THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Melco International Development Limited, you should at once hand this circular to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

MELCO

Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

Website: http://www.melco-group.com

(Stock Code: 200)

MAJOR TRANSACTION AND CONNECTED TRANSACTION

PURCHASE OF ADDITIONAL INTEREST AND ASSUMPTION OF MAJORITY OWNERSHIP IN MELCO CROWN ENTERTAINMENT LIMITED

A letter from the Board is set out on pages 4 to 15 of this circular.

20 February 2017

CONTENTS

In this circular, unless the context otherwise requires, the following terms and expressions have the following meanings:

"ADSs"	American depositary shares of Melco Crown Entertainment
"Board"	the board of directors of the Company
"Borrowers"	Deutsche Bank AG, London Branch, UBS AG London Branch and Morgan Stanley & Co. International Plc, and each a "Borrower"
"Business Day"	a day on which banks are open for business in Hong Kong and New York, but excluding a Saturday, Sunday or public holiday
"Closing"	closing of the sale and purchase of the Sale Shares under the Stock Purchase Agreement
"Company"	Melco International Development Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consolidation Event"	the consolidation of the financial results of Melco Crown Entertainment in the financial statements of the Company, as a result of the share repurchase, certain amendments to the Shareholders' Deed and memorandum and articles of association of Melco Crown Entertainment and the re-designation of certain directors, as described in the Company's announcement dated 4 May 2016
"Crown"	Crown Resorts Limited, a company incorporated in Victoria, Australia with limited liability and the shares of which are listed on the Australian Securities Exchange
"Crown Sub"	Crown Asia Investments Pty. Ltd., a company incorporated in the Cayman Islands but is now a registered Australian company with limited liability and a wholly-owned Subsidiary of Crown
"Deposit"	the deposit in the amount of US$100,000,000 (equivalent to approximately HK$775,000,000) payable by Melco Sub to Crown Sub upon the execution of the Stock Purchase Agreement, pursuant to the terms of the Stock Purchase Agreement
"Director(s)"	the director(s) of the Company

"Enlarged Group"	the group of companies consisting of the Company and its Subsidiaries after Closing
"Group"	the Company and its Subsidiaries (from time to time)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Latest Practicable Date"	16 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	30 June 2017
"Melco Crown Entertainment"	Melco Crown Entertainment Limited, a Subsidiary of the Company, whose shares are listed by way of American depositary shares on the NASDAQ Global Select Market in the United States
"Melco Sub"	Melco Leisure and Entertainment Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned Subsidiary of the Company
"Sale Shares"	198,000,000 ordinary shares in Melco Crown Entertainment purchased by Melco Sub from Crown Sub under the Stock Purchase Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share Purchase"	the purchase of the Sale Shares by Melco Sub from Crown Sub under the Stock Purchase Agreement
"Shareholder(s)"	holder(s) of shares in the Company
"Shareholders' Deed"	the amended and restated shareholders' deed relating to Melco Crown Entertainment dated 12 December 2007 entered into between the Company, Melco Sub, Crown, Crown Sub and Melco Crown Entertainment (as amended by a supplemental shareholders' deed dated 4 May 2016)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Stock Loan Agreements"	the three stock loan agreements dated 15 December 2016 entered into by Melco Sub with the Borrowers respectively in relation to the Stock Loans
"Stock Loans"	the loans by Melco Sub to the Borrowers of an aggregate of 27,331,933 ADSs, representing approximately 5.56% of the issued share capital of Melco Crown Entertainment, under the Stock Loan Agreements
"Stock Purchase Agreement"	the stock purchase agreement dated 14 December 2016 entered into between Melco Sub and Crown Sub in relation to the sale and purchase of the Sale Shares
"Subsidiary"	has the meaning ascribed to it under the Listing Rules, and "Subsidiaries" shall be construed accordingly
"Transaction"	the transaction comprising the Share Purchase and the Stock Loans
"US$"	United States dollars, the lawful currency of the United States of America
"U.S. GAAP"	United States generally accepted accounting principles
"%"	per cent.

Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of US$1.00 = HK$7.75. Percentages and figures expressed have been rounded.

Melco International Development Limited

(Incorporated in Hong Kong with limited liability)
Website: http://www.melco-group.com
(Stock Code: 200)

Executive Directors:
Mr. Ho, Lawrence Yau Lung
(Chairman and Chief Executive Officer)
Mr. Evan Andrew Winkler *(Managing Director)*
Mr. Tsui Che Yin, Frank
Mr. Chung Yuk Man, Clarence

Non-executive Director:
Mr. Ng Ching Wo

Independent Non-executive Directors:
Mr. Chow Kwong Fai, Edward
Mr. Sham Sui Leung, Daniel
Dr. Tyen Kan Hee, Anthony

Registered office:
38th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong

20 February 2017

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

PURCHASE OF ADDITIONAL INTEREST AND ASSUMPTION OF MAJORITY OWNERSHIP IN MELCO CROWN ENTERTAINMENT LIMITED

INTRODUCTION

Reference is made to the Company's announcement dated 14 December 2016 in relation to the purchase by Melco Sub of 198,000,000 ordinary shares in Melco Crown Entertainment, representing approximately 13.4% of the issued share capital of Melco Crown Entertainment, from Crown Sub, and to the Company's announcement dated 15 December 2016 in relation to the loan by Melco Sub of an aggregate of 27,331,933 ADSs, representing approximately 5.56% of the issued share capital of Melco Crown Entertainment, to the Borrowers.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the Transaction; (ii) financial information relating to the Group and Melco Crown Entertainment; (iii) unaudited pro forma financial information of the Enlarged Group; and (iv) other information as required under the Listing Rules.

STOCK PURCHASE AGREEMENT

The principal terms of the Stock Purchase Agreement are summarized below:

Date

14 December 2016

Parties

(1) Melco Sub as purchaser

(2) Crown Sub as seller

Subject Matter

Melco Sub has agreed to purchase 198,000,000 ordinary shares in Melco Crown Entertainment, representing approximately 13.4% of the issued share capital of Melco Crown Entertainment, from Crown Sub.

Purchase Price

The aggregate purchase price for the Sale Shares is US$1,188,000,000 (equivalent to approximately HK$9,207,000,000) (the "**Base Purchase Amount**"), less the aggregate amount of any special dividends paid in respect of the Sale Shares on or after the date of the Stock Purchase Agreement and prior to Closing, except that Crown Sub is entitled to retain any ordinary quarterly dividends in respect of the Sale Shares which are declared, or have a record date for payment, during the period from 15 February 2017 until Closing. The parties have agreed to set the cut-off date of retaining ordinary quarterly dividends by Crown Sub as 15 February 2017 (which is approximately 2 months from the date of Stock Purchase Agreement) with a view to encouraging early completion of the transactions contemplated by the Stock Purchase Agreement. As at the Latest Practicable Date, Melco Crown Entertainment had not declared any ordinary quarterly dividends nor set a record date for payment of such dividends during the period from the date of the Stock Purchase Agreement to Closing.

The Base Purchase Amount for each Sale Share is US$6 (equivalent to US$18 per ADS), which represents:

(a) a premium of approximately 4% to the closing price of US$17.31 per ADS as quoted on the NASDAQ Global Select Market on the date of the Stock Purchase Agreement; and

(b) a discount of approximately 1.8% to the average closing price of US$18.316 per ADS as quoted on the NASDAQ Global Select Market for the ten trading days of the ADS immediately prior to the date of the Stock Purchase Agreement.

The Base Purchase Amount is subject to the following adjustments:

(a) If Closing occurs on or after 1 March 2017 and on or before 30 April 2017, an amount calculated at a rate of 0.5% of the Base Purchase Amount per month, accruing on a daily basis, in respect of the period from 1 March 2017 to the day immediately before Closing, will be added to the Base Purchase Amount.

(b) If Closing occurs on or after 1 May 2017 and on or before 30 June 2017, the amount calculated in accordance with (a) above will be added to the Base Purchase Amount in respect of the period from 1 March 2017 to 30 April 2017, and an additional amount calculated at a rate of 1.0% of the Base Purchase Amount per month, accruing on a daily basis, shall be added to the Base Purchase Amount, in respect of the period from 1 May 2017 to the day immediately before Closing.

The adjustments to the Base Purchase Amount described above will not apply if Closing is delayed due to a breach of the Stock Purchase Agreement by Crown Sub.

The Stock Purchase Agreement provides that the purchase price is payable by Melco Sub to Crown Sub in full, in cash, on Closing.

Closing took place on 16 February 2017. On 12 January 2017, the board of Melco Crown Entertainment approved the declaration and payment of a special dividend of approximately US$650,000,000 (equivalent to approximately HK$5,037,500,000) (representing US$0.4404 (equivalent to approximately HK$3.4131) per share. The special dividend was paid to those shareholders whose names appear on the register of members of Melco Crown Entertainment at the close of business on 23 January 2017, being the record date for determination of entitlements to the special dividend. As a result of the declaration and payment of the special dividend, the purchase price for the Sale Shares paid by Melco Sub to Crown Sub was US$1,100,800,800 (equivalent to approximately HK$8,531,206,200).

The purchase price for the Sale Shares was determined based on arm's length negotiations between Melco Sub and Crown Sub after taking into account, among other things, (i) the then prevailing market share price of Melco Crown Entertainment, (ii) the historical earnings of Melco Crown Entertainment, and (iii) the prospective strategic value and potential growth of Melco Crown Entertainment given the improving market presence of its business in Macau and Asia.

The Group financed the acquisition by internal resources and bank borrowings.

Conditions to Closing

Closing is subject to the fulfilment or, where applicable, waiver of the following conditions:

(a) the consent of the Macau Government for the consummation of the transaction contemplated by the Stock Purchase Agreement having been obtained;

(b) Melco Sub having received sufficient financing to pay the purchase price for the Sale Shares;

(c) the representations and warranties of Melco Sub and Crown Sub contained in the Stock Purchase Agreement being true and correct both when made and as of the date of Closing;

(d) all material consents of or filings with any governmental authority legally required for the consummation of the transaction contemplated by the Stock Purchase Agreement having been obtained or made;

(e) no governmental authority having enacted, issued, promulgated or enforced any law that prohibits the consummation of the transaction contemplated by the Stock Purchase Agreement;

(f) no action being pending or threatened challenging the transaction contemplated by the Stock Purchase Agreement or otherwise seeking damages in connection therewith or seeking to prohibit or limit the ability of Melco Sub to exercise full rights of ownership of the Sale Shares or to operate or control the assets and business of Melco Crown Entertainment after the date of Closing;

(g) approvals required by law, rule, regulation or agreement directly in connection with the consummation of the transaction contemplated by the Stock Purchase Agreement having been obtained, including Shareholders' approval of the Transaction, which the Company has obtained by way of written approval by a closely allied group of Shareholders which together hold more than 50% of the issued shares of the Company, in accordance with Rule 14.44 of the Listing Rules. Please refer to the section headed "Listing Rules Implications" below in this circular for details;

(h) Melco Sub having received a certification of non-foreign status executed by Crown Sub satisfying the requirements of Section 1.1445–2(b)(2)(i) of the United States Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended; and

(i) Melco Sub having received such other documents necessary to give effect to the transfer of the Sale Shares to Melco Sub as Melco Sub may reasonably request.

