note 10).

On August 28, 2014, MCE Leisure terminated a finance lease agreement for certain equipment with net book value of ₱36,125 and exercised the buy-out option at a price of ₱36,173. As a result, the difference between the buy-out price and the carrying amount of the lease obligation of ₱3,748 was recognized as an adjustment to the cost for purchase of leased asset, further details please refer to Note 21.

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

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

Construction in progress represents the design and development cost for fit-out of City of Dreams Manila which included direct incidental costs capitalized (representing travelling expenses, salaries and wages, intercompany management fee expenses incurred, depreciation of equipment and applicable interest cost). As of December 31, 2015 and 2014, construction in progress included interest paid or payable on the obligations under finance lease which amounted to ₱4,238 and ₱256,739, respectively.

10. **Contract Acquisition Costs, Net**

This account consists of:

	December 31, 2015	2014
Costs:		
Balance at beginning and at end of year	**₱1,063,561**	₱1,063,561
Accumulated amortization:		
Balance at beginning of year	**(95,503)**	(43,410)
Amortization	**(52,093)**	(52,093)
Balance at end of year	**(147,596)**	(95,503)
Net book value	**₱915,965**	₱968,058

As of March 13, 2013, this account consists of legal and other professional fees, documentary stamp tax and other directly attributable costs incurred by the Group in negotiating the Lease Agreement and management contracts for City of Dreams Manila amounting to ₱129,442. Upon the Lease Agreement becoming effective on March 13, 2013, the Group had written off the portion of the contract acquisition costs amounting to ₱64,721 incurred in relation to the contract negotiations classified as operating lease to development costs (Note 16), while the remaining portion amounting to ₱64,721 incurred in relation to the contract negotiations classified as building under finance lease is capitalized in building under finance lease. On the same date, the Group paid ₱1,063,561 to Belle as consideration for termination of various agreements with a third party upon completion of the closing arrangement conditions and this amount is amortized over the lease term.

11. **Other Intangible Assets, Net**

The other intangible assets represent the license fees of ₱8,698 for right to use of trademarks for certain entertainment business for City of Dreams Manila and are amortized on a straight-line basis over the term of the license agreement which expires in 5 years from February 2015. Amortization of other intangible assets for the year ended December 31, 2015 was ₱1,522.

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

12. **Other Noncurrent Assets**

This account consists of:

	December 31, 2015	December 31, 2014
Input VAT, net	**₱1,097,921**	₱1,955,932
Noncurrent portion of prepaid rent	**127,533**	99,838
Security and rental deposits	**126,231**	98,686
Advance payments and deposits for acquisition of property and equipment	**2,316**	1,401,059
Other noncurrent assets and deposits	**108,672**	68,665
	₱1,462,673	₱3,624,180

Input VAT, net represents the VAT recoverable from the tax authority in the Philippines. For the year ended December 31, 2015, a provision for input VAT primarily pertaining to certain construction of City of Dreams Manila expected to be non-recoverable amounted to ₱1,426,976 was recognized and included in other expenses in the consolidated statements of comprehensive income. No provisions for input VAT were recognized for the years ended December 31, 2014 and 2013 (Note 16).

Advance payments for construction costs which are mostly secured by surety bonds and deposits for acquisition of property and equipment are connected with the fit-out for City of Dreams Manila.

Upon the Lease Agreement becoming effective on March 13, 2013 and in February 2015, security deposits of ₱175,599 and ₱62,192, respectively, were paid to Belle. As of December 31, 2015, part of prepaid rent amounting to ₱120,504 represented the noncurrent portion of excess of principal amount of the security deposit paid pursuant to the Lease Agreement over its fair value at inception, is amortized on a straight-line basis over the lease term while part of the current portion of prepaid rent of ₱7,284 is included in prepayments and other current assets (Note 8).

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

13. Accrued Expenses, Other Payables and Other Current Liabilities

This account consists of:

	December 31, 2015	2014
Accruals for:		
Property and equipment	**₱2,105,184**	₱3,188,421
Gaming tax and license fees	**1,688,412**	64,077
Employee benefit expenses	**357,805**	376,620
Unpaid portion of obligations under finance lease	**126,051**	60,865
Taxes and licenses	**51,683**	1,917
Operating expenses and others	**715,252**	365,139
Outstanding gaming chips and tokens	**1,223,387**	4,123
Restricted cash refundable to the Philippine Parties (inclusive of interest income)	**1,104,507**	–
Interest expenses payable	**327,083**	327,083
Withholding tax payable	**183,218**	168,795
Other payables and liabilities	**321,165**	74,466
	₱8,203,747	₱4,631,506

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

14. Equity

Authorized Capital Stock

The following is a summary of the movement of the Parent Company's authorized capital stock with the related issue price and date of approval of registration by the SEC:

Share Registered			Issue Price			
Common Class A	Common Class B	Common Share	Class A	Class B	Common Share	Date of SEC Approval
90,000,000	60,000,000	–	₱3.20	₱3.40	₱–	February 14, 1991
180,000,000	120,000,000	–	1.00	1.00	–	August 9, 1993
270,000,000	180,000,000	–	1.00	1.00	–	October 21, 1997
(540,000,000)	(360,000,000)	900,000,000	–	–	1.00	March 5, 2013*
–	–	5,000,000,000	–	–	1.00	April 8, 2013
–	–	5,900,000,000				

**Declassification of Class A and Class B shares to a single class of common shares and denial of pre-emptive rights*

Immediately before the declassification of Class A and Class B shares to a single class of common shares on March 5, 2013, the two classes of common stock, Class A shares and Class B shares, are identical in all respects except that Class A shares are restricted in ownership to Philippine nationals. Both classes of common stocks have par value of ₱1 per share.

14. **Equity** – continued

Authorized Capital Stock – continued
On February 19, 2013, the stockholders of MCP approved the declassification of ₱900,000 authorized capital stock of MCP, consisting of 60% Class A shares and 40% Class B shares to a single class of common stock and denial of pre-emptive rights and the increase in MCP's authorized capital stock to ₱5,900,000 divided into 5.9 billion shares with par value of ₱1 per share from authorized capital stock of ₱900,000 divided into 900 million shares with par value of ₱1 per share.

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

Issued Capital Stock
As of December 31, 2015 and 2014, the Parent Company's issued capital stock consists of 5,643,355,478 and 4,911,480,300 common shares with par value of ₱1 per share, respectively.

On March 20, 2013, MCP entered into a subscription and share sale agreement with MCE Investments, under which MCE Investments subscribed for 2,846,595,000 common shares of MCP with par value of ₱1 per share at a total consideration of ₱2,846,595 (the "Share Subscription Transaction"). The Share Subscription Transaction was completed upon the SEC's approval of the increase in MCP's authorized capital stock on April 8, 2013.

On April 24, 2013, MCP and MCE Investments completed a placing and subscription transaction, under which MCE Investments offered and sold in a private placement to various institutional investors of 981,183,700 common shares of MCP with par value of ₱1 per share, at the offer price of ₱14 per share (the "Offer"). MCE Investments then used the proceeds from the Offer to subscribe for an equivalent number of common shares of MCP at the subscription price of ₱14 per share.

In connection with the Offer, MCE Investments granted an over-allotment option (the "Over-allotment Option") of up to 117,075,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱14 per share to a stabilizing agent (the "Stabilizing Agent"). On May 23, 2013, the Stabilizing Agent exercised the Over-allotment Option and subscribed for 36,024,600 common shares of MCP with par value of ₱1 per share, at the offer price of ₱14 per share. MCE Investments then used the proceeds from the Over-allotment Option to subscribe for an equivalent number of common shares of MCP at the subscription price of ₱14 per share.

The aggregate net proceeds from the aforementioned equity transactions, after deducting the underwriting commissions and other expenses of ₱407,626, were ₱16,679,885.

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

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

14. **Equity** – continued

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

During the year ended December 31, 2015, MCP issued 38,375,178 common shares upon vesting of restricted shares (see Note 29).

Treasury Shares
As of January 1, 2013, the total number of treasury shares held by MCP was 150,435,404 shares, representing 64,803,449 Class A shares and 85,631,955 Class B shares, and the total cost of treasury shares in aggregate was ₱288,514. The declassification of Class A and Class B treasury shares to a single class of common stock treasury share were approved by the SEC on March 5, 2013. On April 8, 2013, MCP sold all of its treasury shares, representing 150,435,404 common shares to third parties at ₱14.2 per share. As of December 31, 2015 and 2014, MCP does not have any remaining treasury shares.

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

The equity reserve is accounted for as follows:

	December 31,	
	2015	2014
Retained earnings of MCP as of December 19, 2012	**₱732,453**	₱732,453
Consideration to MCP for the acquisition of MCE Holdings Group	**(7,198,590)**	(7,198,590)
Legal capital of MCE Holdings Group as of March 20, 2013*	**2,852,147**	2,852,147
	(₱3,613,990)	(₱3,613,990)

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

As of December 31, 2015 and 2014, the Parent Company has 430 and 437 stockholders, respectively.

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

15. Employee Benefit Expenses

	Year Ended December 31,		
	2015	2014	2013
Basic salaries, allowances and bonuses	**₱3,052,084**	₱1,995,582	₱158,374
Meals and other amenities expenses	**234,493**	55,759	50
Annual leave and other paid leave expenses	**162,389**	76,095	4,961
Share-based compensation expenses (Note 29)	**109,824**	206,795	95,936
Retirement costs – defined contribution plans	**77,764**	40,233	2,415
Retirement costs – defined benefit obligations (Note 23)	**23,617**	–	–
Consultancy fee in consideration for share awards (Note 29)	**66,913**	274,302	182,215
Other employee benefit expenses	**253,280**	147,817	17,014
	₱3,980,364	₱2,796,583	₱460,965

For the years ended December 31, 2015, 2014 and 2013, total employee benefit expenses of ₱320,434, ₱2,648,589 and ₱460,965, including consultancy fee in consideration for share awards of ₱27,695, ₱274,302 and ₱182,215 and share-based compensation expenses of ₱38,576, ₱206,795 and ₱95,936, respectively, were included as pre-opening costs under total operating costs and expenses as disclosed in Note 17.

For the years ended December 31, 2015, 2014 and 2013, total employee benefit expenses of ₱45,409, ₱2,500 and nil, respectively, were included as property charges and others under total operating costs and expenses as disclosed in Note 17.

16. Other Expenses

	Year Ended December 31,		
	2015	2014	2013
Provision for input VAT	**₱1,426,976**	₱–	₱–
Advertising, marketing, promotional and entertainment expenses	**1,167,884**	122,335	6,546
Other gaming operations expenses	**1,096,624**	6,158	–
Facilities expenses	**884,515**	185,382	8,586
Management fee expenses (Note 18)	**641,795**	187,576	172,567
Supplies expenses	**359,337**	144,702	1,004
Rental expenses (Note 25(b))	**300,432**	315,077	164,921
Office and administrative expenses	**264,815**	96,719	25,631
Taxes and licenses	**93,537**	51,846	48,660
Written off of property and equipment	–	155,193	–
Written off from contract acquisition costs	–	–	64,721
Operating expenses and others	**465,656**	183,159	152,225
	₱6,701,571	₱1,448,147	₱644,861

For the years ended December 31, 2015, 2014 and 2013, advertising, marketing, promotional and entertainment expenses of ₱772,599, ₱105,138 and ₱6,366 and rental expenses of ₱1,657, ₱299,312 and ₱156,712, respectively, were included as pre-opening costs under total operating costs and expenses as disclosed in Note 17.

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

16. **Other Expenses** – continued

For the years ended December 31, 2015, 2014 and 2013, written off from contract acquisition costs of nil, nil and ₱64,721, respectively, were included as development costs under total operating costs and expenses as disclosed in Note 17.

For the years ended December 31, 2015, 2014 and 2013, a provision for input VAT of ₱1,426,976, nil and nil, respectively, were included as property charges and others under total operating costs and expenses as disclosed in Note 17.

17. Total Operating Costs and Expenses

	Year Ended December 31,		
	2015	2014	2013
Casino	**₱7,251,719**	₱177,895	₱–
Rooms	**313,878**	8,694	–
Food and beverage	**593,520**	38,036	–
Entertainment, retail and others	**457,042**	8,506	–
Payments to the Philippine Parties	**757,039**	38,809	–
General and administrative expenses	**3,453,790**	198,635	152,954
Pre-opening costs	**1,329,194**	3,747,266	857,782
Development costs	**–**	–	95,090
Depreciation and amortization	**4,372,061**	285,731	51,520
Property charges and others	**1,472,385**	157,693	–
	₱20,000,628	₱4,661,265	₱1,157,346

18. 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)

18. **Related Party Transactions** – continued

In addition to those transactions disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant related party transactions:

Category	Amount of Transactions For the Year	Outstanding Balance	Terms	Conditions
Amount due from a shareholder				
MCE Investments No.2				
Balance as of January 1, 2015		**₱5,425**		
Settlement of payables on behalf of a shareholder	**₱163**	**163**		
Balance as of December 31, 2015		**₱5,588**	**Repayable on demand; non-interest bearing**	**Unsecured, no impairment**
Balance as of January 1, 2014 and December 31, 2014		₱5,425	Repayable on demand; non-interest bearing	Unsecured, no impairment
Balance as of January 1, 2013		₱–		
Settlement of payables on behalf of a shareholder	₱5,425	5,425		
Balance as of December 31, 2013		₱5,425	Repayable on demand; non-interest bearing	Unsecured, no impairment
Amount due from (to) ultimate holding company				
MCE				
Balance as of January 1, 2015		**(₱58,363)**		
Management fee expenses	**(₱60,104)**	**(60,104)**		
Management fee income(1)	**44,036**	**44,036**		
Settlement of payables on behalf of ultimate holding company	**15,059**	**15,059**		
Revaluation of outstanding balance		**(49)**		
Settlement of outstanding balance		**234,978**		
Balance as of December 31, 2015		**₱175,557**	**Repayable on demand; non-interest bearing**	**Unsecured, no impairment**

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

18. **Related Party Transactions** – continued

Category	Amount of Transactions For the Year	Outstanding Balance	Terms	Conditions
***Amount due from (to) ultimate holding company* – continued**				
MCE – continued				
Balance as of January 1, 2014		(₱107,787)		
Management fee expenses	(₱42,759)	(42,759)		
Management fee income(1)	92,745	92,745		
Revaluation of outstanding balance		(562)		
Balance as of December 31, 2014		(₱58,363)	Repayable on demand; non-interest bearing	Unsecured
Balance as of January 1, 2013		(₱90,434)		
Management fee expenses	(₱58,559)	(58,559)		
Management fee income(1)	52,952	52,952		
Settlement of payables on behalf of the Group	(10,809)	(10,809)		
Revaluation of outstanding balance		(10,424)		
Settlement of outstanding balance		9,487		
Balance as of December 31, 2013		(₱107,787)	Repayable on demand; non-interest bearing	Unsecured
Amount due from an affiliated company				
A subsidiary of MCE				
Balance as of January 1, 2015		**₱–**		
Food and beverage revenue	**₱444**	**444**		
Entertainment, retail and other revenues	**11**	**11**		
Balance as of December 31, 2015		**₱455**	**Repayable on demand; non-interest bearing**	**Unsecured, no impairment**
Balance as of January 1, 2014 and December 31, 2014		₱–		
Balance as of January 1, 2013 and December 31, 2013		₱–		

