SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2016**

2. SEC Identification Number **58648** 3. BIR Tax Identification No. **000-410-840-000**

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

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

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

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

8. Issuer's telephone number, including area code
(02) 866-9888

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

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

Title of Each Class	Number of Shares of Common Stock Issued And Amount of Debt Outstanding As of March 31, 2017	Treasury Shares As of March 31, 2017	Outstanding Common Stock As of March 31, 2017
Common	**5,662,897,278** Outstanding Debt: PhP 15 billion Senior Note	**NIL**	**5,662,897,278**

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

Yes [**X**] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange Common

12. Check whether the issuer:

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2016 are as follows:

    (a) Total number of shares held by non-affiliates as of December 31, 2016 is 1,524,558,207 shares.

    (b) Closing price of the Company's shares on the Exchange as of December 31, 2016 is ₱3.78.

    (c) Aggregate market price of (a) as of December 31, 2016 is ₱5,762,830,022.46.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS.

14. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the SEC.

    Yes [ ] No [ ]

    Not applicable.

DOCUMENTS INCORPORATED BY REFERENCE

15. No documents were incorporated by reference to any report in this SEC Form 17-A.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2016

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

1.1 Business Development and Corporate History

Melco Crown (Philippines) Resorts Corporation (the "**Company**" or "**MCP**") was incorporated and registered as Interphil Laboratories, Inc. with the Philippine Securities and Exchange Commission ("**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 ₱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 (Philippines) Investments Limited ("**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 (the "**Placing and Subscription Transaction**"), under which MCE Investments offered and sold in a private placement to various institutional investors 981,183,700 common shares of 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 another placing and subscription transaction (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 (the "**2014 Offer**"), 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, the ultimate holding company of MCP was Melco Resorts & Entertainment Limited ("**Melco**"), formerly Melco Crown Entertainment Limited, a company incorporated in the Cayman Islands with its American Depositary Shares traded on the NASDAQ Global Select Market in the United States of America. Melco, in turn, is majority held, through wholly-owned subsidiaries, by Melco International Development Limited ("**Melco International**"), a Hong Kong-listed company, and Crown Resorts Limited ("**Crown**"), an Australian-listed corporation.

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

As of December 31, 2016, Melco, through its subsidiaries, MCE Investments and MCE (Philippines) Investments No.2 Corporation ("**MCE Investments No.2**"), held an indirect ownership in MCP of 72.83%.

On February 1, 2017, the Board of Directors of the Company approved the change of the Company's name to Melco Resorts and Entertainment (Philippines) Corporation (such change was also approved by our stockholders at the Special Stockholders' Meeting on April 7, 2017), subject to the approval of the SEC.

On February 16, 2017, Melco International completed further acquisition of shares of Melco from Crown ("**Melco Acquisition**") and as a result, Melco International became the sole majority shareholder of Melco and the Company's ultimate holding company for all purposes.

The Company is principally engaged in acquiring investments and securities and was further authorized to provide financing to its group companies, as approved by the SEC on July 25, 2013. The primary purpose of its subsidiary, MCE Leisure (Philippines) Corporation ("**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 (Philippines) Corporation ("**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 (Philippines) Corporation (herein referred to as "**MCE Holdings No. 2**"), which in turn holds 100% direct ownership interests in MCE Leisure (MCE Holdings, MCE Holdings No. 2 and MCE Leisure are collectively referred to as the "**MCE Holdings Group**"). As a result of the Asset Acquisition Transaction, MCE Holdings Group became wholly-owned subsidiaries of MCP. The Company and its subsidiaries are collectively referred to as the "**Group**".

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 Philippines 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 Melco, through MCE Investments and MCE Investments No.2, acquired control of MCP.

1.2 Business of the Company and the Group

The Group is a developer, owner and operator of casino gaming and entertainment resort facilities in the Philippines and currently operates City of Dreams Manila ("**City of Dreams Manila**"), an integrated hotel, gaming, retail and entertainment complex within Bagong Nayong Pilipino-Entertainment City Manila.

MCE Leisure, a wholly-owned indirect subsidiary of the Company is one of the co-licensees which developed City of Dreams Manila, along with SM Investments Corporation ("**SMIC**"), Belle Corporation ("**Belle**") and PremiumLeisure Amusement, Inc. ("**PLAI**") (SMIC, Belle and PLAI collectively, the "**Philippine Parties**"). 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. MCE Leisure is required to pay rent for the land and building structures to Belle pursuant to the Lease Agreement (as defined below). MCE Leisure currently operates the casino business of City of Dreams Manila in accordance with the terms of the Regular License (as defined below) and the operating agreement dated March 13, 2013 executed between the Philippine Parties and the MCE Holdings Group ("**Operating Agreement**"). Under the Operating Agreement, PLAI has the right to receive monthly payments from MCE Leisure, based on the performance of gaming operations of City of Dreams Manila, and MCE Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

City of Dreams Manila is an integrated casino resort located on an approximately 6.2-hectare site at the gateway of Entertainment City in the Manila Bay area, which is close to Metro Manila's international airport, central business districts and the Mall of Asia, one of the world's largest shopping malls. City of Dreams Manila is a world-class facility comprising one of the Philippines' leading integrated casino resort and gaming complexes which offers a premium gaming experience with differentiated non-gaming facilities and entertainment offerings. The property had its soft opening in December 2014 and its grand opening in February 2015.

The Philippine Amusement and Gaming Corporation ("**PAGCOR**") approved the operation by City of Dreams Manila of up to a maximum of approximately 380 gaming tables, 1,700 slot machines and 1,700 electronic gaming tables. City of Dreams Manila has six hotel towers with approximately 950 rooms in aggregate, including VIP and five-star luxury rooms and high-end boutique hotel rooms, a wide selection of restaurants and food & beverage outlets, a 4,612.44 square meters family entertainment center in collaboration with Dreamworks Animation ("**Dreamworks**"), a live performance stage, two international nightclubs, and a multi-level car park.

City of Dreams Manila includes an approximately 260 room Crown Towers hotel ("**Crown Towers**"), Hyatt City of Dreams Manila, a 365 room hotel managed by Hyatt International Corporation ("**Hyatt**") and Asia's first Nobu Hotel with 321 rooms. Crown Towers 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, high-energy nightlife and exclusive guestroom and spa services.

City of Dreams Manila features three separate entertainment venues: DreamPlay, a family entertainment center which features a children's concierge and supervision service and activities catering to children aged four and above; Centerplay, a live performance central lounge within the casino; and night clubs Chaos and Pangaea Ultra-Lounge, a night club that has active gaming tables, both encapsulated within the Fortune Egg, a domelike structure accented with creative external lighting, which is a centerpiece attraction of the property.

City of Dreams Manila also features a wide selection of regional and international food and beverage offerings including five key themed restaurants. Cuisine types have been carefully selected, with a focus on diversity and quality to ensure that customers are able to enjoy a comprehensive selection of the finest dining options. City of Dreams Manila also features The Shops at the Boulevard, where retail shops are interspersed within the food and beverage areas to provide customers with a broad range of shopping opportunities.

On December 9, 2014, PAGCOR issued a Notice to Commence Casino Operations to City of Dreams Manila effective December 14, 2014. On April 29, 2015, PAGCOR issued the regular casino gaming license ("**Regular License**") for City of Dreams Manila in favor of the MCE Holdings Group and the Philippine Parties (collectively, the MCE Holdings Group and the Philippine Parties, the "**Licensees**"), after the Licensees satisfied the investment commitment of US$1 billion required by PAGCOR.

Customers

The Group's main business, through the Company's indirect subsidiary MCE Leisure, is the development and operation of City of Dreams Manila, an integrated hotel, gaming, retail and entertainment complex in Entertainment City.

Customers for Gaming Operations

The Group focuses on the following customers for its gaming operations.

VIP

VIP customer(s) play on a rolling chip program, and who play almost exclusively in dedicated VIP rooms or designated casino or gaming areas.

Gaming Promoters

They are individuals or corporate entities who, for the purpose of promoting rolling chip gaming activity, arrange customer transportation and accommodation, provide credit in their sole discretion if authorized by a gaming operator, and arrange food and beverage ("**F&B**") services and entertainment, to VIP customers in exchange for commissions or other compensation from a gaming operator.

Premium Direct Customers

They are VIP customers who play on a rolling chip program and visit a casino as a result of direct marketing efforts by the Group rather than being sourced through gaming promoters.

Mass Market

Mass market customers play table games and slot machines on public mass gaming floors for cash stakes that are typically lower than those in the VIP segment. Mass Market players are further classified as general Mass Market and Premium Mass.

General Mass Market

They are customers who play in cash and whose wagers are typically lower than Premium Mass customers.

Premium Mass

They are customers who play table games with relatively higher minimum bets than general Mass Market customers but relatively lower bets than VIP customers.

Customers for Non-Gaming Operations

Hotels

City of Dreams Manila's master plan features varying levels of accommodation with Crown Towers, Nobu Hotel and Hyatt City of Dreams Manila, providing guests with an aggregate of approximately 950 rooms.

• *Crown Towers*: City of Dreams Manila's premium-focused hotel includes rooms and suites that are designed to provide a luxurious experience for premium customers to the property;

• *Hyatt City of Dreams Manila*: City of Dreams Manila's 5-star hotel includes rooms and suites featuring a fitness center and salon facilities combining luxury and well-being, where guests have direct and easy access to entertainment areas on the lobby level and the podium floor; and

• *Nobu Hotel*: City of Dreams Manila's high-end boutique hotel includes rooms and suites with five-star-like facilities.

Thematic Attractions and Entertainment

City of Dreams Manila offers three separate entertainment venues, supported by a diverse F&B zone designed to be a socializing hub where guests can relax and be entertained. The entertainment offerings, designed to cater to all key demographic groups, include the Fortune Egg, Chaos and Pangaea Ultra-Lounge, Centerplay, and DreamPlay.

- The Fortune Egg, Chaos and Pangaea Ultra-Lounge

City of Dreams Manila features the Fortune Egg, a central dome-like structure, which houses a dynamic night club called Chaos, and an Ultra-Lounge called Pangaea.

Pangaea offers customers exciting live entertainment with tables encircling a rotating grand piano DJ booth. Hosting up to 400 guests a night in over 730 square meters, Pangaea's reputation around the world is unparalleled, measured by the club's devotion to superior service and high-end entertainment.

Chaos offers an unparalleled nightlife experience where audiences are entertained by live performers and world-class DJs. The nightclub is spread across two levels, over some 3,000 square meters and can host up to more than 2,000 clubbers looking for the best mix from the international DJs and private rooms.

- Centerplay

Centerplay is City of Dreams Manila’s casino performance lounge, which features an elevated stage viewable from the ground floor. The casino performance lounge is intended to attract customers and increase customer retention on the City of Dreams Manila’s main gaming floor, offering patrons a place to relax and enjoy live performances of various entertainment genres.

- DreamPlay

DreamPlay is a film-branded and fully-themed family entertainment center. This family entertainment center possesses two distinctly designed areas for particular age groups:

• Area 1—Child Play Concierge Service: This area includes attractions and a play structure primarily targeting children aged four to nine. This area is designed to offer structured activities for children, including “hands-on” workshops, interactive attractions and other creative or educational presentations. Children visiting the play area are supervised by staff trained in child care and safety.

• Area 2—All Family Attractions: This area focuses on attractions targeting children aged six and older and their parents. Child supervision is available by staff trained in child care and safety.

Food & Beverage and Retail

The F&B outlets in City of Dreams Manila are intended primarily to support and enhance the gaming experience of the customers. MCP believes that F&B is a very important amenity for local and other international patrons, which serves to attract and retain gaming customers. A number of different F&B outlets are located inside the gaming areas on the ground floor as well as on level 2 and a number of bars are located throughout the gaming and retail areas. Retail shops are interspersed within the F&B areas to provide customers with a broad range of shopping opportunities. The main F&B outlets include a Chinese restaurant, an international buffet restaurant, an Asian-themed restaurant and a retail boulevard with a wide range of shopping options.

Competition

In the Philippine gaming market, the Group is competing with hotels and resorts owned by both Philippine nationals and foreigners. PAGCOR, an entity owned and controlled by the government of Philippines, also operates gaming facilities across the Philippines. The Group’s operations in the Philippines also face competition from gaming operators in other more established gaming centers across the region, particularly those of Macau and Singapore, and other major gaming markets located around the world, including Australia and Las Vegas, as the Group targets similar pools of customers and tourists. A number of such other operators have a longer track record of gaming operations, and such other markets have more established reputations as gaming markets.

PAGCOR issued a provisional license (“**Provisional License**”) to the Licensees on December 12, 2008. Furthermore, additional provisional gaming licenses have been issued to three other companies in the Philippines for the development and operation of integrated casino resorts in Entertainment City, namely Travellers

International Hotel Group, Inc., Bloomberry Resorts Corporation and Tiger Resorts Leisure and Entertainment Inc. Bloomberry Resorts Corporation's Solaire Manila ("**Solaire**") has been in operation since March 2013. Tiger Resorts Leisure and Entertainment Inc.'s Okada Manila had its soft opening on December 21, 2016. Among the four casino operators within Entertainment City, MCE Leisure, on behalf of the Licensees, was the first to apply for the Regular License on January 30, 2015, after meeting the required investment commitment of PAGCOR, and obtained the Regular License on April 29, 2015.

PAGCOR has also licensed private casino operators in special economic zones, including four in Clark Ecozone, one in Poro Point, La Union, one in Binangonan, Rizal and one in Newport City CyberTourism Zone, Pasay City.

The license granted by PAGCOR to the Licensees is non-exclusive, and PAGCOR has given no assurances to the Licensees that it will not issue additional gaming licenses, or that it will limit the number of licenses it issues.

Some of the Company's gaming competitors have cooperated with international gaming companies, as evidenced by the cooperation between Alliance Global Group, Inc. and Genting Hong Kong Limited, as well as the initial partnership between Bloomberry Resorts Corporation and Global Gaming Asset Management. Although these companies and their business partners may have substantial experience and/or resources in constructing and operating resorts and gaming establishments and may be supported by conglomerates with access to more capital than the Company, the Company believes that the City of Dreams Manila will be able to compete effectively with these entrants by offering a differentiated product that will appeal to the preferences of all segments of the Philippine gaming market, which is expected to grow significantly over the next few years.

The Company believes that it will be in a competitive position as a result of the City of Dreams Manila's product offering and service quality, including a diverse variety of gaming and non-gaming attractions and a superior overall entertainment experience targeted to appeal to both Mass Market and VIP customers. The Company also believes that it will have the ability to leverage the extensive gaming and integrated resort experience of its affiliates and shareholders, in particular Melco's gaming experience in Macau, which the Company believes will assist it in its efforts to establish City of Dreams Manila as a new key player in the regional gaming industry.

Suppliers

MCE Leisure relies on a large base of suppliers, consultants and contractors for the provision of services and the performance of works in connection with the day-to-day operations and maintenance of City of Dreams Manila.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements

A trade mark licensing agreement was entered into between MCE (IP) Holdings Limited (as licensor), an indirect subsidiary of Melco, and MCP (as licensee) ("**TMA 1**") and a further trade mark licensing agreement was entered into between MCP (as licensor) and MCE Leisure (as licensee) ("**TMA 2**"), both on October 9, 2013.

Under the terms of TMA 1, MCP is granted an exclusive, non-transferable license to use the trade marks "**The Tasting Room by Galliot**", "**Fortune Egg**", "**City of Dreams Manila**", "**Melco Crown Philippines**", "**City Club Logo**", "**Jade Dragon Logo**", "**The Shops at the Boulevard**", "**City Café**", "**Golden Pavilion Logo**", "**Lan Logo**", "**Signature Club**" and any other trademarks which MCE (IP) Holdings Limited agrees from time to time ("**Trade Marks**"). TMA 1 was effective from October 9, 2013 and shall continue and remain in full force and effect until it is terminated in accordance with the termination provisions therein.

Under the terms of TMA 2, MCE Leisure is granted an exclusive, non-transferable license to use the Trade Marks. TMA 2 was effective from October 9, 2013 and shall continue and remain in full force and effect for the period of the Regular License unless terminated earlier in accordance with the termination provisions therein.

Also, as a result of the Melco Acquisition, the Company expects to rebrand Crown Towers in the near future.

DreamPlay by DreamWorks

A licensing agreement was entered into with DreamWorks on November 28, 2013 ("**LA 1**"). Under LA 1, various trademarks and other intellectual property ("**IP**") rights owned by DreamWorks were licensed to MCE Leisure for use to develop, market and operate DreamPlay, a family entertainment center at City of Dreams Manila.

Nobu

A hotel license and cooperation agreement was entered into between Nobu Hospitality LLC (as licensor) and MCE Leisure (as licensee) ("**LA 2**") and a Nobu hotel restaurant license agreement was entered into by the same parties ("**LA 3**"), both on June 3, 2013.

Under the terms of LA 2, MCE Leisure was granted a limited, exclusive, non-transferable license to use and employ certain marks, trademarks, trade names, service marks and commercial symbols ("**Nobu Marks**") in connection with its development, operation, ownership, management and promotion of the Nobu Hotel, which the licensee now operates under the name "**The Nobu Hotel Manila**". LA 2 was effective from June 3, 2013 and shall have a ten (10) year term with two successive five (5) year renewal periods each being subject to both party's written mutual agreement.

Under the terms of LA 3, MCE Leisure was granted the sole and exclusive right and license to use the Nobu Marks, the name "**NOBU**", or any other trademarks/trade names licensed under LA 3 in connection with the development, ownership, operation, marketing, promotion, and management of the Nobu restaurant. LA 3 was effective from June 3, 2013 and shall have a ten (10) year term with two successive five (5) year renewal periods each being subject to both party's written mutual agreement.

Hyatt City of Dreams Manila

A trademarks licensing agreement was entered into between Hyatt (as licensor) and MCE Leisure (as licensee) on November 24, 2013 ("**TMA 3**"), under which various trademarks owned by Hyatt were licensed to MCE Leisure for it to market and operate a hotel at City of Dreams Manila in accordance with a hotel management agreement entered into by the same parties on the same date ("**HMA**").

Under the terms of the TMA 3, MCE Leisure was granted a non-exclusive and non-transferable license to use certain trademarks owned by Hyatt. The TMA 3 took effect from the opening date of the hotel managed by the Hyatt group and will end on the expiration date of, or upon it is terminated in accordance with, the HMA.

Government Licenses and Registrations

Provisional/Regular License

The MCE Holdings Group and the Philippine Parties are co-licensees of the Provisional License issued by PAGCOR for the development of an integrated casino, hotel, retail and entertainment complex within the Entertainment City. As one of the Licensees, MCE Leisure has been named as the special purpose entity to operate the casino business and act as the sole and exclusive representative of the Licensees for purposes of the Provisional License. The Provisional License is one of four licenses granted to various parties to develop integrated tourism resorts and establish and operate casinos in Entertainment City. PAGCOR is the Philippine regulatory body with jurisdiction over all gaming activities in the Philippines except for lottery, sweepstakes, jueteng, horse racing, and gaming inside the Cagayan Export Zone. City of Dreams Manila's gaming areas operate under the Provisional License granted by PAGCOR, which imposes certain requirements with which the licensees must comply. The Provisional License is also subject to suspension or termination upon the occurrence of certain events.

The regular casino license is granted by PAGCOR to holders of the Provisional License who, among others, have reached a total investment commitment of US$ 1 billion. Having met this requirement, MCE Leisure, on behalf of the Licensees, has applied to PAGCOR for the issuance of such regular casino license on January 30, 2015. 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.

PEZA Registration

The application of MCE Leisure for registration with the Philippine Economic Zone Authority ("**PEZA**") as a Tourism Economic Zone Enterprise for the construction, development and operation of a hotel and entertainment complex at the Entertainment City has been granted by the PEZA Board of Directors in a resolution dated March

7, 2013. The certificate of registration was issued by PEZA on August 23, 2013.

Research and Development

The Company, as an investment holding company, as well as the Group does not have research and development activities.

Awards and Achievements

City of Dreams Manila won the prestigious Casino/Integrated Resort of the Year during the 8^{th} International Gaming Awards. This award is given to land based casino/integrated resort operators topping the criteria for offering the very best in terms of facilities, customer service, games offered, atmosphere, style and design of building. Emphasis is placed on the overall feel, atmosphere and real attention to detail of a casino/integrated resort that sets it aside from its competitors, including the quality of service of its staff members that makes the casino/integrated resorts the outstanding choice for customers.

In the first year of operations of City of Dreams Manila, three of our restaurants, namely, The Tasting Room, Crystal Dragon and Nobu Restaurant, are listed in the Top 20 Best Restaurants in the Philippine Tatler's Best Restaurants Guide 2016, an annual guide published by the Philippine Tatler, a prestigious lifestyle magazine – besting other 150 restaurants in the book where also Red Ginger and The Café are featured. The selection of the best restaurants are based on setting, food, wine, and service, and the Top 20 were voted by the Best Restaurants Guide editorial committee after deliberations drawing from reviewers' ratings and readers' choices. In the 2017 edition of the Best Restaurants Guide, the Crystal Dragon was again named for the second consecutive year as one of the Top 20 Best Restaurants.

The three hotels in City of Dreams Manila were also awarded by TripAdvisor, a global travel and review website, in the 2016 Top 25 Luxury Hotels in the Philippines Travelers' Choice Awards. The hallmarks of Travelers' Choice winners are service, quality, and customer satisfaction. In addition, Hyatt City of Dreams Manila was recognized as among the Top Five Best Hotels in Manila in the Readers' Choice Awards 2016 by the regional travel magazine DestinAsian. Nobu Hotel Manila was likewise cited in ForbesTravelGuide.com blog as one of the "Five Celebrity-Owned Hotels that Make You Feel Like the Star", being one of Robert de Niro and Chef Nobu Matsuhisa's properties which debuted as Nobu Hospitality's first hotel in Asia. Also in 2016, the three hotels were named in Top 10 Hotels by looloo.com, a social networking application on hotel and restaurant reviews. Finally, the Paranaque City Government also presented an Award of Distinction to City of Dreams Manila in 2016 as a model Parañaque establishment.

Environmental Laws

Development projects that are classified by law as Environmentally Critical Projects ("**ECP**") within statutorily defined Environmentally Critical Areas ("**ECAs**") are required to obtain an Environmental Compliance Certificate ("**ECC**") prior to commencement.

The Environmental Management Bureau of the Department of Environment and Natural Resources ("**DENR-EMB**") issued an ECC to Belle for City of Dreams Manila. Under the terms of its PEZA registration, MCE Leisure is required, prior to the start of commercial operations of City of Dreams Manila, to either: (a) apply for an ECC with the DENR-EMB and submit an approved copy of the ECC to PEZA within 15 days from its issuance, or (b) submit the ECC issued to Belle, as the same may be amended to reflect any changes made to City of Dreams Manila, for the review and approval by PEZA. Accordingly, Belle applied for an Amended ECC to reflect the changes made to City of Dreams Manila. The DENR-EMB issued the Amended ECC to Belle on July 31, 2014.

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 considered to be related if they are subject to common control or common significant influence.

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

Compensation of Key Management Personnel were as follows:[1]

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

Employees

As of December 31, 2016, the Group had a total of 4,365 employees composed of officers, key management personnel, managerial and rank and file employees.

Discussion of Risks

Management has identified major business and financial risks affecting the Group as follows:

Business Risks

Inadequate transportation infrastructure may hinder increases in visitation to the Philippines

City of Dreams Manila is located within Entertainment City, Manila, an area in the City of Manila which is currently under development. Other than Solaire and Okada Manila, there are currently no other integrated tourism resorts which have begun operations in Entertainment City, Manila. It is unlikely that Manila's existing transportation infrastructure is capable of handling the increased number of tourist arrivals that may be necessary to support visitor traffic to large scale integrated resorts within Entertainment City, such as City of Dreams Manila. Although the newly constructed NAIA Expressway helped alleviate the traffic congestion within the area surrounding Entertainment City and the Philippine government continues to examine viable alternatives to ease traffic congestion in Manila, there is no guarantee that these measures will succeed, or that they will sufficiently eliminate the traffic problems or other deficiencies in Manila's transportation infrastructure. Traffic congestion and other problems in Manila's transportation infrastructure could adversely affect the tourism industry in the Philippines and reduce the number of potential visitors to City of Dreams Manila, which could, in turn, adversely affect the Group's business and prospects, financial condition and results of its operations.

Conducting business in the Philippines is subject to certain regional and global political and economic risks that may significantly affect visitation to City of Dreams Manila and have a material adverse effect on the Group's results of operations

City of Dreams Manila is subject to certain economic, political and social risks within the Philippines. The Philippines has in the past experienced severe political and social instability, including acts of political violence. Any future political or social instability in the Philippines could adversely affect the business operations and financial conditions of City of Dreams Manila.

Changes in policies of the government or changes in laws and regulations, or in the interpretation or enforcement of these laws and regulations, such as possible anti-smoking policies or legislation, may negatively impact consumption patterns of visitors to City of Dreams Manila.

In addition, demand for, and the prices of, gaming and entertainment products are directly influenced by economic conditions in the Philippines, including growth levels, interest rates, inflation, levels of business activity and consumption, and the amount of remittances received from overseas Filipino workers. Any deterioration in

[1] In thousands of Philippine peso.

economic and political conditions in the Philippines or elsewhere in Asia could materially and adversely affect the Group's business, as well as the prospects, financial condition and results of our operations.

The Group's business will also depend substantially on revenues from foreign visitors and may be disrupted by events that reduce foreigners' willingness to travel to or create substantial disruption in Metro Manila and raise substantial concerns about visitors' personal safety, such as power outages, civil disturbances and terrorist attacks, among others. The Philippines has also experienced a significant number of major catastrophes over the years, including typhoons, volcanic eruptions and earthquakes. We cannot predict the extent to which the Group's business and tourism in Metro Manila in general will be affected by any of the above occurrences or fears that such occurrences will take place. We cannot guarantee that any disruption to the Group's operations will not be protracted, that City of Dreams Manila will not suffer any damages, and that any such damage will be completely covered by insurance or at all. Any of these occurrences may disrupt the Group's operations.

We face intense competition in the Philippines and elsewhere in Asia and may not be able to compete successfully

The hotel, resort and gaming industries are highly competitive. The competitors of the Group's business include many of the largest gaming, hospitality, leisure and resort companies in the world. Some of these current and future competitors are larger than we are and may have more diversified resources and greater access to capital to support their developments and operations.

In the Philippine gaming market, the Group competes with hotels and resorts owned by both Philippine nationals and foreigners. PAGCOR also operates gaming facilities across the Philippines. The Group's operations face competition from gaming operators in other more established gaming centers across the region, particularly those of Macau and Singapore, and other major gaming markets located around the world, including Australia and Las Vegas, as we target similar pools of customers and tourists. A number of such other operators have a longer track record of gaming operations and such other markets have more established reputations as gaming markets. The Group's operations may not be successful in its efforts to attract foreign customers and independent gaming promoters to City of Dreams Manila, and to promote Manila as a gaming destination.

The Group also competes to some extent with casinos located in other countries, such as Malaysia, South Korea, Vietnam, Cambodia, New Zealand and elsewhere in the world, including Atlantic City in the United States. In addition, a law permitting casinos in Japan took effect in December 2016. Certain other countries, such as Taiwan and Thailand may also, in the future, legalize casino gaming. The Group also competes with cruise ships operating out of Hong Kong and other areas of Asia that offer gaming. The proliferation of gaming venues in Southeast Asia could also significantly and adversely affect the Group's business, financial condition, results of operations, cash flows and prospects.

The Group's regional competitors also include Crown's Crown Melbourne in Melbourne, Australia and Crown Perth in Perth, Australia and other casino resorts that Melco International and/or Crown may develop elsewhere in Asia Pacific outside Macau and the Philippines. Melco International and Crown may develop different interests and strategies for projects in Asia, whether respectively or under their joint venture, which conflict with the interests for the Group's business, or otherwise compete with the Group for Asian gaming and leisure customers.