As at the Latest Practicable Date, the condition referred to in (h) above had been waived by Melco Sub and all other conditions had been fulfilled. Closing took place on 16 February 2017.

Closing

The Stock Purchase Agreement provides that Closing shall be held on the fifth (5) Business Day immediately following the first day on which the conditions to Closing are satisfied (or waived in accordance with the Stock Purchase Agreement), or any other date agreed in writing by Melco Sub and Crown Sub.

Closing under the Stock Purchase Agreement took place on 16 February 2017.

Termination

The Stock Purchase Agreement may be terminated at any time prior to Closing only:

(a) by the mutual written consent of Crown Sub and Melco Sub; or

(b) by either party by written notice to the other party due to a breach of the Stock Purchase Agreement by the other party which is incapable of being cured by the Longstop Date or, if capable of being cured, has not been cured within 10 days of the breaching party's receipt of the written notice.

Unless otherwise agreed by Melco Sub and Crown Sub, the Stock Purchase Agreement shall terminate at 11:59 p.m., Hong Kong time, on the Longstop Date if the conditions to Closing have not been satisfied or waived prior to that time.

Deposit

Pursuant to the terms of the Stock Purchase Agreement, Melco Sub has paid a deposit to Crown Sub, in the amount of US$100,000,000 (equivalent to approximately HK$775,000,000), which represents part payment of the purchase price for the Sale Shares, promptly following signing of the Stock Purchase Agreement. The Deposit is only refundable if Melco Sub terminates the Stock Purchase Agreement prior to Closing due to a breach by Crown Sub.

The Deposit and interest accrued on it were applied towards payment of the aggregate purchase price for the Sale Shares payable by Melco Sub on Closing.

MONETISATION BY CROWN

The Company's announcement dated 14 December 2016 disclosed that Crown was exploring potential options to monetise part of its residual shareholding in Melco Crown Entertainment. In this connection, the Company has been informed that:

(a) Crown Sub has sold 40,925,499 ordinary shares in Melco Crown Entertainment, representing approximately 2.8% of the issued share capital of Melco Crown Entertainment, to several underwriters, who has resold those ordinary shares in the form of 13,641,833 ADSs, in a public offering (the "**Crown Public Offering**"); and

(b) Crown Sub has entered into cash-settled swap transactions relating to a fixed number of ADSs with affiliates of each of the underwriters (the "**Dealers**" and such transactions, the "**Swap Transactions**").

STOCK LOANS

In order to facilitate the Swap Transactions, on 15 December 2016, Melco Sub entered into three Stock Loan Agreements, respectively, with the Borrowers, being the Dealers and/or their respective affiliates.

Under the Stock Loan Agreements, Melco Sub agreed to make the Stock Loans to the Borrowers for a period of up to seven months, to facilitate the Swap Transactions. The Dealers will sell, or cause their affiliates to sell, the borrowed ADSs through the underwriters in the same underwritten offering (the "**Swap Underwritten Offering**").

Summary of Principal Terms of the Stock Loans

The Stock Loans require the return of an equivalent number of ADSs to Melco Sub at the end of the seven months loan period. In the meantime, Melco Sub will continue to receive all distributions in respect of an equivalent number of ADSs and will have the right to exercise voting rights in respect of an equivalent number of ADSs held by Crown Sub. Accordingly, performance of the Stock Loan Agreements will not affect the Company's economic interest in, or voting rights in respect of, Melco Crown Entertainment. Performance of the Stock Loan Agreements will not result in a decrease or increase of Melco Sub's effective and beneficial shareholding in Melco Crown Entertainment. The Stock Loans will not affect the Company's ability to consolidate Melco Crown Entertainment, which will remain a Subsidiary of the Company.

Melco Sub will receive from each Borrower a loan fee (the "**Loan Fee**") in the amount of 0.1% per annum on the product of (a) the number of ADSs loaned to the Borrower and (b) the purchase price per borrowed ADS specified in the underwriting agreement entered into in respect of the Crown Public Offering, being US$16.0 (equivalent to approximately HK$124.0) per borrowed ADS. The total estimated amount of the Loan Fee to be received by Melco Sub under the Stock Loans is approximately US$256,000 (equivalent to approximately HK$1,984,000), which will be payable by the Borrowers to Melco Sub at the end of the loan period. The Loan Fee amount was determined on the basis of arm's length negotiation, in the context of agreeing the overall terms of the Transaction. Melco Sub intends to use the Loan Fee received from the Borrowers for general corporate purposes.

Apart from the Loan Fee, no gain or loss is expected to accrue to the Company as a result of performance of the Stock Loan Agreements.

Melco Sub may not terminate any Stock Loan prior to the expiry of the loan period unless due to a default by a Borrower. A Borrower may terminate its Stock Loan, and return an equivalent number of borrowed ADSs, prior to the expiry of the loan period by notice to Melco Sub.

Closing of the Crown Public Offering and Swap Underwritten Offering occurred on 20 December 2016.

The terms of the Stock Loans were agreed, in the context of the overall terms of the Transaction and the Stock Loans, on the basis of arm's length negotiation.

The Directors consider that the making of Stock Loans, which allows the Group to receive Loan Fees from the Borrowers while keeping its existing economic interest in, and voting rights in respect of, Melco Crown Entertainment, is in the interests of the Company and its Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Following the Consolidation Event, the Company, being the current single largest shareholder, will be taking the majority stake in Melco Crown Entertainment after the purchase of the Sale Shares. The making of the Stock Loans was a prerequisite for Melco Sub's purchase of the Sale Shares on the terms described above in this circular. The Share Purchase, facilitated by the Stock Loans, will not only further strengthen the Company's equity position in Melco Crown Entertainment, but also demonstrate the Group's confidence in the long term business outlook in Macau, and enables the Group to effectively capture the growth opportunities in Macau, Asia and from around the globe.

The Directors (including the independent non-executive Directors) consider that the terms of the Transaction are fair and reasonable, and that the Transaction is on normal commercial terms or better (as far as the Company is concerned) and in the interests of the Company and its Shareholders as a whole.

To the best of the Directors' knowledge and information, no Director has any material interest in, or otherwise is required to abstain from voting on, the Board resolutions considering and approving the Transaction.

EFFECT ON SHAREHOLDING IN MELCO CROWN ENTERTAINMENT

Immediately prior to the entering into of the Transaction, Melco Sub's shareholding in Melco Crown Entertainment was approximately 37.9%. Pursuant to the terms of the Stock Purchase Agreement, Melco Sub purchased from Crown Sub an additional approximately 13.4% interest in Melco Crown Entertainment. Pursuant to the terms of the Stock Loan Agreements, Melco Sub lent ADSs representing approximately 5.56% of the issued share capital of Melco Crown Entertainment to the Borrowers. Following Closing, Melco Sub's effective and beneficial shareholding in Melco Crown Entertainment has increased to approximately 51.3%. Performance of the Stock Loan Agreements will not result in a decrease or increase of Melco Sub's effective and beneficial shareholding in Melco Crown Entertainment.

INFORMATION OF THE PARTIES

The Company

The Company, through its Subsidiaries, is principally engaged in leisure, gaming and entertainment and other investments.

Melco Sub

Melco Sub is a wholly-owned Subsidiary of the Company. It is an investment holding company which holds, among others, the Company's interest in Melco Crown Entertainment.

Crown

Crown is a company incorporated under the laws of Victoria, Australia with its shares listed on the Australian Securities Exchange. Its core businesses and investments are in the integrated resorts sector.

Crown Sub

Crown Sub is a wholly-owned Subsidiary of Crown. It is an investment holding company which holds Crown's interest in Melco Crown Entertainment.

Melco Crown Entertainment

Melco Crown Entertainment is a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia. Melco Crown Entertainment has its shares listed by way of American Depositary Receipts on the NASDAQ Global Select Market in the United States.

For the financial year ended 31 December 2015, Melco Crown Entertainment's audited loss before taxation was approximately US$59,777,000 (equivalent to approximately HK$463,271,750) and Melco Crown Entertainment's audited loss after taxation was approximately US$60,808,000 (equivalent to approximately HK$471,262,000).

For the financial year ended 31 December 2014, Melco Crown Entertainment's audited profits before taxation were approximately US$530,422,000 (equivalent to approximately HK$4,110,770,500) and Melco Crown Entertainment's audited profits after taxation were approximately US$527,386,000 (equivalent to approximately HK$4,087,241,500).

As at 31 December 2015, Melco Crown Entertainment's audited net asset value was approximately US$4,931,859,000 (equivalent to approximately HK$38,221,907,250).

The original acquisition cost of the Sale Shares to Crown Sub was US$207,900,000 (equivalent to approximately HK$1,611,225,000).

The Borrowers

The Borrowers are financial institutions principally engaged in the business of investment banking. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Borrowers and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

Under Rule 14.24 of the Listing Rules, in the case of a transaction involving both an acquisition and a disposal, the transaction will be classified by reference to the larger of the disposal and the acquisition. The Stock Loans are entered into in respect of, and to facilitate, the Share Purchase, which is a larger transaction than the Stock Loans. Accordingly, the disclosure and approval requirements for the Share Purchase would determine the classification of the Share Purchase and the Stock Loans.

Melco Crown Entertainment became a Subsidiary of the Company on 9 May 2016, following which the financial results of Melco Crown Entertainment are now consolidated in the financial statements of the Company.

The Stock Exchange has exercised its discretion under Rule 14.20 of the Listing Rules to disregard the revenue ratio calculation for the Transaction based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2015, on the basis that it produces an anomalous result following the Consolidated Event, and substitute an alternative revenue ratio calculation using the unaudited interim financial results of the Company in respect of the six months ended 30 June 2016 (which consolidate the results of Melco Crown Entertainment for that period, following the Consolidation Event).