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

18. **Related Party Transactions** – continued

Category	Amount of Transactions For the Year	Outstanding Balance	Terms	Conditions
Amount due to immediate holding company				
MCE Investments				
Balance as of January 1, 2015		**₱889,239**		
Funds advance to the Group	**₱10,611**	**10,611**		
Settlement of outstanding balance		**(892,493)**		
Balance as of December 31, 2015		**₱7,357**	**Repayable on demand; non-interest bearing**	**Unsecured**
Balance as of January 1, 2014		₱887,415		
Funds advance to the Group	₱154	154		
Revaluation of outstanding balance		1,670		
Balance as of December 31, 2014		₱889,239	Repayable on demand; non-interest bearing	Unsecured
Balance as of January 1, 2013		₱–		
Acquisition costs related to Asset Acquisition Transaction	₱7,198,590	7,198,590		
Funds advance to the Group	811,660	811,660		
Settlement of payables on behalf of an immediate holding company	(255)	(255)		
Revaluation of outstanding balance		76,010		
Settlement of outstanding balance		(7,198,590)		
Balance as of December 31, 2013		₱887,415	Repayable on demand; non-interest bearing	Unsecured

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

18. **Related Party Transactions** – continued

Category	Amount of Transactions For the Year	Outstanding Balance	Terms	Conditions
Amounts due to affiliated companies				
MCE's subsidiaries				
Balance as of January 1, 2015		**₱701,910**		
Management fee expenses	**₱639,185**	**639,185**		
Other gaming operations expenses	**51,918**	**51,918**		
Advertising, marketing, promotional and entertainment expenses	**557,965**	**557,965**		
Purchases of goods and services	**1,242**	**1,242**		
Rooms revenue	**(220)**	**(220)**		
Settlement of payables on behalf of the Group	**2,663**	**2,663**		
Settlement of payables on behalf of affiliated companies	**(1,976)**	**(1,976)**		
Revaluation of outstanding balance		**22,821**		
Settlement of outstanding balance		**(1,416,292)**		
Balance as of December 31, 2015		**₱559,216**	**Repayable on demand; non-interest bearing**	**Unsecured**
Balance as of January 1, 2014		₱345,449		
Management fee expenses	₱350,108	350,108		
Settlement of payables on behalf of the Group	3,677	3,677		
Revaluation of outstanding balance		2,676		
Balance as of December 31, 2014		₱701,910	Repayable on demand; non-interest bearing	Unsecured
Balance as of January 1, 2013		₱21,903		
Management fee expenses	₱268,315	268,315		
Settlement of payables on behalf of the Group	49,207	49,207		
Revaluation of outstanding balance		18,152		
Settlement of outstanding balance		(12,128)		
Balance as of December 31, 2013		₱345,449	Repayable on demand; non-interest bearing	Unsecured

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

18. **Related Party Transactions** – continued

Category	Amount of Transactions For the Year	Outstanding Balance	Terms	Conditions
Amounts due to affiliated companies – continued				
A subsidiary of Crown Resorts Limited ("Crown")[2]				
Balance as of January 1, 2015		**₱43,427**		
Acquisition of property and equipment	**₱1,453**	**1,453**		
Adjustment of acquisition of property and equipment	**(2,109)**	**(2,109)**		
Consultancy fee and facilities expenses	**8,948**	**8,948**		
Settlement of outstanding balance		**(1,775)**		
Balance as of December 31, 2015		**₱49,944**	**Repayable on demand; non-interest bearing**	**Unsecured**
Balance as of January 1, 2014		₱5,874		
Acquisition of property and equipment	₱37,000	37,000		
Consultancy fee expenses	3,711	3,711		
Settlement of payables on behalf of the Group	386	386		
Settlement of outstanding balance		(3,544)		
Balance as of December 31, 2014		₱43,427	Repayable on demand; non-interest bearing	Unsecured
Balance as of January 1, 2013		₱–		
Acquisition of property and equipment	₱5,874	5,874		
Balance as of December 31, 2013		₱5,874	Repayable on demand; non-interest bearing	Unsecured

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

18. **Related Party Transactions** – continued

Category	Amount of Transactions For the Year	Outstanding Balance	Terms	Conditions
Amounts due to affiliated companies – continued				
Melco International Development Limited ("Melco")[(2)] and its subsidiaries				
Balance as of January 1, 2015		**₱89,047**		
Acquisition of property and equipment	**₱231,399**	**231,399**		
Supplies expenses	**68**	**68**		
Settlement of payables on behalf of the Group	**9,477**	**9,477**		
Revaluation of outstanding balance		**11**		
Settlement of outstanding balance		**(329,211)**		
Balance as of December 31, 2015		**₱791**	**Repayable on demand; non-interest bearing**	**Unsecured**
Balance as of January 1, 2014		₱2,268		
Deposits for acquisition of property and equipment	₱60,224	60,224		
Acquisition of property and equipment	96,660	96,660		
Settlement of payables on behalf of the Group	3,528	3,528		
Revaluation of outstanding balance		(60)		
Settlement of outstanding balance		(73,573)		
Balance as of December 31, 2014		₱89,047	Repayable on demand; non-interest bearing	Unsecured
Balance as of January 1, 2013		₱–		
Settlement of payables on behalf of the Group	₱5,827	5,827		
Revaluation of outstanding balance		61		
Settlement of outstanding balance		(3,620)		
Balance as of December 31, 2013		₱2,268	Repayable on demand; non-interest bearing	Unsecured

Notes:
(1) The amount represents the recharge of share-based compensation expenses for certain directors of MCP for the years ended December 31, 2015, 2014 and 2013 to MCE.

(2) Crown and Melco are major shareholders of MCE.

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

18. **Related Party Transactions** – continued

According to the terms of the Trademark Licensing Agreement signed between MCP and MCE (IP) Holdings on October 9, 2013 as mentioned in Note 1(c), the license fees are waived for three years from October 9, 2013.

Directors' Remuneration

For the years ended December 31, 2015, 2014 and 2013, the remuneration of directors of the Group was borne by MCE.

Compensation of Key Management Personnel

The compensation of key management personnel of the Group for the years ended December 31, 2015, 2014 and 2013 is as follows:

	Year Ended December 31,		
	2015	2014	2013
Basic salaries, allowances and benefits in kind	**₱166,562**	₱149,321	₱81,160
Performance bonuses	**–**	34,890	20,939
Retirement costs – defined contribution plans	**2,411**	2,737	1,663
Termination benefits	**39,572**	–	–
Share-based compensation expenses	**62,330**	99,752	35,509
	₱270,875	₱286,700	₱139,271

For the years ended December 31, 2015, 2014 and 2013, part of the compensation of key management personnel of the Group was borne by MCE.

19. **Basic/Diluted Loss Per Share**

	Year Ended December 31,		
	2015	2014	2013
Net loss (a)	**(₱9,144,131)**	(₱6,303,281)	(₱2,463,417)
Weighted average number of common shares outstanding of legal parent (b)	**5,014,093,527**	4,680,190,442	3,312,053,436
Basic/Diluted loss per share (a)/(b)*1,000	**(₱1.82)**	(₱1.35)	(₱0.74)

For the years ended December 31, 2015, 2014 and 2013, 124,710,632, 124,126,612 and 116,144,153 outstanding share options and 28,531,215, 64,371,486 and 58,072,076 outstanding restricted shares as of December 31, 2015, 2014 and 2013, respectively, were excluded from the computation of diluted loss per share as their effect would have been anti-dilutive.

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

20. **Income Tax**

The provision for income tax for the years ended December 31, 2015, 2014 and 2013 consisted of:

	Year Ended December 31,		
	2015	2014	2013
Provision for current income tax	**₱24,610**	₱23,729	₱–
Benefit from deferred income tax	**(881)**	(23,729)	–
	₱23,729	₱–	₱–

The provision for current income tax for the years ended December 31, 2015 and 2014 represents the tax provided by the Group on its taxable income for the years. The benefit from deferred income tax represents the deferred tax asset, which is recognized up to the amount of income tax recognized to the extent of the reversing deductible temporary difference arising from share-based compensation expenses and carryforward benefits from MCIT.

The components of the Group's net deferred tax assets as of December 31, 2015 and 2014 were as follows:

	December 31,	
	2015	2014
Deferred tax assets:		
Deferred rent under PAS 17	**₱255,353**	₱260,936
MCIT	**881**	–
Share-based compensation expenses	**–**	23,729
	256,234	284,665
Deferred tax liability:		
Capitalized interest expenses	**(255,353)**	(260,936)
	₱881	₱23,729

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

	December 31,	
	2015	2014
NOLCO	**₱3,887,014**	₱1,859,305
Deferred rent under PAS 17	**746,607**	314,455
Share-based compensation expenses	**173,504**	204,045
Interest expenses	**122,656**	122,656
Unrealized foreign exchange loss, net	**7,301**	71,531
Others	**70,047**	78,097
	₱5,007,129	₱2,650,089

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

20. **Income Tax** – continued

As of December 31, 2015, the Group's NOLCO which can be carried forward and claimed as deduction from regular taxable income in future years is as follows:

Year Incurred	Expiry Year	Amount
2013	2016	**₱1,440,046**
2014	2017	**4,726,959**
2015	2018	**6,789,708**
		₱12,956,713

NOLCO incurred in 2013, 2012 and 2011 amounting to ₱8,742, ₱3,210 and ₱1,264, respectively, have been utilized for the year ended December 31, 2014. The amounts utilized included the NOLCO of ₱1,264 and ₱1,429 incurred by former business of MCP in 2011 and 2012, respectively. NOLCO incurred in 2012 amounting to ₱48,224 has expired for the year ended December 31, 2015.

As of December 31, 2015 and 2014, the Group has income tax payable as follows:

	December 31,	
	2015	2014
Balance at beginning of year	**₱3,882**	₱–
Provision for current income tax	**24,610**	23,729
Reversal of deferred income tax in prior year	**(23,729)**	–
Under provision for income tax for prior year	–	1,722
Less: Utilization of creditable withholding tax	–	(11,244)
Less: Utilization of tax credit from MCIT	–	(1,722)
Less: Income tax paid	**(4,593)**	(8,603)
Balance at end of year	**₱170**	₱3,882

MCIT incurred in 2013 amounting to ₱1,722 has been utilized for the year ended December 31, 2014.

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

	Year Ended December 31,		
	2015	2014	2013
Income tax benefit computed at statutory income tax rate	**(₱2,736,121)**	(₱1,890,984)	(₱739,025)
Income tax effects of:			
Change in unrecognized deferred tax assets	**2,357,040**	1,883,550	754,285
Change in unrecognized deferred tax asset in prior year	**1,714**	12,527	–
Expenses not deductible for tax	**390,890**	11,739	682
Utilization of tax loss previously not recognized	–	(3,965)	–
Expired NOLCO	**14,467**	–	410
Interest income subject to final tax	**(2,838)**	(11,843)	(15,542)
Interest income not taxable	**(1,423)**	(1,024)	(810)
	₱23,729	₱–	₱–

20. **Income Tax** – continued

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

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

To address the additional exposure to corporate income tax brought by BIR RMC No. 33-2013, in May 2014, PAGCOR temporarily reduced the license fees by 10% to 5% and 15% of gross gaming revenues effective from April 1, 2014. The license fee reduction is required to be used for the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined), further details please refer to Note 25(c)(v).

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

21. **Obligations Under Finance Lease**

Lease payments that are due within one year were presented as current portion of obligations under finance lease under current liabilities while the noncurrent portion was presented as noncurrent portion of obligations under finance lease separately under noncurrent liabilities in the consolidated balance sheets.

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

21. **Obligations Under Finance Lease** – continued

On October 25, 2012, MCE Leisure and Belle entered into the Lease Agreement with subsequent changes from time to time, where Belle agreed to lease to MCE Leisure the land and certain of the building structures for City of Dreams Manila for the period from March 13, 2013 (i.e. the date when relevant obligations and other conditions to give effect to the Lease Agreement were satisfied) until the termination of the Operating Agreement, currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms. The Group made an assessment at inception of the lease and recorded the portion related to the lease of certain of the building structures under finance lease, with the amount of obligations under finance lease recognized being the lower of the fair value of the building structures and present value of the minimum lease payments. Interest rate underlying the obligations under finance lease was 14.92% per annum at inception of the Lease Agreement.

On July 31, 2013, MCE Leisure and Belle signed an addendum to the Lease Agreement to reduce the monthly rental payments with effective from July 1, 2013 with total discount for each twelve month rolling period with a cap of the Philippine peso equivalent of US$1,000,000, with the first twelve month period beginning from March 1, 2013. As a result of the discount in monthly rental payments, the interest rate underlying the obligations under finance lease was revised to 14.63% per annum.

As of December 31, 2015 and 2014, after subsequent changes to the terms of the Lease Agreement from time to time for the years ended December 31, 2015 and 2014, the interest rate underlying the obligations under finance lease was revised to 13.57% and 13.35% per annum, respectively.

As of December 31, 2015 and 2014, the minimum lease payments and present value of minimum lease payments on obligations under finance lease of the Group on the Lease Agreement were as follows:

	December 31, 2015		December 31, 2014	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under finance lease:				
Within one year	**₱1,506,510**	**₱1,401,702**	₱1,120,108	₱1,041,760
In more than one year and not more than five years	**7,580,256**	**5,011,130**	6,821,344	4,540,675
In more than five years	**32,023,338**	**7,733,705**	33,693,577	7,838,293
	41,110,104	**14,146,537**	41,635,029	13,420,728
Less: Finance charges	**(26,963,567)**	**–**	(28,214,301)	–
Present value of lease obligations	**₱14,146,537**	**14,146,537**	₱13,420,728	13,420,728
Less: Current portion of obligations under finance lease		**(1,401,702)**		(1,041,760)
Noncurrent portion of obligations under finance lease		**₱12,744,835**		₱12,378,968

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

21. **Obligations Under Finance Lease** – continued

Apart from the lease of certain of the building structures under finance lease as mentioned above, MCE Leisure signed a master service agreement with a third party in 2013 to set up certain information technology infrastructure (the "IT Equipment") for City of Dreams Manila and provide maintenance and support service to MCE Leisure for the period from August 2013 to November 2018. The ownership and title of the IT Equipment will be transferred to MCE Leisure upon expiry of the term or when MCE Leisure agrees to purchase the IT Equipment at agreed prices at different time periods if the master service agreement is early terminated. The Group made an assessment at inception of the master service agreement and recorded the portion related to the IT Equipment under finance lease. Interest rate underlying the obligations under finance lease for the IT Equipment was 8% per annum at inception of the master service agreement.