The government could grant additional rights to conduct gaming in the future, which could significantly increase competition and cause us to lose or be unable to gain market share

PAGCOR has issued the Regular License to the Licensees and one other company and additional provisional gaming licenses to two other companies in the Philippines for the development and operation of integrated casino resorts. PAGCOR has also licensed private casino operators in special economic zones, including four in the Clark Ecozone, one in Poro Point, La Union, one in Binangonan, Rizal and one in the Newport City CyberTourism Zone, Pasay City. The Regular License granted by PAGCOR to the Licensees is non-exclusive, and PAGCOR has given no assurances to the Licensees that it will not issue additional gaming licenses, or that it will limit the number of licenses it issues. Any additional gaming licenses issued by PAGCOR could increase competition in the Philippine gaming industry, which could diminish the value of the Licensees' Regular License. This could materially and adversely affect the Group's business, financial condition and results of operations.

The success of the Group's business may depend on our ability to attract and retain an adequate number of qualified personnel. A limited labor supply and increased competition could cause labor costs to increase

The pool of experienced gaming and other skilled and unskilled personnel in the Philippines is limited. Our demand remains high for new personnel occupying sensitive positions that require qualifications sufficient to meet gaming regulations and other requirements or skills and knowledge that would need substantial training and experience. Competitive demand for qualified gaming and other personnel is expected to be intensified by the increased number of properties that recently opened in close proximity to our property. The limited supply and increased competition in the labor market could cause our labor costs to increase.

There is no assurance that the Group will be able to attract and retain a sufficient number of qualified individuals to operate its property, or that costs to recruit and retain such personnel will not increase significantly. The inability to attract and retain qualified employees and operational management personnel could have a material adverse effect on the Group's business.

Moreover, the Regular License requires that at least 95.0% of City of Dreams Manila's total employees be locally hired. Our inability to recruit a sufficient number of employees to meet this provision or to do so in a cost-effective manner may cause us to lower our hiring standards, which may have an adverse impact on City of Dreams Manila's service levels, reputation and business.

Furthermore, casino resort employers may also contest the hiring of their former employees by us. There can be no assurance that any such claim will not be successful or other similar claims will not be brought against us or any of our affiliates in the future. In the event any such claim is found to be valid, the Group could suffer losses and face difficulties in recruiting from competing operators. If found to have basis by courts, these allegations could also result in possible civil liabilities on us or our relevant officers if such officers are shown to have deliberately and willfully condoned a patently unlawful act.

The Group's insurance coverage may not be adequate to cover all losses that we may suffer from our operations. In addition, our insurance costs may increase and we may not be able to obtain the same insurance coverage in the future

The Group maintains various types of insurance policies for our business and operations, including mainly property damage, business interruption and general liability insurance policies and a surety bond required by PAGCOR, which secures the prompt payment by MCE Leisure of the monthly licensee fees due to PAGCOR. These insurance policies provide coverage that is subject to policy terms, conditions and limits. There is no assurance that we will be able to renew such insurance coverage on equivalent premium costs, terms, conditions and limits upon their expiration. The cost of coverage may in the future become so high that we may be unable to obtain the insurance policies we deem necessary for the Group's operations on commercially practicable terms, or at all, or we may need to reduce our policy limits or agree to certain exclusions from our coverage.

We cannot assure you that any such insurance policies we obtained or may obtain will be adequate to protect us from material losses. Certain acts and events could expose the Group to significant uninsured losses. In addition to the damages caused directly by a casualty loss such as fire or natural disasters, we may suffer a disruption of our business as a result of these events or be subject to claims by third parties who may be injured or harmed. While we intend to continue carrying business interruption insurance and general liability insurance, such insurance may not be available on commercially reasonable terms, or at all, and, in any event, may not be adequate to cover all losses that may result from such events.

There is limited available insurance in the Philippines and our insurers in the Philippines may need to secure reinsurance in order to provide adequate cover for City of Dreams Manila. The Regular License granted by PAGCOR and certain other material agreements require a certain level of insurance to be maintained, unless otherwise authorized by counterparties. Failure to maintain adequate coverage could be an event of default under the Group's credit agreements or the Regular License and may have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

The winnings of patrons of City of Dreams Manila could exceed its casino winnings at particular times during the Group's operations

Our revenues are mainly derived from the difference between our casino winnings and the winnings of our casino patrons. Since there is an inherent element of chance in the gaming industry, we do not have full control over our winnings or the winnings of our casino patrons. If the winnings of our patrons exceed our casino winnings, we may record a loss from our gaming operations, and the Group's business, financial condition and results of operations could be materially and adversely affected.

Win rates for our casino operations depend on a variety of factors, some beyond our control, which, at particular times, adversely impact the Group's results of operations

In addition to the element of chance, theoretical win rates are also affected by other factors, including player skills and experience, the mix of games played, the financial resources of players, the spread of table limits, the volume of bets placed by our players and the amount of time players spend on gambling — thus our actual win rates may differ greatly over short time periods, such as from quarter to quarter, and could cause the Group's quarterly results to be volatile. Each of these factors, alone or in combination, has the potential to negatively impact the Group's win rates, and the Group's business, financial condition and results of operations could be materially and adversely affected.

Our gaming business is subject to the risk of cheating and counterfeiting

All gaming activities at our table games are conducted exclusively with gaming chips which, like real currency, are subject to the risk of alteration and counterfeiting. We incorporate a variety of security and anti-counterfeit features to detect altered or counterfeit gaming chips. Despite such security features, unauthorized parties may try to copy our gaming chips and introduce, use and cash in altered or counterfeit gaming chips in our gaming areas. Any negative publicity arising from such incidents could also tarnish our reputation and may result in a decline in our business, financial condition and results of operation.

Our existing surveillance and security systems, designed to detect cheating at our casino operations, may not be able to detect all such cheating in time or at all, particularly if patrons collude with our employees. In addition, our gaming promoters or other persons could, without our knowledge, enter into betting arrangements directly with our casino patrons on the outcomes of our games of chance, thus depriving us of revenues.

Our operations are reviewed to detect and prevent cheating. Each game has a theoretical win rate and statistics are examined with these in mind. Cheating may give rise to negative publicity and such action may materially affect the Group's business, financial condition, operations and cash flows.

Terrorism and the uncertainty of war, crime, natural disasters, extended power supply or information technology system outages and other factors affecting discretionary consumer spending and leisure travel may reduce visitation to the Philippines and harm our operating results

The strength and profitability of the Group's business depend on consumer demand for casino resorts and leisure travel in general. Terrorist acts could have a negative impact on international travel and leisure expenditures, including lodging, gaming and tourism. We cannot predict the extent to which future terrorist acts and crimes may affect us, directly or indirectly.

In addition to acts of terrorism, Metro Manila has experienced severe natural disasters and the authorities may not be prepared or equipped to respond to such disasters.

Further, any extended downtime from power supply disruptions or information technology system outages which may be caused by cyber security attacks or other reasons at our property in Manila may lead to an adverse impact on our operating results if we are unable to deliver services to customers for an extended period of time.

We cannot guarantee that any disruption to the Group's operations will not be protracted, nor that any such damage we incur from such disruption would be completely covered by insurance or at all. In addition, our insurance costs may increase and we may not be able to obtain the same insurance coverage in the future. Any of these occurrences may disrupt our operations and could materially and adversely affect the Group's business, financial condition and results of operations. Furthermore, any of the above occurrences may also destabilize the economy and business environment in the Philippines, which could also materially and adversely affect the Group's business, financial condition and results of operations.

Health and safety or food safety incidents at our property may lead to reputational damage and financial exposures

We provide goods and services to a significant number of customers on a daily basis at our property. In particular, with the addition of new attractions, entertainment and food and beverage offerings in City of Dreams Manila, there are risks of health and safety incidents or adverse food safety events. While we have a number of measures and controls in place aimed at managing such risks, we cannot guarantee that our insurance is adequate to cover all losses, or that there will not be any reputational damage from potential media coverage.

We extend credit to a portion of our customers, and we may not be able to collect gaming receivables from our credit customers

We conduct, and expect to continue to conduct, our gaming activities at our casinos on a credit basis as well as on a cash basis. Consistent with customary practice in the gaming market, we grant credit to our gaming promoters and certain of our premium direct players. Gaming promoters bear the responsibility for issuing credit and subsequently collecting the credit they granted. We extend credit, often on an unsecured basis, to certain gaming promoters and VIP patrons whose level of play and financial resources warrant such an extension in our opinion. High-end patrons typically are extended more credit than patrons who wager lower amounts. Any slowdown in the economy could adversely impact our VIP patrons, which could in turn increase the risk that these clients may default on credit extended to them.

We may not be able to collect all of our gaming receivables from our credit customers. We expect that we will be able to enforce our gaming receivables only in a limited number of jurisdictions, including the Philippines. Some of our gaming customers are visitors from other jurisdictions and we may not have access to a forum in which we will be able to collect all of our gaming receivables. Further, we may be unable to locate assets in other jurisdictions against which recovery of gaming debts can be sought. The collectability of receivables from our credit customers, and, in particular, our international credit customers, could be negatively affected by future business or economic trends or by significant events in the jurisdictions in which these customers reside, or in which their assets are located. We may also, in certain cases, have to determine whether aggressive enforcement actions against a customer will unduly alienate the customer and cause the customer to cease playing at our casino. We could suffer a material adverse impact on the Group’s operating results if receivables from our credit customers are deemed uncollectible.

The current credit environment may limit availability of credit and may negatively impact the Group’s revenues

The Group’s business and financing plans may be dependent upon completion of future financings. Any severe contraction of liquidity in the global credit markets may make it difficult and costly to obtain new lines of credit or to refinance existing debt, and may place broad limitations on the availability of credit from credit sources as well as lengthen the recovery cycle of extended credit. If the credit environment worsens, it may be difficult to obtain any additional financing on acceptable terms, or at all, which could adversely affect our ability to complete current and future projects. Continued tightening of liquidity conditions in credit markets may constrain revenue generation and growth and could have a material adverse effect on the Group’s business, financial condition and results of operations.

Rolling chip patrons and VIP gaming customers may cause significant volatility in the Group’s revenues and cash flows

City of Dreams Manila attracts foreign gaming visitors, particularly VIP players who typically place large individual wagers. The loss or a reduction in the play of the most significant of these rolling chip patrons or VIP gaming customers could have an adverse effect on our business. In addition, revenues and cash flows derived from high-end gaming of this type are typically more volatile than those from other forms of gaming primarily due to high bets and the resulting high winnings and losses. As a result, the Group’s business and results of operations and cash flows from operations may be more volatile from quarter to quarter than that of our competitors and may require higher levels of cage cash in reserve to manage this volatility.

We are impacted by the reputation and integrity of the parties with whom we engage in business activities and we cannot assure that these parties will always maintain high standards or suitability throughout the term of our association with them. Failure to maintain such high standards or suitability may cause us and our shareholders to suffer harm to our own and our shareholders' reputation, as well as impair relationships with, and possibly result in sanctions from, gaming regulators

The reputation and integrity of the parties with whom we engage in business activities are important to our own reputation and our ability to continue to operate in compliance with the permits and licenses required for our businesses. These parties include, but are not limited to, those who are engaged in gaming-related activities, such as gaming promoters, developers and hotel, restaurant operators with whom we have or may enter into services or other types of agreements. We also conduct our internal due diligence and evaluation process prior to engaging such parties. Notwithstanding such due diligence, we cannot assure that the parties with whom we are associated will always maintain the high standards that we require or that such parties will maintain their suitability throughout the term of our association with them. If any of these third parties violate gaming laws while on our premises, the government may, in its discretion, take enforcement action against these third parties and may find us jointly liable for such third party violations. Also, if a party associated with us falls below the regulator's suitability standard or if their probity is in doubt, this may be negatively perceived when assessed by the gaming regulators. As a result, we and our shareholders may suffer reputational harm, as well as impaired relationships with, and possibly sanctions or other measures or actions from, the relevant gaming regulators with authority over our operations.

We cannot assure that the anti-money laundering policies that we have implemented, and compliance with applicable anti-money laundering laws, will be effective to prevent our casino operations from being exploited for money laundering purposes

We deal with significant amounts of cash during our regular casino operations. As our operations are subject to various reporting and anti-money laundering regulations, we have implemented anti-money laundering policies to address those requirements. Any changes to anti-money laundering laws and regulations may require us to adopt changes to our own anti-money laundering policies. We cannot assure you that any such current or future policies will be effective in preventing our casino operations from being exploited for money laundering purposes, including from jurisdictions outside of the Philippines.

There can be no assurance that, despite the anti-money laundering measures we have adopted and undertaken, we would not be subject to any accusation or investigation related to any possible money laundering activities. In addition, we expect to be required by regulatory authorities to attend meetings and interviews from time to time to discuss our operations as they relate to anti-money laundering laws and regulations during which regulatory authorities may make inquiries and take other actions at their discretion. Any incident of money laundering, accusation of money laundering or regulatory investigations into possible money laundering activities involving us, our employees, our gaming promoters, our customers or others with whom we are associated could have a material adverse impact on the Group's reputation, business, cash flow, financial condition, prospects and results of operations. Any serious incident of or repeated violation of laws related to money laundering or any regulatory investigation into money laundering activities may cause a revocation or suspension of the Regular License.

Our information technology and other systems are subject to cyber security risk, including misappropriation of customer information or other breaches of information security, as well as regulatory and other risks

We rely on information technology and other systems (including those maintained by third-parties with whom we contract to provide data services) to maintain and transmit large volumes of customer financial information, credit card settlements, credit card funds transmissions, mailing lists and reservations information and other personally identifiable information. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. The systems and processes we have implemented to protect customers, employees and company information are subject to the ever-changing risk of compromised security. These risks include cyber and physical security breaches, system failure, computer viruses, and negligent or intentional misuse by customers, company employees or employees of third-party vendors. The steps we take to deter and mitigate these risks may not be successful and our insurance coverage for protecting against cybersecurity risks may not be sufficient. Our third-party information system service providers face risks relating to cybersecurity similar to ours, and we do not directly control any of such service providers' information security operations. A significant theft, loss or fraudulent use of customer or company data maintained by us or by a third-party service provider could have an adverse effect on our reputation, cause a material disruption to our operations and management team, and result in remediation expenses, regulatory penalties and litigation by customers and other parties whose information was subject to such attacks, all of which could have a material adverse effect on our business, prospects, results of operations and cash flows.

Our collection and use of personal data are governed by privacy laws and regulations and privacy law is an area that changes often and varies significantly by jurisdiction. Compliance with applicable privacy regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our customers and guests. In addition, non-compliance with applicable privacy regulations by us (or in some circumstances non-compliance by third parties engaged by us) or a breach of security on systems storing our data may result in damage of reputation and/or subject us to fines, payment of damages, lawsuits, criminal liability or restrictions on our use or transfer of data.

Certain policies and campaigns implemented by the Chinese government may lead to a decline in the number of patrons visiting our property and the spending by such patrons, which may materially and adversely affect our business, financial condition and results of operations

The number of patrons visiting City of Dreams Manila, and the spending by such patrons, may be affected by changes in policies and campaigns of the Chinese government. In recent years, initiatives and campaigns undertaken by the Chinese government have resulted in an overall dampening effect on the behavior of Chinese consumers and a decrease in their spending, particularly in luxury good sales and other discretionary spending. In addition, the number of potential patrons visiting City of Dreams Manila may be affected by the Chinese government's focus on deterring marketing of gaming to Chinese mainland residents by foreign casinos.

Any campaigns or initiatives which impact Chinese consumer willingness to spend may have a material effect on the Group's gaming market and materially and adversely affect the Group's business, financial condition and results of operations.

Risks Relating to the Development of Entertainment City and Operation of City of Dreams Manila

City of Dreams Manila commenced operations in December 2014 and had its grand opening in February 2015. There is limited historical information available about its operations upon which investors can make an evaluation of City of Dreams Manila's business and prospects. In addition, Entertainment City, where City of Dreams Manila is located, is currently still in a preliminary stage of development in which only two integrated casino projects are in full operation, one of which is City of Dreams Manila.

Risks Relating to Leases

MCE Leisure entered into a lease agreement on October 25, 2012, which became effective on March 13, 2013 (the "**Lease Agreement**"), pursuant to which it leases from Belle the land and buildings occupied by City of Dreams Manila, which, in turn, leases part of the land from the Philippine government's social security system (the "**Social Security System**"). Numerous potential issues or causes for disputes may arise from a tenancy relationship, such as with respect to the provision of utilities on the premises and the maintenance and normal repair of the buildings, any of which could result in an arbitrable dispute between Belle and MCE Leisure. There can be no assurance that any such dispute would be resolved or settled amicably or expediently or that MCE Leisure will not encounter any material issues with respect to its tenancy relationship with Belle. Furthermore, during the pendency of any dispute, Belle, as lessor, could discontinue essential services necessary for the operation of City of Dreams Manila, or seek relief to oust MCE Leisure from possession of the leased premises. Any prolonged or substantial dispute between Belle and MCE Leisure, or any dispute arising under the lease agreement between Belle and the Social Security System, could have a material adverse effect on the operations of City of Dreams Manila, which would in turn adversely affect the Group's business, financial condition and results of operations. In addition, any negative publicity arising from disputes with, or non-compliance by, Belle with the Lease Agreement would have a material adverse effect on the Group's business and prospects, financial condition and results of operations.

Furthermore, the Lease Agreement may be terminated under certain circumstances, including MCE Leisure's non-payment of rent, or if either party fails to substantially perform any material covenants under the Lease Agreement and fails to remedy such non-performance in a timely manner, which would cause a material adverse effect on the Group's business and prospects, financial condition, results of operations and cash flows.

If the termination of certain agreements which Belle previously entered into with another casino operator and other third parties is not effective, such operator and third parties may seek to enforce these agreements against Belle or MCE Leisure as a co-licensee of Belle, which could adversely impact City of Dreams Manila and the Group

Prior to MCE Leisure being designated as the sole operator under the Provisional License, Belle, for itself and on behalf of the other Philippine Parties, previously entered into contracts with another operator and certain third-party contractors, for the fit-out and other design work related to City of Dreams Manila in its previous form. The Philippine Parties subsequently elected to terminate such contracts and the operator with whom Belle previously contracted, on behalf of itself and such third party contractors, signed a waiver releasing the Philippine Parties from all obligations thereunder. Although Belle agreed to indemnify the MCE Holdings Group from any loss suffered in connection with the termination of such contracts, there can be no assurance that Belle will honor such agreement. Any issues which may arise from such contracts and their counterparties, or any attempt by another operator or any other third-party contractor to enforce provisions under such contracts could interfere with the Group and the Company's operations or cause reputational damage, which would in turn materially adversely affect the Company's business, financial condition and results of operations.

Compliance with the terms of the Regular License, MCE Leisure's ability to operate City of Dreams Manila, and the success of City of Dreams Manila as a whole are dependent on the actions of the other Licensees over which MCE Leisure has no control

Although MCE Leisure is the sole operator of City of Dreams Manila, the ability of the MCE Holdings Group to operate City of Dreams Manila, as well as the fulfillment of the terms of the Regular License granted by PAGCOR in relation to City of Dreams Manila, depends to a certain degree on the actions of the Philippine Parties. For example, the Philippine Parties, as well as the MCE Holdings Group, are responsible for meeting a certain debt to equity ratio as specified in the Regular License. The failure of any of the Philippine Parties to comply with these conditions would constitute a breach of the Regular License. As the Philippine Parties are separate corporate entities over which MCE Leisure has no control, there can be no assurance that the Philippine Parties will remain in compliance with the terms of the Regular License or their obligations and responsibilities under the Cooperation Agreement dated October 25, 2012 between the MCE Holdings Group, SMIC and certain of its subsidiaries (collectively, the "**SM Group**"), Belle and PLAI which became effective on March 13, 2013 (the "**Cooperation Agreement**"). In the event of any non-compliance, there can be no assurance that the Regular License will not be suspended or revoked. In addition, if any of the Philippine Parties fails to comply with any of the conditions to the Regular License, MCE Leisure may be forced to take action against the Philippine Parties under the Cooperation Agreement or to enter into negotiations with PAGCOR for amendments to the Regular License. There can be no assurance that any attempt to amend the Regular License would be successful. Any of the foregoing could materially and adversely affect the Group's business, financial condition and results of operations.

Furthermore, under the Cooperation Agreement, the Philippine Parties are required to contribute the land and building structures for City of Dreams Manila. There can be no assurance that the title to the land and building structures for City of Dreams Manila will not be challenged by third parties or the Philippine Government in the future. Any such event, each of which is beyond the Group's control, may curtail the ability of MCE Leisure to operate City of Dreams Manila in an efficient manner or at all and have a material adverse effect on the Group's business, financial condition and results of operations.

MCE Leisure's right to operate City of Dreams Manila is subject to certain limitations under the Operating Agreement

MCE Leisure's right to operate City of Dreams Manila is subject to certain limitations under the Operating Agreement dated March 13, 2013 executed between the Philippine Parties and the MCE Holdings Group. For example, MCE Leisure is prohibited from entering into any contract for City of Dreams Manila outside the ordinary course of the operation and management of City of Dreams Manila with an aggregate contract value exceeding US$3.0 million (such contract value to be increased by 5.0% each year on each anniversary date of the Operating Agreement) without the consent of the Philippine Parties. In addition, MCE Leisure is required to remit specified percentages of the mass market and VIP gaming EBITDA or net revenues derived from City of Dreams Manila to PLAI.

If MCE Leisure is unable to comply with any provisions of the Operating Agreement, the other parties to the Operating Agreement may bring lawsuits and seek to suspend or replace MCE Leisure as the sole operator of City of Dreams Manila, or terminate the Operating Agreement. Moreover, the Philippine Parties may terminate the

Operating Agreement if MCE Leisure materially breaches the Operating Agreement. Termination of the Operating Agreement, whether resulting from MCE Leisure's or the Philippine Parties' non-compliance with the Operating Agreement, would cause a material adverse effect on the Group's business and prospects, financial condition, results of operations and cash flows.

MCE Leisure may be forced to suspend VIP gaming operations at City of Dreams Manila under certain circumstances

Under the Operating Agreement, MCE Leisure must periodically calculate, on a 24-month basis, the respective amounts of VIP gaming earnings before interest, tax, depreciation and amortization derived from City of Dreams Manila (the "**PLAI VIP EBITDA**") and VIP gaming net win derived from City of Dreams Manila pursuant to the Operating Agreement (the "**PLAI VIP Net Win**") and report such amounts to the Philippine Parties (the "**Payment to Philippine Parties**"). If the PLAI VIP EBITDA is less than the PLAI VIP Net Win, the other Licensees must meet within ten business days to discuss and review City of Dreams Manila's financial performance and agree on any changes to be made to the business operations of City of Dreams Manila and/or to the payment terms under the Operating Agreement. If such an agreement cannot be reached within 90 business days, MCE Leisure must suspend VIP gaming operations at City of Dreams Manila.

Any suspension of VIP gaming operations at City of Dreams Manila would materially adversely impact gaming revenues from City of Dreams Manila. Moreover, suspension of VIP gaming operations could effectively lead MCE Leisure to limit or suspend certain non-gaming operations focusing on VIP players, such as the VIP hotel and VIP lounge, which would further reduce revenues from City of Dreams Manila. Any suspension of VIP gaming operations, even for a brief period of time, could also damage the reputation and reduce the attractiveness of City of Dreams Manila as a premium gaming destination, particularly among premium direct players and other VIP players, as well as gaming promoters, which could have a material adverse effect on MCE Leisure's or the Group's business, financial condition and results of operations.

Increased competition may affect City of Dreams Manila's business and results of operations

The three other holders of PAGCOR licenses in Entertainment City continue to develop their businesses. Any significant increase in gaming facilities would intensify competition. The operation of City of Dreams Manila would in turn need to increase its competitiveness in order to keep pace with any increased competitiveness of the gaming market.

The Group may not be able to implement an effective business strategy to keep pace with the developing competition in the Philippine gaming market. Any failure by the Group to improve its competitiveness within the Philippine gaming market or take advantage of the opportunities presented by a developing market may have a material adverse effect on its business and results of operations.

In addition, if the Group is unable to successfully manage the potential difficulties associated with developing its operations or expanding City of Dreams Manila, it may not be able to maintain operating efficiencies as City of Dreams Manila expands. If the Group is not able to continue to capture scale efficiencies, successfully manage personnel and hiring, improve its systems, maintain its cost discipline strategies and enhance its product offerings through any future construction phases of City of Dreams Manila, this would cause a material adverse effect on the Group's business and prospects, financial condition, results of operations and cash flows.

City of Dreams Manila's ability to generate revenues depends to a substantial degree on the development of Manila and the Philippines as a tourist and gaming destination

The integrated casino resort and gaming industry in the Philippines is in the early stage of development and has a limited track record. It is difficult to evaluate the attractiveness of each of Entertainment City, Manila and the Philippines, in general, as viable gaming destinations to domestic and international visitors. City of Dreams Manila's ability to generate revenue depends, to a substantial degree, on the continued development of the Philippines as a tourist and gaming destination, which, in turn, depends on several factors beyond the control of the Group, including the government's ability to successfully promote the Philippines as an attractive tourist destination, general promotion of the Philippines by the Department of Tourism and key tourism companies, the development of transportation and tourism infrastructure, consumer preferences and other factors in the Philippines and the region. Should the Philippines fail to continue to develop as a tourist destination or should Entertainment City or Manila fail to become a widely recognized regional gaming destination, City of Dreams

Manila may fail to attract a sufficient number of visitors, which would cause a material adverse effect on the Group's business and prospects, financial condition, results of operations and cash flows.

MCE Leisure's strategy to attract premium mass market customers to City of Dreams Manila may not be effective

A part of MCE Leisure's strategy for City of Dreams Manila is to capture a share of the premium mass gaming market in the region. Compared to general mass market patrons, whose typical wagers are relatively low, premium mass market patrons usually have higher minimum bets. Despite its targeted marketing efforts, there can be no assurance that these premium mass market customers will be incentivized to play in City of Dreams Manila rather than in comparable properties in Macau or elsewhere in the region, as these players may be unfamiliar with the Philippines or refuse to change their normal gaming destination. If MCE Leisure is unable to expand in the premium mass market as it intends, this would adversely affect its business and results of operations.

The Group may be unable to maintain effective internal controls

The Group's internal control systems in City of Dreams Manila are intended to effectively monitor and ensure efficient operations across all departments and phases of operations. The internal controls, comprised of monitoring systems, information technology and security systems, will only be able to provide reasonable, not absolute, assurance that the objectives of such systems are met. The Group may be adversely affected by the failure of any or all of its internal control systems and cannot guarantee that it will be able to adapt its internal control systems to the new forms of gaming or new practices that continually and rapidly emerge in the gaming industry. A failure in internal control systems, including any that affect City of Dreams Manila's ability to accurately report its casino revenues, may also lead PAGCOR to adversely modify or revoke the Regular License. Any of these failures could materially and adversely impact the Group's business, financial condition and results of operations.

Changes in public acceptance of gaming in the Philippines may adversely affect City of Dreams Manila

Public acceptance of gaming changes periodically in various gaming locations in the world and represents an inherent risk to the gaming industry. In addition, the Catholic Church, community groups, non-governmental organizations and individual government officials have, on occasion, taken strong and explicit stands against gaming. PAGCOR has, in the past, been subject to lawsuits by individuals trying to halt the construction of casinos in their communities. Church leaders have on occasion called for the abolition of PAGCOR. There can be no guarantee that negative sentiments will not be expressed in the future against City of Dreams Manila or integrated casino resorts in general, which may reduce the number of visitors to City of Dreams Manila and materially and adversely affect the Group's business, financial condition and results of operations.

*MCE Leisure may be unable to successfully register City of Dreams Manila as a tourism enterprise zone with the Philippine Tourism Infrastructure and Enterprise Zone Authority, an agency of the Philippine Department of Tourism ("**TIEZA**")*

While MCE Leisure intends to apply for a designation as a tourism enterprise with TIEZA, there can be no assurance that TIEZA will approve the designation of MCE Leisure as a tourism enterprise. If MCE Leisure is unable to register as a tourism enterprise with TIEZA, it will not be entitled to certain fiscal incentives provided to some of MCE Leisure's competitors that are registered as tourism enterprises under TIEZA. For example, MCE Leisure's liability for VAT on its sales largely depends on whether it may avail itself of tax incentives under TIEZA. If tax incentives under TIEZA are not available to MCE Leisure, it will be liable for VAT, which may result in a material adverse effect on the Group's business and prospects, financial condition, results of operations and cash flows.