As one or more of the applicable percentage ratios in respect of the Transaction based on the alternative size test and the other applicable size tests under the Listing Rules is more than 25% but all the applicable percentage ratios are less than 100%, the Transaction is a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Transaction would be subject to Shareholders' approval.

So far as the Company is aware, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had a material interest in, and would be required to abstain from voting on the resolution to approve, the Transaction, if the Company were to convene a general meeting to approve the Transaction.

As at the Latest Practicable Date, the following Shareholders (the "**Closely Allied Group of Shareholders**") held an aggregate of 803,378,396 shares in the Company, representing approximately 52.04% of the issued shares of the Company:

(a) Mr. Ho, Lawrence Yau Lung ("**Mr. Ho**") held 30,769,132 shares in the Company, representing approximately 1.99% of the issued shares of the Company;

(b) Better Joy Overseas Ltd. held 294,527,606 shares in the Company, representing approximately 19.08% of the issued shares of the Company;

(e) Lasting Legend Ltd. held 119,303,024 shares in the Company, representing approximately 7.73% of the issued shares of the Company;

(d) Mighty Dragon Developments Limited held 50,830,447 shares in the Company, representing approximately 3.29% of the issued shares of the Company;

(e) Maple Peak Investments Inc. held 1,566,000 shares in the Company, representing approximately 0.10% of the issued shares of the Company; and

(f) Great Respect Limited held 306,382,187 shares in the Company, representing approximately 19.85% of the issued shares of the Company.

All of the companies referred to in paragraphs (b) to (e) above are owned by persons and/or trusts associated with Mr. Ho. By virtue of the SFO, Mr. Ho is deemed to be interested in the shares held by those companies. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho and his immediate family members. Mr. Ho is taken to have interests in the shares held by Great Respect Limited by virtue of him being one of the beneficiaries of the discretionary family trust for the purpose of the SFO.

The Company has received written Shareholders' approval in respect of the Transaction from the Closely Allied Group of Shareholders which together hold more than 50% of the issued shares of the Company, in accordance with Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting would be convened by the Company to approve the Transaction.

Melco Crown Entertainment is a Subsidiary of the Company and Crown Sub is a substantial shareholder of Melco Crown Entertainment. Therefore, Crown Sub is a connected person of the Company at the subsidiary level and the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Transaction is on normal commercial terms or better (as far as the Company is concerned). The Board has approved the Transaction and the independent non-executive Directors have confirmed that the terms of the Transaction are fair and reasonable and that the Transaction is on normal commercial terms (or better, as far as the Company is concerned) and in the interests of the Company and its Shareholders as a whole. Therefore, the Transaction is exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.101 of the Listing Rules (but is still subject to the announcement requirements applicable to a major and connected transaction and the Shareholders' approval requirement applicable to a major transaction).

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on Melco Crown Entertainment prepared in accordance with Chapter 4 of the Listing Rules. The accountants' report must include the financial information of Melco Crown Entertainment for each of the three financial years ended 31 December 2013, 2014 and 2015 and for a period ended 6 months or less before this circular is issued, prepared using accounting policies which should be materially consistent with those adopted by the Company.

The ADSs of Melco Crown Entertainment are listed on the NASDAQ Global Select Market. In accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "**SEC**"), Melco Crown Entertainment's published audited annual financial statements and its published unaudited quarterly financial information have been prepared in accordance with U.S. GAAP. Melco Crown Entertainment's financial statements for each of the financial years ended 31 December 2013, 2014 and 2015 have been audited by Melco Crown Entertainment's auditors, Deloitte Touche Tohmatsu, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**"). Melco Crown Entertainment's financial information for the nine months ended 30 September 2016 has been reviewed by Deloitte Touche Tohmatsu prior to its publication. Deloitte Touche Tohmatsu is a firm with international name and reputation and is registered with the PCAOB.

The Company's financial statements are prepared in accordance with HKFRS. Complying with the strict requirements of Rule 14.67(6)(a)(i) of the Listing Rules in having to produce an accountants' report on Melco Crown Entertainment in this circular would be unduly burdensome and would create practical difficulties as this would require the Company to undertake a considerable amount of work to convert Melco Crown Entertainment's financial information from U.S. GAAP to HKFRS and prepare financial statements of Melco Crown Entertainment in conformity with HKFRS for the financial years ended 31 December 2013, 2014 and 2015 and for the period from 1 January 2016 to 30 September 2016 (the "**Melco Crown Entertainment HKFRS Financial Information**"). The Company's auditors would then need to carry out audit procedures in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") on the Melco Crown Entertainment HKFRS Financial Information and prepare an accountants' report accordingly. The benefits of such work may not justify the additional work and expenses involved and a significant delay in the issue of this circular.

In replacement of an accountants' report on Melco Crown Entertainment, the following disclosure has been included in this circular:

(a) the audited financial information on Melco Crown Entertainment for the financial years ended 31 December 2013, 2014 and 2015 and the unaudited financial information on Melco Crown Entertainment for the period from 1 January 2016 to 30 September 2016, prepared in accordance with U.S. GAAP, including the management discussion and analysis, extracted from the SEC filings of Melco Crown Entertainment for the relevant years/period, and the review report from Deloitte Touche Tohmatsu in respect of the condensed consolidated financial information of Melco Crown Entertainment as of and for the nine months period ended 30 September 2016, as set out in "*Published Financial Information of Melco Crown Entertainment for Each of the Three Years Ended 31 December 2013, 2014 and 2015 and the Nine Months Ended 30 September 2016*" and "*Management Discussion and Analysis of Melco Crown Entertainment*" in Appendix II to this circular;

(b) a summary of the material differences between the accounting policies adopted by Melco Crown Entertainment (under U.S. GAAP) and the accounting policies adopted by the Company (under HKFRS), including a line-by-line reconciliation of the consolidated statements of financial position and the consolidated income statements, addressing the material differences, other than presentational differences, which would have a significant effect on Melco Crown Entertainment's financial information referred to in paragraph (a) above had they been prepared in accordance with the accounting policies adopted by the Company under HKFRS (the "**Reconciliation**"). The Reconciliation is reported on by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard of Assurance Engagements 3000, as set out in "*Differences between the Accounting Policies Adopted by the Company (HKFRS) and Melco Crown Entertainment (U.S. GAAP)*" in Appendix II to this circular; and

(c) supplemental financial information of Melco Crown Entertainment for the financial years ended 31 December 2013, 2014 and 2015 and for the period from 1 January 2016 to 30 September 2016 (the "**Supplemental Financial Information**") which is required for an accountants' report under the Listing Rules but not disclosed in the published financial information of Melco Crown Entertainment, excluding the information required under Rule 4.08(3) of the Listing Rules (which requires the accountants' report to state that it has been prepared in accordance with the Auditing Guideline – Prospectuses and the reporting accountant (Statement 3.340) issued by the HKICPA), as set out in "*Supplemental Financial Information of Melco Crown Entertainment*" in Appendix II to this circular.

The Directors consider that the published financial information in relation to Melco Crown Entertainment reproduced in this circular, when taken together with the related management discussion and analysis, the Reconciliation and the Supplemental Financial Information, will afford Shareholders with all material information necessary to assess the financial performance of Melco Crown Entertainment throughout the periods presented, such information being broadly commensurate in all material respects to the disclosure that would otherwise have been provided if an accountants' report on Melco Crown Entertainment had been produced under Rule 14.67(6)(a)(i) of the Listing Rules.

Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules such that the Company is not required to include an accountants' report on Melco Crown Entertainment in this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board of
Melco International Development Limited
Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

1. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015 AND FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 and for the period from 1 January 2016 to 30 June 2016 is disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (http://www.melco-group.com/) and can be accessed at the website addresses below:

- Annual report of the Company for the year ended 31 December 2013 published on 25 April 2014 (pages 78 to 181)

  http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0425/LTN20140425250.pdf

- Annual report of the Company for the year ended 31 December 2014 published on 28 April 2015 (pages 77 to 222)

  http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0428/LTN20150428766.pdf

- Annual report of the Company for the year ended 31 December 2015 published on 27 April 2016 (pages 89 to 210)

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN201604271195.pdf

- Interim report of the Company for the period from 1 January 2016 to 30 June 2016 published on 20 September 2016 (pages 30 to 76)

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0920/LTN20160920352.pdf

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

Borrowings

As at the close of business on 31 December 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had the following indebtedness:

	HK$'000
Principal amount of bank loans and debt securities:	
– secured and guaranteed	21,910,702
– unsecured and guaranteed	8,510,000
– unsecured and unguaranteed	546,000
	30,966,702

The Enlarged Group has pledged certain property, plant and equipment, land use rights, investment properties, bank deposits and equity shares of certain subsidiaries to secure the borrowings granted to the Enlarged Group and certain borrowings are guaranteed by entities within the Enlarged Group.

Obligations under finance leases

On 31 December 2016, the Enlarged Group had unguaranteed finance lease obligations, which were secured by certain property, plant and equipment of the Enlarged Group, with outstanding carrying amount of approximately HK$2,271,435,000.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, at the close of business on 31 December 2016, the Enlarged Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, debentures, mortgages, charges, hire purchase and finance lease commitments, guarantees or material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, taking into account the financial resources available to the Enlarged Group including cash flows generated from the operating activities and the available credit facilities, and the subject transaction will be financed by additional external financing, the Enlarged Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

In assessing the aforesaid sufficiency of the working capital of the Enlarged Group, the Directors have considered the closing of the transaction is subject to the Group having received sufficient financing to pay the purchase price for the Sale Shares. As of the date of this circular, the Group has obtained bank borrowings to finance the Share Purchase.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As the operating environment in Macau has stabilized in the first half of 2016, it is the Group's view that the gaming market in Macau has bottomed out and endeavoured to begin recovering by the end of this year. Despite the challenges that gaming operators in Macau still face, including the weakened VIP segment, intensified competition, dampened gaming and retail demand from mainland China, and the overarching policy and economic uncertainty, the Company has always risen above adversity, stayed ahead of the game, and seized opportunities guided by its long-term vision. The Company is confident that the Group is strategically positioned for further success through leveraging its diversified portfolio of high-quality assets in our home base Macau and projects overseas.

While the Macau gaming industry is experiencing a wave of change and stabilization, the Group remains cautiously positive about the long-term outlook of Macau and Asia. The Company has full confidence in the Central and Macau governments that they will formulate and enforce policies to support the healthy and sustainable growth and development of Macau into a "World Center of Tourism and Leisure". Looking ahead, the Company's diversified revenue streams across all market segments will help the Group weather the process of stabilization of the gaming industry in Macau. The Group resolves to accelerate its efforts in boosting its market share and presence in Asia and exploring other emerging gaming jurisdictions overseas, in order to realize its vision of becoming a world-leading gaming, entertainment and leisure developer and operator.