On April 30, 2014, MCE Leisure exercised the termination clause of the master service agreement by serving a 120-day notice, and accordingly, the effective date of termination is August 28, 2014. Upon termination of the agreement, MCE Leisure exercised the buy-out option at a price of ₱36,173. The difference of ₱3,748 between the buy-out price of the IT Equipment under finance lease of ₱36,173 and the carrying amount of the lease obligations of ₱39,921 was recorded as an adjustment to the cost of the IT Equipment (see Note 9).

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

This account consists of:

	December 31,	
	2015	2014
Senior Notes	**₱15,000,000**	₱15,000,000
Less: Deferred financing costs, net	**(217,648)**	(279,476)
	14,782,352	14,720,524
Current portion of long-term debt	**–**	–
	₱14,782,352	₱14,720,524

(a) Senior Notes

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

The Senior Notes are general obligations of MCE Leisure, secured on a first-ranking basis by pledge of shares of all present and future direct and indirect subsidiaries of MCP, rank equally in right of payment to all existing and future senior indebtedness of MCE Leisure (save and except for any statutory preference or priority) and rank senior in right of payment to any existing and future subordinated indebtedness of MCE Leisure.

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

(a) Senior Notes – continued

The Senior Notes are guaranteed by MCP and all present and future direct and indirect subsidiaries of MCP (subject to certain limited exceptions) (collectively the "Guarantors"), jointly and severally with MCE Leisure; and irrevocably and unconditionally by MCE on a senior basis. The guarantees are general obligations of the Guarantors, rank equally in right of payment to all existing and future senior indebtedness of the Guarantors (except for any statutory preference or priority) and rank senior in right of payment to any existing and future subordinated indebtedness of the Guarantors.

The Senior Notes mature on January 24, 2019. Interest on the Senior Notes is accrued at a rate of 5% per annum and is payable semi-annually in arrears on January 24 and July 24 of each year, commenced on July 24, 2014. In addition, the Senior Notes includes a tax gross up provision requiring MCE Leisure to pay without any deduction or withholding for or on account of tax.

The net proceeds from the offering of the Senior Notes, after deducting the underwriting commissions and other expenses of ₱230,769, was ₱14,769,231. The net proceeds from the offering are for funding the City of Dreams Manila project, refinancing of debt and general corporate purposes.

MCE Leisure had the option to redeem all or a portion of the Senior Notes at any time prior to January 24, 2015 at 100% of the principal amount plus applicable premium as defined in the notes facility and security agreement (the "Notes Facility and Security Agreement") governing the Senior Notes. Thereafter, MCE Leisure has the option to redeem all or a portion of the Senior Notes at any time at fixed prices that decline ratably over time.

The Notes Facility and Security Agreement contains certain covenants that, subject to certain exceptions and conditions, limit the ability of MCP and its subsidiaries ability, including MCE Leisure to, among other things: (i) incur or guarantee additional indebtedness; (ii) sell assets; (iii) create liens; and (iv) effect a consolidation and merger. As of December 31, 2015 and 2014, management believes that MCE Leisure was in compliance with each of the financial restrictions and requirements.

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.

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

(b) Shareholder Loan Facility

On December 23, 2013, MCE Leisure, as borrower (the "Borrower"), signed the definitive agreement of the senior secured shareholder loan facility (the "Shareholder Loan Facility") in an aggregate amount of up to US$340,000,000 (the "Shareholder Loan") with MCE Investments as lender (the "Lender") with reference to certain terms and conditions set out in a commitment letter entered by MCE Leisure with MCE Investments on April 12, 2013. The Shareholder Loan Facility is a term loan facility denominated in the United States dollars. MCP, MCE Holdings, MCE Holdings No. 2 (together with the Borrower, the "Obligors") have provided a guarantee under the Shareholder Loan Facility in favor of the Lender in relation to the obligations of the Obligors under the Shareholder Loan. The Lender may require such security as is notified by the Lender to the Borrower, including a pledge of shares (legally and beneficially held) over each of the present and future direct and indirect subsidiaries of MCP to be provided as a condition precedent to the initial utilization of the Shareholder Loan.

The Shareholder Loan Facility availability period is to be notified by the Lender prior to the initial utilization of the Shareholder Loan, and is subject to quarterly amortization payments commencing on six months after the opening of City of Dreams Manila. The individual drawdowns under the Shareholder Loan Facility are subject to certain conditions precedents, including completion of a utilization request of proposed drawdown and issuance of promissory note in favor of the Lender with the same amount of proposed drawdown. Borrowings under the Shareholder Loan Facility bear interest at a fixed rate of 5% per annum, accrued prior to the first interest payment date. The Shareholder Loan Facility includes a tax gross up provision requiring MCE Leisure to pay without any deduction or withholding for or on account of tax.

As of December 31, 2015 and 2014, the Shareholder Loan Facility has not been drawn.

(c) The Credit Facility

On October 14, 2015, the Parent Company entered into an on-demand, unsecured credit facility agreement of ₱2,350,000 (the "Credit Facility") with a lender to finance advances to MCE Leisure. The Credit Facility availability period is up to August 31, 2016 and the maturity date of each individual drawdown cannot extend beyond the later to occur 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.

As of December 31, 2015, the Credit Facility has not been drawn.

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

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

(d) Deferred Financing Costs, Net

Direct and incremental costs of ₱333,711 incurred in connection with the issuance of the Senior Notes are capitalized in deferred financing costs. For the years ended December 31, 2015 and 2014, deferred financing costs of ₱61,828 and ₱54,235 were amortized to the consolidated statements of comprehensive income, respectively. As of December 31, 2015 and 2014, the unamortized deferred financing costs of ₱217,648 and ₱279,476 were net off and included in the amount of long-term debt as shown in the consolidated balance sheets, respectively.

Interest expenses on long-term debt consisted of interest for the Senior Notes amounted to ₱937,500 and ₱877,605 for the years ended December 31, 2015 and 2014, respectively. No interest on long-term debt was capitalized for the years ended December 31, 2015 and 2014.

For the years ended December 31, 2015 and 2014, the Group's borrowing rate was approximately 6.25% per annum, including a tax gross up impact on interest on the Senior Notes which required MCE Leisure to pay without any deduction or withholding for or on account of tax.

Other finance fees on long-term debt represents the gross receipt tax on interest on the Senior Notes, including a tax gross up impact which required MCE Leisure to pay without any deduction or withholding for or on account of tax amounted to ₱47,832 and ₱44,776 for the years ended December 31, 2015 and 2014, respectively.

23. **Retirement Costs – Defined Benefit Obligations**

The Group has defined benefit obligations covering substantially all of its regular employees. The costs of providing benefits are valued every year by a professional qualified independent actuary in compliance with PAS 19. Benefits are dependent on the years of service and the respective employees' compensation and are determined using the projected unit credit actuarial cost method.

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, 2015, 2014 and 2013 and the retirement liability of defined benefit obligations recognized in the consolidated balance sheets as of December 31, 2015 and 2014:

	Year Ended December 31,		
	2015	2014	2013
Retirement costs – defined benefit obligations:			
Current service cost	**₱23,617**	₱–	₱–

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

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

For the years ended December 31, 2015, 2014 and 2013, total retirement costs of defined benefit obligations of ₱10,629, nil and nil, respectively, were included as pre-opening costs under total operating costs and expenses as disclosed in Note 17.

	December 31, 2015	December 31, 2014
Retirement liability – defined benefit obligations (at present value):		
Balance at beginning of year	**₱–**	₱–
Current service cost	**23,617**	–
Balance at end of year	**₱23,617**	₱–

The principal assumptions used in determining the Group's retirement liability of defined benefit obligations as of December 31, 2015 are shown below:

	December 31, 2015
Discount rate	**4.81%**
Salary increase rate	**3.00%**
Mortality rate	**1994 GAM**
Disability rate	**1952 Disability Study, Period 2, Benefit 5**
Turnover rate	**A scale ranging from 11% at age 20 to 0% at age 60**

The Group does not maintain a fund for its retirement benefit obligations.

As of December 31, 2015, the expected maturity of undiscounted expected benefit payments are shown below:

	December 31, 2015
Plan year:	
Less than 1 year	**₱–**
More than 1 year but less than 5 years	**11,098**
More than 5 years but less than 10 years	**25,267**
More than 10 years but less than 15 years	**79,276**
More than 15 years but less than 20 years	**147,359**
More than 20 years	**454,131**

As of December 31, 2015, the average duration of the expected benefit payments is 23.42 years.

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

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

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, 2015, assuming all other assumptions were held constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

	Effect on Present Value of Obligations
Discount rate:	
5.81% (Actual + 1.00%)	**₱20,181**
4.81% (Actual)	**23,617**
3.81% (Actual - 1.00%)	**27,852**
Salary increase rate:	
4.00% (Actual + 1.00%)	**₱27,746**
3.00% (Actual)	**23,617**
2.00% (Actual - 1.00%)	**20,200**

24. **Cooperation Agreement, Operating Agreement and Lease Agreement**

(a) Cooperation Agreement

On October 25, 2012, MCE Holdings Group, SM Group, Belle and PLAI entered into the Cooperation Agreement which became effective upon completion of the closing arrangement conditions on March 13, 2013, with minor changes to the original terms (except for certain provisions which were effective on signing). The Cooperation Agreement governs the relationship and the rights and obligations of the Licensees. Under the Cooperation Agreement, MCE Leisure has been designated as the operator to operate City of Dreams Manila and appointed as the sole and exclusive representative of the Licensees in connection with the Regular/Provisional License and the operation and management of City of Dreams Manila until the expiry of the Regular/Provisional License, currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms.

The Cooperation Agreement includes terms as follows, which:

i) prohibit against assignment of rights and interests in the Regular/Provisional License by the Licensees except in certain circumstances, to an affiliate of that Licensees unless with prior written consent from other Licensees and prior written approval of PAGCOR;

ii) set out the Licensees' contributions to the investment commitment required by PAGCOR, details were disclosed in Note 25(c)(i);

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

(a) Cooperation Agreement – continued

iii) set out the right of first refusal and non-compete as agreed between the Licensees during the period commencing October 25, 2012 and ending on the date five years after the date of termination of the Cooperation Agreement, be involved in a similar business to City of Dreams Manila, including any integrated resort comprising gaming or casino operations, a hotel and entertainment venue in the Philippines;

iv) none of the Licensees (other than, or with the consent of, MCE Leisure), may on behalf of any or all of the Licensees enter into any arrangement, agreement, make any commitment, or incur any obligation or liability to any person (including to any Government authority) in connection with the Regular/Provisional License;

v) Belle will not, without the prior written consent of the MCE Holdings Group, sell, assign, transfer or convey any part of the land, building structures or land leased to MCE Leisure or terminate, novate or amend the lease agreement between Belle and the Government's Social Security System (the "SSS Lease Contract") as disclosed in Note 24(c);

vi) if any of City of Dreams Manila's land or building structures are or are proposed to be levied upon, garnished, foreclosed or attached by any Government authority, MCE Leisure may advance any sum or make any payment to prevent such action and charge the Philippine Parties for such payment plus a fee of 25% of the amount advanced, plus 15% interest per year of the aggregate amount paid by MCE Leisure;

vii) registration with PEZA and/or Philippine Tourism Infrastructure and Enterprise Zone must be maintained by Belle and MCE Leisure at all times;

viii) restriction on change of control of the Licensees;

ix) respective parties contribution in relation to City of Dreams Manila, including MCE Leisure's responsibility for the fit-out, operation and management of City of Dreams Manila, and the Philippine Parties' responsibility for the design and construction of the buildings for City of Dreams Manila (through Belle); and

x) the indemnity of the Licensees, details were disclosed in Note 25(c).

24. **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 MCE Leisure. The Operating Agreement was effective on March 13, 2013 and ends on the date of expiry of the Regular/Provisional License (as that Regular/Provisional License is extended, restored or renewed), unless terminated earlier in accordance with the terms of the Operating Agreement. The Regular/Provisional License is currently scheduled to expire on July 11, 2033. Under the Operating Agreement, MCE Leisure is appointed as the sole and exclusive operator and manager of City of Dreams Manila, and is responsible for, and has sole discretion (subject to certain exceptions) and control over, all matters relating to the management and operation of City of Dreams Manila (including the casino and gaming operations, hotel and retail components and all other activities necessary, desirable or incidental for the management and operation of City of Dreams Manila). The Operating Agreement also included terms of certain payments to PLAI upon commencement of operations of City of Dreams Manila in December 2014, in particular, PLAI has the right to receive monthly payments from MCE Leisure, based on the performance of gaming operations of City of Dreams Manila and was included in payments to the Philippine Parties in the consolidated statements of comprehensive income, and MCE Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

(c) Lease Agreement

On October 25, 2012, MCE Leisure and Belle entered into the Lease Agreement (see Notes 9 and 21), which Belle agreed to lease to MCE Leisure the land and certain of the building structures for City of Dreams Manila. Part of the land leased by Belle to MCE Leisure is leased by Belle from the Government’s Social Security System under the SSS Lease Contract.

The Lease Agreement, which was subsequently amended from time to time, became effective on March 13, 2013 upon completion of closing arrangement conditions and with minor changes from the original terms. The lease continues until termination of the Operating Agreement, currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms. The leased property is used by MCE Leisure and any of its affiliates exclusively as a hotel, casino and resort complex with retail, entertainment, convention, exhibition, food and beverages services as well as other activities ancillary, related or incidental to the operation of any of the preceding uses.

On July 31, 2013, MCE Leisure and Belle signed an addendum to the Lease Agreement to reduce the monthly rental payments with effective from July 1, 2013 with total discount for each twelve month rolling period with a cap of the Philippine peso equivalent of US$1,000,000, with the first twelve month period beginning from March 1, 2013.

25. **Commitments and Contingencies**

(a) Capital Commitments

As of December 31, 2015, the Group had capital commitments contracted for but not provided mainly for the acquisition of property and equipment for City of Dreams Manila totaling ₱434,347.