In addition, if MCE Leisure is able to register as a tourism enterprise with TIEZA, it will then be required to withdraw its current registration as a tourism economic zone enterprise with PEZA. The process of shifting from a Tourism Economic Zone Enterprise under PEZA to a tourism enterprise under TIEZA is uncertain. There is also uncertainty with respect to the fiscal incentives that may be provided to a registered tourism enterprise under TIEZA. Any of the foregoing results could have a material adverse effect on the Group's and/or our business, financial condition and results of operations.

However, several Bills are currently pending in Congress with a view towards rationalizing fiscal incentives, if any, currently granted to certain enterprises and activities, including tourism enterprises. It is uncertain what the effect will be on the incentives currently granted to qualified tourism enterprises under the Tourism Act of 2009, if and when such bills are passed into law.

Risks relating to the requirements imposed by PAGCOR

City of Dreams Manila's gaming areas may only legally operate under the Regular License granted by PAGCOR, which imposes certain requirements on the Licensees. Compliance with the terms of the Regular License depends to a certain degree on the actions of the Philippine Parties. The Philippine Parties are composed of separate corporate entities over which the MCE Holdings Group has no control.

The Regular License is also subject to suspension or termination upon the occurrence of certain events. The requirements imposed by the Regular License include, among others:

- payment of monthly license fees to PAGCOR;
- maintenance of a debt-to-equity ratio (based on calculation as agreed with PAGCOR) for each of the Licensees of no greater than 70:30;
- at least 95.0% of the total employees of City of Dreams Manila must be Philippine citizens;
- 2.0% of certain casino revenues must be remitted to a foundation devoted to the restoration of cultural heritage and 5.0% of certain non-gaming revenues to PAGCOR; and
- operation of only the authorized casino games approved by PAGCOR.

Moreover, certain provisions and requirements of the Regular License are open to different interpretations and have not been interpreted by the courts or made subject to more detailed interpretative rules. There is no guarantee that the MCE Holdings Group's proposed mode of compliance with these or other requirements of the Regular License will be free from administrative or judicial scrutiny in the future. Any difference in interpretation between PAGCOR and the Group with respect to the Regular License could result in sanctions against the MCE Holdings Group, including fines or other penalties, such as suspension or termination of the Regular License.

There can be no assurance that the Licensees will be able to continuously comply with all of the Regular License's requirements, or that the Regular License will not be modified to contain more onerous terms or amended in such a manner that would cause the Licensees to lose interest in the operation of City of Dreams Manila. If the Regular License is materially altered or revoked for any reason, including the failure by any of the Licensees to comply with its terms, the Group may be required to cease City of Dreams Manila's gaming operations, which would have a material adverse effect on the Group's business, financial condition and results of operations. In addition, a failure in the internal control systems of MCE Leisure may cause PAGCOR to adversely modify or revoke the Regular License. Finally, the Regular License will terminate in 2033, coinciding with the PAGCOR Charter's termination, and there is no guarantee that the PAGCOR Charter or the Regular License will be renewed.

In addition, City of Dreams Manila's gaming operations is highly regulated in the Philippines. As PAGCOR is also a gaming operator, there can be no assurance that PAGCOR will not withhold certain approvals from the MCE Holdings Group in order to favor its own gaming operations. PAGCOR may also modify or impose additional conditions on its licensees or impose restrictions or limitations on MCE Leisure's casino operations that would interfere with MCE Leisure's ability to provide VIP services, which could adversely affect the Group's business, financial condition and results of operations.

City of Dreams Manila may be required to obtain an additional legislative franchise, in addition to its Regular License

On March 5, 2012, the House of Representatives approved House Bill 5682, reverting to the Congress the right to grant legislative franchises to operators of games of chance, cards and numbers. Under House Bill 5682, PAGCOR will be prohibited from issuing casino, gaming and other similar licenses to operate without legislative franchises. Under House Bill 5682, the Licensees will be required to obtain from the Congress a legislative franchise to operate gambling casinos, gaming clubs and other similar gambling enterprises within one year from the date of the proposed law's effectiveness. Non-compliance will be subject to cancellation of the license issued by PAGCOR. Further, House Bill 5682 provides that Congress shall have the authority to alter, amend or repeal any existing franchise, contract or similar arrangement when it is in the interest of the general welfare of the public.

It is not yet known if House Bill 5682, in its current form, will be approved by the Senate or signed into law by the President. In the event that House Bill 5682 is signed into law, City of Dreams Manila may be required to obtain an additional legislative franchise in addition to its Regular License and there can be no assurance that such a franchise, which generally requires legislative approval after public hearings, will be granted. In addition, the Regular License may be subject to amendment or repeal by Congress. In the event City of Dreams Manila is not granted any required franchise, or the Regular License is materially amended or repealed, the operation of City of Dreams Manila may cease, which would have a material adverse effect on the Group's business, financial condition and results of operations.

The Licensees may be subject to corporate income tax

The Licensees may be subject to corporate income tax at the rate of 30.0% in addition to the license fees paid to PAGCOR "in lieu of all taxes" pursuant to the Regular License. In March 2011, the Supreme Court issued an order implicitly revoking PAGCOR's exemption from corporate income tax under the PAGCOR Charter and removing PAGCOR from the list of government-owned and controlled corporations that are exempt from paying corporate income tax. Subsequently, in April 2013, the Bureau of Internal Revenue ("**BIR**") issued a Revenue Memorandum Circular indicating that PAGCOR and its licensees and contractees are subject to corporate income tax on their gambling, casino, gaming club and other similar recreation or amusement and gaming pool operations. To mitigate the effects of the 2011 decision of the Supreme Court, PAGCOR, in May 2014, issued a regulation allowing the Licensees and the other casino operators to reallocate ten percent (10%) of the monthly Licensee Fees to be remitted to PAGCOR. This 10% will be used to pay any corporate income tax that may levied against the Licensees and the other casino operators at the end of the fiscal year, and any remaining amount after paying such tax would be remitted to PAGCOR.

In February 2015, the Supreme Court issued another decision stating that PAGCOR's income from its gaming operations can only be subject to a five percent (5%) franchise tax, and not corporate income tax. In addition, the Supreme Court in its February 2015 decision ruled that despite amendments to the National Internal Revenue Code, the PAGCOR Charter remains in effect, and thus, income from gaming operations shall not be subject to corporate income tax.

In August 2016, the Supreme Court accepted the petition filed by Bloomberry Resorts and Hotels, Inc., one of the four PAGCOR licensees and operator of Solaire, against the BIR to cease and desist from imposing corporate income tax on income derived from gaming operations. The BIR filed a motion for reconsideration of the August 2016 decision which the Supreme Court denied in November 2016. Any requirement of the Philippine Licensees to pay corporate income tax would have a material adverse effect on our business, financial condition and results of operations.

The Licensees may further be subject to other forms of taxes that may be implemented by the Philippine government in the future.

MCP is exposed to risks in relation to MCP's previous business activities and industry

Prior to the acquisition of the Company by Melco, MCP's primary business was the manufacture and processing of pharmaceutical products. The pharmaceuticals industry is highly regulated in the Philippines and abroad. There can be no assurance that MCP will not be involved in or subject to, claims, allegations or suits with respect to, its previous activities in the pharmaceutical industry, for which MCP may not be insured fully or at all. Although MCP has indemnities as to certain liabilities or claims or other protections put in place, any adverse claim or liability imputed to MCP with respect to its previous business activities could have a material adverse effect on its business and prospects, financial condition, results of operations and cash flow.

Risks relating to the country in general

All of the Group's businesses and assets are in the Philippines and its performance will depend to a substantial degree on the performance of the Philippine economy. The Group's gaming business is also vulnerable to global and regional economic downturns and may cause the Group difficulty raising sufficient capital to expand its operations in the future.

Risks Relating to Our Financing and Indebtedness

Our City of Dreams Manila operations may be restricted by the terms of its ₱15 billion aggregate principal amount of senior notes, with a maturity date of January 24, 2019 (the "**Senior Notes**"), which could limit our ability to plan for or react to market conditions or meet our capital needs. The indenture governing the Senior Notes includes a number of significant restrictive covenants. Such covenants restrict, among other things, the ability of MCP and its subsidiaries, including MCE Leisure to:

- incur or guarantee additional indebtedness;
- sell all or substantially all of MCP or any of its subsidiaries' assets;
- create liens on assets; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

PRESENT INVESTMENTS AND ACTIVITIES

From March 20, 2013, upon completion of the reverse acquisition of MCE Holdings Group, and as of the date of this report, the following are the investments of the Company:

MCE Holdings (Philippines) Corporation

MCE Holdings was incorporated and registered with the SEC on August 13, 2012 as an investment holding company. It is 100% owned by the Company. It beneficially owns all of the shares in MCE Holdings No. 2.

MCE Holdings No. 2 (Philippines) Corporation

MCE Holdings No. 2 was incorporated and registered with the SEC on August 22, 2012 as an investment holding company. It is 100% indirectly owned by the Company. It beneficially owns all of the shares in MCE Leisure.

MCE Leisure (Philippines) Corporation

MCE Leisure was incorporated and registered with the SEC on August 30, 2012 to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components, which were further expanded to include casino gaming activities. It is 100% indirectly owned by the Company.

SUBSEQUENT EVENTS

There have been no events subsequent to year end which require adjustments of our disclosure in the consolidated financial statements or notes thereto.

Item 2. Properties[2]

As of December 31, 2016, on a consolidated basis, the property and equipment of the Group amounted to ₱26,866,578 as compared to ₱32,939,887 as of December 31, 2015.

Currently, the Group does not own any real property. However, City of Dreams Manila is situated on a 6.2-hectare land situated in Asean Avenue in Parañaque City, in which the land and the buildings used are leased by MCE Leisure from Belle under the terms of a contract of lease entered into on October 25, 2012 which became effective on March 13, 2013.

[2] In thousands of Philippine peso.

Part of the land leased by Belle to MCE Leisure is leased by Belle from the Social Security System under a lease agreement between Belle and the Social Security System.

Under the Lease Agreement, the land and certain of the buildings were leased with effect from March 13, 2013. Thereafter, the remaining buildings were leased to MCE Leisure as those parts of the building shells were constructed. The lease continues until termination of the Operating Agreement entered into between the Company's subsidiaries and Belle (for itself and on behalf of SMIC and PLAI) on March 13, 2013 (unless terminated earlier in accordance with its terms).

Rent is payable on a monthly basis, and the rental amounts are based on a fixed schedule of rates subject to annual escalation and any subsequent changes in the terms of the Lease Agreement. After a certain period, the annual rent payable will be re-rated based on the Consumer Price Index for the relevant period of the Lease Agreement.

Item 3. Legal Proceedings Affecting the Registrant or its Affiliates

We are currently a party to certain legal proceedings which relate to matters arising out of the ordinary course of our business. Based on the current status of such proceedings and the information currently available, our management does not believe that the outcome of such proceedings will have a material adverse effect on our business, financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

The following are the matters submitted to a vote of the shareholders of the Company during the Special Stockholders' Meeting held on December 5, 2016:

(a) approval of the Proposed Amendments to the Share Incentive Plan of the Corporation.

In the annual stockholders meeting held on June 20, 2016, the shareholders of the Company approved the following resolutions:

(a) approval of the minutes of the last stockholders' meeting held on May 18, 2015;

(b) approval of the Company's Audited Financial Statements for the year ended December 31, 2015;

(c) election of Directors who would serve for the year 2016-2017;

(d) appointment of SyCip, Gorres Velayo & Co. ("**SGV & Co.**") as the external auditors of the Company;

(e) approval of the Private Placement between the Corporation and MCE (Philippines) Investments Limited; and

(f) ratification of actions taken by the Board of Directors and officers since the last annual stockholders' meeting held on May 18, 2015.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information. All of the Company's issued shares are listed and traded on the Philippine Stock Exchange, Inc. ("**PSE**").The following table indicates the high and low trading prices of the Company's shares in the PSE for the fiscal year 2015, 2016 and first quarter of 2017.

		HIGH	LOW
2017			
	First Quarter	6.85	3.75
2016			
	First Quarter	2.99	1.15

	Second Quarter	3.85	2.04
	Third Quarter	4.70	3.20
	Fourth Quarter	4.55	3.61
2015			
	First Quarter	13.40	8.70
	Second Quarter	10.56	5.10
	Third Quarter	8.22	3.71
	Fourth Quarter	4.20	1.86

Shareholders. The Company has a single class of common shares. As of March 31, 2017:

(a) the percentage ownership of stockholders of record of the total outstanding shares of the Company was 16.49% Filipino and 83.51% Foreign;

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

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

The following are the Company's top 20 shareholders as of March 31, 2017:

	NAME	NO. OF SHARES HELD	% TO TOTAL OUTSTANDING SHARES
1	MCE (Philippines) Investments Limited	3,415,000,196*	60.30%
2	PCD Nominee Corporation (Non-Filipino)	1,140,214,277	20.13%
3	PCD Nominee Corporation (Filipino)	890,944,219	15.73%
4	MCE (Philippines) Investments No.2 Corporation	173,837,068	03.07%
5	F. Yap Securities, Inc.	38,355,100	00.68%
6	Jose Cuisia	187,500	00.00%
7	Victor Sy	187,500	00.00%
8	Lumen Tiaoqui	150,000	00.00%
9	Josephine T. Willer	118,750	00.00%
10	Alexander S. Araneta	116,250	00.00%
11	Jose Marcel Enriquez Panlilio	112,500	00.00%
12	Bernard Ong and/or Conchita Ong	100,000	00.00%
13	Mary Angeli F. Basilio	100,000	00.00%
14	Elena B. Alikpala	82,500	00.00%
15	Rosa T. Cabrera	75,000	00.00%
16	Rafael Uyguanco	75,000	00.00%
17	Ramon Cojuangco, Jr.	71,250	00.00%
18	Mario C. Tan	67,500	00.00%
19	Van Tan	65,000	00.00%
20	Judy Tan Reynolds	62,500	00.00%
	TOTAL	**5,659,922,110**	**99.95%**

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

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

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

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

On June 21, 2013, MCP's shareholders approved the amendment of the SIP made in order to comply with the relevant provisions of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKLR**") since Melco, an affiliate of the Company, is listed on The Stock Exchange of Hong Kong Limited. 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 Melco from The Stock Exchange of Hong Kong Limited ("**HKSE**"), which was submitted to the SEC for approval. Prior to the said SEC approval, the SIP was again amended to reincorporate the HKLR compliance provisions following the consolidation of MCP into the group of Melco International as its subsidiary for accounting and listing rules purposes. The amendments were approved by MCP's shareholders on December 5, 2016 and by the SEC on March 14, 2017.

On June 28, 2013, 181,239,503 underlying shares related to shares and options under the SIP were granted, and 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.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Overview and Plan of Operation

The Company, through its subsidiaries, is engaged in the development and operation of an integrated hotel, gaming, retail and entertainment complex within the Entertainment City. The Company's subsidiaries, MCE Holdings, MCE Holdings No. 2, and MCE Leisure, together with SMIC, Belle and PLAI, are the holders of the Regular License issued by PAGCOR for the development of City of Dreams Manila. The Company is an indirect subsidiary of Melco, a leading developer of integrated gaming resorts in Macau and other parts of Asia, and its subsidiary, MCE Leisure, is responsible for the furniture, fixtures and equipment (including gaming equipment), working capital expenses, non-real property improvements and personal property, as well as the management and operation of City of Dreams Manila. Belle, part of the SM Group and one of the largest conglomerates in the Philippines with interests in retail, real estate development and banking, among others, is responsible for construction of the principal structures and fixtures of City of Dreams Manila.

City of Dreams Manila opened its doors to the public in December 2014 and marked the formal entry of Melco into the fast-growing and dynamic tourism industry in the Philippines. City of Dreams Manila had its grand opening on February 2, 2015. The new integrated casino resort at Entertainment City, Manila Bay, Manila, is solely operated and managed by MCE Leisure. The dynamic and innovative resort complex, located on an approximately 6.2 hectare site at the gateway to Entertainment City, includes entertainment, hotel, retail and dining and lifestyle experiences with aggregated gaming space, including VIP and mass market gaming facilities with up to approximately 380 gaming tables, 1,700 slot machines and 1,700 electronic gaming tables. As of December 31, 2016, City of Dreams Manila has 270 gaming tables, 1,596 slot machines and 158 electronic gaming tables in operation. The integrated resort features three distinctive entertainment venues, namely Manila's first branded Family Entertainment Center, a live performance central lounge inside the casino and two night clubs situated at the Fortune Egg, an architecturally-unique dome-like structure, which is accented with creative exterior lighting design. It is expected to become an iconic landmark of the Manila Bay area.

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

Activities of MCE Holdings Group

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

On March 13, 2013, the Cooperation Agreement and the Lease Agreement became effective upon the completion of the closing arrangement conditions, with minor changes to the original terms (except for certain provisions of the Cooperation Agreement which were effective on signing). In addition, the MCE Holdings Group and the Philippine Parties entered into the 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.

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 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 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, amortization, payments to the Philippine Parties, land rent to Belle, net gain on disposals of property and equipment to Belle, pre-opening costs, share-based compensation expenses, corporate expenses, property charges and others and other non-operating income and expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenues

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

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

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

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

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

Operating costs and expenses

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

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

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

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

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

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

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

Non-operating expenses, net

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

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

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

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

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

Income tax expense

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

Net loss

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

Adjusted EBITDA

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

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

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 costs, 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 December 31, 2016 with variances against December 31, 2015 is discussed, as set out below:

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

Current assets

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

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

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

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

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

Non-current assets

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

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

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

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

Current liabilities

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

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

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

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

Non-current liabilities

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

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

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

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

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

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

Equity

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

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

The equity reserve consisted of the net difference between the cost of 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 Melco. The amount remained unchanged as of December 31, 2016 as compared to December 31, 2015.

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

Liquidity and Capital Sources

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue

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

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

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

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

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

Operating costs and expenses

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

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

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

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

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

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

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

Non-operating expenses, net

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

Interest expenses (net of capitalized interest), mainly represented by interest expenses on Senior Notes and obligations under finance lease in relation to the Lease Agreement of the building with Belle, amounted to ₱2,721.0 million for the year ended December 31, 2015 as compared to ₱1,915.1 million for the year ended

December 31, 2014. The increase was primarily due to lower interest capitalization of ₱82.7 million (2014: ₱734.1 million) as the project moved to completion after the first quarter of 2015.

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

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

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

Income tax expense

The provisions for current year income tax for the year ended December 31, 2015 represents tax provided by the Group on its taxable income for the year. Refer to Note 19 to the audited consolidated financial statements for the nature and details of the provision for income tax for the year ended December 31, 2015.

Net loss

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

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 EBITDAs 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 PFRS operating performance, other operating operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this annual report may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors. While our management believes these figures may provide useful additional information to investors when considered in conjunction with our financial statements and other information in this annual report, less reliance should be placed on Adjusted EBITDA as a measure in assessing our overall financial performance.

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

The Group is exposed, among others, to a number of trends, events, uncertainties and risks (refer to the section entitled "Discussion of Risks" in this report) which can affect its recurring revenues and profits. These include levels of general economic activity, as well as certain cost items, such as operating costs, 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 December 31, 2015 with variances against December 31, 2014 is discussed, as set out below:

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

Current assets

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

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

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

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

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

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

Non-current assets

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

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

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

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

Current liabilities

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

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

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

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

Non-current liabilities

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

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

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

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

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

Equity

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

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

The equity reserve consisted of the net difference between the cost of MCP acquiring 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 Melco. The amount remained unchanged as of December 31, 2015 as compared to December 31, 2014.

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

Liquidity and Capital Sources

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

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

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

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

- Net cash used in investing activities amounted to ₱1,306.5 million for the year ended December 31, 2015, which primarily included: (i) capital expenditure payments of ₱4,525.7 million; (ii) payment for other non-current assets of ₱62.2 million and (iii) advance payments and deposits for acquisitions of property and equipment of ₱6.6 million; partially offset by (iv) a net decrease in restricted cash of ₱2,188.3 million as discussed above; (v) escrow funds refundable to the Philippine Parties of ₱1,103.9 million in accordance with the Cooperation Agreement which allowed 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 finance lease of ₱1,079.5 million; (ii) interest and other finance fee payments for the Senior Notes of ₱985.3 million; and (iii) repayments of ₱804.2 million to the immediate holding company, partially offset by the net proceeds from issuance of capital stock of ₱2,701.2 million as discussed above.

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

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

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

Significant Accounting Judgments, Estimates and Assumptions

Refer to Note 4 to the audited consolidated financial statements for details.

Recent Changes in Accounting Standards

Refer to Note 3 to the audited consolidated financial statements for coverage of recent changes in accounting standards.

Risks Related to Financial Instruments

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

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

Financial Assets and Liabilities – Fair Value of Financial Instruments

Refer to Note 26 to the audited consolidated financial statements for details.

Other Financing and Liquidity Matters

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

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

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

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

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

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

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

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information of Independent Accountant and Other Related Matters

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

To the best knowledge of the undersigned officers, 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.

2. External Audit Fees and Services

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

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

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

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

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The following are the directors and executive officers of the Company as of December 31, 2016:

Name And Position	Age	Citizenship	Period Served As a Director/Officer
Clarence Yuk Man Chung Chairman of the Board/President	54	Chinese	Since December 19, 2012
Jose F. Buenaventura Director	82	Filipino	Since February 20, 2013
William Todd Nisbet Director	49	American	Since December 19, 2012
James Andrew Charles MacKenzie Independent Director	63	Australian	Since December 19, 2012
Alec Yiu Wa Tsui Independent Director	67	British	Since December 19, 2012
Frances Marie T. Yuyucheng Director	49	Filipino	Since May 18, 2015
Maria Marcelina O. Cruzana Director	58	Filipino	Since March 13, 2014
Liberty A. Sambua Director	32	Filipino	Since March 13, 2014
Johann M. Albano Director	40	Filipino	Since April 11, 2014
Geoffry Philip Andres Property President/Chief Operating Officer	50	American	Since November 16, 2015
Donald Nori Tateishi Treasurer	46	American	Since May 15, 2016
Marissa T. Academia Corporate Information Officer* Corporate Secretary / Compliance Officer**	50	Filipino	*Since January 22, 2014 **Since March 13, 2014

On May 15, 2016, Donald Nori Tateishi was appointed as Treasurer to replace Adrian Hsen Bin Au who resigned effective on the same date.

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

DIRECTORS AND OFFICERS

The names of the Directors and Executive Officers of the Company, both incumbent and as of December 31, 2016, 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 in November 2006 and has been an Executive Director of Melco International since May 2006. Mr. Chung has been the Chairman and Chief Executive Officer of Entertainment Gaming Asia Inc., a NASDAQ listed company, since August 2008 and October 2008, respectively. Mr. Chung has more than twenty five years of experience in the finance industry in various capacities as a chief financial officer, an investment banker and a mergers and acquisitions specialist. Mr. Chung obtained a master degree in business administration from the Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology, and a bachelor degree in business administration from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Jose F. Buenaventura – *Director*

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

William Todd Nisbet – *Director*

Mr. Nisbet was appointed as a director of the Company on December 19, 2012 and has served as such until his resignation on February 1, 2017. 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 was also a Director of Melco until May 6, 2016 and Studio City International Holdings Limited until December 22, 2016. 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 from1986 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 served as the Company's independent director until his resignation on February 1, 2017. He also served as an independent non-executive director of Melco, listed on the NASDAQ, since his appointment on April 24, 2008 until February 1, 2017. He was the chairman of the Company's Audit Committee and a member of the Company's Nominating and Corporate Governance Committee, and Compensation Committee, and was appointed chairman of Melco'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 Melco on December 18, 2006. He is the chairman of the Company's Nominating and Corporate Governance Committee and Compensation Committee, and a member of the Company's Audit Committee. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission Hong Kong from 1989 to 1993, joined 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 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.

John William Crawford – *Independent Director*

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

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

Accountants, a member and honorary president of the Macau Society of Certified Practising Accountants and a member of the Canadian Institute of Chartered Accountants.

Frances Marie T. Yuyucheng – *Director*

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

Maria Marcelina O. Cruzana – *Director*

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

Liberty A. Sambua – *Director*

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

Johann M. Albano – *Director*

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

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

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

Donald Nori Tateishi – *Treasurer*

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

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

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

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

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

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

Significant Employees

There are no person who act as an Executive Officers expected by the Company to not make significant contributions 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 December 31, 2016, 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 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.

Item 10. Executive Compensation[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 2016

1. Mr. Clarence Yuk Man Chung	(President / Chairman of the Board)
2. Mr. Geoffry Philip Andres	(Property President / Chief Operating Officer)
3. Mr. Jarlath Lynch	(Senior Vice President, Non-Gaming Operations)

[3] In thousands of Philippine peso.

4. Mr. Rodney Walker (Vice President, Security and Surveillance)
5. Mr. Kevin Benning (Vice President, Gaming Operations)

Summary of Compensation Table

	(Estimated) Year Ending December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
(a) President and four highest compensated officers and/or key management personnel:			
Basic salaries, allowances and benefits in kind	₱81,363	₱81,781	₱66,986
Performance bonuses	47,682	61,745	0
Retirement costs – defined contribution plans	3,876	3,358	1,949
Termination benefits	0	0	39,572
Share-based compensation expenses	8,708	14,028	29,758
	₱141,629	₱160,912	₱138,265

	(Estimated) Year Ending December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
(b) All other Officers, key management personnel and Directors as a group unnamed:			
Basic salaries, allowances and benefits in kind	₱17,957	₱23,185	₱99,576
Performance bonuses	4,307	7,087	0
Retirement costs – defined contribution plans	63	58	462
Termination benefits	0	0	0
Share-based compensation expenses	107	1,301	32,572
	₱22,434	₱31,631	₱132,610

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

Compensation of Directors

The Company did not pay any compensation to the Directors for the years ended December 31, 2016 and 2015. The remuneration of the Directors of the Company were borne by Melco.

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

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

Warrants and Options Outstanding

The Company did not have any outstanding warrants as of December 31, 2016 and 2015. Refer to Note 28 to the consolidated financial statements for the details of the SIP.

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

The details of outstanding MCP Restricted Shares and MCP Share Options of the Company as at December 31, 2016 are as follows:

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

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

	As of December 31, 2016		As of December 31, 2015	
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	5,626,415	0	4,530,190	10,404,851
Chief Operating Officer*	N/A	N/A	995,138	4,286,017
Property President/Chief Operating Officer*	2,548,700	6,796,532	3,398,266	6,796,532
Treasurer**	0	0	574,516	1,723,550
Corporate Secretary	1,958,831	0	342,898	1,939,118
All other Officers, key management personnel and Directors as a group unnamed	8,629,204	0	6,220,955	27,046,585
Others	30,492,558	5,578,178	12,469,252	72,513,979
Total	**49,255,708**	**12,374,710**	**28,531,215**	**124,710,632**

* In 2015, the former Chief Operating Officer was replaced by the Property President/Chief Operating Officer.