6. FINANCIAL EFFECTS OF THE TRANSACTION

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular, had the Closing occurred on 30 June 2016, the total assets of the Enlarged Group would have been decreased by approximately HK$3,128,288,000 from approximately HK$107,382,010,000 as at 30 June 2016 to approximately HK$104,253,722,000, and total liabilities of the Enlarged Group would have been increased by approximately HK$8,531,206,000 from approximately HK$44,198,559,000 as at 30 June 2016 to approximately HK$52,729,765,000.

Further details of the financial effects of the Transaction on the assets and liabilities of the Group together with the basis in preparing the unaudited pro forma financial information of the Enlarged Group are set out in Appendix III to this circular.

There will be no material effect on earnings of the Enlarged Group associated with the Transaction.

A. PUBLISHED FINANCIAL INFORMATION OF MELCO CROWN ENTERTAINMENT OF EACH OF THE THREE YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2016

For the purpose of this section only, unless the context requires otherwise, references to the "Company", "we", "us" and "our" refer to Melco Crown Entertainment and references to "$" refer to US$.

1. The following is an extract of the audited consolidated financial statements of Melco Crown Entertainment as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014 (the "MCE 2014 financial statements"), which were prepared in accordance with U.S. GAAP, from the report of Melco Crown Entertainment on Form 6-K and the exhibits thereto furnished to the SEC on February 17, 2017.

CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data)

	December 31,	
	2014	**2013**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,597,655	$ 1,381,757
Bank deposits with original maturity over three months	110,616	626,940
Restricted cash	1,447,034	770,294
Accounts receivable, net *(Note 3)*	253,665	287,880
Amounts due from affiliated companies *(Note 24(a))*	1,079	23
Deferred tax assets *(Note 17)*	532	–
Income tax receivable	15	18
Inventories	23,111	18,169
Prepaid expenses and other current assets	69,254	54,898
Assets held for sale *(Note 4)*	–	8,468
Total current assets	3,502,961	3,148,447
PROPERTY AND EQUIPMENT, NET *(Note 5)*	4,696,391	3,308,846
GAMING SUBCONCESSION, NET *(Note 6)*	427,794	485,031
INTANGIBLE ASSETS, NET *(Note 7)*	4,220	4,220
GOODWILL *(Note 7)*	81,915	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS *(Note 8)*	290,647	350,745
RESTRICTED CASH	369,549	373,371
DEFERRED TAX ASSETS *(Note 17)*	115	93
LAND USE RIGHTS, NET *(Note 9)*	887,188	951,618
TOTAL ASSETS	$ 10,260,780	$ 8,704,286

	December 31, 2014	December 31, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable *(Note 10)*	$ 14,428	$ 9,825
Accrued expenses and other current liabilities *(Note 11)*	1,005,720	928,751
Income tax payable	6,621	6,584
Capital lease obligations, due within one year *(Note 13)*	23,512	27,265
Current portion of long-term debt, net *(Note 12)*	261,097	260,051
Amounts due to affiliated companies *(Note 24(b))*	3,626	2,900
Amount due to a shareholder *(Note 24(c))*	–	79
Total current liabilities	1,315,004	1,235,455
LONG-TERM DEBT, NET *(Note 12)*	3,469,901	2,164,056
OTHER LONG-TERM LIABILITIES *(Note 14)*	93,441	28,492
DEFERRED TAX LIABILITIES *(Note 17)*	58,949	62,806
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR *(Note 13)*	278,027	253,029
LAND USE RIGHTS PAYABLE *(Note 23(c))*	3,788	35,466
COMMITMENTS AND CONTINGENCIES *(Note 23)*		
SHAREHOLDERS' EQUITY		
Ordinary shares at US$0.01 par value per share (Authorized – 7,300,000,000 shares as of December 31, 2014 and 2013 and issued – 1,633,701,920 and 1,666,633,448 shares as of December 31, 2014 and 2013, respectively *(Note 16)*)	$ 16,337	$ 16,667
Treasury shares, at cost (17,684,386 and 16,222,246 shares as of December 31, 2014 and 2013, respectively *(Note 16)*)	(33,167)	(5,960)
Additional paid-in capital	3,092,943	3,479,399
Accumulated other comprehensive losses	(17,149)	(15,592)
Retained earnings	1,227,177	772,156
Total Melco Crown Entertainment Limited shareholders' equity	4,286,141	4,246,670
Noncontrolling interests	755,529	678,312
Total equity	5,041,670	4,924,982
TOTAL LIABILITIES AND EQUITY	$ 10,260,780	$ 8,704,286

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share and per share data)

	Year Ended December 31,		
	2014	2013	2012
OPERATING REVENUES			
Casino	$ 4,654,184	$ 4,941,487	$ 3,934,761
Rooms	136,427	127,661	118,059
Food and beverage	84,895	78,880	72,718
Entertainment, retail and others	108,417	103,739	90,789
Gross revenues	4,983,923	5,251,767	4,216,327
Less: promotional allowances	(181,614)	(164,589)	(138,314)
Net revenues	4,802,309	5,087,178	4,078,013
OPERATING COSTS AND EXPENSES			
Casino	(3,246,404)	(3,452,736)	(2,834,762)
Rooms	(12,669)	(12,511)	(14,697)
Food and beverage	(23,513)	(29,114)	(27,531)
Entertainment, retail and others	(62,073)	(64,212)	(62,816)
General and administrative	(311,696)	(255,780)	(226,980)
Payments to the Philippine Parties	(870)	–	–
Pre-opening costs	(93,970)	(17,014)	(5,785)
Development costs	(10,734)	(26,297)	(11,099)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,237)
Amortization of land use rights	(64,471)	(64,271)	(59,911)
Depreciation and amortization	(246,686)	(261,298)	(261,449)
Property charges and others	(8,698)	(6,884)	(8,654)
Gain on disposal of assets held for sale	22,072	–	–
Total operating costs and expenses	(4,116,949)	(4,247,354)	(3,570,921)
OPERATING INCOME	685,360	839,824	507,092

	Year Ended December 31,		
	2014	2013	2012
NON-OPERATING INCOME (EXPENSES)			
Interest income	20,025	7,660	10,958
Interest expenses, net of capitalized interest	(124,090)	(152,660)	(109,611)
Change in fair value of interest rate swap agreements	–	–	363
Amortization of deferred financing costs	(28,055)	(18,159)	(13,272)
Loan commitment and other finance fees	(18,976)	(25,643)	(1,324)
Foreign exchange (loss) gain, net	(6,155)	(10,756)	4,685
Other income, net	2,313	1,661	115
Loss on extinguishment of debt *(Note 12)*	–	(50,935)	–
Costs associated with debt modification *(Note 12)*	–	(10,538)	(3,277)
Total non-operating expenses, net	(154,938)	(259,370)	(111,363)
INCOME BEFORE INCOME TAX	530,422	580,454	395,729
INCOME TAX (EXPENSE) CREDIT *(Note 17)*	(3,036)	(2,441)	2,943
NET INCOME	527,386	578,013	398,672
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	80,894	59,450	18,531
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED	$ 608,280	$ 637,463	$ 417,203
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED PER SHARE:			
Basic	$ 0.369	$ 0.386	$ 0.254
Diluted	$ 0.366	$ 0.383	$ 0.252
WEIGHTED AVERAGE SHARES USED IN NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED PER SHARE CALCULATION:			
Basic	1,647,571,547	1,649,678,643	1,645,346,902
Diluted	1,660,503,130	1,664,198,091	1,658,262,996

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2014	**2013**	**2012**
Net income	$ 527,386	$ 578,013	$ 398,672
Other comprehensive (loss) income:			
Foreign currency translation adjustment	(2,468)	(23,399)	16
Change in fair value of interest rate swap agreements	(19)	–	–
Change in fair value of forward exchange rate contracts	–	–	99
Reclassification to earnings upon settlement of forward exchange rate contracts	–	–	(138)
Other comprehensive loss	(2,487)	(23,399)	(23)
Total comprehensive income	524,899	554,614	398,649
Comprehensive loss attributable to noncontrolling interests	81,824	68,314	18,540
Comprehensive income attributable to Melco Crown Entertainment Limited	$ 606,723	$ 622,928	$ 417,189

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars, except share and per share data)