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

25. **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, 2015, 2014 and 2013, the Group incurred rental expenses amounting to ₱309,102, ₱342,988 and ₱172,468, of which ₱300,432, ₱315,077 and ₱164,921 were recognized as other expenses (Note 16) and ₱8,670, ₱27,911 and ₱7,547 were capitalized in construction in progress, respectively. Minimum rental expenses amounting to ₱ 307,348, ₱ 342,947 and ₱ 172,468 and contingent rental expenses amounting to ₱1,754, ₱41 and nil were recognized for the years ended December 31, 2015, 2014 and 2013, respectively.

As of December 31, 2015, minimum lease payments under all non-cancellable leases were as follows:

	December 31, 2015
Year ending December 31,	
2016	**₱206,299**
2017	**191,124**
2018	**162,674**
2019	**149,144**
2020	**164,060**
Over 2020	**2,270,952**
	₱3,144,253

Operating Leases – As a Lessor

The Group entered into non-cancellable operating agreements mainly for mall spaces in City of Dreams Manila with various retailers that expire at various dates through July 2020. Certain of the operating agreements include minimum base fee with escalated contingent fee clauses. Contingent fees amounting to ₱7,249, nil and nil were recognized for the years ended December 31, 2015, 2014 and 2013, respectively.

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

25. **Commitments and Contingencies** – continued

(b) Lease Commitments – continued

Operating Leases – As a Lessor – continued

As of December 31, 2015, minimum future fees to be received under all non-cancellable operating agreements were as follows:

	December 31, 2015
Year ending December 31,	
2016	**₱55,943**
2017	**48,221**
2018	**33,310**
2019	**31,239**
2020	**9,741**
	₱178,454

The total minimum future fees do not include the escalated contingent fee clauses.

25. **Commitments and Contingencies** – continued

(c) Other Commitments

Regular/Provisional License

(i) Under the terms of the Provisional License, PAGCOR requires, amongst other things, the Licensees to make a total investment of US$1 billion for City of Dreams Manila (the "Investment Commitment") with a minimum investment of US$650 million to be made prior to the opening of City of Dreams Manila on December 14, 2014. Under the terms of the Cooperation Agreement, the Licensees' Investment Commitment of US$1 billion will be satisfied as follows:

- For the amount of US$650 million: (a) in the case of the Philippine Parties, the land and building structures having an aggregate value as determined by PAGCOR of not less than US$325 million; and (b) in the case of MCE Leisure, the fit-out and furniture, gaming equipment, additional improvements, inventory and supplies as well as intangible property and entertainment facilities inside or outside of the building structures, having an aggregate value as determined by PAGCOR of not less than US$325 million.

- For the remaining US$350 million, the Philippine Parties and MCE Leisure shall make equal contributions of US$175 million to City of Dreams Manila. The Licensees agree to contribute such amounts and for such purposes as notified by MCE Leisure (or in certain circumstances the Philippine Parties) to PAGCOR (subject to any recommendations PAGCOR may make).

On January 30, 2015, MCE Leisure applied to PAGCOR for the issuance of 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 and is valid until July 11, 2033.

(ii) Within 30 days from getting approval by PAGCOR of the project implementation plan, to submit a bank guarantee, letter of credit or surety bond in the amount of ₱100 million to guarantee the Licensees' completion of City of Dreams Manila and is subject to forfeiture in case of delay in construction which delay exceeds 50% of the schedule, of which SM Group had submitted a surety bond of ₱100 million to PAGCOR on February 17, 2012. The surety bond was subsequently released on March 31, 2015.

(iii) Seven days prior to commencement of operation of the casino, 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, of which MCE Leisure had secured a surety bond of ₱100 million in December 2014.

25. **Commitments and Contingencies** – continued

(c) Other Commitments – continued

Regular/Provisional License – continued

(iv) The Licensees are required to maintain an escrow account into which all funds for development of City of Dreams Manila must be deposited and all funds withdrawn from this account must be used only for such development and to deposit US$100 million in the escrow account and maintain a balance of US$50 million until completion of City of Dreams Manila, of which MCE Leisure had setup the escrow account in March 2013. On May 7, 2015, PAGCOR granted the approval to close the escrow account as the Licensees had fulfilled the completion of City of Dreams Manila (see Note 6).

(v) 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.

For taxable periods prior to April 1, 2014, under Article IV, Section 20 of the Regular/Provisional 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 reduced the license fees by 10% to 5% and 15% of gross gaming revenues effective from April 1, 2014. The license fee reduction is required to be used for the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). This adjustment will address the additional exposure to corporate income tax on the Licensees brought by BIR RMC No. 33-2013 as disclosed in Note 20. The 10% license fee adjustment is a temporary measure to address the unilateral BIR action and is not intended to modify, amend or revise the Regular/Provisional License. PAGCOR and the Licensees agreed to revert to the original license fee structure under the Regular/Provisional License in the event BIR action is permanently restrained, corrected or withdrawn. PAGCOR and the Licensees also agreed that the 10% license fee adjustment is not an admission of the validity of BIR RMC No. 33-2013 and it is not a waiver of any of the remedies against any assessments by BIR for corporate income tax on the gaming revenue of the Licensees.

(vi) In addition to the above license fees, 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, of which the foundation was setup by MCE Leisure on February 19, 2014.

(vii) 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.

25. **Commitments and Contingencies** – continued

(c) Other Commitments – continued

Regular/Provisional License – continued

(viii) Grounds for revocation of the Regular/Provisional 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; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30.

As of December 31, 2015 and 2014, MCE Holdings Group, as one of the parties as Licensees, has complied with the required debt-to-equity ratio under definition as agreed with PAGCOR, further details please refer to Note 26 under capital risk management.

Cooperation Agreement

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular/Provisional License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any loss suffered or incurred by that Licensees arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular/Provisional License. Also, each of the Philippine Parties and MCE Holdings Group agree to indemnify the non-breaching party for any loss suffered or incurred as a result of a breach of any warranty.

Lease Agreement

Under the terms of the Lease Agreement, MCE Leisure shall indemnify and keep Belle fully indemnified against all claims, actions, demands, actions and proceedings made against Belle by any person arising as a result of or in connection with any loss, damage or injury from MCE Leisure's use and operation of business on the leased property.

(d) Guarantees

(i) Under the Cooperation Agreement, Belle has irrevocably and unconditionally guaranteed to MCE Holdings Group the due and punctual observance, performance and discharge of all obligations of PLAI and each SM Group's company, and indemnified MCE Holdings Group against any and all loss incurred in connection with any default by the Philippine Parties under the Cooperation Agreement. MCE Leisure has likewise irrevocably and unconditionally guaranteed to each of the Philippine Parties the due and punctual observance, performance and discharge of all obligations of MCE Holdings Group, and indemnified the Philippine Parties against any and all loss incurred in connection with any default by MCE Holdings Group under the Cooperation Agreement.

(ii) MCE Leisure has issued a corporate guarantee of ₱100 million to a bank in respect of surety bond issued to PAGCOR as disclosed in Note 25(c)(iii).

25. **Commitments and Contingencies** – continued

(e) Litigation

In January 2015, the Group settled the amount of ₱2,500 for full and final settlement of all outstanding claims in respect of the legal proceedings which relate to matters arising out of the ordinary course of its business as of December 31, 2014.

As of December 31, 2015, certain submitted pleadings regarding the above-mentioned proceedings are pending resolution by the Court. The Group is also a party to certain legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings would have no material impact on the Group's consolidated financial statements as a whole.

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

The Group's principal financial instruments consist mainly of cash and cash equivalents and restricted cash which are for development and operation for City of Dreams Manila. The Group has other financial assets and liabilities such as accounts receivable, security deposit, other deposits and receivables, amount due from a shareholder, amount due from ultimate holding company, amount due from an affiliated company, accounts payable, accrued expenses, other payables and other current liabilities, amount due to ultimate holding company, amount due to immediate holding company, amounts due to affiliated companies and other noncurrent 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.

<u>Interest Rate Risk</u>
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.

<u>Credit Risk</u>
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 noncurrent 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.

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

Credit Risk – continued
With respect to credit risk from the financial assets of the Group, which are composed of cash and cash equivalents, restricted cash, accounts receivable, security deposit, other deposits and receivables, amount due from a shareholder, amount due from ultimate holding company and amount due from an affiliated company, the exposure of the Group to credit risk arises from the default of bank where the Group's cash and cash equivalents and restricted cash were deposited, the default of the counterparty of which the accounts receivable, security deposit and other deposits and receivables were held and the default of repayment from a shareholder, ultimate holding company and an affiliated company, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk in the Group.

Credit Risk Exposures. The carrying values of the Group's financial assets represent the maximum exposure to credit risk since the financial assets have no collateral or credit enhancements as of December 31, 2015 and 2014.

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 and amount due from an affiliated company are considered as high grade as the Group only trades with recognized and creditworthy third parties and MCE will provide financial support to the shareholder and the affiliated company of the Parent Company to meet in full its financial obligations as they fall due. The amount due from ultimate holding company is considered as high grade as MCE is listed on the NASDAQ Global Select Market with positive financial performance. Security deposit is also classified as high grade since the security deposit in relation to the Lease Agreement is placed with Belle, a company listed on the PSE with positive financial performance. Management believes that as of December 31, 2015 and 2014, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

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

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

Credit Risk – continued

	December 31, 2015					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Allowance for Doubtful Debts	Total
Financial Assets						
Cash and cash equivalents	**₱5,851,103**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,851,103**
Restricted cash	**42,525**	–	–	–	–	**42,525**
Accounts receivable, net	**1,180,560**	–	**104,715**	–	**(1,700)**	**1,283,575**
Deposits and receivables, net	**224,170**	–	**6,417**	–	**(611)**	**229,976**
Amount due from a shareholder	**5,588**	–	–	–	–	**5,588**
Amount due from ultimate holding company	**175,557**	–	–	–	–	**175,557**
Amount due from an affiliated company	**455**	–	–	–	–	**455**
	₱7,479,958	**₱–**	**₱111,132**	**₱–**	**(₱2,311)**	**₱7,588,779**

	December 31, 2014					
	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	₱6,523,127	₱–	₱–	₱–	₱–	₱6,523,127
Restricted cash	2,230,850	–	–	–	–	2,230,850
Accounts receivable, net	24,719	–	–	–	–	24,719
Deposits and receivables, net	169,243	–	–	–	–	169,243
Amount due from a shareholder	5,425	–	–	–	–	5,425
	₱8,953,364	₱–	₱–	₱–	₱–	₱8,953,364

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain adequate funding or is the risk that the Group will not be able to meet its obligations associated with financial difficulties.

The Group obtains funding from ultimate holding company and immediate holding company and manages its liquid funds through cash planning on a monthly basis. The Group uses historical data and forecasts from its collection and disbursement to ensure it has sufficient cash to meet capital expenditure and operational needs. The forecast takes into consideration of the Group's issuance of new shares and debt financing plans and covenant compliance requirements.

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

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

Liquidity Risk – continued

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and financial liabilities as of December 31, 2015 and 2014 based on undiscounted contractual cash flows.

	December 31, 2015				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	**₱7,460,229**	**₱–**	**₱–**	**₱–**	**₱7,460,229**
Restricted cash	**42,525**	**–**	**–**	**–**	**42,525**
Accounts receivable, net	**1,283,575**	**–**	**–**	**–**	**1,283,575**
Deposits and receivables, net	**51,189**	**45,989**	**–**	**266,673**	**363,851**
Amount due from a shareholder	**5,588**	**–**	**–**	**–**	**5,588**
Amount due from ultimate holding company	**175,557**	**–**	**–**	**–**	**175,557**
Amount due from an affiliated company	**455**	**–**	**–**	**–**	**455**
Financial Liabilities					
Accounts payable	**₱150,806**	**₱–**	**₱–**	**₱–**	**₱150,806**
Accrued expenses, other payables and other current liabilities	**6,050,484**	**–**	**–**	**–**	**6,050,484**
Amount due to immediate holding company	**7,357**	**–**	**–**	**–**	**7,357**
Amounts due to affiliated companies	**609,951**	**–**	**–**	**–**	**609,951**
Current portion of obligations under finance lease	**1,506,510**	**–**	**–**	**–**	**1,506,510**
Noncurrent portion of obligations under finance lease	**–**	**3,440,461**	**4,139,795**	**32,023,338**	**39,603,594**
Long-term debt	**–**	**–**	**15,000,000**	**–**	**15,000,000**
Interest expenses payable on long-term debt (including withholding tax)	**937,500**	**1,875,000**	**59,896**	**–**	**2,872,396**
Other finance fees payable on long-term debt (including gross up withholding tax)	**47,832**	**95,663**	**3,056**	**–**	**146,551**
Other noncurrent liabilities	**–**	**14,269**	**13,590**	**–**	**27,859**

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

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

Liquidity Risk – continued

	December 31, 2014				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	₱7,651,187	₱–	₱–	₱–	₱7,651,187
Restricted cash	2,230,850	–	–	–	2,230,850
Accounts receivable, net	24,719	–	–	–	24,719
Deposits and receivables, net	17,678	37,964	7,029	208,309	270,980
Amount due from a shareholder	5,425	–	–	–	5,425
Financial Liabilities					
Accounts payable	₱160,219	₱–	₱–	₱–	₱160,219
Accrued expenses, other payables and other current liabilities	4,378,846	–	–	–	4,378,846
Amount due to ultimate holding company	58,363	–	–	–	58,363
Amount due to immediate holding company	889,239	–	–	–	889,239
Amounts due to affiliated companies	834,384	–	–	–	834,384
Current portion of obligations under finance lease	1,120,108	–	–	–	1,120,108
Noncurrent portion of obligations under finance lease	–	3,104,953	3,716,391	33,693,577	40,514,921
Long-term debt	–	–	15,000,000	–	15,000,000
Interest expenses payable on long-term debt (including withholding tax)	937,500	1,875,000	997,396	–	3,809,896
Other finance fees payable on long-term debt (including gross up withholding tax)	47,832	95,663	50,888	–	194,383
Other noncurrent liabilities	–	6,298	10,968	1,091	18,357

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group has transactional currency exposures arising from transactions denominated in foreign currencies, mainly Hong Kong dollars, United States dollars, Macau Patacas, Australian dollars, Japanese yen, Renminbi and Singapore dollars. Foreign exchange risks of the Group are regularly reviewed by the management and appropriate processes are in place to monitor and mitigate the said risks by maintaining a certain amount of operating funds in the same currencies in which the Group has obligations to pay from time to time. Management decides not to hedge the currency exposures considering the cost of hedging being higher than the currency exposure.