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Recorded and Beneficial Owners

As of March 31, 2017, the shareholders who beneficially own in excess of 5% of the Company's common stock are as set out below:

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 Jayla Place, Wickams Cay I, Road Town, Tortola, British Virgin Islands Stockholder of Record	MCE (Philippines) Investments Limited	British Virgin Islands (“**BVI**”)	3,950,440,196*	69.76%
Common	PCD Nominee Corporation (Non-Filipino)	Various Stockholders	Various	604,774,277	10.68%
Common	MCE (Philippines) Investments No.2 Corporation Asean Avenue corner Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Stockholder of Record	MCE (Philippines) Investments Limited Parent Company of MCE (Philippines) Investments No.2 Corporation	BVI	173,837,068	3.07%

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

Security Ownership of Management

Details of securities owned and held by Directors and Executive Officers of the Company as of December 31, 2016 are as set out below:

A. Directors

Title	Name of Director	Citizenship	Amount and Nature of Record/Beneficial Ownership[4]	Percent to Total Outstanding Shares
Common	Clarence Yuk Man Chung	Chinese	Direct: 6,238,396 Indirect: 100	NIL
Common	Jose F. Buenaventura	Filipino	Direct: 28,125 Indirect: N/A	NIL
Common	William Todd Nisbet (resigned on February 1, 2017)	American	Direct: 4,171,387 Indirect: 100	NIL
Common	James Andrew Charles MacKenzie (resigned on February 1, 2017)	Australian	Direct: 1,245,123 Indirect: N/A	NIL
Common	Alec Yiu Wa Tsui	British	Direct: 1,245,123 Indirect: N/A	NIL

[4] (1) Clarence Yuk Man Chung indirectly holds 100 shares in trust and for the benefit of MCE (Philippines) Investments Limited while William Todd Nisbet used to indirectly hold 100 shares in trust and for the benefit of the same company prior to his resignation on February 1, 2017. (2) Frances Marie T. Yuyucheng, Maria Marcelina O. Cruzana and Johann M. Albano indirectly hold 100,100 and 3,000 shares each, respectively, while Liberty A. Sambua used to indirectly hold 100 shares, in trust and for the benefit of MCE (Philippines) Investments No.2 Corporation prior to her resignation on February 1, 2017. (3) Jose F. Buenaventura, James MacKenzie and Alec Tsui are the registered and beneficial owners of the shares held by them.

Common	Frances Marie T. Yuyucheng	Filipino	Direct: N/A Indirect: 100	NIL
Common	Maria Marcelina O. Cruzana	Filipino	Direct: 5,696 Indirect: 100	NIL
Common	Liberty A. Sambua (resigned on February 1, 2017)	Filipino	Direct: 11,464 Indirect: 100	NIL
Common	Johann M. Albano	Filipino	Direct: 112,320 Indirect: 3,000	NIL

B. Executive Officers

Title	Name of Executive Officer	Citizenship	Amount and Nature of Record/Beneficial Ownership[5]	Percent to Total Outstanding Shares
Common	Clarence Yuk Man Chung	Chinese	Direct: 6,238,396 Indirect: 100	NIL
Common	Geoffry Philip Andres	American	Direct: 849,566 Indirect: N/A	NIL
-	Donald Nori Tateishi	American	Direct: N/A Indirect: N/A	NIL
Common	Marissa T. Academia	Filipino	Direct: 151,046 Indirect: N/A	NIL

C. Voting Trusts 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 12. Certain Relationships and Related Transactions

Related transactions were described in page 11 of this report under the heading "Related Party Transactions".

PART IV - EXHIBITS AND SCHEDULES

Item 13. Corporate Governance

In accordance with SEC Memorandum Circular No. 20 dated December 8, 2016, the Annual Corporate Governance Report of the Company shall no longer be required to be attached to the Form 17-A.

Exhibits and Reports on SEC Form 17-C

(a) **Exhibits** - See accompanying Index to Exhibits (page [172]).

(b) **Reports on SEC Form 17-C**

January 05, 2016 Submitted the ACGR Advisement Letter on Attendance of members of the Board of Directors to 2015 Board Meetings.

January 08, 2016 Reported the number of shareholders of the Company owning one (1) board lot each as of December 31, 2015.

January 12, 2016 Reported the Consolidated Changes in the ACGR for 2015.

January 15, 2016 Submitted the List of Top 100 Stockholders as of December 31, 2015.

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

January 15, 2016	Submitted the Public Ownership Report as of December 31, 2015.
February 05, 2016	Reported the number of shareholders of the Company owning one (1) board lot each as of January 31, 2016.
February 19, 2016	Reported the SEC Form 17-C on the Financial Results of Melco Crown Entertainment Limited for the 4th Quarter ended December 31, 2015.
March 07, 2016	Reported the number of shareholders of the Company owning one (1) board lot each as of February 29, 2016.
March 16, 2016	Reported the following: a. Board Meeting Results; b. ACGR Advisement Letter on Revisions to the MCP Audit Committee Charter; c. Disclosure on Record Date and Annual Stockholders' Meeting; d. Board Approval on the Amendments to the Revised Manual on Corporate Governance; and e. Further Amendments to the Amended By-Laws.
March 31, 2016	Reported the 2015 Compliance Report on Corporate Governance.
April 07, 2016	Reported the number of shareholders of the Company owning one (1) board lot each as of March 31, 2016.
April 11, 2016	Reported the following: a. SEC Form 17-C on the SEC approval of the Amended By-Laws of MCP; b. Submitted the ACGR Advisement Letter on Change in 5% Shareholdings or more, and c. Reported the SEC Form 23-B of MCE (Philippines) Investments Limited.
April 13, 2016	Submitted the SEC Form 17-A (2015 Annual Report).
April 14, 2016	Reported the following: a. List of Top 100 Stockholders as of March 31, 2016; b. Public Ownership Report as of March 31, 2016; c. Amended General Information Sheet; and d. Amended SEC Form 17-A (2015 Annual Report);
May 4, 2016	Reported the ACGR Advisement Letter on Change in Shareholding.
May 5, 2016	Submitted the following: a. Amended SEC Form 17-Q (Quarterly Report) as of March 31, 2016; b. SEC Form 17-Q (Quarterly Report) as of March 31, 2016; and c. Number of Shareholders of the Company Owning one (1) Board Lot each as of April 30, 2016.
May 6, 2016	Reported the following: a. SEC Form 23-B of Marie Grace A. Santos; b. SEC Form 23-B of Adrian Hsen Bin Au; c. SEC Form 23-B of Marissa T. Academia; d. SEC Form 23-B of Alec Y. W. Tsui; e. SEC Form 23-B of James A.C. MacKenzie; f. SEC Form 23-B of Clarence Yuk Man Chung; and g. SEC Form 23-B of William Todd Nisbet.
May 11, 2016	Reported the following: a. Preliminary Information Statement; and b. Change in Number of Issued and Outstanding Shares.

May 16, 2016	Reported the Resignation and Appointment of Treasurer.
May 20, 2016	Reported the following: a. SEC Form 23-B of Marissa T. Academia; and b. SEC Form 23-B of Marie Grace A. Santos.
May 24, 2016	Submitted the following: a. 2015 Amended General Information Sheet; b. SEC Form 23-A of Donald Nori Tateishi; and c. Letter to PSE on the Appointment of New Treasurer, Donald Nori Tateishi.
May 25, 2016	Reported the Definitive Information Statement.
June 1, 2016	Clarification of News Article entitled “City of Dreams Projects Better Growth in 2016” published in The Philippine Star.
June 3, 2016	Reported the ACGR Advisement Letter on Shareholdings of Directors.
June 6, 2016	Reported the Number of Shareholders of the Company Owning one (1) Board Lot each as of May 31, 2016.
June 7, 2016	Reported the following: a. SEC Form 23-B of MCE (Philippines) Investments Limited; b. 2015 Amended General Information Sheet; c. SEC Form 23-B of William Todd Nisbet; d. SEC Form 23-B of Alec Y.W. Tsui; e. SEC Form 23-B of Clarence Yuk Man Chung; f. SEC Form 23-B of James A.C. MacKenzie; g. SEC Form 23-B of Johann M. Albano; h. SEC Form 23-B of Maria Marcelina O. Cruzana; i. SEC Form 23-B of Liberty A. Sambua; and j. SEC Form 23-B of Marissa T. Academia
June 9, 2016	Reported the Change in Number of Issued and Outstanding Shares.
June 14, 2016	Reported the ACGR Advisement Letter on Change in 5% Shareholdings.
June 21, 2016	Reported the following: a. Results of the Organizational Meeting; and b. Results of the Annual Stockholders’ Meeting.
June 27, 2016	Reported the ACGR Advisement Letter on Results of 2016 ASM Meeting.
July 4, 2016	Submitted the Certification of Independent Directors
July 6, 2016	Reported the Number of Shareholders of the Company Owning one (1) Board Lot each as of June 30, 2016.
July 11, 2016	Reported the following: a. SEC Form 23-B of Marie Grace A. Santos; and b. SEC Form 23-B of MCE (Philippines) Investments Limited.
July 12, 2016	Reported the ACGR Advisement Letter on Change in 5% Shareholdings.
July 15, 2016	Reported the following: a. List of Top 100 Stockholders for the quarter ended June 30, 2016; and b. Public Ownership Report for the quarter ended June 30, 2016.
July 20, 2016	Submitted the 2016 General Information Sheet.

August 4, 2016	Reported the Number of Shareholders of the Company Owning one (1) Board Lot each as of July 31, 2016.
August 5, 2016	Submitted the Quarterly Report for Period Ended June 30, 2016.
August 17, 2016	Reported Further Amendments to the Amended By-Laws.
September 5, 2016	Reported the SEC Form 23-B of Marissa T. Academia.
September 6, 2016	Reported the Number of Shareholders of the Company Owning one (1) Board Lot each as of August 31, 2016.
September 19, 2016	Reported the ACGR Advisement Letter on Orientation and Education Program.
September 23, 2016	Reported the following: a. SEC Form 23-B of Liberty A. Sambua; and b. SEC Form 23-B of Maria Marcelina O. Cruzana.
September 30, 2016	Reported the Change in Number of Issued and Outstanding Shares.
October 5, 2016	Reported the following: a. SEC Form 23-B of Clarence Yuk Man Chung; and b. ACGR Advisement Letter on Shareholdings of Director.
October 7, 2016	Reported the Number of Shareholders of the Company Owning one (1) Board Lot each as of September 30, 2016.
October 14, 2016	Reported the following: a. Public Ownership Report for the quarter ended September 30, 2016; and b. List of Top 100 Stockholders for the quarter ended September 30, 2016.
October 27, 2016	Submitted the following: a. Disclosure on Record Date and Special Stockholders' Meeting; b. Preliminary Information Statement; and c. SEC Form 17-C - Board Meeting Results;
November 2, 2016	Reported the ACGR Advisement Letter on Orientation and Education Program
November 4, 2016	Submitted the SEC Form 17-C – Financial Results of Melco Crown Entertainment Limited for its 3rd Quarter Ended September 30, 2016.
November 8, 2016	Reported the Number of Shareholders of the Company Owning one (1) Board Lot each as of October 31, 2016.
November 10, 2016	Submitted the Definitive Information Statement.
November 15, 2016	Submitted the Quarterly Report for Period Ended September 30, 2016.
November 17, 2016	Reported the following: a. Change in Number of Issued and Oustanding Shares; and b. SEC Form 23-B of Geoffry Philip Andres.
November 21, 2016	Reported the Amended Change in Number of Issued and Oustanding Shares.
November 23, 2016	Submitted the following: a. 2016 Amended General Information Sheet; and b. Certificate of Completion of Corporate Governance Training by Donald Nori Tateishi.
November 29, 2016	Reported the SEC Form 23-B of Maria Marcelina O. Cruzana.

December 5, 2016	Reported the Results of the Special Stockholders' Meeting.
December 7, 2016	Reported the Number of Shareholders of the Company Owning one (1) Board Lot each as of November 30, 2016.
December 13, 2016	Reported the ACGR Advisement Letter on Results of Board Meeting, Special Stockholders' Meeting and Corporate Governance Training.
December 16, 2017	Submitted the Certificates of Attendance – Corporate Governance Training 2016.
January 5, 2017	Reported the ACGR Advisement Letter on the Attendance of Directors to 2016 Board Meetings.
January 9, 2017	Reported the Number of Shareholders of the Company Owning one (1) Board Lot each as of December 31, 2016.
January 11, 2017	Submitted the Consolidated Changes in the ACGR for 2016.
January 17, 2017	Reported the following: a. Public Ownership Report for the quarter ended December 31, 2016; and b. List of Top 100 Stockholders for the quarter ended December 31, 2016.
February 2, 2017	Reported the following: a. Change in Directors. b. Further Amendments to the Amended By-Laws; and c. Further Amendments to the Amended Articles of Incorporation; d. Disclosure on Record Date and Special Stockholders' Meeting; e. SEC Form 17-C on Board Meeting Results;
February 7, 2017	Reported the Number of Shareholders of the Company Owning one (1) Board Lot each as of January 31, 2017.
February 8, 2017	Reported the following: a. Notification of Ownership of Shares and SEC Form 23-A of John William Crawford; and b. Amending the Notice of Special Stockholders' Meeting to Reschedule the Date of the Meeting.
February 9, 2017	Reported the General Information Sheet.
February 17, 2017	Reported the SEC Form 17-C on Financial Results of Melco Crown Entertainment Limited for its 4th Quarter ended December 31, 2016.
February 20, 2017	Reported the following: a. SEC Form 23-B of MCE (Philippines) Investments Limited; b. SEC Form 23-B of William Todd Nisbet; and c. SEC Form 23-B of Liberty A. Sambua.
March 2, 2017	Reported the Preliminary Information Sheet.
March 7, 2017	Reported the Number of Shareholders of the Company Owning one (1) Board Lot each as of February 28, 2017.
March 10, 2017	Reported the following: a. Amending the Notice of Special Stockholders' Meeting to Set the Time of the Meeting; and b. Definitive Information Sheet.
March 28, 2017	Submitted the 2016 Compliance Report on Corporate Governance.

April 3, 2017 Reported the Financial Results of Melco International Development Limited and Melco Crown Entertainment Limited for the year ended December 31, 2016.

April 10, 2017 Reported the following:

a. Disclosure of Date of Annual Stockholders' Meeting and Record Date;
b. Results of the Regular Board Meeting on April 7, 2017;
c. Results of the Special Stockholders' Meeting of April 7, 2017; and
d. Further Amendments to the Amended Articles of Incorporation.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Issuer

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned; thereunto duly authorized, in the City of PARANAQUE CITY on April 7, 2017.

Clarence Yuk Man Chung
President

SUBSCRIBED AND SWORN to before me this 7th day of April 2017 affiant exhibiting to me her Government Issued ID, as follows:

NAME	PASSPORT NO.	EXPIRATION DATE	PLACE OF ISSUE
Clarence Yuk Man Chung	KJ0196556	January 24, 2023	China

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

Doc. No. 199;
Page No. 41;
Book No. II;
Series of 2017.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned; thereunto duly authorized, in the City of Parañaque on April 7, 2017.

Donald Nori Tateishi
Treasurer

SUBSCRIBED AND SWORN to before me this 7th day of April 2017 affiant exhibiting to me her Government Issued ID, as follows:

NAME	PASSPORT NO.	EXPIRATION DATE	PLACE OF ISSUE
Donald Nori Tateishi	518936680	October 1, 2024	USA

Doc. No. 200;
Page No. 41;
Book No. II;
Series of 2017.

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned; thereunto duly authorized, in the City of Parañaque on April 7, 2017.

Geoffry Philip Andres
Property President/Chief Operating Officer

SUBSCRIBED AND SWORN to before me this 7th day of April 2017 affiant exhibiting to me her Government Issued ID, as follows:

NAME	PASSPORT NO.	EXPIRATION DATE	PLACE OF ISSUE
Geoffry Philip Andres	468052036	May 8, 2020	USA

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

Doc. No. 201;
Page No. 42;
Book No. II;
Series of 2017.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned; thereunto duly authorized, in the City of Parañaque on April 7, 2017.

Marissa T. Academia
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 7th day of April 2017 affiant exhibiting to me her Government Issued ID, as follows:

NAME	GOVERNMENT ISSUED ID NO.	EXPIRATION DATE	PLACE OF ISSUE
Marissa T. Academia	PP No. EB9104882	September 9, 2018	Manila

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

Doc. No. 202;
Page No. 42;
Book No. II;
Series of 2017.

SEC Number **58648**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

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* *These schedules, which are required by RSA Rule 68.1, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's financial statements or the notes to financial statements.*

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Melco Crown (Philippines) Resorts Corporation and Subsidiaries

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

and

Independent Auditors' Report

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A member firm of Ernst & Young Global Limited

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

5 8 6 4 8

Company Name

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

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

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

CLARENCE YUK MAN CHUNG
President & Chairman of the Board

DONALD N. TATEISHI
Property Chief Financial Officer and Treasurer

Signed this 7th day of April 2017

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

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

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

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

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Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Adequacy of Allowance for Doubtful Debts

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

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

Audit Response

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

Classification of Sales Incentives

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

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

Audit Response

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

Adequacy of Provisions

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

Audit Response

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

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

April 7, 2017

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

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

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

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

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

See accompanying Notes to Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

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

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

See accompanying Notes to Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

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

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

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY – continued

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS – continued

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

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

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

See accompanying Notes to Consolidated Financial Statements.

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

1. Organization and Business

(a) Corporate Information

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

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

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

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

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

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

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

1. **Organization and Business** – continued

(b) Subsidiaries of MCP

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

(c) Activities of MCE Holdings Group

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

(d) Regular License

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

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

1. **Organization and Business** – continued

(d) Regular License – continued

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

2. **Summary of Significant Accounting Policies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Standards Issued But Not Yet Effective – continued

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

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

- **PFRS 16, *Leases***

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

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

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

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

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

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

Standards Issued But Not Yet Effective – continued

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

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

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

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

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

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

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

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

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

Standards Issued But Not Yet Effective – continued

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

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

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

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

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

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

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

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

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

Standards Issued But Not Yet Effective – continued

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

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

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

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

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

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

Judgments

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

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

Judgments – continued

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

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

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

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

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

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

Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. **Cash and Cash Equivalents**

This account consists of:

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

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

6. **Restricted Cash**

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

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

7. **Accounts Receivable, Net**

Components of accounts receivable, net are as follows:

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

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

Movement of allowance for doubtful debts are as follows:

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

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

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

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

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

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

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

8. **Prepayments and Other Current Assets**

This account consists of:

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

9. **Property and Equipment, Net**

December 31, 2016

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

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

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

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

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

10. **Contract Acquisition Costs, Net**

This account consists of:

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

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

11. **Other Intangible Assets, Net**

This account consists of:

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

12. **Other Non-current Assets**

This account consists of:

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

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

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

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

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

This account consists of:

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

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

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

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

14. **Equity**

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

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

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

Equity Reserve

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

The equity reserve is accounted for as follows:

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

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

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

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

15. Employee Benefit Expenses

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

16. Other Expenses

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

17. Related Party Transactions

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

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

17. **Related Party Transactions** – continued

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

	Amount of Transactions Year Ended December 31,			Outstanding Balance December 31,		Terms	Conditions
	2016	2015	2014	**2016**	2015		
Amount due from a shareholder							
MCE Investments No.2							
Amount due from MCE Investments No.2	**₱–**	₱–	₱–	**₱5,590**	₱5,588	Repayable on on demand; non-interest bearing	Unsecured, no impairment
Amount due from ultimate holding company							
Melco[1]							
Management fee income[2]	**₱11,134**	₱44,036	₱92,745	**₱–**	₱–		
Management fee expenses	**1,706**	60,104	42,759	**–**	–		
Amount due from Melco	**–**	–	–	**–**	175,557	Repayable on on demand; non-interest bearing	Unsecured, no impairment
Amount due from an intermediate holding company							
Melco[1]							
Management fee income[2]	**₱5,237**	₱–	₱–	**₱–**	₱–		
Management fee expenses	**39,533**	–	–	**–**	–		
Amount due from Melco	**–**	–	–	**139,264**	–	Repayable on on demand; non-interest bearing	Unsecured, no impairment
Amount due from (to) immediate holding company							
MCE Investments							
Amount due from (to) MCE Investments	**₱–**	₱–	₱–	**₱3,000**	(₱7,357)	Repayable on on demand; non-interest bearing	Unsecured, no impairment
Amount due from an affiliated company							
A subsidiary of Melco[1]							
Food and beverage and entertainment, retail and other revenues	**₱94**	₱455	₱–	**₱–**	₱–		
Amount due from a subsidiary of Melco	**–**	–	–	**–**	455	Repayable on on demand; non-interest bearing	Unsecured, no impairment
A subsidiary of Melco International[1]							
Food and beverage and entertainment, retail and other revenues	**₱568**	₱–	₱–	**₱–**	₱–		
Amount due from a subsidiary of Melco International	**–**	–	–	**1,117**	–	Repayable on on demand; non-interest bearing	Unsecured, no impairment

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

17. **Related Party Transactions** – continued

	Amount of Transactions Year Ended December 31,			Outstanding Balance December 31,		Terms	Conditions
	2016	2015	2014	**2016**	2015		
Amounts due to affiliated companies							
Melco's subsidiaries[1]							
Acquisitions of property and equipment	**₱23,097**	₱–	₱–	**₱–**	₱–		
Management fee and other expenses[3]	**166,861**	1,249,068	350,108	**–**	–		
Amounts due to Melco's subsidiaries	**–**	–	–	**–**	559,216	Repayable on on demand; non-interest bearing	Unsecured
Melco International's subsidiaries[1]							
Acquisitions of property and equipment	**₱15,010**	₱231,399	₱96,660	**₱–**	₱–		
Management fee, trademark license fees and other expenses[3]	**414,940**	–	–	**–**	–		
Amounts due to Melco International's subsidiaries	**–**	–	–	**1,221,141**	791	Repayable on on demand; non-interest bearing	Unsecured
Crown's subsidiaries and associated companies							
Acquisitions of property and equipment	**₱20,027**	₱1,453	₱37,000	**₱–**	₱–		
Adjustment of acquisitions of property and equipment	**–**	(2,109)	–	**–**	–		
Management fee, consultancy fee and facilities expenses	**53,883**	8,948	3,711	**–**	–		
Amounts due to Crown's subsidiaries and associated companies	**–**	–	–	**60,899**	49,944	Repayable on on demand; non-interest bearing	Unsecured

Notes:
(1) In May 2016, the Parent Company's ultimate holding company was changed from Melco to Melco International upon the completion of the Shares Repurchase Transaction (see Note 1(a)).
(2) The amount represents the recharge of share-based compensation expenses for certain directors of MCP for the years ended December 31, 2016, 2015 and 2014 to Melco.
(3) Management services are provided by Melco International group companies. These services include, but are not limited to, corporate expenses, gaming operations support, other various types of advertising, marketing, promotional and entertainment activities for the Group, facilities services and other design development and construction consultancy services.

Directors' Remuneration

For the years ended December 31, 2016, 2015 and 2014, the remuneration of directors of the Group was borne by Melco.

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

17. **Related Party Transactions** – continued

Compensation of Key Management Personnel

The compensation of key management personnel of the Group for the years ended December 31, 2016, 2015 and 2014 is as follows:

	Year Ended December 31,		
	2016	2015	2014
Basic salaries, allowances and benefits in kind	**₱104,966**	₱166,562	₱149,321
Performance bonuses	**68,832**	–	34,890
Retirement costs – defined contribution plans	**3,416**	2,411	2,737
Termination benefits	–	39,572	–
Share-based compensation expenses	**15,329**	62,330	99,752
	₱192,543	₱270,875	₱286,700

For the years ended December 31, 2016, 2015 and 2014, part of the compensation of key management personnel of the Group was borne by Melco.

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

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

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

	Year Ended December 31,		
	2016	2015	2014
Net loss (a)	**(₱1,581,299)**	(₱9,144,131)	(₱6,303,281)
Weighted average number of common shares outstanding of legal parent used in the calculation of basic and diluted loss per share (b)	**5,671,205,713**	5,014,093,527	4,680,190,442
Basic/Diluted loss per share (a)/(b)*1,000	**(₱0.28)**	(₱1.82)	(₱1.35)

For the years ended December 31, 2016, 2015 and 2014, 12,374,710, 124,710,632 and 124,126,612 outstanding share options and 49,255,708, 28,531,215 and 64,371,486 outstanding restricted shares as of December 31, 2016, 2015 and 2014, respectively, were excluded from the computation of diluted loss per share as their effect would have been anti-dilutive.

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

19. **Income Tax**

The provision for income tax for the years ended December 31, 2016, 2015 and 2014 consisted of:

	Year Ended December 31,		
	2016	2015	2014
Provision for current income tax	**₱327**	₱24,610	₱23,729
Deferred tax charge (credit)	**82,069**	(881)	(23,729)
	₱82,396	₱23,729	₱–

The provision for current income tax for the years ended December 31, 2016, 2015 and 2014 represents the tax provided by the Group on its taxable income for each year. The deferred tax charge mainly represents the deferred tax liability arising from unrealized foreign exchange gains and the receivable of the insurance claim recovery. The deferred tax credit represents the deferred tax asset which is recognized up to the amount of income tax recognized to the extent of the reversing deductible temporary differences arising from carryforward benefits from MCIT and share-based compensation expenses.

The components of the Group's net deferred tax liability and net deferred tax asset as of December 31, 2016 and 2015, respectively, were as follows:

	December 31,	
	2016	2015
Deferred tax assets:		
Deferred rent under PAS 17	**₱232,178**	₱255,353
MCIT	**–**	881
	232,178	256,234
Deferred tax liabilities:		
Capitalized interest expenses	**(232,178)**	(255,353)
Unrealized foreign exchange gains, net	**(61,688)**	–
Receivable of insurance claim recovery	**(19,500)**	–
	(313,366)	(255,353)
	(₱81,188)	₱881

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

	December 31,	
	2016	2015
NOLCO	**₱4,656,893**	₱3,887,014
Deferred rent under PAS 17	**1,079,195**	746,607
Share-based compensation expenses	**164,591**	173,504
Interest expenses	**122,656**	122,656
Others	**216,515**	77,348
	₱6,239,850	₱5,007,129

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

19. **Income Tax** – continued

As of December 31, 2016, the Group's NOLCO which can be carried forward and claimed as deduction from regular taxable income in future years is as follows:

Year Incurred	Expiry Year	Amount
2014	2017	**₱4,726,959**
2015	2018	**6,477,322**
2016	2019	**4,318,696**
		₱15,522,977

NOLCO incurred in 2013, 2012 and 2011 amounting to ₱8,742, ₱3,210 and ₱1,264, respectively, have been utilized for the year ended December 31, 2014. The amounts utilized included the NOLCO of ₱1,264 and ₱1,429 incurred by former business of MCP in 2011 and 2012, respectively. NOLCO incurred in 2013 and 2012 amounting to ₱1,440,046 and ₱48,224 have expired for the years ended December 31, 2016 and 2015, respectively.

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

	Year Ended December 31,		
	2016	2015	2014
Income tax benefit computed at statutory income tax rate	**(₱449,671)**	(₱2,736,121)	(₱1,890,984)
Income tax effects of:			
Change in unrecognized deferred tax assets	**1,231,758**	2,357,040	1,883,550
Change in unrecognized deferred tax asset in prior year	**99,238**	1,714	12,527
Expenses not deductible for tax	**173,193**	390,890	11,739
Utilization of tax loss previously not recognized	**–**	–	(3,965)
Expired NOLCO	**432,014**	14,467	–
Effect of profits generated by gaming operations exempted from corporate income tax	**(1,398,046)**	–	–
Interest income subject to final tax	**(4,569)**	(2,838)	(11,843)
Interest income not taxable	**(1,521)**	(1,423)	(1,024)
	₱82,396	₱23,729	₱–

19. **Income Tax** – continued

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

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

To address the additional exposure to corporate income tax brought by BIR RMC No. 33-2013, in May 2014, PAGCOR temporarily allowed the Licensees to reallocate 10% of the license fees for payment of corporate income taxes effective from April 1, 2014. The said reallocation of 10% of the license fees was required to be used for subsidizing the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). On August 10, 2016, the Supreme Court of the Philippines (the "SC") found in the case of Bloomberry Resorts and Hotels, Inc. vs. the BIR, G. R. No. 212530 ("Bloomberry Case") that all contractees and licensees of PAGCOR, should be exempt from tax, including corporate income taxes realized from the casino operations, upon payment of the 5% franchise tax. The BIR subsequently filed a Motion for Reconsideration of the said decision. Based on the SC decision, MCE Leisure's gaming operations should be exempt from corporate income tax, among other taxes, provided the license fees which are inclusive of the 5% franchise tax under the PAGCOR Charter, is paid.

As of December 31, 2016 and 2015, MCE Leisure was registered with Philippine Economic Zone Authority ("PEZA") as a tourism economic zone enterprise ("Tourism Economic Zone Enterprise") for the development and operation of tourist facilities. As a Tourism Economic Zone Enterprise, MCE Leisure was granted the following fiscal incentives: (a) tax and duty-free importation of certain eligible capital equipment to be used as part of the registered activity; and (b) VAT-zero rating on local purchase of certain eligible capital equipment in accordance with the PEZA rules and regulations.