	Melco Crown Entertainment Limited Shareholders' Equity								
	Ordinary Shares		Treasury Shares			Accumulated Other	(Accumulated Losses)		
	Shares	Amount	Shares (Note)	Amount	Additional Paid-in Capital	Comprehensive Losses	Retained Earnings	Noncontrolling Interests	Total Equity
BALANCE AT JANUARY 1, 2012	1,653,101,002	$ 16,531	(10,552,328)	$ (106)	$ 3,223,274	$ (1,034)	$ (282,510)	$ 231,497	$ 3,187,652
Net income for the year	–	–	–	–	–	–	417,203	(18,531)	398,672
Capital contribution from noncontrolling interests	–	–	–	–	–	–	–	140,000	140,000
Foreign currency translation adjustment	–	–	–	–	–	16	–	(9)	7
Change in fair value of forward exchange rate contracts	–	–	–	–	–	99	–	–	99
Reclassification to earnings upon settlement of forward exchange rate contracts	–	–	–	–	–	(138)	–	–	(138)
Acquisition of assets and liabilities *(Note 26)*	–	–	–	–	–	–	–	1,860	1,860
Share-based compensation *(Note 18)*	–	–	–	–	8,973	–	–	–	8,973
Shares issued for future vesting of restricted shares and exercise of share options *(Note 16)*	4,958,293	50	(4,958,293)	(50)	–	–	–	–	–
Issuance of shares for restricted shares vested *(Note 16)*	–	–	1,276,634	13	(13)	–	–	–	–
Cancellation of vested restricted shares	–	–	(6)	–	–	–	–	–	–
Exercise of share options *(Note 16)*	–	–	2,966,955	30	3,601	–	–	–	3,631
BALANCE AT DECEMBER 31, 2012	1,658,059,295	16,581	(11,267,038)	(113)	3,235,835	(1,057)	134,693	354,817	3,740,756
Net income for the year	–	–	–	–	–	–	637,463	(59,450)	578,013
Capital contribution from noncontrolling interests	–	–	–	–	–	–	–	280,000	280,000
Foreign currency translation adjustment	–	–	–	–	–	(14,535)	–	(8,864)	(23,399)
Share-based compensation *(Note 18)*	–	–	–	–	14,119	–	–	883	15,002
Shares purchased under trust arrangement for future vesting of restricted shares *(Note 16)*	–	–	(1,121,838)	(8,770)	–	–	–	–	(8,770)
Transfer of shares purchased under trust arrangement for restricted shares vested *(Note 16)*	–	–	378,579	2,965	(2,965)	–	–	–	–
Shares issued for future vesting of restricted shares and exercise of share options *(Note 16)*	8,574,153	86	(8,574,153)	(86)	–	–	–	–	–
Issuance of shares for restricted shares vested *(Note 16)*	–	–	1,297,902	13	(13)	–	–	–	–
Exercise of share options *(Note 16)*	–	–	3,064,302	31	4,888	–	–	–	4,919
Change in shareholding of the Philippine subsidiaries *(Note 27)*	–	–	–	–	227,535	–	–	110,926	338,461
BALANCE AT DECEMBER 31, 2013	1,666,633,448	16,667	(16,222,246)	(5,960)	3,479,399	(15,592)	772,156	678,312	4,924,982
Net income for the year	–	–	–	–	–	–	608,280	(80,894)	527,386
Capital contribution from noncontrolling interests	–	–	–	–	–	–	–	92,000	92,000
Foreign currency translation adjustment	–	–	–	–	–	(1,538)	–	(930)	(2,468)
Change in fair value of interest rate swap agreements	–	–	–	–	–	(19)	–	–	(19)
Share-based compensation *(Note 18)*	–	–	–	–	18,233	–	–	2,168	20,401
Shares purchased under trust arrangement for future vesting of restricted shares *(Note 16)*	–	–	(208,278)	(1,721)	–	–	–	–	(1,721)
Transfer of shares purchased under trust arrangement for restricted shares vested *(Note 16)*	–	–	467,121	3,648	(3,648)	–	–	–	–
Shares repurchased for retirement *(Note 16)*	–	–	(36,649,344)	(300,495)	–	–	–	–	(300,495)
Retirement of shares *(Note 16)*	(32,931,528)	(330)	32,931,528	271,341	(271,011)	–	–	–	–
Issuance of shares for restricted shares vested *(Note 16)*	–	–	1,068,534	11	(11)	–	–	–	–
Exercise of share options *(Note 16)*	–	–	928,299	9	2,147	–	–	–	2,156
Change in shareholding of the Philippine subsidiaries *(Note 27)*	–	–	–	–	57,293	–	–	64,873	122,166
Dividends declared ($0.2076 per share) *(Note 21)*	–	–	–	–	(189,459)	–	(153,259)	–	(342,718)
BALANCE AT DECEMBER 31, 2014	1,633,701,920	$ 16,337	(17,684,386)	$ (33,167)	$ 3,092,943	$ (17,149)	$ 1,227,177	$ 755,529	$ 5,041,670

Note: The treasury shares represent i) new shares issued by the Company and held by the depository bank to facilitate the administration and operations of the Company's share incentive plans, and are to be delivered to the Directors, eligible employees and consultants on the vesting of restricted shares and upon the exercise of share options; ii) the shares purchased under a trust arrangement for the benefit of certain beneficiaries who are awardees under the 2011 Share Incentive Plan and held by a trustee to facilitate the future vesting of restricted shares in selected Directors, employees and consultants under the 2011 Share Incentive Plan; and iii) the shares repurchased by the Company under the Stock Repurchase Program pending for retirement.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Year Ended December 31, 2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 527,386	$ 578,013	$ 398,672
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	368,394	382,806	378,597
Amortization of deferred financing costs	28,055	18,159	13,272
Amortization of deferred interest expense	–	756	2,138
Amortization of discount on senior notes payable	–	71	801
Excess payment on acquisition of assets and liabilities	–	–	5,747
Interest accretion on capital lease obligations	19,756	16,063	–
Interest income on restricted cash	(9,050)	–	–
Loss on disposal of property and equipment	4,550	2,483	887
Impairment loss recognized on property and equipment	4,146	–	–
Allowance for doubtful debts and direct write off	37,669	44,299	28,416
Written off contract acquisition costs	–	1,582	–
Gain on disposal of assets held for sale	(22,072)	–	–
Loss on extinguishment of debt	–	50,935	–
Written off deferred financing costs on modification of debt	–	10,538	–
Share-based compensation	20,401	14,987	8,973
Reclassification of accumulated income of forward exchange rate contracts from accumulated other comprehensive losses	–	–	(138)
Change in fair value of interest rate swap agreements	–	–	(363)
Changes in operating assets and liabilities:			
Accounts receivable	(7,732)	(15,261)	(42,367)
Amounts due from affiliated companies	(1,056)	1,299	524
Amount due from a shareholder	–	–	6
Inventories	(4,942)	(1,593)	(1,318)
Prepaid expenses and other current assets	(3,893)	(25,974)	(3,716)
Long-term prepayments, deposits and other assets	(49,007)	(1,197)	(2,679)
Deferred tax assets	(22)	12	(81)
Accounts payable	4,603	(3,920)	1,722
Accrued expenses and other current liabilities	(42,668)	71,527	164,886
Income tax payable	(239)	5,640	(313)
Amounts due to affiliated companies	(2,000)	2,164	(564)
Amount due to a shareholder	(79)	79	–
Other long-term liabilities	26,271	2,010	809
Deferred tax liabilities	(3,857)	(3,544)	(3,678)
Net cash provided by operating activities	$ 894,614	$ 1,151,934	$ 950,233

	Year Ended December 31,		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for capitalized construction costs	$ (977,182)	$ (496,915)	$ (79,211)
Changes in restricted cash	(678,151)	268,414	(1,047,019)
Payment for acquisition of property and equipment	(237,715)	(78,250)	(141,269)
Placement of bank deposits with original maturity over three months	(110,616)	(626,940)	–
Advance payments for construction costs	(107,587)	(161,633)	–
Deposits for acquisition of property and equipment	(99,443)	(17,198)	(7,708)
Payment for land use rights	(50,541)	(64,297)	(53,830)
Payment for entertainment production costs	(1,346)	(2,064)	(1,788)
Payment for contract acquisition costs	–	(27,722)	–
Payment for security deposit	–	(4,293)	–
Proceeds from deposits on sale of assets held for sale	–	1,285	–
Net payment for acquisition of assets and liabilities	–	–	(5,315)
Proceeds from sale of property and equipment	1,117	343	422
Net proceeds from sale of assets held for sale	29,255	–	–
Withdrawals of bank deposits with original maturity over three months	626,940	–	–
Net cash used in investing activities	(1,605,269)	(1,209,270)	(1,335,718)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(342,718)	–	–
Repurchase of shares for retirement	(300,495)	–	–
Principal payments on long-term debt	(262,563)	(1,667,969)	(2,755)
Payment of deferred financing costs	(12,742)	(129,133)	(30,297)
Purchase of shares under trust arrangement for future vesting of restricted shares	(1,721)	(8,770)	–
Principal payments on capital lease obligations	(228)	(38)	–
Prepayment of deferred financing costs	–	(56,535)	(18,812)
Deferred payment for acquisition of assets and liabilities	–	(25,000)	(25,000)
Proceeds from exercise of share options	736	4,017	3,599
Capital contribution from noncontrolling interests	92,000	280,000	140,000
Net proceeds from issuance of shares of a subsidiary	122,167	338,461	–
Proceeds from long-term debt	1,632,514	1,000,000	868,000
Net cash provided by (used in) financing activities	926,950	(264,967)	934,735
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	(397)	(5,149)	1,935

	Year Ended December 31,		
	2014	2013	2012
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	215,898	(327,452)	551,185
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,381,757	1,709,209	1,158,024
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,597,655	$ 1,381,757	$ 1,709,209
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS			
Cash paid for interest (net of capitalized interest)	$ (95,118)	$ (127,807)	$ (102,015)
Cash paid for tax (net of refunds)	(7,154)	(333)	(1,129)
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Costs of property and equipment funded through capital lease obligations	850	288,535	–
Costs of property and equipment funded through accrued expenses and other current liabilities and other long-term liabilities	60,738	15,744	10,967
Costs of property and equipment funded through amounts due to affiliated companies	2,809	215	428
Construction costs funded through accrued expenses and other current liabilities, other long-term liabilities and capital lease obligations	200,800	87,611	49,508
Land use rights costs funded through accrued expenses and other current liabilities and land use rights payable	–	14,608	69,057
Deferred financing costs funded through accrued expenses and other current liabilities	248	4,522	7,080

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except share and per share data)

1. COMPANY INFORMATION

Melco Crown Entertainment Limited (the "Company") was incorporated in the Cayman Islands, with its ordinary shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") under the stock code of "6883" in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") and its American depository shares ("ADS") listed on the NASDAQ Global Select Market under the symbol "MPEL" in the United States of America. On January 2, 2015, the Company submitted an application to the Hong Kong Stock Exchange for the voluntary withdrawal of the listing of its ordinary shares on the Main Board of Hong Kong Stock Exchange, further details please refer to Note 28(a).

The 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 Asia. The Group currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Taipa Square Casino, a casino located at Taipa, Macau. The Group's business also includes the Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. The Group is also developing Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, Melco Crown (Philippines) Resorts Corporation ("MCP"), an indirect majority owned subsidiary of the Company whose common shares are listed on The Philippine Stock Exchange, Inc. under the stock code of "MCP", through MCP's subsidiary, MCE Leisure (Philippines) Corporation ("MCE Leisure"), 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.

As of December 31, 2014 and 2013, the major shareholders of the Company are Melco International Development Limited ("Melco"), a company listed in Hong Kong, and Crown Resorts Limited ("Crown"), an Australian-listed corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. These estimates and judgements are based on historical information, information that is currently available to the Group and on various other assumptions that the Group believes to be reasonable under the circumstances. Accordingly, actual results could differ from those estimates.

(c) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell the asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The Group estimated the fair values using appropriate valuation methodologies and market information available as of the balance sheet date.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments which are unrestricted as to withdrawal and use, and which have maturities of three months or less when purchased.

Cash and cash equivalents are placed with financial institutions with high-credit ratings and quality.