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

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

Foreign Exchange Risk – continued

The following table shows the Group's foreign currency-denominated monetary assets and liabilities and their peso equivalents:

	December 31, 2015		December 31, 2014	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Financial Assets				
Cash and cash equivalents:				
Australian dollar ("AUD")	**AUD8,762**	**300**	–	–
Hong Kong dollar ("HK$")	**HK$156,058,850**	**946,102**	HK$20,072,620	115,113
United States dollar ("US$")	**US$19,308,248**	**910,693**	US$45,659,517	2,037,191
		1,857,095		2,152,304
Accounts receivable, net:				
HK$	**HK$50,049,755**	**303,425**	–	–
Deposits and receivables, net:				
US$	**US$13,790**	**650**	–	–
Amount due from ultimate holding company:				
HK$	**(HK$23,973)**	**(145)**	–	–
US$	**(US$295,388)**	**(13,932)**	–	–
		(14,077)		–
Foreign Currency-denominated Financial Assets		**2,147,093**		2,152,304

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

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

Foreign Exchange Risk – continued

	December 31, 2015		December 31, 2014	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Financial Liabilities				
Accounts payable:				
HK$	–	–	HK$71,080	408
Japanese yen ("JPY")	**JPY360,000**	**140**	–	–
US$	**US$280,010**	**13,207**	–	–
		13,347		408
Accrued expenses, other payables and other current liabilities:				
HK$	**HK$338,342**	**2,051**	HK$167,688	962
Macau Patacas ("MOP")	**MOP38,652**	**228**	–	–
Renminbi ("RMB")	–	–	RMB22,500	161
Singapore dollar ("SGD")	–	–	SGD8,000	269
US$	**US$2,098,297**	**98,968**	US$357,645	15,957
		101,247		17,349
Amount due to ultimate holding company:				
HK$	–	–	HK$2,634,522	15,109
MOP	–	–	MOP18,841,429	104,905
US$	–	–	US$1,879,012	83,836
		–		203,850
Amount due to immediate holding company:				
HK$	–	–	HK$155,600,000	892,340
Amounts due to affiliated companies:				
AUD	–	–	AUD7,439	271
HK$	**HK$63,452,666**	**384,680**	HK$22,261,384	127,665
MOP	**MOP26,974,056**	**158,766**	MOP100,259,847	558,227
SGD	**SGD1,713**	**57**	SGD1,713	58
US$	**US$351,647**	**16,586**	US$351,647	15,689
		560,089		701,910
Foreign Currency-denominated Financial Liabilities		**674,683**		1,815,857

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Group used the following rates of exchange as of December 31, 2015 and 2014:

	December 31,	
	2015	2014
Philippine peso to 1 unit of foreign currency:		
AUD	**34.22**	36.39
HK$	**6.06**	5.73
JPY	**0.39**	N/A
MOP	**5.89**	5.57
RMB	**N/A**	7.15
SGD	**33.21**	33.68
US$	**47.17**	44.62

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

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

Foreign Exchange Risk – continued
The Group recognized net foreign exchange loss of ₱30,691 and ₱101,013 for the years ended December 31, 2015 and 2014, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Group's loss before income tax. There is no other impact on the Group's equity other than those already affecting the total comprehensive loss.

	December 31, 2015		December 31, 2014	
	% Change Currency Rate	Effect on Loss Before Income Tax	% Change Currency Rate	Effect on Loss Before Income Tax
AUD	**+2.1%**	**(₱6)**	+1.8%	₱5
	-2.1%	**6**	-1.8%	(5)
HK$	**+0.9%**	**(7,764)**	+1.0%	9,214
	-0.9%	**7,764**	-1.0%	(9,214)
JPY	**+1.7%**	**2**	N/A	N/A
	-1.7%	**(2)**	N/A	N/A
MOP	**+0.9%**	**1,431**	+1.0%	6,631
	-0.9%	**(1,431)**	-1.0%	(6,631)
RMB	**N/A**	**N/A**	+1.3%	2
	N/A	**N/A**	-1.3%	(2)
SGD	**+1.2%**	**1**	+0.9%	3
	-1.2%	**(1)**	-0.9%	(3)
US$	**+0.9%**	**(6,918)**	+1.0%	(19,217)
	-0.9%	**6,918**	-1.0%	19,217

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences.

Positive change in currency rate reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

Capital Risk Management
The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain funding from stockholders, ultimate holding company, immediate holding company, debt financing or issuance of new shares.

The Group considers total equity and long-term debt as its capital which amounted to ₱21,390,422 and ₱27,607,935 as of December 31, 2015 and 2014, respectively.

Under the terms of the Regular/Provisional 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, 2015 and 2014, MCE Holdings Group, as one of the parties as Licensees, has complied with the D/E Ratio as required by PAGCOR.

27. **Financial Instruments**

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

Security deposit, Current and Noncurrent portion of obligations under finance lease and Long-term debt. The carrying values approximate their fair values, which are measured by discounting estimated future cash flows to present value using a credit-adjusted discount rate.

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

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

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

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

As of December 31, 2015 and 2014, the Group does not have financial instruments that are carried and measured at fair value. For the years ended December 31, 2015 and 2014, 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.

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

(a) For the year ended December 31, 2015, fit-out construction costs and cost of property and equipment in total of ₱595,972, ₱20,779 and nil were funded through accrued expenses, other payables and other current liabilities, other noncurrent liabilities and amounts due to affiliated companies, respectively (For the year ended December 31, 2014: ₱3,016,357, nil and ₱329,997, respectively; for the year ended December 31, 2013: ₱700,807, nil and ₱185,623, respectively).

(b) For the year ended December 31, 2015, interest expenses capitalized in fit-out construction costs of ₱82,746 were funded through obligations under finance lease (For the year ended December 31, 2014: ₱734,133; for the year ended December 31, 2013: ₱147,553).

(c) For the year ended December 31, 2015, other noncurrent assets of ₱22,459 and nil were funded through accrued expenses, other payables and other current liabilities and amounts due to affiliated companies, respectively (For the year ended December 31, 2014: nil and nil, respectively; for the year ended December 31, 2013: ₱16,092 and ₱1,572, respectively).

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

(d) For the year ended December 31, 2015, part of the transaction costs for the issuance of shares capitalized in additional paid-in capital of ₱13,130 were funded through accrued expenses, other payables and other current liabilities (For the year ended December 31, 2014: nil; for the year ended December 31, 2013: ₱6,058).

(e) For the year ended December 31, 2014, deferred financing costs of ₱622 were funded through amounts due to affiliated companies (For the year ended December 31, 2013: nil).

(f) For the year ended December 31, 2014, buy-out fee of a finance lease agreement of ₱36,173 was funded through accrued expenses, other payables and other current liabilities (For the year ended December 31, 2013: nil).

(g) For the year ended December 31, 2013, building under finance lease and furniture, fixtures and equipment of ₱11,755,719 and ₱49,543, respectively, were funded through obligations under finance lease.

(h) For the year ended December 31, 2013, contract acquisition costs of ₱5,808 were funded through amounts due to affiliated companies. For the year ended December 31, 2013, contract acquisition costs of ₱64,721 were capitalized in building under finance lease.

(i) For the year ended December 31, 2013, other intangible assets of ₱5,624 were funded through accrued expenses, other payables and other current liabilities.

(j) For the year ended December 31, 2013, prepaid license fee of ₱6,680 was funded through accrued expenses, other payables and other current liabilities.

29. **Share Incentive Plan**

On February 19, 2013, the Group adopted the Share Incentive Plan to promote the success and enhance the value of the Group, by linking personal interests of members of the Board, employees and consultants to those of the stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the stockholders which was approved by the SEC and became effective on April 12, 2013. The Share Incentive Plan, which was subsequently amended from time to time, was approved by the stockholders on June 21, 2013 and became effective on June 24, 2013, the date of approval from the SEC. Under the Share Incentive Plan, the Group may grant 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. The term of such awards shall not exceed 10 years from the date of grant. The maximum aggregate number of common shares which may be issued pursuant to all awards under the Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of the Parent Company from time to time over 10 years. As of December 31, 2015 and 2014, 90,550,748 and 57,075,917 common shares remain available for the grant of various share-based awards under the Share Incentive Plan, respectively.

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

29. **Share Incentive Plan** – continued

Share Options

For the year ended December 31, 2015, the Group granted share options to personnel under the Share Incentive Plan, with the exercise price determined with reference to the market closing price of the Parent Company's common shares trading on the PSE at the date of grant. These share options become exercisable over a vesting period of three years. For the year ended December 31, 2014, the Group granted 9,543,186 share options to certain personnel under the Share Incentive Plan, with the exercise price for 4,861,003 share options determined at the higher of the closing price at the date of grant and the average closing price for the five trading days preceding the date of grant of the Parent Company's common shares trading on the PSE. The exercise price for 4,682,183 share options is fixed at ₱8.3 per share, with the same exercise price with the share options granted on June 28, 2013 on the bases approved by the management that these personnel would contribute significantly to the pre-opening of City of Dreams Manila and joined the Group prior to March 31, 2014. These share options became exercisable over different vesting periods of around three years. For the year ended December 31, 2013, the Group granted share options to certain personnel under the Share Incentive Plan with the exercise price determined at the higher of the closing price at the date of grant and the average closing price for the five trading days preceding the date of grant of the Parent Company's common shares trading on the PSE. These share options became exercisable over a vesting period of three years, with the first vesting on 30 days after the opening of City of Dreams Manila which were vested on March 4, 2015. All share options granted expire 10 years from the date of grant.

The Group uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. Expected volatility is based on the historical volatility of a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical of expected term of the Parent Company. The risk-free interest rate used for each period presented is based on the Philippine Government bond yield at the time of grant for the period equal to the expected term.

The fair value per share option under the Share Incentive Plan was estimated at the date of grant using the following weighted average assumptions for share options granted for the years ended December 31, 2015, 2014 and 2013:

	December 31,		
	2015	2014	2013
Expected dividend yield	**–**	–	–
Expected stock price volatility	**45%**	40%	45%
Risk-free interest rate	**4.08%**	3.77%	3.73%
Expected average life of options (years)	**5.4**	5.2	5.0

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

29. **Share Incentive Plan** – continued

Share Options – continued

A summary of share options activity under the Share Incentive Plan as of December 31, 2015, and changes for the years ended December 31, 2015, 2014 and 2013 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2013	–	₱–		
Granted	120,826,336	8.30		
Forfeited	(4,682,183)	8.30		
Outstanding as of December 31, 2013	116,144,153	8.30		
Granted	9,543,186	10.82		
Forfeited	(1,560,727)	8.30		
Outstanding as of December 31, 2014	124,126,612	8.49		
Granted	**6,796,532**	**3.46**		
Forfeited	**(6,195,610)**	**8.40**		
Expired	**(16,902)**	**13.26**		
Outstanding as of December 31, 2015	**124,710,632**	**₱8.22**	**7.69**	**₱–**
Exercisable as of December 31, 2015	**75,194,658**	**₱8.40**	**7.53**	**₱–**

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

29. **Share Incentive Plan** – continued

Share Options – continued

A summary of share options vested and expected to vest under the Share Incentive Plan as of December 31, 2015 are presented below:

	Vested		
	Number of Share Options (Note)	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Exercise price per share:			
₱8.30	**73,614,311**	**7.51**	**₱–**
₱13.26	**1,580,347**	**8.42**	**–**
	75,194,658	**7.53**	**₱–**

Note: 75,211,560 share options vested and 16,902 share options expired for the year ended December 31, 2015.

	Expected to Vest		
	Number of Share Options	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Exercise price per share:			
₱3.46	**6,796,532**	**9.88**	**₱–**
₱8.30	**39,581,802**	**7.55**	**–**
₱13.26	**3,137,640**	**8.42**	**–**
	49,515,974	**7.93**	**₱–**

The weighted average fair values of share options granted under the Share Incentive Plan for the years ended December 31, 2015, 2014 and 2013 were ₱1.60, ₱6.31 and ₱3.68 per share, respectively. No share options were exercised for the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, there were ₱39,709 unrecognized compensation costs related to unvested share options under the Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.06 years.

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

29. **Share Incentive Plan** – continued

Restricted Shares

For the years ended December 31, 2015 and 2014, the Group granted restricted shares to certain personnel under the Share Incentive Plan with vesting periods of around three years. For the year ended December 31, 2013, the Group granted restricted shares to certain personnel under the Share Incentive Plan with a vesting period of three years, with the first vesting on 30 days after the opening of City of Dreams Manila which were vested on March 4, 2015. The grant date fair value is determined with reference to the market closing price of the Parent Company's common shares trading on the PSE at the date of grant.

A summary of restricted shares activity under the Share Incentive Plan as of December 31, 2015, and changes for the years ended December 31, 2015, 2014 and 2013 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2013	–	₱–
Granted	60,413,167	8.30
Forfeited	(2,341,091)	8.30
Unvested as of December 31, 2013	58,072,076	8.30
Granted	7,079,775	13.03
Forfeited	(780,365)	8.30
Unvested as of December 31, 2014	64,371,486	8.82
Granted	**5,745,033**	**3.68**
Vested	**(38,375,178)**	**8.59**
Forfeited	**(3,210,126)**	**8.56**
Unvested as of December 31, 2015	**28,531,215**	**₱8.12**

The total fair value at the date of grant of the restricted shares under the Share Incentive Plan vested for the year ended December 31, 2015 was ₱329,628. No restricted shares under the Share Incentive Plan were vested for the years ended December 31, 2014 and 2013. As of December 31, 2015, there were ₱55,406 unrecognized compensation costs related to restricted shares under the Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.20 years.

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

29. **Share Incentive Plan** – continued

The impact of share options and restricted shares for the years ended December 31, 2015, 2014 and 2013 recognized in the consolidated financial statements is as follows:

	Year Ended December 31,		
	2015	2014	2013
Share Incentive Plan:			
Share options	**₱80,401**	₱220,730	₱128,819
Restricted shares	**96,336**	260,367	149,332
Total share-based compensation expenses	**₱176,737**	₱481,097	₱278,151
Share-based compensation expenses	**₱109,824**	₱206,795	₱95,936
Consultancy fee in consideration for share awards	**66,913**	274,302	182,215
	₱176,737	₱481,097	₱278,151

30. **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, 2015 and 2014, the Group operates in one geographical area, the Philippines, where it derives its revenue and represented the comparatives for the year ended December 31, 2013.