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

20. Obligations Under Finance Lease

On March 13, 2013, MCE Leisure entered into the Lease Agreement with Belle, as amended from time to time, for lease of the land and certain of the building structures for City of Dreams Manila and is expected to expire on July 11, 2033.

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

	December 31, 2016		December 31, 2015	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under finance lease:				
Within one year	**₱1,638,716**	**₱1,524,893**	₱1,506,510	₱1,401,702
In more than one year and not more than five years	**8,316,154**	**5,499,231**	7,580,256	5,011,130
In more than five years	**29,594,438**	**7,562,231**	32,023,338	7,733,705
	39,549,308	**14,586,355**	41,110,104	14,146,537
Less: Finance charges	**(24,962,953)**	**–**	(26,963,567)	–
Present value of lease obligations	**₱14,586,355**	**14,586,355**	₱14,146,537	14,146,537
Less: Current portion of obligations under finance lease		**(1,524,893)**		(1,401,702)
Non-current portion of obligations under finance lease		**₱13,061,462**		₱12,744,835

For the years ended December 31, 2016, 2015 and 2014, finance charges on obligations under finance lease amounted to ₱1,945,175, ₱1,866,199 and ₱1,771,625, of which ₱8,823, ₱82,746 and ₱734,133, were capitalized, respectively.

21. Long-term Debt, Net

This account consists of:

	December 31,	
	2016	2015
Senior Notes	**₱15,000,000**	₱15,000,000
Less: Deferred financing costs, net	**(151,500)**	(217,648)
	14,848,500	14,782,352
Current portion of long-term debt	**–**	–
	₱14,848,500	₱14,782,352

(a) Senior Notes

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

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

(a) Senior Notes – continued

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

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

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

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

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

The Notes Facility and Security Agreement contains certain covenants that, subject to certain exceptions and conditions, limit the ability of MCP and its subsidiaries ability, including MCE Leisure to, among other things: (i) incur or guarantee additional indebtedness; (ii) sell assets; (iii) create liens; and (iv) effect a consolidation and merger.

The Senior Notes are exempted from registration with the SEC under the Philippine Securities Regulation Code Rule ("SRC Rule") 9.2.2(B) promulgated by the SEC as the Senior Notes were offered via private placement to not more than nineteen primary institutional lenders, accordingly, the Senior Notes are subject to the conditions of SRC Rule 9.2.2(B) which limit the assignment and transfer of the Senior Notes to primary institutional lenders only and to be held by not more than nineteen primary institutional lenders at any time before maturity of the Senior Notes.

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

(b) Shareholder Loan Facility

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

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

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

(c) The Credit Facility

On October 14, 2015, the Parent Company entered into an on-demand, unsecured credit facility agreement of ₱2,350,000 (the "Credit Facility") with a lender to finance advances to MCE Leisure. The Credit Facility availability period was extended from August 31, 2016 to November 29, 2016 and further extended to February 28, 2017 for the year ended December 31, 2016, and the maturity date of each individual drawdown cannot extend beyond the earlier of: (i) the date which is one year from the date of drawdown, and (ii) 90 days after the end of the availability period. The individual drawdowns under the Credit Facility are subject to certain conditions precedents, including issuance of a promissory note in favor of the lender evidencing such drawdown. Borrowings under the Credit Facility bear interest at the higher of: (i) the Philippine Dealing System Treasury Reference Rate PM (the "PDST-R2") of the selected interest period plus the applicable PDST-R2 margin of 1.25% per annum, and (ii) Philippines Special Deposit Account Rate (the "SDA") of the selected interest period plus the applicable SDA margin ranging from 0.50% to 0.75% per annum, such rate to be set one business day prior to the relevant interest period. The Credit Facility includes a tax gross up provision requiring the Parent Company to pay without any deduction or withholding for or on account of tax.

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

(c) The Credit Facility – continued

As of December 31, 2016 and 2015, the Credit Facility has not been drawn. As of the date of this report, the Credit Facility availability period was extended to February 28, 2018 on substantially similar terms as before, except that (i) the "SDA" is replaced by Philippines Term Deposit Facility Rate, and (ii) the maturity date shall not extend beyond 180 days from February 28, 2018.

(d) Deferred Financing Costs, Net

Direct and incremental costs of ₱333,711 incurred in connection with the issuance of the Senior Notes are capitalized in deferred financing costs. For the years ended December 31, 2016, 2015 and 2014, deferred financing costs of ₱66,148, ₱61,828 and ₱54,235 were amortized to the consolidated statements of comprehensive income, respectively. As of December 31, 2016 and 2015, the unamortized deferred financing costs of ₱151,500 and ₱217,648 were netted off and included in the amount of long-term debt as shown in the consolidated balance sheets, respectively.

For the years ended December 31, 2016, 2015 and 2014, interest expenses on long-term debt consisted of interest for the Senior Notes amounted to ₱937,500, ₱937,500 and ₱877,605, respectively. No interest on long-term debt was capitalized for the years ended December 31, 2016, 2015 and 2014.

For the years ended December 31, 2016, 2015 and 2014, the Group's borrowing rate was approximately 6.25% per annum in each of those years, including a tax gross up impact on interest on the Senior Notes which required MCE Leisure to pay without any deduction or withholding for or on account of tax.

For the years ended December 31, 2016, 2015 and 2014, other finance fees on long-term debt represent the gross receipt tax on interest on the Senior Notes, including a tax gross up impact which required MCE Leisure to pay without any deduction or withholding for or on account of tax amounted to ₱47,832, ₱47,832 and ₱44,776, respectively.

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

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

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

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

The following tables summarize the components of retirement costs of defined benefit obligations recognized in the consolidated statements of comprehensive income for the years ended December 31, 2016, 2015 and 2014 and the retirement liabilities of defined benefit obligations recognized in the consolidated balance sheets as of December 31, 2016 and 2015:

	Year Ended December 31,		
	2016	2015	2014
Retirement costs – defined benefit obligations:			
Current service costs	**₱13,681**	₱23,617	₱–
Interest costs	**1,136**	–	–
	₱14,817	₱23,617	₱–

	December 31,	
	2016	2015
Retirement liabilities – defined benefit obligations (at present value):		
Balance at beginning of year	**₱23,617**	₱–
Current service costs	**13,681**	23,617
Interest costs	**1,136**	–
Remeasurement loss due to:		
Experience adjustments	**7,113**	–
Changes in financial assumptions	**(3,903)**	–
Balance at end of year	**₱41,644**	₱23,617

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

	December 31,	
	2016	2015
Discount rate	**5.46%**	4.81%
Salary increase rate	**3.00%**	3.00%
Mortality rate	**1994 GAM**	1994 GAM
Disability rate	**1952 Disability Study, Period 2, Benefit 5**	1952 Disability Study, Period 2, Benefit 5
Turnover rate	**A scale ranging from 11% at age 25 to 0% at age 60**	A scale ranging from 11% at age 20 to 0% at age 60

The Group does not maintain a fund for its retirement benefit obligations.

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

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

As of December 31, 2016 and 2015, the expected maturity of undiscounted expected benefit payments are as below:

	December 31,	
	2016	2015
Plan year:		
Less than 1 year	**₱–**	₱–
More than 1 year but less than 5 years	**13,958**	11,098
More than 5 years but less than 10 years	**73,313**	25,267
More than 10 years but less than 15 years	**102,330**	79,276
More than 15 years but less than 20 years	**182,643**	147,359
More than 20 years	**513,283**	454,131

As of December 31, 2016 and 2015, the average duration of the expected benefit payments were 21.63 and 23.42 years, respectively.

As above, the retirement benefit obligations are subject to several key assumptions. The following sensitivity analysis summarizes the impact of key assumptions which have been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligations as of December 31, 2016 and 2015, assuming all other assumptions were held constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

	December 31, 2016 Effect on Present Value of Obligations
Discount rate:	
6.46% (Actual + 1.00%)	**₱36,474**
5.46% (Actual)	**41,644**
4.46% (Actual - 1.00%)	**47,871**
Salary increase rate:	
4.00% (Actual + 1.00%)	**₱48,193**
3.00% (Actual)	**41,644**
2.00% (Actual - 1.00%)	**36,142**

	December 31, 2015 Effect on Present Value of Obligations
Discount rate:	
5.81% (Actual + 1.00%)	₱20,181
4.81% (Actual)	23,617
3.81% (Actual - 1.00%)	27,852
Salary increase rate:	
4.00% (Actual + 1.00%)	₱27,746
3.00% (Actual)	23,617
2.00% (Actual - 1.00%)	20,200

23. Cooperation Agreement, Operating Agreement and Lease Agreement

(a) Cooperation Agreement

On March 13, 2013, the Cooperation Agreement and other related arrangements which were entered on October 25, 2012 among MCE Holdings Group, SM Group, Belle and PLAI became effective upon completion of the closing arrangement conditions, with minor changes to the original terms (except for certain provisions which were effective on signing).

The Cooperation Agreement governs the relationship and the rights and obligations of the Licensees. Under the Cooperation Agreement, MCE Leisure has been designated as the operator to operate City of Dreams Manila and appointed as the sole and exclusive representative of the Licensees in connection with the Regular License and the operation and management of City of Dreams Manila until the expiry of the Regular License (currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms).

(b) Operating Agreement

On March 13, 2013, the Licensees entered into the Operating Agreement which governs the operation and management of City of Dreams Manila by MCE Leisure. The Operating Agreement was effective on March 13, 2013 and ends on the date of expiry of the Regular License (as that Regular License is extended, restored or renewed), unless terminated earlier in accordance with the terms of the Operating Agreement. The Regular License is currently scheduled to expire on July 11, 2033. Under the Operating Agreement, MCE Leisure is appointed as the sole and exclusive operator and manager of City of Dreams Manila, and is responsible for, and has sole discretion (subject to certain exceptions) and control over, all matters relating to the management and operation of City of Dreams Manila (including the casino and gaming operations, hotel and retail components and all other activities necessary, desirable or incidental for the management and operation of City of Dreams Manila). The Operating Agreement also included terms of certain payments to PLAI upon commencement of operations of City of Dreams Manila in December 2014, in particular, PLAI has the right to receive monthly payments from MCE Leisure, based on the performance of gaming operations of City of Dreams Manila and was included in payments to the Philippine Parties in the consolidated statements of comprehensive income, and MCE Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

(c) Lease Agreement

The Lease Agreement entered into between MCE Leisure and Belle, and was subsequently amended from time to time, became effective on March 13, 2013. Under the Lease Agreement, Belle agreed to lease to MCE Leisure the land and certain of the building structures for City of Dreams Manila. The lease continues until termination of the Operating Agreement (currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms). The leased property is used by MCE Leisure and any of its affiliates exclusively as a hotel, casino and resort complex with retail, entertainment, convention, exhibition, food and beverages services as well as other activities ancillary, related or incidental to the operation of any of the preceding uses.

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

24. **Commitments and Contingencies**

(a) Capital Commitments

As of December 31, 2016, the Group had capital commitments contracted for but not provided mainly for the acquisitions of property and equipment for City of Dreams Manila totaling ₱202,888.

(b) Lease Commitments

Operating Leases – As a Lessee

The Group leased a portion of land under the Lease Agreement for City of Dreams Manila and certain office spaces, warehouses, staff quarter and various equipment under non-cancelable operating lease agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by the Group and its lessors or contingent rental expenses stated as a percentage of turnover. For the years ended December 31, 2016, 2015 and 2014, the Group incurred rental expenses amounting to ₱266,136, ₱309,102 and ₱342,988, of which ₱266,136, ₱300,432 and ₱315,077 were recognized as other expenses (Note 16) and nil, ₱8,670 and ₱27,911 were capitalized in construction in progress, respectively. Minimum rental expenses amounting to ₱266,136, ₱307,348 and ₱342,947 and contingent rental expenses amounting to nil, ₱1,754 and ₱41 were recognized for the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, minimum lease payments under all non-cancelable leases were as follows:

	December 31, 2016
Within one year	**₱198,693**
In more than one year and not more than five years	**656,380**
In more than five years	**2,090,508**
	₱2,945,581

Operating Leases – As a Lessor

The Group entered into non-cancelable operating agreements mainly for mall spaces in City of Dreams Manila with various retailers that expire at various dates through July 2020. Certain of the operating agreements include minimum base fees with escalated contingent fee clauses. Contingent fees amounting to ₱9,178, ₱7,249 and nil were recognized for the years ended December 31, 2016, 2015 and 2014, respectively.

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

24. **Commitments and Contingencies** – continued

(b) Lease Commitments – continued

Operating Leases – As a Lessor – continued

As of December 31, 2016, minimum future fees to be received under all non-cancelable operating agreements were as follows:

	December 31, 2016
Within one year	**₱72,725**
In more than one year and not more than five years	**99,454**
	₱172,179

The total minimum future fees do not include the escalated contingent fee clauses.

(c) Other Commitments

Regular License

PAGCOR issued the Regular License dated April 29, 2015 in replacement of the Provisional License to the Licensees for the operation of City of Dreams Manila. Other commitments required by PAGCOR under the Regular License include as follows:

(i) To secure a surety bond in favor of PAGCOR in the amount of ₱100 million to ensure prompt and punctual remittance/payment of all license fees.

(ii) License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operation. The license fees are inclusive of the 5% franchise tax under the PAGCOR Charter.

24. **Commitments and Contingencies** – continued

(c) Other Commitments – continued

Regular License – continued

For taxable periods prior to April 1, 2014, under Article IV, Section 20 of the Regular License, PAGCOR and the Licensees agreed the license fees that are paid to PAGCOR by the Licensees are in lieu of all taxes with reference to the income component of the gross gaming revenues. In May 2014, PAGCOR temporarily allowed the Licensees to reallocate 10% of the license fees for payment of corporate income taxes effective from April 1, 2014. The said reallocation of 10% of the license fees was required to be used for subsidizing the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). This adjustment was to address the additional exposure to corporate income tax on the Licensees brought by the BIR RMC No. 33-2013 as disclosed in Note 19. The 10% license fee adjustment was a temporary measure to address the unilateral BIR action and is not intended to modify, amend or revise the Regular License. PAGCOR and the Licensees agreed to revert to the original license fee structure under the Regular License, in the event BIR action to collect corporate income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of BIR or the courts or under a new law. PAGCOR and the Licensees also agreed that the 10% license fee adjustment is not an admission of the validity of BIR RMC No. 33-2013 and it is not a waiver of any of the remedies against any assessments by BIR for corporate income tax on the gaming revenue of the Licensees. On August 10, 2016, the SC found in the Bloomberry Case that all contractees and licensees of PAGCOR, should be exempt from tax, including corporate income taxes realized from the casino operations, upon payment of the 5% franchise tax. On August 15, 2016, PAGCOR discontinued the 10% license fee adjustment.

(iii) The Licensees are required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the Licensees and approved by PAGCOR.

(iv) PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% fee except for rental income received from retail concessionaires.

(v) Grounds for revocation of the Regular License, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt or insolvent; and (d) if the debt-to-equity ratio is more than 70:30.

As of December 31, 2016 and 2015, MCE Holdings Group, as one of the parties as Licensees, has complied with the required debt-to-equity ratio under definition as agreed with PAGCOR, further details please refer to Note 25 under capital risk management.

24. **Commitments and Contingencies** – continued

(c) Other Commitments – continued

Cooperation Agreement

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any loss suffered or incurred by that Licensees arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular License. Also, each of the Philippine Parties and MCE Holdings Group agree to indemnify the non-breaching party for any loss suffered or incurred as a result of a breach of any warranty.

(d) Guarantee

MCE Leisure has issued a corporate guarantee of ₱100 million to a bank in respect of the surety bond issued to PAGCOR as disclosed in Note 24(c)(i).

(e) Litigation

As of December 31, 2016, the Group is a party to certain legal proceedings which relate to matters arising out of the ordinary course of its business. Management believes that the outcome of such proceedings would have no material impact on the Group's consolidated financial statements as a whole.

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

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

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Other than the bank balances which carry interest at market rates and the Senior Notes which carry interest at fixed rate, the Group has no other significant interest-bearing assets and liabilities and its operating cash flows are substantially independent of changes in market interest rates. Accordingly, management is of the opinion that the Group does not have significant interest rate risk.

Credit Risk

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

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

Credit Risk – continued

The Group trades only with recognized and creditworthy third parties. It is the policy of the Group that all third parties who wish to trade on credit terms are subjected to credit verification procedures. Other current and non-current assets are monitored on an on-going basis with the result that the exposure of the Group to bad debts is not significant. The Group does not offer credit terms to third parties, without the specific approval of management.

With respect to credit risk from the financial assets of the Group, which are composed of cash and cash equivalents, restricted cash, accounts receivable, security deposit, other deposits and receivables, amount due from a shareholder, amount due from ultimate holding company, amount due from an intermediate holding company, amount due from immediate holding company and amount due from an affiliated company, the exposure of the Group to credit risk arises from the default of bank where the Group's cash and cash equivalents and restricted cash were deposited, the default of the counterparty of which the accounts receivable, security deposit and other deposits and receivables were held and the default of repayment from a shareholder, ultimate holding company, an intermediate holding company, immediate holding company and an affiliated company, with a maximum exposure equal to the carrying amount of these instruments. As described in Note 2, the Group has a concentration of credit risk with casino customers. The Group believes that the concentration of its credit risk in casino receivables is mitigated substantially by its credit evaluation process, credit policies, credit control and collection procedures, and also believes that no significant credit risk is inherent in the Group's accounts receivable not provided for as at December 31, 2016 and 2015. Other than casino receivables, there are no other concentrations of credit risk.

Credit Risk Exposures. The carrying values of the Group's financial assets represent the maximum exposure to credit risk since the financial assets have no collateral or credit enhancements as of December 31, 2016 and 2015.

Credit Quality per Class of Financial Assets. Cash and cash equivalents and restricted cash are considered as high grade and include deposits made to reputable banks in the Philippines. Accounts receivable and other deposits and receivables (excluding amount of past due but not impaired), amount due from a shareholder, amount due from immediate holding company and amount due from an affiliated company are considered as high grade as the Group only trades with recognized and creditworthy third parties and Melco will provide financial support to the shareholder, the immediate holding company and the affiliated company of the Parent Company to meet in full its financial obligations as they fall due. Amount due from ultimate holding company and amount due from an intermediate holding company are considered as high grade as Melco is listed on the NASDAQ Global Select Market with positive financial performance. Security deposit is also classified as high grade since the security deposit in relation to the Lease Agreement is placed with Belle, a company listed on the PSE with positive financial performance.

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

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

Credit Risk – continued

	December 31, 2016					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Allowance for Doubtful Debts	Total
Financial Assets						
Cash and cash equivalents	**₱8,834,089**	**₱–**	**₱–**	**₱–**	**₱–**	**₱8,834,089**
Restricted cash	**240,025**	–	–	–	–	**240,025**
Accounts receivable, net	**1,287,488**	–	**206,548**	–	**(102,823)**	**1,391,213**
Deposits and receivables, net	**282,050**	–	**3,770**	–	**(2,889)**	**282,931**
Amount due from a shareholder	**5,590**	–	–	–	–	**5,590**
Amount due from an intermediate holding company	**139,264**	–	–	–	–	**139,264**
Amount due from immediate holding company	**3,000**	–	–	–	–	**3,000**
Amount due from an affiliated company	**1,117**	–	–	–	–	**1,117**
	₱10,792,623	**₱–**	**₱210,318**	**₱–**	**(₱105,712)**	**₱10,897,229**

	December 31, 2015					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Allowance for Doubtful Debts	Total
Financial Assets						
Cash and cash equivalents	₱5,851,103	₱–	₱–	₱–	₱–	₱5,851,103
Restricted cash	42,525	–	–	–	–	42,525
Accounts receivable, net	1,180,560	–	104,715	–	(1,700)	1,283,575
Deposits and receivables, net	224,170	–	6,417	–	(611)	229,976
Amount due from a shareholder	5,588	–	–	–	–	5,588
Amount due from ultimate holding company	175,557	–	–	–	–	175,557
Amount due from an affiliated company	455	–	–	–	–	455
	₱7,479,958	₱–	₱111,132	₱–	(₱2,311)	₱7,588,779

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain adequate funding or is the risk that the Group will not be able to meet its obligations associated with financial difficulties.

The Group uses historical data and forecasts from its collection and disbursement to ensure it has sufficient cash to meet capital expenditure and operational needs and manages its liquid funds through cash planning on a monthly basis. The forecast takes into consideration of the Group's issuance of new shares, debt financing plans and covenant compliance requirements and funding from intermediate holding companies.

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and financial liabilities as of December 31, 2016 and 2015 based on undiscounted contractual cash flows.

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

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

Liquidity Risk – continued

	December 31, 2016				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	**₱10,351,414**	**₱–**	**₱–**	**₱–**	**₱10,351,414**
Restricted cash	**240,025**	–	–	–	**240,025**
Accounts receivable, net	**1,391,213**	–	–	–	**1,391,213**
Deposits and receivables, net	**138,039**	**7,029**	–	**266,740**	**411,808**
Amount due from a shareholder	**5,590**	–	–	–	**5,590**
Amount due from an intermediate holding company	**139,264**	–	–	–	**139,264**
Amount due from immediate holding company	**3,000**	–	–	–	**3,000**
Amount due from an affiliated company	**1,117**	–	–	–	**1,117**
Financial Liabilities					
Accounts payable	**₱139,270**	**₱–**	**₱–**	**₱–**	**₱139,270**
Accrued expenses, other payables and other current liabilities	**1,561,937**	–	–	–	**1,561,937**
Amounts due to affiliated companies	**1,221,141**	–	–	–	**1,221,141**
Current portion of obligations under finance lease	**1,638,716**	–	–	–	**1,638,716**
Non-current portion of obligations under finance lease	–	**3,760,948**	**4,555,206**	**29,594,438**	**37,910,592**
Long-term debt	–	**15,000,000**	–	–	**15,000,000**
Interest expenses payable on long-term debt (including withholding tax)	**937,500**	**997,396**	–	–	**1,934,896**
Other finance fees payable on long-term debt (including gross up withholding tax)	**47,832**	**50,887**	–	–	**98,719**
Other non-current liabilities	–	**16,440**	**12,208**	–	**28,648**

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

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

Liquidity Risk – continued

	December 31, 2015				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	₱7,460,229	₱–	₱–	₱–	₱7,460,229
Restricted cash	42,525	–	–	–	42,525
Accounts receivable, net	1,283,575	–	–	–	1,283,575
Deposits and receivables, net	51,189	45,989	–	266,673	363,851
Amount due from a shareholder	5,588	–	–	–	5,588
Amount due from ultimate holding company	175,557	–	–	–	175,557
Amount due from an affiliated company	455	–	–	–	455
Financial Liabilities					
Accounts payable	₱150,806	₱–	₱–	₱–	₱150,806
Accrued expenses, other payables and other current liabilities	1,451,652	–	–	–	1,451,652
Amount due to immediate holding company	7,357	–	–	–	7,357
Amounts due to affiliated companies	560,007	–	–	–	560,007
Current portion of obligations under finance lease	1,506,510	–	–	–	1,506,510
Non-current portion of obligations under finance lease	–	3,440,461	4,139,795	32,023,338	39,603,594
Long-term debt	–	–	15,000,000	–	15,000,000
Interest expenses payable on long-term debt (including withholding tax)	937,500	1,875,000	59,896	–	2,872,396
Other finance fees payable on long-term debt (including gross up withholding tax)	47,832	95,663	3,056	–	146,551
Other non-current liabilities	–	14,269	13,590	–	27,859

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group has transactional currency exposures arising from transactions denominated in foreign currencies, mainly Hong Kong dollars, United States dollars, Macau Patacas and Australian dollars. Foreign exchange risks of the Group are regularly reviewed by the management and appropriate processes are in place to monitor and mitigate the said risks by maintaining a certain amount of operating funds in the same currencies in which the Group has obligations to pay from time to time. Management decides not to hedge the currency exposures considering the cost of hedging being higher than the currency exposure.

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

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

Foreign Exchange Risk – continued

The following table shows the Group's foreign currency-denominated monetary assets and liabilities and their peso equivalents:

	December 31, 2016		December 31, 2015	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Financial Assets				
Cash and cash equivalents:				
Australian dollar ("AUD")	**AUD762,338**	**27,303**	AUD8,762	300
Euro ("EUR")	**EUR16,448**	**859**	–	–
Hong Kong dollar ("HK$")	**HK$488,665,392**	**3,128,778**	HK$156,058,850	946,102
Singapore dollar ("SGD")	**SGD56,431**	**1,934**	–	–
United States dollar ("US$")	**US$46,919,150**	**2,337,184**	US$19,308,248	910,693
		5,496,058		1,857,095
Accounts receivable, net:				
HK$	**HK$33,160,278**	**212,315**	HK$50,049,755	303,425
Deposits and receivables, net:				
US$	**US$84,302**	**4,199**	US$13,790	650
Amount due from ultimate holding company:				
HK$	–	–	(HK$23,973)	(145)
US$	–	–	(US$295,388)	(13,932)
		–		(14,077)
Amount due from an intermediate holding company:				
HK$	**(HK$23,973)**	**(153)**	–	–
US$	**(US$1,128,861)**	**(56,232)**	–	–
		(56,385)		–
Foreign Currency-denominated Financial Assets		**5,656,187**		2,147,093

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

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

Foreign Exchange Risk – continued

	December 31, 2016		December 31, 2015	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Financial Liabilities				
Accounts payable:				
HK$	**HK$128,235**	**821**	–	–
Japanese yen ("JPY")	**JPY668,960**	**284**	JPY360,000	140
US$	**US$34,139**	**1,701**	US$280,010	13,207
		2,806		13,347
Accrued expenses, other payables and other current liabilities:				
EUR	**EUR828**	**43**	–	–
HK$	**HK$9,158,897**	**58,642**	HK$338,342	2,051
Macau Patacas ("MOP")	**–**	**–**	MOP38,652	228
US$	**US$1,431,489**	**71,307**	US$2,098,297	98,968
		129,992		101,247
Amounts due to affiliated companies:				
HK$	**HK$73,586,323**	**471,151**	HK$63,452,666	384,680
MOP	**MOP105,310,239**	**654,631**	MOP26,974,056	158,766
SGD	**SGD1,713**	**59**	SGD1,713	57
US$	**US$903,740**	**45,018**	US$351,647	16,586
		1,170,859		560,089
Foreign Currency-denominated Financial Liabilities		**1,303,657**		674,683

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Group used the following rates of exchange as of December 31, 2016 and 2015:

	December 31,	
	2016	2015
Philippine peso to 1 unit of foreign currency:		
AUD	**35.82**	34.22
EUR	**52.22**	N/A
HK$	**6.40**	6.06
JPY	**0.42**	0.39
MOP	**6.22**	5.89
SGD	**34.27**	33.21
US$	**49.81**	47.17

The Group recognized a net foreign exchange gain of ₱215,840 and a net foreign exchange loss of ₱30,691 for the years ended December 31, 2016 and 2015, respectively.

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

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

Foreign Exchange Risk – continued
The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Group's loss before income tax. There is no other impact on the Group's equity other than those already affecting the total comprehensive loss.

	December 31, 2016		December 31, 2015	
	% Change Currency Rate	Effect on Loss Before Income Tax	% Change Currency Rate	Effect on Loss Before Income Tax
AUD	**+2.5%**	**(₱683)**	+2.1%	(₱6)
	-2.5%	**683**	-2.1%	6
EUR	**+1.4%**	**(11)**	N/A	N/A
	-1.4%	**11**	N/A	N/A
HK$	**+1.3%**	**(36,534)**	+0.9%	(7,764)
	-1.3%	**36,534**	-0.9%	7,764
JPY	**+4.0%**	**11**	+1.7%	2
	-4.0%	**(11)**	-1.7%	(2)
MOP	**+1.3%**	**8,510**	+0.9%	1,431
	-1.3%	**(8,510)**	-0.9%	(1,431)
SGD	**+1.7%**	**(32)**	+1.2%	1
	-1.7%	**32**	-1.2%	(1)
US$	**+1.3%**	**(28,173)**	+0.9%	(6,918)
	-1.3%	**28,173**	-0.9%	6,918

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences.