(e) Restricted Cash

The current portion of restricted cash represents those cash deposited into bank accounts which are restricted as to withdrawal and use and the Group expects those fund will be released or utilized in accordance with the terms of the respective agreements within the next twelve months, while the non-current portion of restricted cash represents those fund that will not be released or utilized within the next twelve months. Restricted cash as of December 31, 2014 and 2013 comprises i) bank accounts that are restricted for withdrawal and for payment of Studio City project costs in accordance with the terms of the Studio City Notes and Studio City Project Facility as defined in Note 12 and other associated agreements; ii) a subsidiary's Taiwan branch office's deposit account in Taiwan which has been frozen by the Taiwanese authority since January 2013 in connection with an investigation related to certain alleged violations of Taiwan banking and foreign exchange laws by certain employees of the Taiwan branch office, with indictment received in August 2014 against the subsidiary's Taiwan branch office and such employees, further information is included in Note 23(e); iii) cash in escrow account, which was setup in March 2013, that is restricted for payment of City of Dreams Manila project costs in accordance with the terms of the provisional license (the "Provisional License") as disclosed in Note 22(a) issued by the Philippine Amusement and Gaming Corporation ("PAGCOR"); and iv) interest income earned on restricted cash balance which are restricted as to withdrawal and use.

(f) 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 in Macau, 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, 2014 and 2013, a substantial portion of the Group's markers were due from customers 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.

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. Management believes that as of December 31, 2014 and 2013, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

(g) Inventories

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

(h) Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Impairment losses and gains or losses on dispositions of property and equipment are included in operating income. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

During the construction and development stage of the Group's casino gaming and entertainment resort facilities, direct and incremental costs related to the design and construction, including costs under the construction contracts, duties and tariffs, equipment installation, shipping costs, payroll and payroll-benefit related costs, depreciation of plant and equipment used, applicable portions of interest and amortization of deferred financing costs, are capitalized in property and equipment. The capitalization of such costs begins when the construction and development of a project starts and ceases once the construction is substantially completed or development activity is suspended for more than a brief period.

Depreciation and amortization expense related to capitalized construction costs and other property and equipment is recognized from the time each asset is placed in service. This may occur at different stages as casino gaming and entertainment resort facilities are completed and opened.

Property and equipment and other long-lived assets with a finite useful life are 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
Buildings	7 to 25 years or over the term of the land use right agreement or lease agreement, whichever is shorter
Transportation	5 to 10 years
Leasehold improvements	3 to 10 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	2 to 10 years
Plant and gaming machinery	3 to 5 years

(i) Capitalization of Interest and Amortization of Deferred Financing Costs

Interest and amortization of deferred financing costs incurred on funds used to construct the Group's casino gaming and entertainment resort facilities during the active construction period are capitalized. Interest subject to capitalization primarily includes interest paid or payable on the Group's long-term debt except for the Aircraft Term Loan as disclosed in Note 12, interest rate swap agreements, the land premium payables for the land use rights where City of Dreams and Studio City are located and the capital lease obligations. The capitalization of interest and amortization of deferred financing costs ceases once a project is substantially completed or development activity is suspended for more than a brief period. The amount to be capitalized is determined by applying the weighted average interest rate of the Group's outstanding borrowings to the average amount of accumulated qualifying capital expenditures for assets under construction during the year and is added to the cost of the underlying assets and amortized over their respective useful lives. Total interest expenses incurred amounted to $220,974, $183,647 and $120,021, of which $96,884, $30,987 and $10,410 were capitalized for the years ended December 31, 2014, 2013 and 2012, respectively. No amortization of deferred financing costs were capitalized during the years ended December 31, 2014, 2013 and 2012.

(j) Gaming Subconcession, Net

The gaming subconcession is capitalized based on the fair value of the gaming subconcession agreement as of the date of acquisition of Melco Crown (Macau) Limited ("Melco Crown Macau"), an indirect subsidiary of the Company and the holder of the gaming subconcession in Macau, in 2006, and amortized using the straight-line method over the term of agreement which is due to expire in June 2022.

(k) Goodwill and Intangible Assets, Net

Goodwill represents the excess of acquisition cost over the fair value of tangible and identifiable intangible net assets of any business acquired. Goodwill is not amortized, but is tested for impairment at the reporting unit level on an annual basis, and between annual tests when circumstances indicate that the carrying value of goodwill may not be recoverable. An impairment loss is recognized in an amount equal to the excess of the carrying amount over the implied fair value.

Intangible assets other than goodwill are amortized over their useful lives unless their lives are determined to be indefinite in which case they are not amortized. Intangible assets are carried at cost, less accumulated amortization. The Group's finite-lived intangible asset consists of the gaming subconcession. Finite-lived intangible assets are amortized over the shorter of their contractual terms or estimated useful lives. The Group's intangible assets with indefinite lives represent Mocha Clubs trademarks, which are tested for impairment on an annual basis or when circumstances indicate that the carrying value of the intangible assets may not be recoverable.

(l) Impairment of Long-lived Assets (Other Than Goodwill)

The Group evaluates the recoverability of long-lived assets with finite lives based on its classification as a) held for sale or b) to be held and used. Several criteria must be met before an asset is classified as held for sale, including that management with the appropriate authority commits to a plan to sell the asset at a reasonable price in relation to its fair value and is actively seeking a buyer. For assets held for sale, the Group recognizes the assets at the lower of carrying value or fair market value less costs to sell, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. For assets to be held and used, the Group evaluates their recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value.

During the year ended December 31, 2014, an impairment loss of $4,146 was recognized mainly due to reconfiguration of the entertainment area at City of Dreams and renovation of the casinos at City of Dreams and Altira Macau and the amount were included in the consolidated statements of operations. No impairment losses were recognized during the years ended December 31, 2013 and 2012.

(m) Deferred Financing Costs, Net

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. Amortization expense of approximately \$28,055, \$18,159 and \$13,272 were recorded during the years ended December 31, 2014, 2013 and 2012, respectively.

(n) Land Use Rights, Net

Land use rights are recorded at cost less accumulated amortization. Amortization is provided over the estimated lease term of the land on a straight-line basis.

(o) Revenue Recognition and Promotional Allowances

The Group recognizes revenue at the time persuasive evidence of an arrangement exists, the service is provided or the retail goods are sold, prices are fixed or determinable and collection is reasonably assured.

Casino revenues are measured by the aggregate net difference between gaming wins and losses less accruals for the anticipated payouts of progressive slot jackpots, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession.

The Group follows the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for operations of Grand Hyatt Macau hotel, Hyatt City of Dreams Manila hotel (collectively the "Hyatt Hotels") and Taipa Square Casino. For the operations of the Hyatt Hotels, the Group is the owner of the hotels property, and the hotel managers operate the hotels under management agreements providing management services to the Group, and the Group receives all rewards and takes substantial risks associated with the hotels business, it is the principal and the transactions of the Hyatt Hotels are therefore recognized on a gross basis. For the operations of Taipa Square Casino, given the Group operates the casino under a right to use agreement with the owner of the casino premises and has full responsibility for the casino operations in accordance with its gaming subconcession, it is the principal and casino revenue is therefore recognized on a gross basis.

Rooms, food and beverage, entertainment, retail and other revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. Minimum operating and right to use fee, adjusted for contractual base fee and operating fee escalations, are included in entertainment, retail and other revenues and are recognized on a straight-line basis over the terms of the related agreement.

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

The retail value of rooms, food and beverage, entertainment, retail and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances for the years ended December 31, 2014, 2013 and 2012 is reclassified from rooms costs, food and beverage costs, entertainment, retail and other services costs and is included in casino expenses as follows:

	Year Ended December 31,		
	2014	**2013**	**2012**
Rooms	$ 22,282	$ 19,828	$ 16,819
Food and beverage	53,941	43,838	39,014
Entertainment, retail and others	7,683	8,301	7,238
	$ 83,906	$ 71,967	$ 63,071

(p) Point-loyalty Programs

The Group operates different loyalty programs in certain of its properties 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 accrues for loyalty program points expected to be redeemed for cash and free play as a reduction to gaming revenue and accrues for loyalty program points expected to be redeemed for free goods and services as casino expense. The accruals are based on management's estimates and assumptions regarding the redemption value, age and history with expiration of unused points resulting in a reduction of the accruals.

(q) Gaming Taxes

The Group is subject to taxes based on gross gaming revenue and other metrics in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. These gaming taxes are determined mainly from an assessment of the Group's gaming revenue and are recorded as an expense within the "Casino" line item in the consolidated statements of operations. These taxes totaled $2,275,610, $2,479,958 and $2,024,697 for the years ended December 31, 2014, 2013 and 2012, respectively.

(r) Pre-opening Costs

Pre-opening costs, consist primarily of marketing expenses and other expenses related to new or start-up operations and are expensed as incurred. The Group has incurred pre-opening costs primarily in connection with City of Dreams Manila and Studio City since December 2012 and July 2011, respectively. The Group also incurs pre-opening costs on other one-off activities related to the marketing of new facilities and operations.

(s) Development Costs

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

(t) Advertising and Promotional Expenses

The Group expenses all advertising and promotional expenses as incurred or the first time the advertising takes place. Advertising and promotional expenses included in the accompanying consolidated statements of operations were $47,906, $43,403 and $40,854 for the years ended December 31, 2014, 2013 and 2012, respectively.

(u) Foreign Currency Transactions and Translations

All transactions in currencies other than functional currencies of the Company during the year are remeasured at the exchange rates prevailing on the respective transaction dates. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than functional currencies are remeasured at the exchange rates existing on that date. Exchange differences are recorded in the consolidated statements of operations.

The functional currencies of the Company and its major subsidiaries are the United States dollar ("$" or "US$"), the Hong Kong dollar ("HK$"), the Macau Pataca ("MOP") or the Philippine Peso ("PHP"), respectively. All assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date and all income and expense items are translated at the average rates of exchange over the year. All exchange differences arising from the translation of subsidiaries' financial statements are recorded as a component of comprehensive income (loss).

(v) 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 and recognizes that cost over the service period. Compensation is attributed to the periods of associated service and such expense is being recognized on a straight-line basis over the vesting period of the awards. Forfeitures are estimated at the time of grant and actual forfeitures are recognized currently to the extent they differ from the estimate.

Further information on the Group's share-based compensation arrangements is included in Note 18.

(w) Income Tax

The Group is subject to income taxes in Hong Kong, Macau, the United States of America, the Philippines and other jurisdictions where it operates.

Deferred income taxes are recognized for all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on the characteristics of the underlying assets and liabilities. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

The Group's income tax returns are subject to examination by tax authorities in the jurisdictions where it operates. The Group assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes. These accounting standards utilize a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely, based solely on the technical merits, of being sustained on examinations.

(x) Net Income Attributable to Melco Crown Entertainment Limited Per Share

Basic net income attributable to Melco Crown Entertainment Limited per share is calculated by dividing the net income attributable to Melco Crown Entertainment Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted net income attributable to Melco Crown Entertainment Limited per share is calculated by dividing the net income attributable to Melco Crown Entertainment Limited by the weighted average number of ordinary shares outstanding during the year adjusted to include the potentially dilutive effect of outstanding share-based awards.