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

TOTAL ASSETS

	December 31,		
	2015	2014	2013
The Philippines:			
City of Dreams Manila	**₱44,757,753**	₱47,746,744	₱28,142,735
Total Assets	**₱44,757,753**	₱47,746,744	₱28,142,735

CAPITAL EXPENDITURES

	Year Ended December 31,		
	2015	2014	2013
The Philippines:			
City of Dreams Manila	**₱4,428,001**	₱18,227,901	₱14,963,838
Total Capital Expenditures	**₱4,428,001**	₱18,227,901	₱14,963,838

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

30. **Segment Information** – continued

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

	Year Ended December 31, 2015	2014	2013
NET OPERATING REVENUES			
The Philippines:			
City of Dreams Manila	**₱13,727,327**	₱430,218	₱52,952
Total Net Operating Revenues	**₱13,727,327**	₱430,218	₱52,952
ADJUSTED EBITDA[(1)]			
The Philippines:			
City of Dreams Manila	**₱2,520,151**	₱5,055	(₱92,234)
OPERATING COSTS AND EXPENSES			
Payments to the Philippine Parties	**(757,039)**	(38,809)	–
Land rent to Belle	**(158,466)**	(158,466)	(132,055)
Pre-opening costs	**(1,262,923)**	(3,114,306)	(455,344)
Development costs	**–**	–	(95,090)
Depreciation and amortization	**(4,372,061)**	(285,731)	(51,520)
Share-based compensation expenses	**(109,824)**	(206,795)	(95,936)
Consultancy fee in consideration for share awards	**(66,913)**	(274,302)	(182,215)
Corporate expenses	**(593,841)**	–	–
Property charges and others	**(1,472,385)**	(157,693)	–
Total Operating Costs and Expenses	**(8,793,452)**	(4,236,102)	(1,012,160)
OPERATING LOSS	**(6,273,301)**	(4,231,047)	(1,104,394)
NON-OPERATING INCOME (EXPENSES)			
Interest income	**14,203**	42,887	54,506
Interest expenses, net of capitalized interest	**(2,720,953)**	(1,915,097)	(1,316,877)
Amortization of deferred financing costs	**(61,828)**	(54,235)	–
Other finance fees	**(47,832)**	(44,776)	–
Foreign exchange loss, net	**(30,691)**	(101,013)	(112,195)
Other income	**–**	–	15,543
Total Non-operating Expenses, Net	**(2,847,101)**	(2,072,234)	(1,359,023)
LOSS BEFORE INCOME TAX	**(9,120,402)**	(6,303,281)	(2,463,417)
INCOME TAX EXPENSE	**(23,729)**	–	–
NET LOSS	**(₱9,144,131)**	(₱6,303,281)	(₱2,463,417)

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

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

30. **Segment Information** – continued

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

LONG-LIVED ASSETS

	December 31,		
	2015	2014	2013
The Philippines	**₱33,863,028**	₱33,807,088	₱16,023,859
Total Long-lived Assets	**₱33,863,028**	₱33,807,088	₱16,023,859

SGV
Building a better working world

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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 AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Melco Crown (Philippines) Resorts Corporation and Subsidiaries, which comprise the balance sheets as at and for the years ended December 31, 2015 and 2014, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended December 31, 2015, included in this Form 17-A and have issued our report thereon dated April 11, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321714, January 4, 2016, Makati City

April 11, 2016

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2015
Schedule A. Financial Assets
(In thousands of Philippine peso)

Name of issuing entity and association of each issue	Amounts shown in the balance sheet	Interest income received or receivable
Cash and cash equivalents:		
BDO Unibank, Inc.	3,199,683	2,581
Metropolitan Bank and Trust Company	1,549,652	3,359
Bank of China Manila Branch	634,856	1,450
Eastwest Bank	466,912	491
Cash on hand	1,609,126	-
	7,460,229	7,881
Restricted cash:		
BDO Unibank, Inc.	42,525	1,580
Accounts receivable, net:		
Various customers	1,283,575	-
Deposits and receivables, net:		
Belle Corporation	104,564	4,669
The Manila Electric Company	28,882	73
Froehlich Tours Inc.	20,169	-
Nissan Car Lease Philippines, Inc.	18,495	-
Microsourcing International, Ltd.	9,788	-
SM Investments Corporation	7,129	-
The Social Security System	5,147	-
Bo Ta Gaming Promotion Company Limited	4,960	-
Supplychain Integration & Retailing Inc.	4,099	-
Pioneer Insurance and Surety Corporation	3,396	-
Common Goal Real Properties, Inc.	2,549	-
AIG Phils Insurance Inc.	1,852	-
Ding Xian Top Fresh Concepts, Inc.	1,535	-
Stores Specialists, Inc.	1,488	-
88 VVIP	1,193	-
Ruby Jack's Manila, Inc.	1,140	-
Dreamgastrobar, Inc.	1,012	-
Luxusmarken Von Adrenaline Inc.	931	-
Ace Insurance, Insurance Company of North America	926	-
Others	10,721	-
	229,976	4,742
Amount due from a shareholder:		
MCE (Philippines) Investments No.2 Corporation	5,588	-
Amount due from ultimate holding company:		
Melco Crown Entertainment Limited	175,557	-
Amount due from an affiliated company:		
MCE Transportation Limited	455	-

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2015
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
(In thousands of Philippine peso)

Receivable of MCE Leisure (Philippines) Corporation from Melco Crown (Philippines) Resorts Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-Current	Ending balance
Melco Crown (Philippines) Resorts Corporation	1,416	28,499	(4,481)	-	118	25,552	-	25,552

Receivable of MCE Leisure (Philippines) Corporation from MCE Holdings (Philippines) Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-Current	Ending balance
MCE Holdings (Philippines) Corporation	2,593	163	-	-	510	3,266	-	3,266

Receivable of MCE Holdings (Philippines) Corporation and MCE Leisure (Philippines) Corporation from MCE Holdings No. 2 (Philippines) Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-Current	Ending balance
MCE Holdings No. 2 (Philippines) Corporation	23,002	162	-	-	3	23,167	-	23,167

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2015
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	968,058	-	(52,093)	-	915,965
Other intangible assets (for right to use of trademarks)	8,698	-	(1,522)	-	7,176

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2015
Schedule E. Long-term Debt
(In thousands of Philippine peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (i)
5.00% senior notes, due 2019	15,000,000	-	14,782,352

(i) Balance represents principal amount net against deferred financing costs of 217,648.
See note 22(a) to Consolidated Financial Statements for details of interest rates, amounts or number of periodic installments, and maturity dates.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Schedule H. Capital Stock
As of December 31, 2015

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	5,643,355,478	239,825,275	4,074,014,064	8,795,887	1,560,545,527

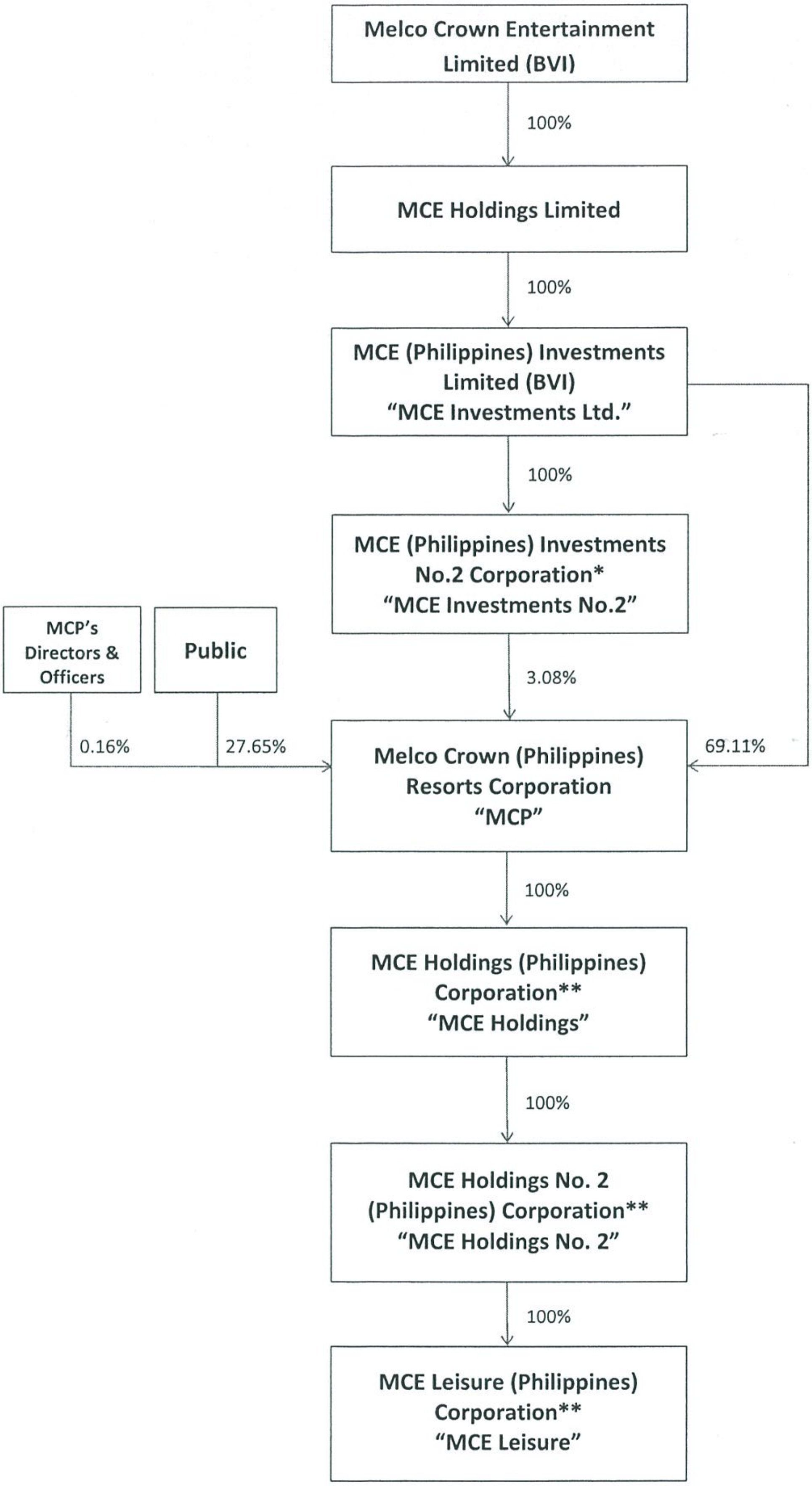
RECONCILIATION OF RETAINED EARNINGS
As of December 31, 2015

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Asean Avenue cor. Roxas Boulevard, Brgy.
Tambo, Parañaque City 1701

Unappropriated retained earnings per financial statements, beginning	**₱92,077,468**
Adjustments: Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)	**91,282**
Unappropriated retained earnings available for dividend declaration, as adjusted, beginning	**₱92,168,750**
Net loss based on the face of AFS	**(₱177,484,188)**
Add: Non-actual losses:	
Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)	**21,553**
Net loss actual/realized	**(₱177,462,635)**
UNAPPROPRIATED DEFICIT, AS ADJUSTED, ENDING	**(₱85,293,885)**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Key Performance Indicators
For the years ended December 31, 2015 and 2014

		December 31, 2015	December 31, 2014	Note
Current ratio	Current assets over current liabilities	0.91	1.35	
Debt-to-equity ratio	Long term and short term debt over total equity	2.24	1.14	No debt in 2013
Interest rate coverage ratio	Net income before interest expense and taxes over interest expense	Not applicable	Not applicable	MCP is making a loss
Return on assets	Net income over total assets	Not applicable	Not applicable	MCP is making a loss
Return on equity	Net income over total equity	Not applicable	Not applicable	MCP is making a loss



* 0.0067% of this company is owned by 5 nominee directors

** 0.00000022% of these companies are owned by 5 nominee directors of each company respectively

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2015		Adopted	Not Early Adopted	Not adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		X			
PFRSs Practice Statement Management Commentary					X
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	X			
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate				X
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters				X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters				X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters				X
	Amendments to PFRS 1: Government Loans				X
PFRS 2	Share-based Payment	X			
	Amendments to PFRS 2: Vesting Conditions and Cancellations	X			
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	X			
PFRS 3 (Revised)	Business Combinations				X
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination				X
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements				X
PFRS 4	Insurance Contracts				X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				X
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: Transition	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2015		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X			
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X			
	Amendments to PFRS 7: Disclosures – Servicing Contracts		X		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements		X		
PFRS 8	Operating Segments	X			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	X			
PFRS 9	Financial Instruments		X		
	Financial Instruments – New Hedge Accounting Requirements		X		
	Financial Instruments – Classification and Measurement (2010 version)		X		
	Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		X		
	Financial Instruments (2014 or final version)		X		
PFRS 10	Consolidated Financial Statements	X			
	Amendments to PFRS 10: Investment Entities	X			
	Amendments to PFRS 10 : Sale of Contribution of Assets between an Investor and its Associate of Joint Venture		X		
PFRS 11	Joint Arrangements				X
	Amendments to PFRS 11 : Accounting for Acquisitions of Interests in Joint Operations		X		
PFRS 12	Disclosure of Interests in Other Entities				X
	Amendments to PFRS 12: Investment Entities	X			
PFRS 13	Fair Value Measurement	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2015		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendment to PFRS 3 : Portfolio Exception	X			
PFRS 14	Regulatory Deferral Accounts		X		
IFRS 15	Revenue from Contracts with Customers		X		
IFRS 16	Leases		X		
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	X			
	Amendment to PAS 1: Capital Disclosures	X			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income				X
PAS 2	Inventories	X			
PAS 7	Statement of Cash Flows	X			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X			
PAS 10	Events after the Balance Sheet Date	X			
PAS 11	Construction Contracts				X
PAS 12	Income Taxes	X			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets		X		
PAS 16	Property, Plant and Equipment	X			
	Amendment to PAS16 : Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization				X
	Amendment to PAS16 : Clarification of Acceptable Methods of Depreciation and Amortization		X		
PAS 17	Leases	X			
PAS 18	Revenue	X			
PAS 19	Employee Benefits	X			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X			
PAS 19 (Revised)	Employee Benefits	X			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	X			
	Amendments to PAS 19: regional market issue regarding discount rate		X		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2015		Adopted	Not Early Adopted	Not adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	X			
	Amendment: Net Investment in a Foreign Operation				X
PAS 23 (Revised)	Borrowing Costs	X			
PAS 24 (Revised)	Related Party Disclosures	X			
	Amendment to PAS 24 : Key Management Personnel	X			
PAS 26	Accounting and Reporting by Retirement Benefit Plans				X
PAS 27	Consolidated and Separate Financial Statements	X			
PAS 27 (Amended)	Separate Financial Statements	X			
	Amendments to PAS 27: Investment Entities	X			
	Amendments to PAS 27 : Equity Method in Separate Financial Statements		X		
PAS 28	Investments in Associates				X
PAS 28 (Amended)	Investments in Associates and Joint Ventures				X
	Amendments to PAS 28 : Sale of Contribution of Assets between an Investor and its Associate of Joint Venture		X		
PAS 29	Financial Reporting in Hyperinflationary Economies				X
PAS 31	Interests in Joint Ventures				X
PAS 32	Financial Instruments: Disclosure and Presentation	X			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				X
	Amendment to PAS 32: Classification of Rights Issues				X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X			
PAS 33	Earnings per Share	X			
PAS 34	Interim Financial Reporting	X			
	Amendment to PAS 34 : disclosure of information 'elsewhere in the interim financial report'		X		
PAS 36	Impairment of Assets	X			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	X			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X			
PAS 38	Intangible Assets	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2015		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendment to PAS38 : Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization				X
	Amendment to PAS38 : Clarification of Acceptable Methods of Depreciation and Amortization		X		
PAS 39	Financial Instruments: Recognition and Measurement	X			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions				X
	Amendments to PAS 39: The Fair Value Option				X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives				X
	Amendment to PAS 39: Eligible Hedged Items				X
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting				X
PAS 40	Investment Property				X
PAS 41	Agriculture				X
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities				X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments				X
IFRIC 4	Determining Whether an Arrangement Contains a Lease	X			
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds				X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment				X
IFRIC 7	Applying the Restatement Approach under				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2015		Adopted	Not Early Adopted	Not adopted	Not Applicable
	PAS 29 Financial Reporting in Hyperinflationary Economies				
IFRIC 8	*Scope of PFRS 2*				X
IFRIC 9	Reassessment of Embedded Derivatives				X
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives				X
IFRIC 10	*Interim Financial Reporting and Impairment*				X
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	X			
IFRIC 12	Service Concession Arrangements				X
IFRIC 13	Customer Loyalty Programmes	X			
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	X			
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement				X
IFRIC 15	Agreements for the Construction of Real Estate		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			
SIC-7	Introduction of the Euro				X
SIC-10	Government Assistance - No Specific Relation to Operating Activities				X
SIC-12	Consolidation - Special Purpose Entities	X			
	Amendment to SIC - 12: Scope of SIC 12	X			
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers				X
SIC-15	Operating Leases - Incentives	X			
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets				X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders				X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2015		Adopted	Not Early Adopted	Not adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.				X
SIC-31	Revenue - Barter Transactions Involving Advertising Services				X
SIC-32	Intangible Assets - Web Site Costs				X