Positive change in currency rate reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

Capital Risk Management
The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain funding from issuance of new shares, debt financing and from intermediate holding companies.

The Group considers total equity and long-term debt as its capital which amounted to ₱19,882,603 and ₱21,390,422 as of December 31, 2016 and 2015, respectively.

Under the terms of the Regular License, it requires each of the Licensees to maintain a debt-to-equity ratio under the definition as agreed with PAGCOR (the "D/E Ratio") of not more than 70:30. The Group's strategy is to monitor capital and maintain the D/E Ratio to comply with the PAGCOR requirements. As of December 31, 2016 and 2015, MCE Holdings Group, as one of the parties as Licensees, has complied with the D/E Ratio as required by PAGCOR.

26. **Financial Instruments**

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

Security deposit, Current and Non-current portion of obligations under finance lease and Long-term debt. The carrying values approximate their fair values, which are measured by discounting estimated future cash flows to present value using a credit-adjusted discount rate.

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

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

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

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

As of December 31, 2016 and 2015, the Group does not have financial instruments that are carried and measured at fair value. For the years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

(a) For the year ended December 31, 2016, fit-out construction costs and cost of property and equipment in total of ₱8,547, ₱23,097 and ₱1,483 were funded through accrued expenses, other payables and other current liabilities, amounts due to affiliated companies and other non-current liabilities, respectively (For the year ended December 31, 2015: ₱595,972, nil and ₱20,779, respectively; for the year ended December 31, 2014: ₱3,016,357, ₱329,997 and nil, respectively).

(b) For the year ended December 31, 2016, accruals for property and equipment of ₱255,704 were reversed for project costs adjustments (For the years ended December 31, 2015 and 2014: nil for both years).

(c) For the year ended December 31, 2016, interest expenses capitalized in fit-out construction costs of ₱8,823 were funded through obligations under finance lease (For the year ended December 31, 2015 and 2014: ₱82,746 and ₱734,133, respectively).

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

(d) For the year ended December 31, 2016, amount due to immediate holding company of ₱10,357 was offset with amount due from ultimate holding company (For the years ended December 31, 2015 and 2014: nil for both years).

(e) For the year ended December 31, 2016, part of the Reimbursable Amount for consideration of disposals of property and equipment to Belle of ₱ 1,152,700 were offset by escrow funds refundable to the Philippine Parties (For the years ended December 31, 2015 and 2014: nil for both years).

(f) For the year ended December 31, 2015, other non-current assets of ₱22,459 were funded through accrued expenses, other payables and other current liabilities (For the year ended December 31, 2014: nil).

(g) For the year ended December 31, 2015, part of the transaction costs for the issuance of shares capitalized in additional paid-in capital of ₱13,130 were funded through accrued expenses, other payables and other current liabilities (For the year ended December 31, 2014: nil).

(h) For the year ended December 31, 2014, buy-out fee of a finance lease agreement of ₱36,173 was funded through accrued expenses, other payables and other current liabilities.

28. **Share Incentive Plan**

The Group adopted the Share Incentive Plan, effective on June 24, 2013 and was subsequently amended and restated, for grants of various share-based awards, including but not limited to, options to purchase the Parent Company's common shares, restricted shares, share appreciation rights and other types of awards to eligible directors, employees and consultants of the Group and its affiliates. The maximum term of an award is 10 years from the date of grant. The maximum aggregate number of common shares to be available for all awards under the Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of the Parent Company from time to time over 10 years. As of December 31, 2016, there were 163,597,467 common shares available for grants of various share-based awards under the Share Incentive Plan.

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

28. **Share Incentive Plan** – continued

Share Options

There was no share options granted under the Share Incentive Plan during the year ended December 31, 2016. During the year ended December 31, 2015, the exercise price for share options granted under the Share Incentive Plan was determined with reference to the market closing price of the Parent Company's common shares on the date of grant. During the year ended December 31, 2014, there were 9,543,186 share options granted under the Share Incentive Plan, the exercise price for 4,861,003 share options granted was determined at the higher of the closing price of the Parent Company's common shares on the date of grant and the average closing price for the five trading days preceding the date of grant, and the exercise price for 4,682,183 share options granted was fixed at ₱8.3 per share, with the same exercise price with the share options granted on June 28, 2013 as approved by the management that these personnel would contribute significantly to the pre-opening of City of Dreams Manila and joined the Group prior to March 31, 2014. These share options generally became exercisable over vesting periods of three years. The share options granted expire 10 years from the date of grant.

The Group uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. Expected volatility is based on the historical volatility of a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical of expected term of the Parent Company. The risk-free interest rate used for each period presented is based on the Philippine Government bond yield at the time of grant for the period equal to the expected term.

The fair value of share option granted under the Share Incentive Plan was estimated on the date of grant using the following weighted average assumptions:

	Year Ended December 31,		
	2016	2015	2014
Expected dividend yield	–	–	–
Expected stock price volatility	–	45%	40%
Risk-free interest rate	–	4.08%	3.77%
Expected average term (years)	–	5.4	5.2
Weighted average share price per share	–	3.46	13.05
Weighted average exercise price per share	–	3.46	10.82

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

28. **Share Incentive Plan** – continued

Share Options – continued

On August 2, 2016, the Board approved a proposal to allow for an option exchange program, designed to provide the eligible personnel an opportunity to exchange certain outstanding underwater share options for new restricted shares to be granted (the "Option Exchange Program"). Share options eligible for exchange were those that were granted during the years ended December 31, 2013 and 2014 under the Share Incentive Plan, including those unvested, or vested but not exercised. The acquiescence of the SEC on the Option Exchange Program was obtained by the Group on September 30, 2016. The exchange was subject to the eligible personnel's consent and became effective on October 21, 2016, which was the deadline for acceptance of the exchange by the eligible personnel. A total of 96,593,629 eligible share options were tendered by eligible personnel, representing 99.2% of the total share options eligible for exchange. The Group granted an aggregate of 43,700,116 new restricted shares in exchange for the eligible share options surrendered. The new restricted shares have vesting periods of three years. A total incremental share-based compensation expenses resulting from the Option Exchange Program was approximately ₱42,425, representing the excess of the fair value of the new restricted shares over the fair value of the surrendered share options immediately before the exchange. The fair value of the new restricted shares is determined with reference to the market closing price of the Parent Company's common shares at the effective date of the exchange. The incremental share-based compensation expense is being recognized over the new vesting period.

A summary of share options activity under the Share Incentive Plan as of December 31, 2016, and changes for the years ended December 31, 2016, 2015 and 2014 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share
Outstanding as of January 1, 2014	116,144,153	₱8.30
Granted	9,543,186	10.82
Forfeited	(1,560,727)	8.30
Outstanding as of December 31, 2014	124,126,612	8.49
Granted	6,796,532	3.46
Forfeited	(6,195,610)	8.40
Expired	(16,902)	13.26
Outstanding as of December 31, 2015	124,710,632	8.22
Forfeited	**(6,850,299)**	**9.68**
Canceled under Option Exchange Program	**(96,593,629)**	**8.39**
Expired	**(8,891,994)**	**8.81**
Outstanding as of December 31, 2016	**12,374,710**	**₱5.72**
Exercisable as of December 31, 2016	**7,277,311**	**₱7.31**

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

28. **Share Incentive Plan** – continued

Share Options – continued

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

	Year Ended December 31,					
	2016		2015		2014	
	Number of Share Options Outstanding (Note)	Weighted Average Remaining Contractual Term	Number of Share Options Outstanding (Note)	Weighted Average Remaining Contractual Term	Number of Share Options Outstanding (Note)	Weighted Average Remaining Contractual Term
Exercise price per share:						
₱3.46	**6,796,532**	**8.88**	6,796,532	9.88	–	–
₱8.30	**5,375,838**	**6.59**	113,196,113	7.52	119,265,609	8.52
₱13.26	**202,340**	**7.42**	4,717,987	8.42	4,861,003	9.42
	12,374,710	**7.86**	124,710,632	7.69	124,126,612	8.56

Note: 36,483,787 share options vested for the year ended December 31, 2016 and 95,509,140 vested share options were canceled under the Option Exchange Program for the year ended December 31, 2016.

No share options were exercised for the years ended December 31, 2016, 2015 and 2014.

Restricted Shares

During the years ended December 31, 2015 and 2014, the grant date fair value for restricted shares granted under the Share Incentive Plan, with vesting periods generally of three years, was determined with reference to the market closing price of the Parent Company's common shares on the date of grant.

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

28. **Share Incentive Plan** – continued

Restricted Shares – continued

A summary of restricted shares activity under the Share Incentive Plan as of December 31, 2016, and changes for the years ended December 31, 2016, 2015 and 2014 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2014	58,072,076	₱8.30
Granted	7,079,775	13.03
Forfeited	(780,365)	8.30
Unvested as of December 31, 2014	64,371,486	8.82
Granted	5,745,033	3.68
Vested	(38,375,178)	8.59
Forfeited	(3,210,126)	8.56
Unvested as of December 31, 2015	28,531,215	8.12
Granted under Option Exchange Program	**43,700,116**	**4.38**
Vested	**(19,541,800)**	**8.36**
Forfeited	**(3,433,823)**	**10.10**
Unvested as of December 31, 2016	**49,255,708**	**₱4.57**

No restricted shares were vested for the year ended December 31, 2014.

The impact of share options and restricted shares for the years ended December 31, 2016, 2015 and 2014 recognized in the consolidated financial statements is as follows:

	Year Ended December 31,		
	2016	2015	2014
Share Incentive Plan:			
Share options	**(₱3,585)**	₱80,401	₱220,730
Restricted shares	**14,127**	96,336	260,367
Total share-based compensation expenses	**₱10,542**	₱176,737	₱481,097
Share-based compensation expenses	**(₱2,679)**	₱109,824	₱206,795
Consultancy fees in consideration for share awards	**13,221**	66,913	274,302
	₱10,542	₱176,737	₱481,097

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

29. **Segment Information**

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

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

TOTAL ASSETS

	December 31,		
	2016	2015	2014
Total Assets – Located in the Philippines at City of Dreams Manila	**₱41,690,660**	₱44,757,753	₱47,746,744

CAPITAL EXPENDITURES

	Year Ended December 31,		
	2016	2015	2014
Total Capital Expenditures[(1)] – All in the Philippines at City of Dreams Manila	**₱448,264**	₱4,428,001	₱18,227,901

Note:
(1) Capital expenditures of ₱448,264 for the year ended December 31, 2016 did not include the adjustments to project costs of ₱255,704.

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

29. **Segment Information** – continued

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

	Year Ended December 31,		
	2016	2015	2014
NET OPERATING REVENUES			
The Philippines:			
City of Dreams Manila	**₱23,418,789**	₱13,727,327	₱430,218
Total Net Operating Revenues	**₱23,418,789**	₱13,727,327	₱430,218
ADJUSTED EBITDA[(1)]			
The Philippines:			
City of Dreams Manila	**₱7,561,263**	₱2,520,151	₱5,055
OPERATING COSTS AND EXPENSES			
Payments to the Philippine Parties	**(1,642,175)**	(757,039)	(38,809)
Land rent to Belle	**(158,478)**	(158,466)	(158,466)
Net gain on disposals of property and equipment to Belle	**380,454**	–	–
Pre-opening costs	–	(1,262,923)	(3,114,306)
Depreciation and amortization	**(4,388,885)**	(4,372,061)	(285,731)
Share-based compensation expenses	**2,679**	(109,824)	(206,795)
Consultancy fees in consideration for share awards	**(13,221)**	(66,913)	(274,302)
Corporate expenses	**(562,247)**	(593,841)	–
Property charges and others	**73,399**	(1,472,385)	(157,693)
Total Operating Costs and Expenses	**(6,308,474)**	(8,793,452)	(4,236,102)
OPERATING PROFIT (LOSS)	**1,252,789**	(6,273,301)	(4,231,047)
NON-OPERATING INCOME (EXPENSES)			
Interest income	**20,300**	14,203	42,887
Interest expenses, net of capitalized interest	**(2,873,852)**	(2,720,953)	(1,915,097)
Amortization of deferred financing costs	**(66,148)**	(61,828)	(54,235)
Other finance fees	**(47,832)**	(47,832)	(44,776)
Foreign exchange gains (losses), net	**215,840**	(30,691)	(101,013)
Total Non-operating Expenses, Net	**(2,751,692)**	(2,847,101)	(2,072,234)
LOSS BEFORE INCOME TAX	**(1,498,903)**	(9,120,402)	(6,303,281)
INCOME TAX EXPENSE	**(82,396)**	(23,729)	–
NET LOSS	**(₱1,581,299)**	(₱9,144,131)	(₱6,303,281)

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

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

29. **Segment Information** – continued

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

LONG-LIVED ASSETS

	December 31,		
	2016	2015	2014
The Philippines	**₱27,735,886**	₱33,863,028	₱33,807,088
Total Long-lived Assets	**₱27,735,886**	₱33,863,028	₱33,807,088

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Melco Crown (Philippines) Resorts Corporation and Subsidiaries, which comprise the consolidated balance sheets as at and for the years ended December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2016, included in this Form 17-A and have issued our report thereon dated April 7, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

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

April 7, 2017

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2016
Schedule A. Financial Assets
(In thousands of Philippine peso)

Name of issuing entity and association of each issue	Amounts shown in the balance sheet	Interest income received or receivable
Cash and cash equivalents:		
BDO Unibank, Inc.	3,296,948	9,707
Metropolitan Bank and Trust Company	3,195,906	4,266
Bank of China Manila Branch	2,140,786	490
Eastwest Bank	200,334	428
Industrial and Commercial Bank of China	115	-
Cash on hand	1,517,325	-
	10,351,414	14,891
Restricted cash:		
BDO Unibank, Inc.	240,025	338
Accounts receivable, net:		
Various customers	1,391,213	-
Deposits and receivables, net:		
Belle Corporation	108,914	4,998
Prudential Guarantee and Assurance, Inc.	65,000	-
The Manila Electric Company	28,948	73
Froehlich Tours Inc.	20,169	-
Nissan Car Lease Philippines, Inc.	18,495	-
Bureau of Internal Revenue	7,620	-
SM Investments Corporation	7,129	-
BDO Unibank, Inc.	2,366	-
Pioneer Insurance and Surety Corporation	2,242	-
Ding Xian Top Fresh Concepts, Inc.	1,801	-
Global Poker Tours Ltd	1,533	-
Tiger Resort, Leisure and Entertainment, Inc.	1,298	-
Luxusmarken Von Adrenaline Inc.	1,095	-
Dreamgastrobar, Inc.	1,088	-
Ruby Jack's Manila, Inc.	958	-
Kitchenstory Inc.	936	-
Others	13,339	-
	282,931	5,071
Amount due from a shareholder:		
MCE (Philippines) Investments No.2 Corporation	5,590	-
Amount due from an intermediate holding company:		
Melco Resorts & Entertainment Limited (formerly known as Melco Crown Entertainment Limited)	139,264	-
Amount due from immediate holding company:		
MCE (Philippines) Investments Limited	3,000	-
Amount due from an affiliated company:		
MCE Transportation Limited	1,117	-

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2016
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
(In thousands of Philippine peso)

Receivable of MCE Leisure (Philippines) Corporation from Melco Crown (Philippines) Resorts Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-current	Ending balance
Melco Crown (Philippines) Resorts Corporation	25,552	1,998	-	-	86	27,636	-	27,636

Receivable of Melco Crown (Philippines) Resorts Corporation and MCE Leisure (Philippines) Corporation from MCE Holdings (Philippines) Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-current	Ending balance
MCE Holdings (Philippines) Corporation	3,266	530	-	-	529	4,325	-	4,325

Receivable of Melco Crown (Philippines) Resorts Corporation, MCE Holdings (Philippines) Corporation and MCE Leisure (Philippines) Corporation from MCE Holdings No. 2 (Philippines) Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-current	Ending balance
MCE Holdings No. 2 (Philippines) Corporation	23,167	1,196	-	-	3	24,366	-	24,366

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2016
Schedule D. Intangible Assets
(In thousands of Philippine peso)

Description	Beginning balance	Additions of cost	Amortization charged to cost and expenses	Other changes additions (deductions)	Ending balance
Contract acquisition costs	915,965	-	(52,093)	-	863,872
Other intangible assets (for right to use of trademarks)	7,176	-	(1,740)	-	5,436

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
As of December 31, 2016
Schedule E. Long-term Debt
(In thousands of Philippine peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (i)
5.00% senior notes, due 2019	15,000,000	-	14,848,500

(i) Balance represents principal amount net against deferred financing costs of 151,500.
See note 21(a) to Consolidated Financial Statements for details of interest rates, amounts or number of periodic installments, and maturity dates.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Schedule H. Capital Stock
As of December 31, 2016

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held by		
				Affiliates/Related Parties	Directors, Officers and Employees	Others
Common	5,900,000,000	5,662,897,278	61,630,418	4,124,277,064	14,062,007	1,524,558,207

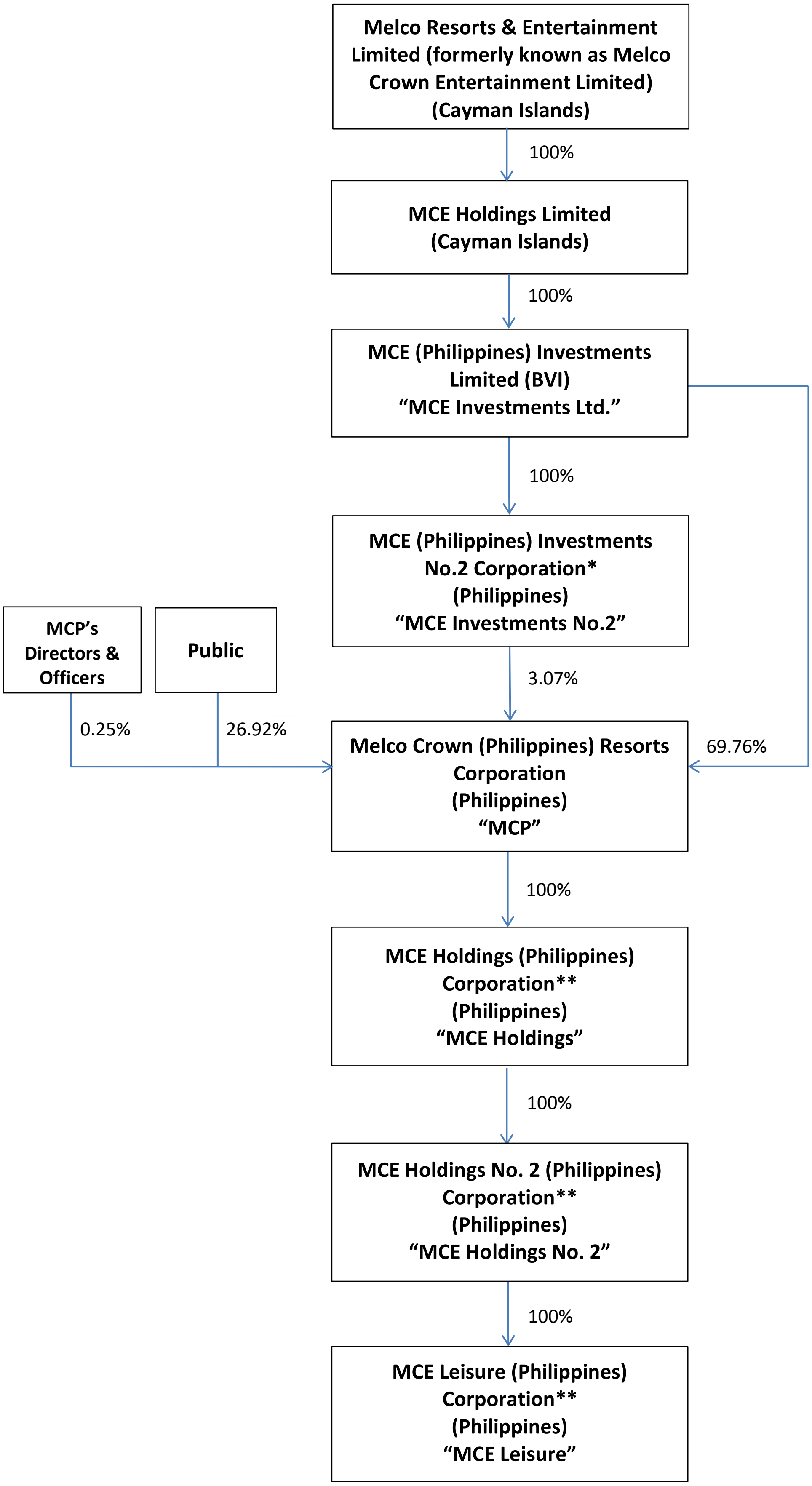
RECONCILIATION OF RETAINED EARNINGS
As of December 31, 2016

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701

Unappropriated deficit per financial statements, beginning		**(₱85,406,720)**
Adjustments: Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)		**112,835**
Unappropriated deficit, as adjusted, beginning		**(85,293,885)**
Net loss based on the face of AFS	**(₱32,087,755)**	
Add: Non-actual losses:		
Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)	**467,234**	
Net loss actual/realized		**(31,620,521)**
		(116,914,406)
Add: Transfer of share-based compensation reserve upon expiry of share options		**36,663,249**
UNAPPROPRIATED DEFICIT, AS ADJUSTED, ENDING		**(₱80,251,157)**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Key Performance Indicators
For the year ended December 31, 2016 and 2015

		December 31, 2016	December 31, 2015	Note
Current ratio	Current assets over current liabilities	**1.52**	**0.91**	
Debt-to-equity ratio	Long term and short term debt over total equity	**2.95**	**2.24**	
Interest rate coverage ratio	Net income before interest expense and taxes over interest expense	**Not applicable**	**Not applicable**	**MCP is making a loss**
Return on assets	Net income over total assets	**Not applicable**	**Not applicable**	**MCP is making a loss**
Return on equity	Net income over total equity	**Not applicable**	**Not applicable**	**MCP is making a loss**



* 0.0067% of this company is owned by 5 nominee directors

** 0.00000022% of these companies are owned by 5 nominee directors of each company respectively

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		X			
PFRSs Practice Statement Management Commentary					X
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	X			
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate				X
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters				X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters				X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters				X
	Amendments to PFRS 1: Government Loans				X
PFRS 2	Share-based Payment	X			
	Amendments to PFRS 2: Vesting Conditions and Cancellations	X			
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	X			
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		X		
PFRS 3 (Revised)	Business Combinations				X
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination				X
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements				X
PFRS 4	Insurance Contracts				X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				X
	Amendments to PFRS 4: Insurance Contracts – applying PFRS 9: Financial Instruments, with PFRS 4		X		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendment to PFRS 5 : Changes in Method of Disposal				X
PFRS 6	Exploration for and Evaluation of Mineral Resources				X
PFRS 7	Financial Instruments: Disclosures	X			
	Amendments to PFRS 7: Transition	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X			
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X			
	Amendments to PFRS 7: Disclosures – Servicing Contracts	X			
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	X			
PFRS 8	Operating Segments	X			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	X			
PFRS 9	Financial Instruments		X		
	Financial Instruments – New Hedge Accounting Requirements		X		
	Financial Instruments – Classification and Measurement (2010 version)		X		
	Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		X		
	Financial Instruments (2014 or final version)		X		
PFRS 10	Consolidated Financial Statements	X			
	Amendments to PFRS 10: Investment Entities	X			
	Amendments to PFRS 10 : Sale of Contribution of Assets between an Investor and its Associate of Joint Venture		X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendments to PFRS 10 : Applying the Consolidation Exception	X			
PFRS 11	Joint Arrangements				X
	Amendments to PFRS 11 : Accounting for Acquisitions of Interests in Joint Operations				X
PFRS 12	Disclosure of Interests in Other Entities				X
	Amendments to PFRS 12: Investment Entities	X			
	Amendments to PFRS 12: Applying the Consolidation Exception	X			
	Amendment to PFRS 12: Clarification of the Scope of the Standard		X		
PFRS 13	Fair Value Measurement	X			
	Amendment to PFRS 3 : Portfolio Exception	X			
PFRS 14	Regulatory Deferral Accounts				X
PFRS 15	Revenue from Contracts with Customers		X		
PFRS 16	Leases		X		
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	X			
	Amendment to PAS 1: Capital Disclosures	X			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	X			
	Amendments to PAS 1: Disclosure Initiative	X			
PAS 2	Inventories	X			
PAS 7	Statement of Cash Flows	X			
	Amendments to PAS 7: Disclosure Initiative		X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X			
PAS 10	Events after the Balance Sheet Date	X			
PAS 11	Construction Contracts				X
PAS 12	Income Taxes	X			
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		X		
PAS 16	Property, Plant and Equipment	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendment to PAS16 : Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization				X
	Amendment to PAS16 : Clarification of Acceptable Methods of Depreciation and Amortization	X			
	Amendment to PAS 16 - Agriculture : Bearer Plants				X
PAS 17	Leases	X			
PAS 18	Revenue	X			
PAS 19	Employee Benefits	X			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X			
PAS 19 (Revised)	Employee Benefits	X			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	X			
	Amendments to PAS 19: regional market issue regarding discount rate	X			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance				X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X			
	Amendment: Net Investment in a Foreign Operation				X
PAS 23 (Revised)	Borrowing Costs	X			
PAS 24 (Revised)	Related Party Disclosures	X			
	Amendment to PAS 24 : Key Management Personnel	X			
PAS 26	Accounting and Reporting by Retirement Benefit Plans				X
PAS 27	Consolidated and Separate Financial Statements	X			
PAS 27 (Amended)	Separate Financial Statements	X			
	Amendments to PAS 27: Investment Entities	X			
	Amendments to PAS 27 : Equity Method in Separate Financial Statements				X
PAS 28	Investments in Associates				X
PAS 28 (Amended)	Investments in Associates and Joint Ventures				X
	Amendments to PAS 28 : Sale or Contribution of Assets between an Investor and its Associate of Joint Venture		X		
	Amendments to PAS 28 : Applying the Consolidation Exception				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value		X		
PAS 29	Financial Reporting in Hyperinflationary Economies				X
PAS 32	Financial Instruments: Disclosure and Presentation	X			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				X
	Amendment to PAS 32: Classification of Rights Issues				X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X			
PAS 33	Earnings per Share	X			
PAS 34	Interim Financial Reporting	X			
	Amendment to PAS 34 : disclosure of information 'elsewhere in the interim financial report'	X			
PAS 36	Impairment of Assets	X			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	X			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X			
PAS 38	Intangible Assets	X			
	Amendment to PAS38 : Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization				X
	Amendment to PAS38 : Clarification of Acceptable Methods of Depreciation and Amortization	X			
PAS 39	Financial Instruments: Recognition and Measurement	X			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions				X
	Amendments to PAS 39: The Fair Value Option				X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives				X
	Amendment to PAS 39: Eligible Hedged Items				X
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting				X
PAS 40	Investment Property				X
	Amendment to PAS 40 : Investment Property – Transfers of Investment Property		X		
PAS 41	Agriculture				X
	Amendment to PAS 41- Agriculture : Bearer Plants				X
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities				X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments				X
IFRIC 4	Determining Whether an Arrangement Contains a Lease	X			
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds				X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment				X
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies				X
IFRIC 8	Scope of PFRS 2	X			
IFRIC 9	Reassessment of Embedded Derivatives				X
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives				X
IFRIC 10	Interim Financial Reporting and Impairment				X
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	X			
IFRIC 12	Service Concession Arrangements				X
IFRIC 13	Customer Loyalty Programmes	X			
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction				X
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement				X
IFRIC 16	Hedges of a Net Investment in a Foreign Operation				X
IFRIC 17	Distributions of Non-cash Assets to Owners				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Issued as of December 31, 2016		Adopted	Not Early Adopted	Not adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers				X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments				X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine				X
IFRIC 21	Levies	X			
IFRIC 22	Foreign Currency Transactions and Advance Consideration		X		
SIC-7	Introduction of the Euro				X
SIC-10	Government Assistance - No Specific Relation to Operating Activities				X
SIC-12	Consolidation - Special Purpose Entities	X			
	Amendment to SIC - 12: Scope of SIC 12	X			
SIC-15	Operating Leases - Incentives	X			
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets				X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders				X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X			
SIC-29	Service Concession Arrangements: Disclosures				X
SIC-31	Revenue - Barter Transactions Involving Advertising Services				X
SIC-32	Intangible Assets - Web Site Costs				X

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

INDEX TO EXHIBITS

Form 17-A

No.		Page No.
(3)	Plan of Acquisition, Reorganization, Arrangements, Liquidation or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	163
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*

*These exhibits are either not applicable to the Company or require no answer.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201214789

CERTIFICATE OF FILING OF AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

MCE HOLDINGS (PHILIPPINES) CORPORATION
[Amending Article III thereof.]

copy annexed, adopted on July 27, 2015 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing more than two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 16th day of September, Twenty Fifteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

DSJ2015
00909080

AMENDED ARTICLES OF INCORPORATION

OF

MCE HOLDINGS (PHILIPPINES) CORPORATION

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age, majority of whom are citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

MCE HOLDINGS (PHILIPPINES) CORPORATION

SECOND: That the purposes for which said corporation is formed are:

PRIMARY PURPOSE

To subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including, but not limited to, Corporations engaged in hotel and/or gaming and entertainment business, and to guarantee or provide a mortgage, pledge, or other security over all or part of its assets or financial support or accommodation to secure the whole or any part of the indebtedness and obligations of any of its subsidiaries and/or affiliates, without however engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operation of such investee companies.