The weighted average number of ordinary and ordinary equivalent shares used in the calculation of basic and diluted net income attributable to Melco Crown Entertainment Limited per share consisted of the following:

	Year Ended December 31,		
	2014	**2013**	**2012**
Weighted average number of ordinary shares outstanding used in the calculation of basic net income attributable to Melco Crown Entertainment Limited per share	1,647,571,547	1,649,678,643	1,645,346,902
Incremental weighted average number of ordinary shares from assumed vesting of restricted shares and exercise of share options using the treasury stock method	12,931,583	14,519,448	12,916,094
Weighted average number of ordinary shares outstanding used in the calculation of diluted net income attributable to Melco Crown Entertainment Limited per share	1,660,503,130	1,664,198,091	1,658,262,996

During the years ended December 31, 2014, 2013 and 2012, 2,519,037, nil and 1,901,136 outstanding share options, and 701,681, nil and nil outstanding restricted shares as at December 31, 2014, 2013 and 2012, respectively, were excluded from the computation of diluted net income attributable to Melco Crown Entertainment Limited per share as their effect would have been anti-dilutive.

(y) Accounting for Derivative Instruments and Hedging Activities

The Group uses derivative financial instruments such as floating-for-fixed interest rate swap agreements with interest rate fluctuations in accordance with lenders' requirements under the Group's Studio City Project Facility and City of Dreams Project Facility (as defined in Note 12), and forward exchange rate contracts to manage its risks associated exchange rate fluctuations for the interest payments of the RMB Bonds (as defined in Note 12). All derivative instruments are recognized in the consolidated financial statements at fair value at the balance sheet date. Any changes in fair value are recorded in the consolidated statements of operations or accumulated other comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair values of interest rate swap agreements and forward exchange rate contracts are based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields and market forward exchange rates.

The Group's outstanding interest rate swap agreements as of December 31, 2014 are disclosed in Note 11. Further information on the Group's interest rate swap agreements and forward exchange rate contracts are included in Note 12.

(z) Comprehensive Income and Accumulated Other Comprehensive Losses

Comprehensive income includes net income, foreign currency translation adjustments, change in fair value of interest rate swap agreements and forward exchange rate contracts and reclassification to earnings upon settlement of forward exchange rate contracts and is reported in the consolidated statements of comprehensive income.

As of December 31, 2014 and 2013, the Group's accumulated other comprehensive losses consisted of the following:

	December 31,	
	2014	**2013**
Foreign currency translation adjustment	$ (17,130)	$ (15,592)
Change in the fair value of interest rate swap agreements	(19)	–
	$ (17,149)	$ (15,592)

(aa) Recent Changes in Accounting Standards

Newly Adopted Accounting Pronouncements:

(i) In February 2013, the Financial Accounting Standards Board ("FASB") issued an authoritative pronouncement related to obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The pronouncement provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this pronouncement is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this pronouncement also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The adoption of this guidance was effective for the Group as of January 1, 2014 and did not have a material impact on the Group's consolidated financial results or disclosures.

(ii) In March 2013, the FASB issued an authoritative pronouncement related to parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. When a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The adoption of this guidance was effective for the Group as of January 1, 2014 and did not have a material impact on the Group's consolidated financial results or disclosures.

(iii) In July 2013, the FASB issued a pronouncement which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendments require an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The adoption of this guidance was effective for the Group as of January 1, 2014 and did not have a material impact on the Group's consolidated financial results or disclosures.

(iv) In April 2015, the FASB issued an accounting standard update that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, the FASB issued an accounting standard update which clarifies that the guidance issued in April 2015 is not required to be applied to line-of-credit arrangements. The debt issuance costs related to line-of-credit arrangements shall be continue to present as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the arrangement. The guidance was effective as of January 1, 2016 and the Group adopted the new guidance on a retrospective basis. As a result, debt issuance costs of $170,130 and $106,838 as of December 31, 2014 and 2013, respectively, related to the Group's non-current portion of long-term debt (excluding revolving credit facilities) were reclassified from deferred financing costs, net to a direct reduction of the long-term debt, net; debt issuance costs of $1,653 and $2,515 as of December 31, 2014 and 2013, respectively, related to the Group's current portion of long-term debt (excluding revolving credit facilities) were reclassified from deferred financing costs, net to a direct reduction of the current portion of long-term debt, net; and debt issuance costs of $3,089 and $5,078 as of December 31, 2014 and 2013, respectively, related to the Group's revolving credit facilities were reclassified from deferred financing costs, net to long-term prepayments, deposits and other assets in the accompanying consolidated balance sheets.

Recent Accounting Pronouncements Not Yet Adopted:

(v) In May 2014, the FASB issued an accounting standard update which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principal of this new revenue recognition model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This update also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for interim and fiscal years beginning after December 15, 2016, and early adoption is not permitted. The guidance can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the potential impact of adopting this guidance on the Group's consolidated financial statements.

(vi) In June 2014, the FASB issued an accounting standard update which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The guidance is effective for interim and fiscal years beginning after December 15, 2015, with early adoption permitted. The guidance can be applied either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the consolidated financial statements and to all new or modified awards thereafter. The adoption of this guidance is not expected to have a material impact on the Group's consolidated financial statements.

3. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable, net are as follows:

	December 31, 2014	December 31, 2013
Casino	$ 414,515	$ 423,963
Hotel	1,728	1,353
Other	6,208	5,898
Sub-total	422,451	431,214
Less: allowance for doubtful debts	(168,786)	(143,334)
	$ 253,665	$ 287,880

During the years ended December 31, 2014, 2013 and 2012, the Group has provided allowance for doubtful debts, net of recoveries of $29,979, $43,750 and $26,566 and has directly written off accounts receivable of $7,690, $549 and $1,850, respectively.

Movement of allowance for doubtful debts are as follows:

	Year Ended December 31, 2014	2013	2012
At beginning of year	$ 143,334	$ 113,264	$ 86,775
Additional allowance, net of recoveries	29,979	43,750	26,566
Reclassified to long-term receivables, net	(4,527)	(13,680)	(77)
At end of year	$ 168,786	$ 143,334	$ 113,264

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

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

	December 31, 2014	December 31, 2013
Current	$ 155,172	$ 187,377
1-30 days	52,574	57,727
31-60 days	18,719	11,607
61-90 days	3,937	11,878
Over 90 days	23,263	19,291
	$ 253,665	$ 287,880

4. ASSETS HELD FOR SALE

On February 18, 2014, the Group completed the sale of its properties in Macau pursuant to a promissory agreement dated November 20, 2013 signed with a third party. Total consideration amounted to HK$240,000,000 (equivalent to $30,848) which include a cash deposit of HK$10,000,000 (equivalent to $1,285) received by the Group on the date of signing the promissory agreement. During the year ended December 31, 2014, the Group recognized a gain on disposal of assets held for sale of $22,072. As of December 31, 2013, the total net carrying value of the properties held for sale amounted to $8,468.

5. PROPERTY AND EQUIPMENT, NET

	December 31, 2014	December 31, 2013
Cost		
Buildings	$ 2,693,256	$ 2,693,753
Furniture, fixtures and equipment	607,423	449,732
Leasehold improvements	588,454	265,808
Plant and gaming machinery	197,740	162,763
Transportation	84,441	64,687
Construction in progress	1,935,391	868,828
Sub-total	6,106,705	4,505,571
Less: accumulated depreciation and amortization	(1,410,314)	(1,196,725)
Property and equipment, net	$ 4,696,391	$ 3,308,846

As of December 31, 2014 and 2013, construction in progress in relation to City of Dreams, Studio City and City of Dreams Manila included interest capitalized in accordance with applicable accounting standards and other direct incidental costs capitalized (representing insurance, salaries and wages and certain other professional charges incurred) which, in the aggregate, amounted to $219,141 and $102,246, respectively.

During the years ended December 31, 2014, 2013 and 2012, additions to property and equipment amounted to $1,637,305, $912,355 and $283,998, respectively and disposals of property and equipment at carrying amount were $5,667, $2,822 and $1,310, respectively.

The cost and accumulated depreciation and amortization of property and equipment held under capital lease arrangements was $265,781 and $711, respectively, as of December 31, 2014. The cost and accumulated depreciation and amortization of property and equipment held under capital lease arrangements was $266,540 and $115, respectively, as of December 31, 2013. Further information of the lease arrangement is included in Note 13.

6. GAMING SUBCONCESSION, NET

	December 31,	
	2014	**2013**
Deemed cost	$ 900,000	$ 900,000
Less: accumulated amortization	(472,206)	(414,969)
Gaming subconcession, net	$ 427,794	$ 485,031

The deemed cost was determined based on the estimated fair value of the gaming subconcession contributed by a shareholder of the Company in 2006. The gaming subconcession is amortized on a straight-line basis over the term of the gaming subconcession agreement which expires in June 2022. The Group expects that amortization of the gaming subconcession will be approximately $57,237 each year from 2015 through 2021, and approximately $27,135 in 2022.

7. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill relating to Mocha Clubs and other intangible assets with indefinite useful lives, representing trademarks of Mocha Clubs, are not amortized. Goodwill and intangible assets arose from the acquisition of Mocha Slot Group Limited and its subsidiaries by the Group in 2006.

To assess potential impairment of goodwill, the Group performs an assessment of the carrying value of the reporting units at least on an annual basis or when events occur or circumstances change that would more likely than not reduce the estimated fair value of those reporting units below their carrying value. If the carrying value of a reporting unit exceeds its fair value, the Group would perform the second step in its assessment process and record an impairment loss to earnings to the extent the carrying amount of the reporting unit's goodwill exceeds its implied fair value. The Group estimates the fair value of those reporting units through internal analysis and external valuations, which utilize income and market valuation approaches through the application of capitalized earnings and discounted cash flow methods. These valuation techniques are based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, discount rates, long-term growth rates and market comparable.

Trademarks of Mocha Clubs are tested for impairment at least annually or when events occur or circumstances change that would more likely than not reduce the estimated fair value of trademarks below its carrying value using the relief-from-royalty method. Under this method, the Group estimates the fair value of the trademarks through internal and external valuations, mainly based on the incremental after-tax cash flow representing the royalties that the Group is relieved from paying given it is the owner of the trademarks. These valuation techniques are based on a number of estimates and assumptions, including the projected future revenues of the trademarks calculated using an appropriate royalty rate, discount rate and long-term growth rates.