Melco Crown (Philippines) Resorts Corporation and Subsidiaries

Condensed Consolidated Financial Statements
March 31, 2016 (Unaudited) and December 31, 2015
and For The Three Months Ended March 31, 2016 and 2015 (Unaudited)

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2016 AND DECEMBER 31, 2015
(In thousands of Philippine peso, except share and per share data)

	March 31, 2016 (Unaudited) (Note 2)	December 31, 2015 (Audited) (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱7,560,680**	₱7,460,229
Restricted cash	**86,332**	42,525
Accounts receivable, net (Note 5)	**1,254,312**	1,283,575
Inventories	**262,336**	268,819
Prepayments and other current assets	**210,806**	194,423
Amount due from a shareholder (Note 12)	**5,588**	5,588
Amount due from ultimate holding company (Note 12)	**172,322**	175,557
Amount due from immediate holding company (Note 12)	**3,000**	–
Amount due from an affiliated company (Note 12)	**549**	455
Total Current Assets	**9,555,925**	9,431,171
Noncurrent Assets		
Property and equipment, net (Note 6)	**31,770,391**	32,939,887
Contract acquisition costs, net (Note 7)	**902,942**	915,965
Other intangible assets, net	**6,741**	7,176
Other noncurrent assets	**1,620,297**	1,462,673
Deferred tax asset	**–**	881
Total Noncurrent Assets	**34,300,371**	35,326,582
	₱43,856,296	₱44,757,753
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	**₱74,328**	₱150,806
Accrued expenses, other payables and other current liabilities (Note 8)	**8,200,815**	8,203,747
Current portion of obligations under finance lease (Note 15)	**1,430,562**	1,401,702
Amount due to immediate holding company (Note 12)	**–**	7,357
Amounts due to affiliated companies (Note 12)	**772,322**	609,951
Income tax payable	**339**	170
Total Current Liabilities	**10,478,366**	10,373,733
Noncurrent Liabilities		
Long-term debt, net (Note 16)	**14,798,461**	14,782,352
Noncurrent portion of obligations under finance lease (Note 15)	**12,814,342**	12,744,835
Deferred rent liability	**187,885**	176,508
Retirement liability	**27,321**	23,617
Other noncurrent liabilities	**43,426**	48,638
Total Noncurrent Liabilities	**₱27,871,435**	₱27,775,950

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS – continued

MARCH 31, 2016 AND DECEMBER 31, 2015

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

	March 31, 2016 (Unaudited) (Note 2)	December 31, 2015 (Audited) (Note 2)
Equity		
Capital stock (Note 9)	**₱5,643,355**	₱5,643,355
Additional paid-in capital	**21,932,963**	21,932,963
Share-based compensation reserve	**637,370**	606,279
Equity reserve (Notes 2 and 9)	**(3,613,990)**	(3,613,990)
Accumulated deficits	**(19,093,203)**	(17,960,537)
Total Equity	**5,506,495**	6,608,070
	₱43,856,296	₱44,757,753

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

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

	Three Months Ended March 31,	
	2016	2015
	(Note 2)	(Note 2)
NET OPERATING REVENUES		
Casino	**₱4,051,809**	₱1,951,520
Rooms	**226,334**	158,813
Food and beverage	**165,596**	165,371
Entertainment, retail and others	**91,010**	64,394
Total Net Operating Revenues	**4,534,749**	2,340,098
OPERATING COSTS AND EXPENSES		
Gaming tax and license fees	**(1,132,471)**	(578,998)
Inventories consumed	**(191,074)**	(164,368)
Employee benefit expenses (Note 10)	**(868,504)**	(1,107,022)
Depreciation and amortization	**(1,153,893)**	(951,792)
Other expenses (Note 11)	**(1,218,579)**	(1,809,473)
Payments to the Philippine Parties	**(337,904)**	(139,000)
Total Operating Costs and Expenses	**(4,902,425)**	(4,750,653)
OPERATING LOSS	**(367,676)**	(2,410,555)
NON-OPERATING INCOME (EXPENSES)		
Interest income	**2,822**	4,169
Interest expenses, net of capitalized interest	**(713,215)**	(621,911)
Amortization of deferred financing costs	**(16,109)**	(15,057)
Other finance fees	**(11,958)**	(11,958)
Foreign exchange loss, net	**(28,630)**	(10,853)
Total Non-operating Expenses, Net	**(767,090)**	(655,610)
LOSS BEFORE INCOME TAX	**(1,134,766)**	(3,066,165)
INCOME TAX EXPENSE (Note 14)	**(1,050)**	(23,729)
NET LOSS	**(1,135,816)**	(3,089,894)
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**(₱1,135,816)**	(₱3,089,894)
Basic/Diluted Loss Per Share (Note 13)	**(₱0.20)**	(₱0.63)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In thousands of Philippine peso, except share and per share data)

	Capital Stock (Note 9)	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 9)	Accumulated Deficits	Total
Balance as of January 1, 2016	**₱5,643,355**	**₱21,932,963**	**₱606,279**	**(₱3,613,990)**	**(₱17,960,537)**	**₱6,608,070**
Net loss	**–**	**–**	**–**	**–**	**(1,135,816)**	**(1,135,816)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(1,135,816)**	**(1,135,816)**
Share-based compensation	**–**	**–**	**34,241**	**–**	**–**	**34,241**
Transfer of share-based compensation reserve upon expiry of share options	**–**	**–**	**(3,150)**	**–**	**3,150**	**–**
Balance as of March 31, 2016	**₱5,643,355**	**₱21,932,963**	**₱637,370**	**(₱3,613,990)**	**(₱19,093,203)**	**₱5,506,495**
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	–	–	–	–	(3,089,894)	(3,089,894)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	(3,089,894)	(3,089,894)
Issuance of shares for restricted shares vested	17,493	127,700	(145,193)	–	–	–
Share-based compensation	–	–	66,271	–	–	66,271
Balance as of March 31, 2015	₱4,928,973	₱19,774,857	₱680,326	(₱3,613,990)	(₱11,906,378)	₱9,863,788

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

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

	Three Months Ended March 31,	
	2016 (Note 2)	2015 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	**₱1,728,008**	₱35,980
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property and equipment	**(1,003,907)**	(1,612,114)
Increase in restricted cash	**(43,807)**	(8,950)
Advance payments and deposits for acquisition of property and equipment	**(36,397)**	(4,260)
Payment for other noncurrent assets	**–**	(62,192)
Payment for acquisition of other intangible assets	**–**	(4,307)
Escrow funds refundable to the Philippine Parties	**–**	1,103,905
Net cash used in investing activities	**(1,084,111)**	(587,918)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(468,750)**	(468,750)
Other finance fees paid	**(23,916)**	(23,916)
Payment for transaction costs of issuance of capital stock	**(1,040)**	–
Repayments of obligations under finance lease	**–**	(335,769)
Cash used in financing activities	**(493,706)**	(828,435)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	**(49,740)**	7,030
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**100,451**	(1,373,343)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**7,460,229**	7,651,187
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱7,560,680**	₱6,277,844

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

1. **Organization and Business**

(a) Corporate Information

Melco Crown (Philippines) Resorts Corporation (herein referred to as "MCP" or the "Parent Company") is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (the "SEC"). The shares of stock of the Parent Company are publicly traded on The Philippine Stock Exchange, Inc..

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

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

As of March 31, 2016 and December 31, 2015, the ultimate holding company of the Parent Company is Melco Crown Entertainment Limited (referred to as "MCE"), a company incorporated in the Cayman Islands with its American depository shares traded on the NASDAQ Global Select Market in the United States of America.

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

(b) Subsidiaries of MCP

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

1. **Organization and Business** – continued

(c) Activities of MCE Holdings Group

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

(d) Regular/Provisional License

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

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

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

2. **Summary of Significant Accounting Policies**

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

Although the Group had net current liabilities of ₱922,441 as of March 31, 2016 (December 31, 2015: ₱942,562), the Group had the Shareholder Loan Facility as defined in an aggregate amount of up to US$340,000,000 as of March 31, 2016. The Shareholder Loan Facility availability and other terms are described in Note 16(b).

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the unaudited condensed consolidated financial statements on a going concern basis.

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

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

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

The Group's unaudited condensed consolidated financial statements as of March 31, 2016 do not include all the information and disclosures required in the annual consolidated financial statements and the results of operations are not necessarily indicative of the results for full year, and should be read in conjunction with the Group's consolidated financial statements as of December 31, 2015.

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

Statement of Compliance – continued
In preparing the Group's unaudited condensed consolidated financial statements as of March 31, 2016, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's audited consolidated financial statements as of December 31, 2015.

Subsequent Events
Post period-end events that provide additional information about the Group's financial position at the balance sheet date (adjusting events) are reflected in the unaudited condensed consolidated financial statements. Post period-end events that are not adjusting events are disclosed in the notes to unaudited condensed consolidated financial statements when material.

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

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

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

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

4. **Cash and Cash Equivalents**

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash on hand	**₱1,169,372**	₱1,609,126
Cash in banks	**6,391,308**	5,851,103
	₱7,560,680	₱7,460,229

5. **Accounts Receivable, Net**

Components of accounts receivable, net are as follows:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Casino	**₱1,227,179**	₱1,225,499
Hotel	**47,253**	56,607
Others	**615**	3,169
Sub-total	**1,275,047**	1,285,275
Less: Allowance for doubtful debts	**(20,735)**	(1,700)
	₱1,254,312	₱1,283,575

For the three months ended March 31, 2016 and 2015, the Group provided allowance for doubtful debts of ₱19,035 and nil, respectively, and no accounts receivable were directly written off in each of those periods.

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

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

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

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

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Current	**₱1,135,065**	₱1,180,560
1 – 30 days	**56,794**	6,633
31 – 60 days	**1,165**	95,677
61 – 90 days	**58,564**	–
Over 90 days	**2,724**	705
	₱1,254,312	₱1,283,575

6. **Property and Equipment, Net**

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Carrying amount as of January 1	**₱32,939,887**	₱32,830,332
Additions	**177,162**	4,428,001
Construction cost adjustment for final settlement	**(206,223)**	–
Capitalization of depreciation and amortization	**–**	7,146
Depreciation and amortization	**(1,140,435)**	(4,325,592)
Carrying amount as of March 31/December 31	**₱31,770,391**	₱32,939,887
Building under finance lease	**₱10,998,840**	₱11,157,860
Property and equipment	**20,686,359**	21,698,947
Construction in progress	**85,192**	83,080
	₱31,770,391	₱32,939,887

As of March 31, 2016 and December 31, 2015, construction in progress included interest paid or payable on the obligations under finance lease which amounted to ₱6,249 and ₱4,238, respectively.

7. **Contract Acquisition Costs, Net**

For the three months ended March 31, 2016 and 2015, amortization of contract acquisition costs was ₱13,023 in each of those periods.

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

8. Accrued Expenses, Other Payables and Other Current Liabilities

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Accruals for:		
Gaming tax and license fees	**₱2,256,153**	₱1,688,412
Property and equipment	**1,004,947**	2,105,184
Unpaid portion of obligations under finance lease	**535,310**	126,051
Payments to the Philippine Parties	**474,981**	137,077
Employee benefit expenses	**354,039**	357,805
Taxes and licenses	**50,886**	51,683
Operating expenses and others	**710,353**	715,252
Outstanding gaming chips and tokens	**1,127,199**	1,223,387
Escrow funds refundable to the Philippine Parties (inclusive of interest income)	**1,104,507**	1,104,507
Withholding tax payable	**163,038**	183,218
Interest expenses payable	**139,583**	327,083
Other payables and liabilities	**279,819**	184,088
	₱8,200,815	₱8,203,747

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

9. Equity

Issued Capital Stock

As of March 31, 2016 and December 31, 2015, the Parent Company's issued capital stock consists of 5,643,355,478 common shares with par value of ₱1 per share in each of those periods.

For the three months ended March 31, 2016, the Parent Company did not issue any common shares.

Equity Reserve

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

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

9. **Equity** – continued

Equity Reserve – continued
The equity reserve is accounted for as follows:

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

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

As of March 31, 2016 and December 31, 2015, the Parent Company has 430 stockholders in each of those periods.