SECONDARY PURPOSES

1. To the extent permitted by law, to acquire by purchase, lease contract, concession, or otherwise, any and all real and personal properties of every kind and description whatsoever (other than land), which the Corporation may deem necessary or appropriate in connection with the conduct of the corporate business, and to own, hold, operate, improve, develop, manage, grant, lease, sell, exchange, or otherwise dispose of the whole or any part thereof;

2. To borrow or raise money necessary for any of the purposes of the Corporation, and from time to time, draw, make, accept, endorse, transfer, assign, execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and transferable instruments and evidence of indebtedness, to give guarantees and indemnities, to secure indebtedness of third persons or other secured persons, and for the purpose of securing any of its obligations or contracts, to convey, transfer, assign, deliver, mortgage, and/or pledge

all or any part of the property or assets at any time held or owned by the Corporation, on such terms and conditions as the Board of Directors of the Corporation or its duly authorized officers or agents shall determine and as may be permitted by law;

3. To purchase or acquire, hold, assign, mortgage, pledge, and sell or otherwise dispose of shares of stock, receivables, bonds, securities, or other evidence of indebtedness issued or created by any other corporation, partnership, or company, whether domestic or foreign, and while the holder of any such share of stock, to exercise all the rights and privileges of ownership, including the right to vote without, however, engaging as a stock broker or dealer in securities;

4. To invest and deal with the money and properties of the Corporation in such manner as may, from time to time, be considered wise or expedient for the advancement of its interest and to sell, dispose, or transfer the business, properties, and goodwill of the Corporation or any part thereof for such consideration and under such terms as it shall see fit to accept;

5. To aid in any manner, any corporation, association or trust estate, domestic or foreign, or any form or individual, in which any shares of stocks or bonds, debentures, notes, securities, evidence of indebtedness, contracts, or obligations of which are held by or for the Corporation, directly or indirectly or through other corporations or otherwise;

6. To enter into any lawful arrangement for sharing profits, union of interest, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person, or governmental, municipal, or public authority, domestic or foreign, in the carrying out of any of the purposes of the Corporation;

7. To acquire or obtain from any government or authority, or any corporation, company, or partnership or person, such charter, contracts, franchise, privilege, exemption, license, or concession as may be conducive to any of the objects of the Corporation;

8. To exercise all the powers granted to the Corporation under Batas Pambansa Bilang 68, otherwise known as the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the Corporation is to be established is at Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701. (As amended on 27 July 2015).

FOURTH: That the term for which the Corporation is to exist is fifty (50) years from and after the date of the issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residences of the incorporators are as follows:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Jomini C. Nazareno TIN: 227-369-048	Filipino	9 Colt Street, Calvary Hills, Fort Bonifacio, Makati City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, HV de la Costa St., Makati City

SIXTH: That the number of directors of the Corporation shall be five (5) and that the names, nationality, and residences of the Directors of the Corporation who are to serve until their successors are elected and qualified, as provided by the By-Laws are as follows, to wit:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Jomini C. Nazareno TIN: 227-369-048	Filipino	9 Colt Street, Calvary Hills, Fort Bonifacio, Makati City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, HV de la Costa St., Makati City

SEVENTH: That the authorized capital stock of the Corporation is Five Billion Two Hundred Million Pesos (PhP5,200,000,000.00) in lawful money of the Philippines, divided into Five Billion Two Hundred Million (5,200,000,000) common shares with par value of One Peso (PhP1.00) per share. (As amended on 17 June 2014)

No shareholder of any class of shares shall have or otherwise be entitled to any pre-emptive right to subscribe to, purchase or receive any class of shares of the Corporation, or part thereof, whether issued from the unissued capital, increase in capital stock, treasury stock any securities convertible into stock of the Corporation. Any such shares may at any time be issued, sold or disposed of by the Corporation pursuant to the resolution of the Board of Directors, to such persons and upon such terms as the Board of Directors may deem proper, without first offering such shares to existing shareholders.

EIGHT: That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed (PhP)	Amount Paid-Up (PhP)
MCE (Philippines) Investments Limited	BVI	8,309,995	8,309,995.00	8,309,995.00
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	1	1.00	1.00
Jomini C. Nazareno TIN: 227-369-048	Filipino	1	1.00	1.00
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	1	1.00	1.00
Cristina Collantes Garcia TIN: 199-116-923	Filipino	1	1.00	1.00
Maria Tara A. Mercado TIN: 401-141-426	Filipino	1	1.00	1.00
Total		8,310,000	8,310,000.00	8,310,000.00

NINTH: That **Maria Tara A. Mercado** has been elected by the subscribers as treasurer of the Corporation to act as such until his/her successor is duly elected and qualified in accordance with the By-Laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the Corporation, all subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have set our hands this 1st day of August 2012 at Makati, Philippines.

[Sgd.]
Frances Marie T. Yuyucheng
TIN: 161-211-692

[Sgd.]
Jomini C. Nazareno
TIN: 227-369-048

[Sgd.]
Rena Rico-Pamfilo
TIN: 209-631-089

[Sgd.]
Cristina Collantes-Garcia
TIN: 199-116-923

[Sgd.]
Maria Tara A. Mercado
TIN: 401-141-426

SIGNED IN THE PRESENCE OF:

____________________ ____________________

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public in and for the City of Makati, this 1st day of August 2012, personally appeared the following, who are satisfactorily proven to me their identity:

Name	Identification Nos.	Validity/Place of Issuance
Frances Marie T. Yuyucheng	PP# XX1409743	16 June 2013/Manila
Bertrand Hans B. Cagayan	PP# EB2037651	6 March 2016/Manila
Rena Rico-Pamfilo	PP#XX0549375	17 Feb 2013/Manila
Cristina Collantes-Garcia	PP# EB490044	25 March 2017/Manila
Maria Tara A. Mercado	PP# EB0753544	12 Aug 2015/Manila

that they are the same persons who executed and voluntarily signed the foregoing Articles of Incorporation which they acknowledged before me as their free and voluntary act and deed.

WITNESS MY HAND SEAL, this 1st day of August 2012 in the City of Makati.

[Sgd.]
Atty. Jill Julie V. Genio
Commission No. M-585
Notary Public for Makati City
Until December 31, 2012
21st Flr. Philamlife Tower
8767 Paseo de Roxas, Makati City
Roll No. 56712
PTR No. 3174402 / 01-02-2012 / Makati
IBP No. 869523 / 01-03-2012 / Makati

Doc. No. 379;
Page No. 077;
Book No. III
Series of 2012.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

Company Reg. No. CS201214789

CERTIFICATE OF FILING OF AMENDED BY-LAWS

KNOW ALL MEN BY THESE PRESENTS:

This is to certify that the Amended By-Laws of

MCE HOLDINGS (PHILIPPINES) CORPORATION

copy annexed, adopted on December 04, 2015 by the Board of Directors pursuant to the authority duly delegated to it by the stockholders owning at least two-thirds of the outstanding capital stock on June 17, 2014, certified by a majority of the Board of Directors and countersigned by the Secretary of the Corporation, was approved by the Commission on this date, pursuant to the provisions of Section 48 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and attached to the other papers pertaining to said corporation.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 15th the day of March, Twenty Sixteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

AMENDED

BY-LAWS

OF

MCE HOLDINGS (PHILIPPINES) CORPORATION

ARTICLE I
SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions – Subscribers to the capital stock of the corporation shall pay the value of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate – The stockholder shall be entitled to one or more certificates for fully paid stock subscription in his name in the books of the corporation. The certificates shall contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificate shall be signed by the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Shares – Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates and issue new certificates to the transferee.

No share of stock against which the Corporation holds unpaid claim shall be transferable in the books of the Corporation.

All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 4. Lost Certificates – In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. Annual / Regular Meetings – The annual / regular meetings of stockholders shall be held at the principal office on the Last Monday of July of each year, if a legal holiday, then on the day following. (As amended on 17 June 2014)

Section 2. Special Meeting – The special meetings of stockholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock, (b) President.

Section 3. Place of Meeting – Stockholders meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail or electronic mail at least one (1) day prior to the date of the meeting to each stockholder of record at his last known address, unless otherwise waived. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum – Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting – Meeting of the stockholders shall be presided over by the President, or in his absence, by a chairman to be chosen by the stockholders. The Secretary, shall act as Secretary of every meetings, but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

Section 7. Manner of Voting – At all meetings of stockholders, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books or Fixing of Record Date – For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for a period to be determined by the Board of Directors, but not to exceed, in any case, twenty (20) days.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Powers of the Board – Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers:

a.) From time to time, to make and change rules and regulations not inconsistent with these By-Laws for the management of the corporation's business and affairs;

b.) To purchase, receive, take or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

c.) To invest the funds of the corporation in other corporations or for purposes other than those for which the corporation was organized, subject to such stockholders' approval as may be required by law;

d.) To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders' approval as may be required by law, to give guarantees and provide security to third parties, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the corporation;

e.) To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation;

f.) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officer are either plaintiffs or defendants in connection with the business of the corporation;

g.) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation with such powers and upon such terms as may be deemed fit;

h.) To implement these By-Laws and to act on any matter not covered by these By-Laws, provided such matter does not require the approval or consent of the stockholders under the Corporation Code.

Section 2. Election and Term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 3. Vacancies – Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of stockholders called for the purpose, after giving notice as prescribed in these By-Laws. (As amended on 17 June 2014)

Section 4. Meetings – Regular meetings of the Board of Directors shall be held at least once a year on such dates and at places as may be called by the Chairman of the Board, or upon the request of a majority of the Directors.

Section 5. Notice – Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, telegram, email, or by written message. A director may waive this requirement, either expressly or impliedly.

Section 6. Quorum – A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Section 7. Conduct of the Meetings – Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director chosen by the Board. The Secretary, shall act as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting.

Any director may attend meetings of the Board of Directors through teleconferencing or videoconferencing (i.e. conferences or meetings through electronic medium or telecommunications where participants who are not physically present are located at different local or international places). For such purpose, the following guidelines shall be observed in conducting meetings via teleconferencing or videoconferencing:

a) The secretary of the meeting shall assume the following responsibilities:

    (i) to safeguard the integrity of the meeting via teleconferencing or videoconferencing;

    (ii) to find good teleconferencing or videoconferencing equipment and facilities;

    (iii) to record the proceedings and prepare the minutes of the meeting;

    (iv) to store for safekeeping and mark the tape recording(s) and/or other electronic recording mechanism as part of the records of the Corporation.

b) The Secretary shall send out the notices of the meeting to all directors in accordance with the manner of giving notice as stated in these By-Laws. The notice shall include the following:

(i) Inquiry on whether the director will attend physically or through teleconferencing or videoconferencing;

(ii) Contact number(s) of the Secretary and office staff whom the director may call to notify and state whether he shall be physically present or attend through teleconferencing or videoconferencing;

(iii) Agenda of the meeting;

(iv) All documents to be discussed in the meeting, including attachments, shall be numbered and duly marked by the Secretary in such a way that all the directors, physically or electronically present, can easily follow, refer to the documents and participate in the meeting.

c) If the director chooses to attend the meeting via teleconferencing or videoconferencing, he shall give notice of at least two (2) days prior to the scheduled meeting to the Secretary. This notice requirement may be waived, either expressly or impliedly. The Secretary shall be informed of the concerned director's contact number(s). In the same way, the Secretary shall inform the director concerned of the contact number(s) he will call to join the meeting. The Secretary shall keep the records of the details, and on the date of the scheduled meeting, confirm and note such details as part of the minutes of the meeting. In the absence of arrangements made pursuant to these By-Laws, it is presumed that the director will physically attend the scheduled meeting of the Board of Directors.

(d) At the start of the scheduled meeting, a roll call shall be made by the Secretary. Every director and participant shall state, for the record, the following:

(i) Full Name;

(ii) Location;

(iii) For those attending through teleconferencing or videoconferencing, he shall:

(1) confirm that he can completely and clearly hear the others who can clearly hear him at the end of the line;

(2) state whether he has received the agenda and all the materials for the meeting;

(3) specify the type of electronic or telecommunications device being used at his end.

Thereafter, the Secretary shall confirm and note the contact numbers being used by the directors and participants not physically present. After the roll call, the Secretary may certify the existence of a quorum.

(e) During the course of the meeting where attendance is made through teleconferencing or videoconferencing, all participants shall identify themselves for the record, before speaking and must clearly hear and/or see each other in the course of the meeting. If a person fails to identify himself, the Secretary shall quickly state the identity of the last speaker. If the person speaking is not physically present and the Secretary is not certain of the identity of the speaker, the Secretary must inquire to elicit a confirmation or correction.

If a motion is objected to and there is a need to vote and divide the Board, the Secretary shall call the roll and note the vote of each director who should identify himself.

If a statement of a director or participant who is attending the meeting via teleconferencing or videoconferencing is interrupted or garbled, the Secretary shall request for a repeat reiteration, and if need be, the Secretary shall repeat what he heard the director or participant was saying for confirmation or correction.

(f) The Secretary shall require all the directors who attended the meeting, whether personally or through teleconferencing or videoconferencing, to sign the minutes of the meeting to dispel all doubts on matters taken up during the meeting.

ARTICLE IV
OFFICERS

Section 1. Election / Appointment – Immediately after their election, the Board of Directors shall formally organize by electing the President, Chairman of the Board of Directors, the <u>Property President /</u> Chief Operating Officer, the Treasurer and the Secretary at said meeting. (As amended on 17 June 2014, and further amended on 4 December 2015)

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. President – The President shall supervise and implement the general policy direction of the Corporation as determined by the Board of Directors, and shall preside over meetings of the Board in the absence of the Chairman. (As amended on 08 October 2013.)

Section 3. <u>Property President /</u> Chief Operating Officer – The <u>Property President /</u> Chief Operating Officer ("COO") shall exercise executive functions and supervision of the day to day administration, management and operations of the Corporation. The <u>Property President /</u> COO shall have the following powers and duties:

a.) To have direct and active management of the business and operations of the Corporation, conducting the same according to the orders of the Board of Directors and according to his own sound discretion whenever the same is not expressly limited by such orders, resolutions and instructions;

b.) To exercise general supervision and control over all the officers and employees of the Corporation, and suspend or remove employees and other subordinate personnel of the Corporation, prescribe their duties, fix their salaries and wages, and, when necessary, require guaranties or bonds in such amounts as he may determine to secure the faithful discharge by said employees of their official duties, subject to the provisions on the Delegation of Authority policy of the Corporation;

c.) To assign and execute on behalf of the Corporation all contracts and agreements which it may enter into, including deeds of purchase and sale, instruments of mortgage and pledge, overdraft agreements, letters of credit, trust receipts, promissory notes, guaranty undertakings and all other banking and commercial papers for the extension of loans or credit facilities by or to the Corporation, subject to the provisions on the Delegation of Authority policy of the Corporation;

d.) To represent the Corporation at all judicial and administrative proceedings affecting its business;

e.) To exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate.

(As amended on 8 October 2013, and further amended on 4 December 2015)

Section 4. Chairman of the Board of Directors – The Chairman of the Board shall have the following powers and duties:

a.) To preside at all meetings of the stockholders and of the Board of Directors;

b.) To submit an annual report of the operations of the Corporation to the Board of Directors and to the stockholders at the annual meeting at such other times as the Board of Directors may request; and

c.) To exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate.

(As amended on 17 June 2014)

Section 5. The Secretary – The Secretary must be a resident and a citizen of the Philippines. He/she shall have the following specific powers and duties:

a.) To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b.) To keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c.) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

d.) To attend to the giving and serving of all notices of the corporation required by law or these By-Laws to be given;

e.) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations;

f.) To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election;

g.) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

Section 6. The Treasurer – The Treasurer of the corporation shall have the following duties:

a.) To keep full and accurate accounts of receipts and disbursements in the books of the corporation;

b.) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c.) To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the corporation which may come under his control;

d.) To render an annual statements showing the financial condition of the corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;

e.) To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

f.) To exercise such powers and perform such duties and functions as may be assigned to him by the President.

Section 7. Term of Office – The term of office of all officers shall be one (1) year and until their successors are duly elected and qualified.

Section 8. Vacancies – If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

ARTICLE V
OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch offices, either within or outside the Philippines as the Board of Directors may designate.

ARTICLE VI
AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

Section 1. External Auditor – At the regular stockholders' meeting, the external auditor of the corporation for the ensuing year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation.

Section 2. Fiscal Year – The fiscal year of the corporation shall begin on the first day of January and end on the last day of December of each year.

Section 3. Dividends – Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

ARTICLE VII
SEAL

Section 1. Form and Inscriptions – The corporate seal shall be determined by the Board of Directors.

ARTICLE VIII
AMENDMENTS

Section 1. These By-Laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders' meeting called for that purpose. The Board of Directors has, in accordance with law, been delegated the authority to amend, modify, repeal these By-Laws or adopt new By-Laws by the owners of two-thirds (2/3) of the subscribed capital stock of the Corporation; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new By-Laws may be revoked only by the vote of stockholders representing a majority of the outstanding capital stock at a regular or special meeting. (As amended on 17 June 2014)

IN WITNESS WHEREOF, we, the undersigned stockholders, have adopted the foregoing By-Laws and hereunto affixed our signatures this 22nd day of August 2012 at Makati City, Philippines.

(Sgd.)
Frances Marie T. Yuyucheng
TIN: 161-211-692

(Sgd.)
Jomini C. Nazareno
TIN: 227-369-048

(Sgd.)
Rena Rico-Pamfilo
TIN: 209-631-089

(Sgd.)
Cristina Collantes-Garcia
TIN: 199-116-923

(Sgd.)
Maria Tara A. Mercado
TIN: 401-141-426

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201215365

CERTIFICATE OF FILING OF AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION
[Amending Article III thereof.]

copy annexed, adopted on July 27, 2015 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing more than two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 17th day of September, Twenty Fifteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

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AMENDED ARTICLES OF INCORPORATION

OF

MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age, majority of whom are citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION

SECOND: That the purposes for which said corporation is formed are:

PRIMARY PURPOSE

To subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including, but not limited to, Corporations engaged in hotel and/or gaming and entertainment business, and to guarantee or provide a mortgage, pledge, or other security over all or part of its assets or financial support or accommodation to secure the whole or any part of the indebtedness and obligations of any of its subsidiaries and/or affiliates, without however engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operation of such investee companies. (As amended on 9 April 2013)

SECONDARY PURPOSES

1. To the extent permitted by law, to acquire by purchase, lease, contract, concession, or otherwise, any and all real and personal properties of every kind and description whatsoever (other than land), which the Corporation may deem necessary or appropriate in connection with the conduct of the corporate business, and to own, hold, operate, improve, develop, manage, grant, lease, sell, exchange, or otherwise dispose of the whole or any part thereof;

2. To borrow or raise money necessary for any of the purposes of the Corporation, and from time to time, draw, make, accept, endorse, transfer, assign, execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and transferable instruments and evidence of indebtedness, to give guarantees and indemnities, to secure indebtedness of third persons or other secured persons, and for the purpose of securing

any of its obligations or contracts, to convey, transfer, assign, deliver, mortgage, and/or pledge all or any part of the property or assets at any time held or owned by the Corporation, on such terms and conditions as the Board of Directors of the Corporation or its duly authorized officers or agents shall determine and as may be permitted by law;

3. To purchase or acquire, hold, assign, mortgage, pledge, and sell or otherwise dispose of shares of stock, receivables, bonds, securities, or other evidence of indebtedness issued or created by any other corporation, partnership, or company, whether domestic or foreign, and while the holder of any such share of stock, to exercise all the rights and privileges of ownership, including the right to vote without, however, engaging as a stock broker or dealer in securities;

4. To invest and deal with the money and properties of the Corporation in such manner as may, from time to time, be considered wise or expedient for the advancement of its interest and to sell, dispose, or transfer the business, properties, and goodwill of the Corporation or any part thereof for such consideration and under such terms as it shall see fit to accept;

5. To aid in any manner, any corporation, association or trust estate, domestic or foreign, or any form or individual, in which any shares of stocks or bonds, debentures, notes, securities, evidence of indebtedness, contracts, or obligations of which are held by or for the Corporation, directly or indirectly or through other corporations or otherwise;

6. To enter into any lawful arrangement for sharing profits, union of interest, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person, or governmental, municipal, or public authority, domestic or foreign, in the carrying out of any of the purposes of the Corporation;

7. To acquire or obtain from any government or authority, or any corporation, company, or partnership or person, such charter, contracts, franchise, privilege, exemption, license, or concession as may be conducive to any of the objects of the Corporation;

8. To exercise all the powers granted to the Corporation under Batas Pambansa Bilang 68, otherwise known as the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the Corporation is at **Asean Avenue** cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701. (As amended on 27 July 2015).

FOURTH: That the term for which the Corporation is to exist is fifty (50) years from and after the date of the issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residences of the incorporators are as follows:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Jomini C. Nazareno TIN: 227-369-048	Filipino	9 Colt Street, Calvary Hills, Fort Bonifacio, Makati City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, HV de la Costa St., Makati City

SIXTH: That the number of directors of the Corporation shall be five (5) and that the names, nationality, and residences of the Directors of the Corporation who are to serve until their successors are elected and qualified, as provided by the By-Laws are as follows, to wit:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Jomini C. Nazareno TIN: 227-369-048	Filipino	9 Colt Street, Calvary Hills, Fort Bonifacio, Makati City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, HV de la Costa St., Makati City

SEVENTH: That the authorized capital stock of the Corporation is Five Billion Two Hundred Million Pesos (PhP5,200,000,000.00) in lawful money of the Philippines, divided into Five Billion Two Hundred Million (5,200,000,000) common shares with par value of One Peso (PhP1.00) per share. (As amended on 17 June 2014)

No shareholder of any class of shares shall have or otherwise be entitled to any pre-emptive right to subscribe to, purchase or receive any class of shares of the Corporation, or part thereof, whether issued from the unissued capital, increase in capital stock, treasury stock any securities convertible into stock of the Corporation. Any such shares may at any time be issued, sold or disposed of by the Corporation pursuant to the resolution of the Board of Directors, to such persons and upon such terms as the Board of Directors may deem proper, without first offering such shares to existing shareholders.

EIGHT: That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed (PhP)	Amount Paid-Up (PhP)
MCE Holdings (Philippines) Corporation	BVI	8,309,995	8,309,995.00	8,309,995.00
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	1	1.00	1.00
Jomini C. Nazareno TIN: 227-369-048	Filipino	1	1.00	1.00
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	1	1.00	1.00
Cristina Collantes Garcia TIN: 199-116-923	Filipino	1	1.00	1.00
Maria Tara A. Mercado TIN: 401-141-426	Filipino	1	1.00	1.00
Total		8,310,000	8,310,000.00	8,310,000.00

NINTH: That **Maria Tara A. Mercado** has been elected by the subscribers as treasurer of the Corporation to act as such until his/her successor is duly elected and qualified in accordance with the By-Laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the Corporation, all subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have set our hands this 13th day of August 2012 at Makati, Philippines.

[Sgd.]
Frances Marie T. Yuyucheng
TIN: 161-211-692

[Sgd.]
Jomini C. Nazareno
TIN: 227-369-048

[Sgd.]
Rena Rico-Pamfilo
TIN: 209-631-089

[Sgd.]
Cristina Collantes-Garcia
TIN: 199-116-923

[Sgd.]
Maria Tara A. Mercado
TIN: 401-141-426

SIGNED IN THE PRESENCE OF:

____________________ ____________________

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public in and for the City of Makati, this 13th day of August 2012, personally appeared the following, who are satisfactorily proven to me their identity:

Name	Identification Nos.	Validity/Place of Issuance
Frances Marie T. Yuyucheng	PP# XX1409743	16 June 2013/Manila
Bertrand Hans B. Cagayan	PP# EB2037651	6 March 2016/Manila
Rena Rico-Pamfilo	PP#XX0549375	17 Feb 2013/Manila
Cristina Collantes-Garcia	PP# EB490044	25 March 2017/Manila
Maria Tara A. Mercado	PP# EB0753544	12 Aug 2015/Manila

that they are the same persons who executed and voluntarily signed the foregoing Articles of Incorporation which they acknowledged before me as their free and voluntary act and deed.

WITNESS MY HAND SEAL, this 13th day of August 2012 in the City of Makati.

[Sgd.]
Atty. Mark M. Tiaoqui
Commission No. M-375
Notary Public for Makati City
Until December 31, 2012
21st Flr. Philamlife Tower
8767 Paseo de Roxas, Makati City
Roll No. 54510
PTR No. 3175997 / 01-02-2012 / Makati
IBP No. 869555 / 01-03-2012 / Makati

Doc. No. 492;
Page No. 100;
Book No. III;
Series of 2012.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

Company Reg. No. CS201215365

CERTIFICATE OF FILING OF AMENDED BY-LAWS

KNOW ALL MEN BY THESE PRESENTS:

This is to certify that the Amended By-Laws of

MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION

copy annexed, adopted on December 04, 2015 by the Board of Directors pursuant to the authority duly delegated to it by the stockholders owning at least two-thirds of the outstanding capital stock on June 17, 2014, certified by a majority of the Board of Directors and countersigned by the Secretary of the Corporation, was approved by the Commission on this date, pursuant to the provisions of Section 48 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and attached to the other papers pertaining to said corporation.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 7th the day of March, Twenty Sixteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

AMENDED

BY-LAWS

OF

MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION

ARTICLE I
SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions – Subscribers to the capital stock of the corporation shall pay the value of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate – The stockholder shall be entitled to one or more certificates for fully paid stock subscription in his name in the books of the corporation. The certificates shall contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificate shall be signed by the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Shares – Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates and issue new certificates to the transferee.

No share of stock against which the Corporation holds unpaid claim shall be transferable in the books of the Corporation.

All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 4. Lost Certificates – In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. Annual / Regular Meetings – The annual / regular meetings of stockholders shall be held at the principal office on the Last Monday of July of each year, if a legal holiday, then on the day following. (As amended on 17 June 2014)

Section 2. Special Meeting – The special meetings of stockholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock, (b) President.

Section 3. Place of Meeting – Stockholders meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail or electronic mail at least one (1) day prior to the date of the meeting to each stockholder of record at his last known address, unless otherwise waived. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum – Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting – Meeting of the stockholders shall be presided over by the President, or in his absence, by a chairman to be chosen by the stockholders. The Secretary, shall act as Secretary of every meetings, but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

Section 7. Manner of Voting – At all meetings of stockholders, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books or Fixing of Record Date – For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for a period to be determined by the Board of Directors, but not to exceed, in any case, twenty (20) days.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Powers of the Board – Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers:

a.) From time to time, to make and change rules and regulations not inconsistent with these By-Laws for the management of the corporation's business and affairs;

b.) To purchase, receive, take or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

c.) To invest the funds of the corporation in other corporations or for purposes other than those for which the corporation was organized, subject to such stockholders' approval as may be required by law;

d.) To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders' approval as may be required by law, to give guarantees and provide security to third parties, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the corporation;

e.) To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation;

f.) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officer are either plaintiffs or defendants in connection with the business of the corporation;

g.) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation with such powers and upon such terms as may be deemed fit;

h.) To implement these By-Laws and to act on any matter not covered by these By-Laws, provided such matter does not require the approval or consent of the stockholders under the Corporation Code.

Section 2. Election and Term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 3. Vacancies – Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of stockholders called for the purpose, after giving notice as prescribed in these By-Laws.

Section 4. Meetings – Regular meetings of the Board of Directors shall be held at least once a year on such dates and at places as may be called by the Chairman of the Board, or upon the request of a majority of the Directors.

Section 5. Notice – Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, telegram, email, or by written message. A director may waive this requirement, either expressly or impliedly.

Section 6. Quorum – A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Section 7. Conduct of the Meetings – Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director chosen by the Board. The Secretary, shall act as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting.

Any director may attend meetings of the Board of Directors through teleconferencing or videoconferencing (i.e. conferences or meetings through electronic medium or telecommunications where participants who are not physically present are located at different local or international places). For such purpose, the following guidelines shall be observed in conducting meetings via teleconferencing or videoconferencing:

a) The secretary of the meeting shall assume the following responsibilities:

   (i) to safeguard the integrity of the meeting via teleconferencing or videoconferencing;

   (ii) to find good teleconferencing or videoconferencing equipment and facilities;

   (iii) to record the proceedings and prepare the minutes of the meeting;

   (iv) to store for safekeeping and mark the tape recording(s) and/or other electronic recording mechanism as part of the records of the Corporation.

b) The Secretary shall send out the notices of the meeting to all directors in accordance with the manner of giving notice as stated in these By-Laws. The notice shall include the following:

(i) Inquiry on whether the director will attend physically or through teleconferencing or videoconferencing;

(ii) Contact number(s) of the Secretary and office staff whom the director may call to notify and state whether he shall be physically present or attend through teleconferencing or videoconferencing;

(iii) Agenda of the meeting;

(iv) All documents to be discussed in the meeting, including attachments, shall be numbered and duly marked by the Secretary in such a way that all the directors, physically or electronically present, can easily follow, refer to the documents and participate in the meeting.

c) If the director chooses to attend the meeting via teleconferencing or videoconferencing, he shall give notice of at least two (2) days prior to the scheduled meeting to the Secretary. This notice requirement may be waived, either expressly or impliedly. The Secretary shall be informed of the concerned director's contact number(s). In the same way, the Secretary shall inform the director concerned of the contact number(s) he will call to join the meeting. The Secretary shall keep the records of the details, and on the date of the scheduled meeting, confirm and note such details as part of the minutes of the meeting. In the absence of arrangements made pursuant to these By-Laws, it is presumed that the director will physically attend the scheduled meeting of the Board of Directors.

(d) At the start of the scheduled meeting, a roll call shall be made by the Secretary. Every director and participant shall state, for the record, the following:

(i) Full Name;

(ii) Location;

(iii) For those attending through teleconferencing or videoconferencing, he shall:

(1) confirm that he can completely and clearly hear the others who can clearly hear him at the end of the line;

(2) state whether he has received the agenda and all the materials for the meeting;

(3) specify the type of electronic or telecommunications device being used at his end.

Thereafter, the Secretary shall confirm and note the contact numbers being used by the directors and participants not physically present. After the roll call, the Secretary may certify the existence of a quorum.

(e) During the course of the meeting where attendance is made through teleconferencing or videoconferencing, all participants shall identify themselves for the record, before speaking and must clearly hear and/or see each other in the course of the meeting. If person fails to identify himself, the Secretary shall quickly state the identity of the last speaker. If the person speaking is not physically present and the Secretary is not certain of the identity of the speaker, the Secretary must inquire to elicit a confirmation or correction.

If a motion is objected to and there is a need to vote and divide the Board, the Secretary shall call the roll and note the vote of each director who should identify himself.

If a statement of a director or participant who is attending the meeting via teleconferencing or videoconferencing is interrupted or garbled, the Secretary shall request for a repeat reiteration, and if need be, the Secretary shall repeat what he heard the director or participant was saying for confirmation or correction.

(f) The Secretary shall require all the directors who attended the meeting, whether personally or through teleconferencing or videoconferencing, to sign the minutes of the meeting to dispel all doubts on matters taken up during the meeting.

ARTICLE IV
OFFICERS

Section 1. Election / Appointment – Immediately after their election, the Board of Directors shall formally organize by electing the President, Chairman of the Board of Directors, the <u>Property President /</u> Chief Operating Officer, the Treasurer and the Secretary at said meeting. (As amended on 17 June 2014, and further amended on 4 December 2015)

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. President – The President shall supervise and implement the general policy direction of the Corporation as determined by the Board of Directors, and shall preside over meetings of the Board in the absence of the Chairman. (As amended on 08 October 2013.)

Section 3. <u>Property President /</u> Chief Operating Officer – The <u>Property President /</u> Chief Operating Officer ("COO") shall exercise executive functions and supervision of the day to day administration, management and operations of the Corporation. The <u>Property President /</u> COO shall have the following powers and duties:

a.) To have direct and active management of the business and operations of the Corporation, conducting the same according to the orders of the Board of Directors and according to his own sound discretion whenever the same is not expressly limited by such orders, resolutions and instructions;

b.) To exercise general supervision and control over all the officers and employees of the Corporation, and suspend or remove employees and other subordinate personnel of the Corporation, prescribe their duties, fix their salaries and wages, and, when necessary, require guaranties or bonds in such amounts as he may determine to secure the faithful discharge by said employees of their official duties, subject to the provisions on the Delegation of Authority policy of the Corporation;

c.) To assign and execute on behalf of the Corporation all contracts and agreements which it may enter into, including deeds of purchase and sale, instruments of mortgage and pledge, overdraft agreements, letters of credit, trust receipts, promissory notes, guaranty undertakings and all other banking and commercial papers for the extension of loans or credit facilities by or to the Corporation, subject to the provisions on the Delegation of Authority policy of the Corporation;

d.) To represent the Corporation at all judicial and administrative proceedings affecting its business;

e.) To exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate.

(As amended on 8 October 2013, and further amended on 4 December 2015)

Section 4. Chairman of the Board of Directors – The Chairman of the Board shall have the following powers and duties:

a.) To preside at all meetings of the stockholders and of the Board of Directors;

b.) To submit an annual report of the operations of the Corporation to the Board of Directors and to the stockholders at the annual meeting at such other times as the Board of Directors may request; and

c.) To exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate.

(As amended on 17 June 2014)

Section 5. The Secretary – The Secretary must be a resident and a citizen of the Philippines. He/she shall have the following specific powers and duties:

a.) To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b.) To keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c.) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

d.) To attend to the giving and serving of all notices of the corporation required by law or these By-Laws to be given;

e.) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations;

f.) To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election;

g.) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

Section 6. The Treasurer – The Treasurer of the corporation shall have the following duties:

a.) To keep full and accurate accounts of receipts and disbursements in the books of the corporation;

b.) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c.) To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the corporation which may come under his control;

d.) To render an annual statements showing the financial condition of the corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;

e.) To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

f.) To exercise such powers and perform such duties and functions as may be assigned to him by the President.

Section 7. Term of Office – The term of office of all officers shall be one (1) year and until their successors are duly elected and qualified.

Section 8. Vacancies – If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

ARTICLE V
OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch offices, either within or outside the Philippines as the Board of Directors may designate.

ARTICLE VI
AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

Section 1. External Auditor – At the regular stockholders' meeting, the external auditor of the corporation for the ensuing year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation.

Section 2. Fiscal Year – The fiscal year of the corporation shall begin on the first day of January and end on the last day of December of each year.

Section 3. Dividends – Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

ARTICLE VII
SEAL

Section 1. Form and Inscriptions – The corporate seal shall be determined by the Board of Directors.

ARTICLE VIII
AMENDMENTS

Section 1. These By-Laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders' meeting called for that purpose. The Board of Directors has, in accordance with law, been delegated the authority to amend, modify, repeal these By-Laws or adopt new By-Laws by the owners of two-thirds (2/3) of the subscribed capital stock of the Corporation; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new By-Laws may be revoked only by the vote of stockholders representing a majority of the outstanding capital stock at a regular or special meeting. (As amended on 17 June 2014)

IN WITNESS WHEREOF, we, the undersigned stockholders, have adopted the foregoing By-Laws and hereunto affixed our signatures this 22nd day of August 2012 at Makati City, Philippines.

(Sgd.)
Frances Marie T. Yuyucheng
TIN: 161-211-692

(Sgd.)
Jomini C. Nazareno
TIN: 227-369-048

(Sgd.)
Rena Rico-Pamfilo
TIN: 209-631-089

(Sgd.)
Cristina Collantes-Garcia
TIN: 199-116-923

(Sgd.)
Maria Tara A. Mercado
TIN: 401-141-426

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201215883

CERTIFICATE OF FILING OF AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

MCE LEISURE (PHILIPPINES) CORPORATION
doing business under the name and style of
City of Dreams Manila and COD Manila
[Amending Article III thereof.]

copy annexed, adopted on April 08, 2015 by majority vote of the Board of Directors and on May 18, 2015 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on July 25, 2014 pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

This is issued to replace the certificate signed on June 26, 2015 which erroneously indicated the date of meeting of the stockholders as May 15, 2015 instead of May 18, 2015.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 2nd day of February, Twenty Sixteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

BUWIS DSJ2014 10554197

AMENDED ARTICLES OF INCORPORATION

OF

MCE LEISURE (PHILIPPINES) CORPORATION
doing business under the name and style of
City of Dreams Manila and
COD Manila

(Formerly: MCE LEISURE (PHILIPPINES) CORPORATION
doing business under the name and style of
City of Dreams Manila)

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age, majority of whom are citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

MCE LEISURE (PHILIPPINES) CORPORATION
doing business under the name and style of:
City of Dreams Manila and
COD Manila
(As amended on 19 May 2014)

SECOND: That the purposes for which said corporation is formed are:

PRIMARY PURPOSE

To develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components, without being engaged in retail trade, and to engage in casino gaming activities. (As amended on 14 November 2012)

SECONDARY PURPOSES

1. To the extent permitted by law, to acquire by purchase, lease, contract, concession, or otherwise, any and all real and personal properties of every kind and description whatsoever, which the Corporation may deem necessary or appropriate in connection with the conduct of the corporate business, and to own, hold, operate, improve, develop, manage, grant, lease, sell, exchange, or otherwise dispose of the whole or any part thereof;

2. To borrow or raise money necessary for any of the purposes of the Corporation, and from time to time, draw, make, accept, endorse, transfer, assign, execute, and issue

promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and transferable instruments and evidence of indebtedness, to give guarantees and indemnities, to secure indebtedness of third persons or other secured persons, and for the purpose of securing any of its obligations or contracts, to convey, transfer, assign, deliver, mortgage, and/or pledge all or any part of the property or assets at any time held or owned by the Corporation, on such terms and conditions as the Board of Directors of the Corporation or its duly authorized officers or agents shall determine and as may be permitted by law;

3. To purchase or acquire, hold, assign, mortgage, pledge, and sell or otherwise dispose of shares of stock, receivables, bonds, securities, or other evidence of indebtedness issued or created by any other corporation, partnership, or company, whether domestic or foreign, and while the holder of any such share of stock, to exercise all the rights and privileges of ownership, including the right to vote without, however, engaging as a stock broker or dealer in securities;

4. To invest and deal with the money and properties of the Corporation in such manner as may, from time to time, be considered wise or expedient for the advancement of its interest and to sell, dispose, or transfer the business, properties, and goodwill of the Corporation or any part thereof for such consideration and under such terms as it shall see fit to accept;

5. To enter into any lawful arrangement for sharing profits, union of interest, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal, or public authority, domestic or foreign, in the carrying out of any of the purposes of the Corporation;

6. To acquire or obtain from any government or authority, or any corporation, company, or partnership or person, such charter, contracts, franchise, privilege, exemption, license, or concession as may be conducive to any of the objects of the Corporation;

7. To act as foreign exchange dealer (FXD)/money changer (MC) or to engage in the business of buying and/or selling foreign currencies on real time basis as defined under Bangko Sentral ng Pilipinas Circular No. 471 dated 24 January 2005; (As amended on 12 August 2014)

8. To guarantee the whole or any part of the indebtedness and obligations of the parent company or any of its subsidiaries and/or affiliates; (As amended on 9 April 2013)

9. To engage in the business of importing and selling tobacco products, and otherwise dealing in wholesale and retail quantities, cigars and cigarettes of all kinds; and (As amended on 2 December 2014).

10. To exercise all the powers granted to the Corporation under Batas Pambansa Bilang 68, otherwise known as the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the Corporation is at Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701. (As amended on 18 May 2015)

FOURTH: That the term for which the Corporation is to exist is fifty (50) years from and after the date of the issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residences of the incorporators are as follows:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Bertrand Hans B. Cagayan TIN: 152-022-237	Filipino	15 Greenwich St., Hillsborough Subd., Cupang, Muntinlupa City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes-Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, H.V. dela Costa St., Makati City

SIXTH: That the number of directors of the Corporation shall be five (5) and that the names, nationality, and residences of the Directors of the Corporation who are to serve until their successors are elected and qualified, as provided by the By-Laws are as follows, to wit:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Bertrand Hans B. Cagayan TIN: 152-022-237	Filipino	15 Greenwich St., Hillsborough Subd., Cupang, Muntinlupa City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes-Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, H.V. dela Costa St., Makati City

SEVENTH: That the authorized capital stock of the Corporation is Five Billion Two Hundred Million Pesos (PhP5,200,000,000.00) in lawful money of the Philippines, divided into Five Billion Two Hundred Million (5,200,000,000) common shares with par value of One Peso (Php 1.00) per share. (As amended on 17 June 2014)

No shareholder of any class of shares shall have or otherwise be entitled to any preemptive right to subscribe to, purchase or receive any class of shares of the Corporation, or part thereof, whether issued from the unissued capital, increase in capital stock, treasury stock any securities convertible into stock of the Corporation. Any such shares may at any time be issued, sold or disposed of by the Corporation pursuant to the resolution of the Board of Directors, to such persons and upon such terms as the Board of Directors may deem proper, without first offering such shares to existing shareholders.

EIGHTH: That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed (Php)	Amount Paid-up (Php)
MCE Holdings No. 2 (Philippines) Corporation	BVI	8,309,995	8,309,995.00	8,309,995.00
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	1	1.00	1.00
Bertrand Hans B. Cagayan TIN: 152-022-237	Filipino	1	1.00	1.00
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	1	1.00	1.00
Cristina Collantes-Garcia TIN: 199-116-923	Filipino	1	1.00	1.00
Maria Tara A. Mercado TIN: 401-141-426	Filipino	1	1.00	1.00
Total		8,310,000	8,310,000.00	8,310,000.00

NINTH: That Maria Tara A. Mercado has been elected by the subscribers as treasurer of the Corporation to act as such until his/her successor is duly elected and qualified in accordance with the By-Laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the Corporation, all subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have set our hands this 22nd day of August 2012 at Makati, Philippines.

[Sgd.]
Frances Marie T. Yuyucheng
TIN: 161-211-692

[Sgd.]
Bertrand Hans B. Cagayan
TIN: 152-022-237

[Sgd.]
Rena Rico-Pamfilo
TIN: 209-631-089

[Sgd.]
Cristina Collantes-Garcia
TIN: 199-116-923

[Sgd.]
Maria Tara A. Mercado
TIN: 401-141-426

SIGNED IN THE PRESENCE OF:

______________________ _________________________

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public in and for the City of Makati, this 24th day of August 2012, personally appeared the following, who are satisfactorily proven to me their identity:

Name	Identification Nos.	Validity/Place of Issuance
Frances Marie T. Yuyucheng	PP# XX1409743	16 June 2013/Manila
Bertrand Hans B. Cagayan	PP# EB2037651	6 March 2016/Manila
Rena Rico-Pamfilo	PP#XX0549375	17 Feb 2013/Manila
Cristina Collantes-Garcia	PP# EB490044	25 March 2017/Manila
Maria Tara A. Mercado	PP# EB0753544	12 Aug 2015/Manila

that they are the same persons who executed and voluntarily signed the foregoing Articles of Incorporation which they acknowledged before me as their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, this 24th day of August 2012 in the City of Makati.

[Sgd.]
Atty. Rafael Antonio P. Meer
Commission No. M-307
Notary Public for Makati City
Until December 31, 2012
21st Flr., Philamlife Tower
8767 Paseo de Roxas, Makati City
Roll No. 56712
PTR No. 3174417/01-02-2012/Makati
IBP No. 869529/01-03-2012/Makati

Doc. No. 165;
Page No. 034;
Book No. II;
Series of 2012.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

Company Reg. No. CS201215883

CERTIFICATE OF FILING
OF
AMENDED BY-LAWS

KNOW ALL MEN BY THESE PRESENTS:

This is to certify that the Amended By-Laws of

MCE LEISURE (PHILIPPINES) CORPORATION
doing business under the name and style of
City of Dreams Manila and COD Manila

copy annexed, adopted on December 04, 2015 by the Board of Directors pursuant to the authority duly delegated to it by the stockholders owning at least two-thirds of the outstanding capital stock on May 19, 2014, certified by a majority of the Board of Directors and countersigned by the Secretary of the Corporation, was approved by the Commission on this date, pursuant to the provisions of Section 48 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and attached to the other papers pertaining to said corporation.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 7th the day of March, Twenty Sixteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

AMENDED

BY-LAWS

OF

MCE LEISURE (PHILIPPINES) CORPORATION
doing business under the name and style of
City of Dreams Manila and
COD Manila

(Formerly: MCE LEISURE (PHILIPPINES) CORPORATION
doing business under the name and style of
City of Dreams Manila)

ARTICLE I
SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions – Subscribers to the capital stock of the corporation shall pay the value of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate – The stockholder shall be entitled to one or more certificates for fully paid stock subscription in his name in the books of the corporation. The certificates shall contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificate shall be signed by the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Shares – Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates and issue new certificates to the transferee.

No share of stock against which the Corporation holds unpaid claim shall be transferable in the books of the Corporation.

All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 4. Lost Certificates – In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Annual / Regular Meetings – The annual / regular meetings of stockholders shall be held at the principal office on the Third Monday of May of each year, if a legal holiday, then on the day following. (As amended on 19 May 2014)

Section 2. Special Meeting – The special meetings of stockholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock, (b) President.

Section 3. Place of Meeting – Stockholders meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail or electronic mail at least one (1) day prior to the date of the meeting to each stockholder of record at his last known address, unless otherwise waived. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum – Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting – Meeting of the stockholders shall be presided over by the President, or in his absence, by a chairman to be chosen by the stockholders. The Secretary, shall act as Secretary of every meetings, but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

Section 7. Manner of Voting – At all meetings of stockholders, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books or Fixing of Record Date – For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for a period to be determined by the Board of Directors, but not to exceed, in any case, twenty (20) days.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Powers of the Board – Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers:

a.) From time to time, to make and change rules and regulations not inconsistent with these By-Laws for the management of the corporation's business and affairs;

b.) To purchase, receive, take or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

c.) To invest the funds of the corporation in other corporations or for purposes other than those for which the corporation was organized, subject to such stockholders' approval as may be required by law;

d.) To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders' approval as may be required by law, to give guarantees and provide security to third parties, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the corporation;

e.) To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation;

f.) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officer are either plaintiffs or defendants in connection with the business of the corporation;

g.) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation with such powers and upon such terms as may be deemed fit;

h.) To implement these By-Laws and to act on any matter not covered by these By-Laws, provided such matter does not require the approval or consent of the stockholders under the Corporation Code.

Section 2. Election and Term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 3. Vacancies – Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of stockholders called for the purpose, after giving notice as prescribed in these By-Laws.

Section 4. Meetings – Regular meetings of the Board of Directors shall be held at least once a year on such dates and at places as may be called by the Chairman of the Board, or upon the request of a majority of the Directors.

Section 5. Notice – Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, telegram, email, or by written message. A director may waive this requirement, either expressly or impliedly.

Section 6. Quorum – A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Section 7. Conduct of the Meetings – Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director chosen by the Board. The Secretary, shall act as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting.

Any director may attend meetings of the Board of Directors through teleconferencing or videoconferencing (i.e. conferences or meetings through electronic medium or telecommunications where participants who are not physically present are located at different local or international places). For such purpose, the following guidelines shall be observed in conducting meetings via teleconferencing or videoconferencing:

a) The secretary of the meeting shall assume the following responsibilities:

   (i) to safeguard the integrity of the meeting via teleconferencing or videoconferencing;

(ii) to find good teleconferencing or videoconferencing equipment and facilities;

(iii) to record the proceedings and prepare the minutes of the meeting;

(iv) to store for safekeeping and mark the tape recording(s) and/or other electronic recording mechanism as part of the records of the Corporation.

b) The Secretary shall send out the notices of the meeting to all directors in accordance with the manner of giving notice as stated in these By-Laws. The notice shall include the following:

(i) Inquiry on whether the director will attend physically or through teleconferencing or videoconferencing;

(ii) Contact number(s) of the Secretary and office staff whom the director may call to notify and state whether he shall be physically present or attend through teleconferencing or videoconferencing;

(iii) Agenda of the meeting;

(iv) All documents to be discussed in the meeting, including attachments, shall be numbered and duly marked by the Secretary in such a way that all the directors, physically or electronically present, can easily follow, refer to the documents and participate in the meeting.

c) If the director chooses to attend the meeting via teleconferencing or videoconferencing, he shall give notice of at least two (2) days prior to the scheduled meeting to the Secretary. This notice requirement may be waived, either expressly or impliedly. The Secretary shall be informed of the concerned director's contact number(s). In the same way, the Secretary shall inform the director concerned of the contact number(s) he will call to join the meeting. The Secretary shall keep the records of the details, and on the date of the scheduled meeting, confirm and note such details as part of the minutes of the meeting. In the absence of arrangements made pursuant to these By-Laws, it is presumed that the director will physically attend the scheduled meeting of the Board of Directors.

(d) At the start of the scheduled meeting, a roll call shall be made by the Secretary. Every director and participant shall state, for the record, the following:

(i) Full Name;

(ii) Location;

(iii) For those attending through teleconferencing or videoconferencing, he shall:

(1) confirm that he can completely and clearly hear the others who can clearly hear him at the end of the line;

(2) state whether he has received the agenda and all the materials for the meeting;

(3) specify the type of electronic or telecommunications device being used at his end.

Thereafter, the Secretary shall confirm and note the contact numbers being used by the directors and participants not physically present. After the roll call, the Secretary may certify the existence of a quorum.

(e) During the course of the meeting where attendance is made through teleconferencing or videoconferencing, all participants shall identify themselves for the record, before speaking and must clearly hear and/or see each other in the course of the meeting. If a person fails to identify himself, the Secretary shall quickly state the identity of the last speaker. If the person speaking is not physically present and the Secretary is not certain of the identity of the speaker, the Secretary must inquire to elicit a confirmation or correction.

If a motion is objected to and there is a need to vote and divide the Board, the Secretary shall call the roll and note the vote of each director who should identify himself.

If a statement of a director or participant who is attending the meeting via teleconferencing or videoconferencing is interrupted or garbled, the Secretary shall request for a repeat reiteration, and if need be, the Secretary shall repeat what he heard the director or participant was saying for confirmation or correction.

(f) The Secretary shall require all the directors who attended the meeting, whether personally or through teleconferencing or videoconferencing, to sign the minutes of the meeting to dispel all doubts on matters taken up during the meeting.

ARTICLE IV
OFFICERS

Section 1. Election / Appointment. – Immediately after their election, the Board of Directors shall formally organize by electing, the President, Chairman of the Board of Directors, the Property President / Chief Operating Officer, the Treasurer and the Secretary at said meeting. (As amended on 19 May 2014, and further amended on 4 December 2015)

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. President – The President shall supervise and implement the general policy direction of the Corporation as determined by the Board of Directors, and shall preside over meetings of the Board in the absence of the Chairman. (As amended on 08 October 2013)

Section 3. Property President / Chief Operating Officer – The Property President / Chief Operating Officer ("COO") shall exercise executive functions and supervision of the day to day administration, management and operations of the Corporation. The Property President / COO shall have the following powers and duties:

a.) To have direct and active management of the business and operations of the Corporation, conducting the same according to the orders of the Board of Directors and according to his own sound discretion whenever the same is not expressly limited by such orders, resolutions and instructions;

b.) To exercise general supervision and control over all the officers and employees of the Corporation, and suspend or remove employees and other subordinate personnel of the Corporation, prescribe their duties, fix their salaries and wages, and, when necessary, require guaranties or bonds in such amounts as he may determine to secure the faithful discharge by said employees of their official duties, subject to the provisions on the Delegation of Authority policy of the Corporation;

c.) To assign and execute on behalf of the Corporation all contracts and agreements which it may enter into, including deeds of purchase and sale, instruments of mortgage and pledge, overdraft agreements, letters of credit, trust receipts, promissory notes, guaranty undertakings and all other banking and commercial papers for the extension of loans or credit facilities by or to the Corporation, subject to the provisions on the Delegation of Authority policy of the Corporation;

d.) To represent the Corporation at all judicial and administrative proceedings affecting its business;

e.) To exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate.

(As amended on 8 October 2013, and further amended on 4 December 2015)

Section 4. Chairman of the Board of Directors – The Chairman of the Board shall have the following powers and duties:

a.) To preside at all meetings of the stockholders and of the Board of Directors;

b.) To submit an annual report of the operations of the Corporation to the Board of Directors and to the stockholders at the annual meeting at such other times as the Board of Directors may request; and

c.) To exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate.

(As amended on 19 May 2014)

Section 5. The Secretary – The Secretary must be a resident and a citizen of the Philippines. He/she shall have the following specific powers and duties:

a.) To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b.) To keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c.) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

d.) To attend to the giving and serving of all notices of the corporation required by law or these By-Laws to be given;

e.) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations;

f.) To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election;

g.) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

Section 6. The Treasurer – The Treasurer of the corporation shall have the following duties:

a.) To keep full and accurate accounts of receipts and disbursements in the books of the corporation;

b.) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c.) To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the corporation which may come under his control;

d.) To render an annual statements showing the financial condition of the corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;

e.) To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

f.) To exercise such powers and perform such duties and functions as may be assigned to him by the President.

Section 7. Term of Office – The term of office of all officers shall be one (1) year and until their successors are duly elected and qualified.

Section 8. Vacancies – If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

ARTICLE V
OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch offices, either within or outside the Philippines as the Board of Directors may designate.

ARTICLE VI
AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

Section 1. External Auditor – At the regular stockholders' meeting, the external auditor of the corporation for the ensuing year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation.

Section 2. Fiscal Year – The fiscal year of the corporation shall begin on the first day of January and end on the last day of December of each year.

Section 3. Dividends – Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

ARTICLE VII
SEAL

Section 1. Form and Inscriptions – The corporate seal shall be determined by the Board of Directors.

ARTICLE VIII
AMENDMENTS

Section 1. These By-Laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders' meeting called for that purpose. The Board of Directors has, in accordance with law, been delegated the authority to amend, modify, repeal these By-Laws or adopt new By-Laws by the owners of two-thirds (2/3) of the subscribed capital stock of the Corporation; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new By-Laws may be revoked only by the vote of stockholders representing a majority of the outstanding capital stock at a regular or special meeting. (As amended on 19 May 2014)

IN WITNESS WHEREOF, we, the undersigned stockholders, have adopted the foregoing By-Laws and hereunto affixed our signatures this 22nd day of August 2012 at Makati City, Philippines.

(Sgd.)
Frances Marie T. Yuyucheng
TIN: 161-211-692

(Sgd.)
Jomini C. Nazareno
TIN: 227-369-048

(Sgd.)
Rena Rico-Pamfilo
TIN: 209-631-089

(Sgd.)
Cristina Collantes-Garcia
TIN: 199-116-923

(Sgd.)
Maria Tara A. Mercado
TIN: 401-141-426