10. **Employee Benefit Expenses**

	Three Months Ended March 31, 2016 (Unaudited)	2015 (Unaudited)
Basic salaries, allowances and bonuses	**₱700,863**	₱881,353
Meals and other amenities expenses	**36,676**	69,805
Annual leave and other paid leave expenses	**25,937**	19,131
Share-based compensation expenses	**21,765**	38,576
Retirement costs – defined contribution plans	**18,354**	14,164
Consultancy fee in consideration for share awards	**12,476**	27,695
Other employee benefit expenses	**52,433**	56,298
	₱868,504	₱1,107,022

11. **Other Expenses**

	Three Months Ended March 31, 2016 (Unaudited)	2015 (Unaudited)
Other gaming operations expenses	**₱501,448**	₱111,183
Facilities expenses	**235,173**	206,576
Management fee expenses (Note 12)	**121,903**	188,601
Supplies expenses	**75,417**	102,610
Rental expenses	**62,569**	79,359
Advertising, marketing, promotional and entertainment expenses	**59,128**	914,146
Office and administrative expenses	**48,937**	70,882
Taxes and licenses	**13,227**	20,164
Operating expenses and others	**100,777**	115,952
	₱1,218,579	₱1,809,473

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

12. **Related Party Transactions**

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

In addition to those transactions disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group entered into the following significant related party transactions:

Category	Amount of Transactions For the Three Months Ended March 31, 2016 (Unaudited)	Outstanding Balance (Unaudited)	Terms	Conditions
Amount due from a shareholder				
MCE Investments No.2				
Balance as of January 1, 2016 and March 31, 2016		**₱5,588**	**Repayble on demand; non-interest bearing**	**Unsecured, no impairment**
Amount due from ultimate holding company				
MCE				
Balance as of January 1, 2016		**₱175,557**		
Management fee income(1)	**₱8,461**	**8,461**		
Management fee expenses	**(1,706)**	**(1,706)**		
Offsetting of current account balance with amount due to immediate holding company	**(10,357)**	**(10,357)**		
Revaluation of outstanding balance		**367**		
Balance as of March 31, 2016		**₱172,322**	**Repayable on demand; non-interest bearing**	**Unsecured, no impairment**
Amount due from (to) immediate holding company				
MCE Investments				
Balance as of January 1, 2016		**(₱7,357)**		
Offsetting of current account balance with amount due from ultimate holding company		**10,357**		
Balance as of March 31, 2016		**₱3,000**	**Repayable on demand; non-interest bearing**	**Unsecured, no impairment**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

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

12. **Related Party Transactions** – continued

Category	Amount of Transactions For the Three Months Ended March 31, 2016 (Unaudited)	Outstanding Balance (Unaudited)	Terms	Conditions
Amount due from an affiliated company				
A subsidiary of MCE				
Balance as of January 1, 2016		**₱455**		
Food and beverage revenue	**₱94**	**94**		
Balance as of March 31, 2016		**₱549**	**Repayable on demand; non-interest bearing**	**Unsecured, no impairment**
Amounts due to affiliated companies				
MCE's subsidiaries				
Balance as of January 1, 2016		**₱559,216**		
Acquisition of property and equipment	**₱23,097**	**23,097**		
Management fee expenses	**120,197**	**120,197**		
Other gaming operations expenses	**6,875**	**6,875**		
Purchases of goods and services	**569**	**569**		
Settlement of payables on behalf of the Group	**1,784**	**1,784**		
Settlement of payables on behalf of an affiliated company	**(11)**	**(11)**		
Revaluation of outstanding balance		**(17,261)**		
Settlement of outstanding balance		**1,819**		
Balance as of March 31, 2016		**₱696,285**	**Repayable on demand; non-interest bearing**	**Unsecured**
Crown Resorts Limited ("Crown")[(2)] and one of its subsidiaries and associated companies				
Balance as of January 1, 2016		**₱49,944**		
Adjustment of opening balance brought forward[(3)]	**₱3,910**	**3,910**		
Acquisition of property and equipment	**20,027**	**20,027**		
Management fee, consulting fee and facilities expenses	**12,462**	**12,462**		
Settlement of outstanding balance		**(10,920)**		
Balance as of March 31, 2016		**₱75,423**	**Repayable on demand; non-interest bearing**	**Unsecured**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

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

12. **Related Party Transactions** – continued

Category	Amount of Transactions For the Three Months Ended March 31, 2016 (Unaudited)	Outstanding Balance (Unaudited)	Terms	Conditions
Amounts due to affiliated companies – continued				
Melco International Development Limited ("Melco")[(2)] and its subsidiaries				
Balance as of January 1, 2016		**₱791**		
Acquisition of property and equipment	**₱15,010**	**15,010**		
Settlement of payables on behalf of the Group	**101**	**101**		
Revaluation of outstanding balance		**(15)**		
Settlement of outstanding balance		**(15,273)**		
Balance as of March 31, 2016		**₱614**	**Repayable on demand; non-interest bearing**	**Unsecured**

Notes:

(1) The amount represents the recharge of share-based compensation expenses for certain directors of MCP for the three months ended March 31, 2016 to MCE.

(2) Crown and Melco are major shareholders of MCE.

(3) Certain companies became associated companies of Crown and related parties of the Group for the three months ended March 31, 2016. As a result, the opening balance as of January 1, 2016 was adjusted with the outstanding balance due to these companies as of December 31, 2015.

Directors' Remuneration

For the three months ended March 31, 2016 and 2015, the remuneration of directors of the Group was borne by MCE.

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

	Three Months Ended March 31,	
	2016 (Unaudited)	2015 (Unaudited)
Net loss (a)	**(₱1,135,816)**	(₱3,089,894)
Weighted average number of common shares outstanding of legal parent (b)	**5,643,355,478**	4,916,922,616
Basic/Diluted loss per share (a)/(b)*1,000	**(₱0.20)**	(₱0.63)

For the three months ended March 31, 2016 and 2015, 123,068,384 and 121,005,158 outstanding share options and 28,149,394 and 45,317,599 outstanding restricted shares as of March 31, 2016 and 2015, respectively, were excluded from the computation of diluted loss per share as their effect would have been anti-dilutive.

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

14. **Income Tax**

The provision for income tax for the three months ended March 31, 2016 and 2015 consisted of:

	Three Months Ended March 31,	
	2016 (Unaudited)	2015 (Unaudited)
Provision for current income tax	**₱169**	₱24,078
Deferred tax charge (credit)	**881**	(349)
	₱1,050	₱23,729

The provision for current income tax for the three months ended March 31, 2016 and 2015 represents the tax provided by the Group on its taxable income for the periods. The deferred tax charge (credit) represents the deferred tax asset, which is recognized up to the amount of income tax recognized to the extent of the reversing deductible temporary difference arising from carryforward benefits from MCIT.

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

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

To address the additional exposure to corporate income tax brought by BIR RMC No. 33-2013, in May 2014, PAGCOR temporarily reduced the license fees by 10% to 5% and 15% of gross gaming revenues effective from April 1, 2014. The license fee reduction is required to be used for the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined).

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

14. **Income Tax** – continued

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

15. **Obligations Under Finance Lease**

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

	March 31, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under finance lease:				
Within one year	**₱1,540,004**	**₱1,430,562**	₱1,506,510	₱1,401,702
In more than one year and not more than five years	**7,765,446**	**5,125,115**	7,580,256	5,011,130
In more than five years	**31,422,169**	**7,689,227**	32,023,338	7,733,705
	40,727,619	**14,244,904**	41,110,104	14,146,537
Less: Finance charges	**(26,482,715)**	**–**	(26,963,567)	–
Present value of lease obligations	**₱14,244,904**	**14,244,904**	₱14,146,537	14,146,537
Less: Current portion of obligations under finance lease		**(1,430,562)**		(1,401,702)
Noncurrent portion of obligations under finance lease		**₱12,814,342**		₱12,744,835

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

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

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Senior Notes	**₱15,000,000**	₱15,000,000
Less: Deferred financing costs, net	**(201,539)**	(217,648)
	14,798,461	14,782,352
Current portion of long-term debt	**–**	–
	₱14,798,461	₱14,782,352

(a) Senior Notes

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

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

(b) Shareholder Loan Facility

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

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

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

(c) The Credit Facility

On October 14, 2015, the Parent Company entered into an on-demand, unsecured credit facility agreement of ₱2,350,000 (the "Credit Facility") with a lender to finance advances to MCE Leisure.

For the three months ended March 31, 2016, there is no change to the terms of the Credit Facility as disclosed in the Group's consolidated financial statements as of December 31, 2015.

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

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

(d) Deferred Financing Costs, Net

Direct and incremental costs of ₱333,711 incurred in connection with the issuance of the Senior Notes are capitalized in deferred financing costs. For the three months ended March 31, 2016 and 2015, deferred financing costs of ₱16,109 and ₱15,057 were amortized to the unaudited condensed consolidated statements of comprehensive income, respectively. As of March 31, 2016 and December 31, 2015, the unamortized deferred financing costs of ₱201,539 and ₱217,648 were net off and included in the amount of long-term debt as shown in the condensed consolidated balance sheets, respectively.

For the three months ended March 31, 2016 and 2015, interest expenses on long-term debt consisted of interest for the Senior Notes amounted to ₱234,375 in each of those periods. No interest on long-term debt was capitalized for the three months ended March 31, 2016 and 2015.

For the three months ended March 31, 2016 and 2015, the Group's borrowing rate was approximately 6.25% per annum in each of those periods, including a tax gross up impact on interest on the Senior Notes which required MCE Leisure to pay without any deduction or withholding for or on account of tax.

For the three months ended March 31, 2016 and 2015, other finance fees on long-term debt represents the gross receipt tax on interest on the Senior Notes, including a tax gross up impact which required MCE Leisure to pay without any deduction or withholding for or on account of tax amounted to ₱11,958 in each of those periods.

17. **Cooperation Agreement, Operating Agreement and Lease Agreement**

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

18. **Commitments and Contingencies**

(a) Capital Commitments

As of March 31, 2016, the Group had capital commitments contracted for but not provided mainly for the acquisition of property and equipment for City of Dreams Manila totaling ₱371,267.

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

18. **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.

As of March 31, 2016, minimum lease payments under all non-cancellable leases were as follows:

	March 31, 2016 (Unaudited)
Within one year	**₱211,702**
In more than one year and not more than five years	**659,672**
In more than five years	**2,225,833**
	₱3,097,207

(c) Other Commitments and Guarantees

For the three months ended March 31, 2016, there is no significant change to the terms of other commitments and guarantees for the Regular/Provisional License, the Cooperation Agreement and the Lease Agreement as disclosed in the Group's consolidated financial statements as of December 31, 2015.

(d) Litigation

As of March 31, 2016, certain submitted pleadings regarding certain proceedings are pending resolution by the Court. The Group is also a party to certain legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings would have no material impact on the Group's unaudited condensed consolidated financial statements as a whole.

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

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

20. Financial Instruments

Fair Value of Financial Instruments

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

Security deposit, Current and Noncurrent portion of obligations under finance lease and Long-term debt. The carrying values approximate their fair values, which are measured by discounting estimated future cash flows to present value using a credit-adjusted discount rate.

Fair Value Hierarchy

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

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

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

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

As of March 31, 2016 and December 31, 2015, the Group does not have financial instruments that are carried and measured at fair value. For the three months ended March 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

21. Note to Unaudited Condensed Consolidated Statements of Cash Flows

(a) For the three months ended March 31, 2016, fit-out construction costs and cost of property and equipment in total of ₱94,830, ₱43,124 and nil were funded through accrued expenses, other payables and other current liabilities, amounts due to affiliated companies and other noncurrent liabilities, respectively (For the three months ended March 31, 2015: ₱960,537, ₱43,305 and ₱24,571, respectively).

(b) For the three months ended March 31, 2016, accrued construction costs of ₱206,223 were reversed for cost adjustment on final settlement (For the three months ended March 31, 2015: nil).

(c) For the three months ended March 31, 2016, interest expenses capitalized in fit-out construction costs of ₱2,011 were funded through obligations under finance lease (For the three months ended March 31, 2015: ₱69,642).

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

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

(d) For the three months ended March 31, 2016, amount due to immediate holding company of ₱10,357 was offset with amount due from ultimate holding company (For the three months ended March 31, 2015: nil).

22. **Segment Information**

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

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

TOTAL ASSETS

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
The Philippines:		
City of Dreams Manila	**₱43,856,296**	₱44,757,753
Total Assets	**₱43,856,296**	₱44,757,753

CAPITAL EXPENDITURES

	Three Months Ended March 31,	
	2016 (Unaudited)	2015 (Unaudited)
The Philippines:		
City of Dreams Manila	**₱177,162**	₱3,280,400
Total Capital Expenditures	**₱177,162**	₱3,280,400

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

22. **Segment Information** – continued

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

	Three Months Ended March 31, 2016 (Unaudited)	2015 (Unaudited)
NET OPERATING REVENUES		
The Philippines:		
City of Dreams Manila	**₱4,534,749**	₱2,340,098
Total Net Operating Revenues	**₱4,534,749**	₱2,340,098
ADJUSTED EBITDA[(1)]		
The Philippines:		
City of Dreams Manila	**₱1,311,429**	₱125,033
OPERATING COSTS AND EXPENSES		
Payments to the Philippine Parties	**(337,904)**	(139,000)
Land rent to Belle	**(39,616)**	(39,616)
Pre-opening costs	**–**	(1,165,130)
Depreciation and amortization	**(1,153,893)**	(951,792)
Share-based compensation expenses	**(21,765)**	(38,576)
Consultancy fee in consideration for share awards	**(12,476)**	(27,695)
Corporate expenses	**(113,451)**	(173,779)
Total Operating Costs and Expenses	**(1,679,105)**	(2,535,588)
OPERATING LOSS	**(367,676)**	(2,410,555)
NON-OPERATING INCOME (EXPENSES)		
Interest income	**2,822**	4,169
Interest expenses, net of capitalized interest	**(713,215)**	(621,911)
Amortization of deferred financing costs	**(16,109)**	(15,057)
Other finance fees	**(11,958)**	(11,958)
Foreign exchange loss, net	**(28,630)**	(10,853)
Total Non-operating Expenses, Net	**(767,090)**	(655,610)
LOSS BEFORE INCOME TAX	**(1,134,766)**	(3,066,165)
INCOME TAX EXPENSE	**(1,050)**	(23,729)
NET LOSS	**(₱1,135,816)**	(₱3,089,894)

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

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

22. **Segment Information** – continued

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

LONG-LIVED ASSETS

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
The Philippines	**₱32,680,074**	₱33,863,028
Total Long-lived Assets	**₱32,680,074**	₱33,863,028

23. **Subsequent Event**

On April 28, 2016, MCE Holdings Group and the Philippine Parties signed a side letter (the "Side Letter"), of which the Philippine Parties agreed to reimburse MCE Holdings Group for US$56 million (inclusive of US$6 million VAT) (the "Reimbursable Amount") pursuant to the investment commitment agreed under the terms of the Cooperation Agreement. The Reimbursable Amount is to cover the additional basebuild constructed by MCE Holdings Group for the Philippine Parties. Part of the Reimbursable Amount (US$25 million) will be offset with the escrow funds refundable to the Philippine Parties, with the remaining US$31 million to be settled in cash in accordance with the terms of the Side Letter.