The Group has performed annual tests for impairment of goodwill and trademarks in accordance with the accounting standards regarding goodwill and other intangible assets. No impairment loss has been recognized during the years ended December 31, 2014, 2013 and 2012.

8. LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS

Long-term prepayments, deposits and other assets consisted of the following:

	December 31, 2014	December 31, 2013
Entertainment production costs	$ 73,819	$ 72,853
Less: accumulated amortization	(34,646)	(26,416)
Entertainment production costs, net	39,173	46,437
Advance payments for construction costs	107,563	161,633
Deposits for acquisition of property and equipment	47,158	15,694
Input value-added tax, net	43,841	–
Other deposits and other long-term prepayments	39,708	35,747
Long-term receivables, net	10,115	6,250
Deferred financing costs, net	3,089	5,078
Prepayment of deferred financing costs	–	79,906
Long-term prepayments, deposits and other assets	$ 290,647	$ 350,745

Entertainment production costs represent amounts incurred and capitalized for entertainment shows in City of Dreams. The Group amortized the entertainment production costs over 10 years or the respective useful life of the entertainment show, whichever is shorter.

Deferred financing costs, net represent unamortized debt issuance costs related to the Group's revolving credit facilities.

Advance payments for construction costs are connected with the construction and fit-out cost for City of Dreams, Studio City and City of Dreams Manila.

Input value-added tax, net represents the value-added tax recoverable from the tax authority in the Philippines mainly connected with the purchase of assets or services for City of Dreams Manila.

Long-term receivables, net represent casino receivables from casino customers where settlement is not expected within the next year. Aging of such balances are all over 90 days and include allowance for doubtful debts of $24,848 and $20,321 as of December 31, 2014 and 2013, respectively. During the years ended December 31, 2014 and 2013, net amount of current accounts receivable of $8,642 and $17,691 and net amount of allowance for doubtful debts of $4,527 and $13,680, respectively, were reclassified to non-current. During the year ended December 31, 2012, net amount of long-term receivables of $401 was reclassified to current; and net amount of allowance for doubtful debts of $77 was reclassified to non-current. Reclassifications to current accounts receivable, net, are made when conditions support that it is probable for settlement of such balances to occur within one year.

9. LAND USE RIGHTS, NET

	December 31, 2014	December 31, 2013
Altira Macau – Medium-term lease ("Taipa Land")	$ 146,475	$ 146,434
City of Dreams – Medium-term lease ("Cotai Land")	399,578	399,578
Studio City – Medium-term lease ("Studio City Land")	653,564	653,564
	1,199,617	1,199,576
Less: accumulated amortization	(312,429)	(247,958)
Land use rights, net	$ 887,188	$ 951,618

Land use rights are recorded at cost less accumulated amortization. Amortization is provided over the estimated lease term of the land on a straight-line basis. The expiry dates of the leases of the land use rights of Altira Macau, City of Dreams and Studio City are March 2031, August 2033 and October 2026, respectively.

In January 2013, the Group recognized an additional land premium of approximately $2,449 for Taipa Land upon Altira Developments Limited's ("Altira Developments"), an indirect subsidiary of the Company, acceptance of the initial terms for the revision of the land concession contract issued by the Macau Government further to an amendment request applied by Altira Developments in 2012 for an increase of the total gross floor area, to reflect the construction plans approved by the Macau Government and to enable the final registration of the Taipa Land. In June 2013, the Macau Government issued the final amendment proposal for the revision of the land concession contract for Taipa Land. On July 15, 2013, Altira Developments paid the additional land premium of approximately $2,449 set forth in the final amendment proposal, and accepted the terms of such proposal on July 16, 2013. The land grant amendment process was completed with the publication in the Macau official gazette of such revision on December 18, 2013. Further details on the revised land amendment for Taipa Land is disclosed in Note 23(c).

In March 2013, the Group recognized an additional land premium of approximately $23,344 for Cotai Land upon Melco Crown (COD) Developments Limited's ("Melco Crown (COD) Developments"), an indirect subsidiary of the Company and Melco Crown Macau's acceptance of the land grant amendment proposal for the land concession contract of the Cotai Land, issued by the Macau Government in February 2013 further to an amendment request applied by Melco Crown (COD) Developments in 2011. Such amendment proposal contemplated the development of an additional five-star hotel area in replacement of the four-star apartment hotel area included in such land grant, and the extension of the development period of the City of Dreams land grant until the date falling four years after publication of the amendment in the Macau official gazette. In October 2013, the Macau Government issued the final amendment proposal for the revision of the land concession contract for Cotai Land. On October 16, 2013, Melco Crown (COD) Developments paid a portion of the additional land premium of approximately $8,736 set forth in the final amendment proposal, and on October 17, 2013, Melco Crown (COD) Developments and Melco

Crown Macau accepted the terms of such proposal. The land grant amendment process for Cotai Land was completed following the publication in the Macau official gazette of such revision on January 29, 2014. Further details on the final land amendment for Cotai Land is disclosed in Note 23(c).

The Studio City Land was acquired upon acquisition of assets and liabilities in July 2011. The cost of Studio City Land was recognized in accordance with proposed amendment terms of the land concession contract issued by the Macau Government and accepted by Studio City Developments Limited ("Studio City Developments"), an indirect subsidiary of the Company, in November 2006. In June 2012, the Group recognized an additional land premium upon Studio City Developments' acceptance of the final amendment proposal issued by the Macau Government, which was completed with the publication in the Macau official gazette of such proposed amendment on July 25, 2012. Such amendment reflected an increase in the gross floor area for construction and the extension of the development period to 72 months from the date of publication of such amendment contract. Further details on the final land amendment for Studio City Land is disclosed in Note 23(c).

10. ACCOUNTS PAYABLE

The following is an aged analysis of accounts payable presented based on payment due date:

	December 31,	
	2014	**2013**
Within 30 days	$ 12,319	$ 8,429
31-60 days	691	341
61-90 days	381	478
Over 90 days	1,037	577
	$ 14,428	$ 9,825

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2014	2013
Outstanding gaming chips and tokens	$ 237,013	$ 263,663
Gaming tax accruals	171,460	238,920
Construction costs payables	169,053	69,057
Staff cost accruals	117,049	85,118
Customer deposits and ticket sales	80,898	80,421
Property and equipment payables	70,957	24,354
Operating expense and other accruals and liabilities	70,295	57,032
Interest expenses payable	33,544	30,529
Land use rights payable	31,678	50,500
Other gaming related accruals	23,754	29,157
Interest rate swap liabilities	19	–
	$ 1,005,720	$ 928,751

In connection with Studio City Project Facility (as defined in Note 12), Studio City Company Limited ("Studio City Company"), an indirect subsidiary which the Company holds 60% interest, entered into certain floating-for-fixed interest rate swap agreements in September 2014 that will expire in March 2015 to limit its exposure to interest rate risk. Under the interest rate swap agreements, Studio City Company pays a fixed interest rate of 0.28% per annum of the notional amount, and receives variable interest which is based on the applicable Hong Kong Interbank Offered Rate ("HIBOR") for each of the payment dates. All these interest rate swap agreements will expire in March 2015.

As of December 31, 2014, the notional amounts of the outstanding interest rate swap agreements amounted to HK$1,867,199,900 (equivalent to $240,000).

These interest rate swap agreements are expected to remain highly effective in fixing the interest rate and qualify for cash flow hedge accounting. Therefore, there is no impact on the consolidated statements of operations from changes in the fair value of the hedging instruments. Instead the fair value of the instruments are recorded as assets or liabilities on the consolidated balance sheets, with an offsetting adjustment to the accumulated other comprehensive losses until the hedged interest expenses are recognized in the consolidated statements of operations.

As of December 31, 2014, the interest rate swap liabilities of $19 represented the fair values of the interest rate swap agreements.

12. LONG-TERM DEBT, NET

Long-term debt, net consisted of the following:

	December 31,	
	2014	2013
Studio City Project Facility (net of unamortized deferred financing costs of $71,735 and nil as of December 31, 2014 and 2013, respectively)	$ 1,223,954	$ –
2013 Senior Notes (net of unamortized deferred financing costs of $73,611 and $83,105 as of December 31, 2014 and 2013, respectively)	926,389	916,895
Studio City Notes (net of unamortized deferred financing costs of $17,486 and $19,646 as of December 31, 2014 and 2013, respectively)	807,514	805,354
2011 Credit Facilities (net of unamortized deferred financing costs of $2,687 and $6,602 as of December 31, 2014 and 2013, respectively)	414,479	667,281
Philippine Notes (net of unamortized deferred financing costs of $6,264 and nil as of December 31, 2014 and 2013, respectively)	329,931	–
Aircraft Term Loan	28,731	34,577
	3,730,998	2,424,107
Current portion of long-term debt (net of unamortized deferred financing costs of $1,653 and $2,515 as of December 31, 2014 and 2013, respectively)	(261,097)	(260,051)
	$ 3,469,901	$ 2,164,056

2011 Credit Facilities

On June 22, 2011, Melco Crown Macau (the "Borrower") entered into an amendment agreement (the "2011 Credit Facilities") with certain lenders in respect of a senior secured credit facility (the "City of Dreams Project Facility"), which was entered on September 5, 2007 and which was subsequently amended from time to time, in an aggregate amount of $1,750,000 to fund the City of Dreams project, construction of an integrated entertainment resort complex in Macau. The City of Dreams Project Facility consisted of a $1,500,000 term loan facility (the "Term Loan Facility") and a $250,000 revolving credit facility (the "Revolving Credit Facility").

On June 30, 2011, the 2011 Credit Facilities, which was subsequently amended from time to time, became effective and among other things: (i) reduced the Term Loan Facility to HK$6,241,440,000 (equivalent to $802,241) (the "2011 Term Loan Facility") and increased the Revolving Credit Facility to HK$3,120,720,000 (equivalent to $401,121) (the "2011 Revolving Credit Facility"), both of which are denominated in Hong Kong dollars; (ii) introduced new lenders and removed certain lenders originally under the City of Dreams Project Facility; (iii) extended the repayment maturity date; (iv) reduced and removed certain restrictions imposed by the covenants in the City of Dreams Project Facility; and (v) removed MPEL (Delaware) LLC, a wholly-owned subsidiary of the Borrower which was subsequently dissolved on May 31, 2012, from the borrowing group which included the Borrower and certain of its subsidiaries as defined under the City of Dreams Project Facility (the "2011 Borrowing Group").

The final maturity date of the 2011 Credit Facilities is June 30, 2016. The 2011 Term Loan Facility is repayable in quarterly instalments according to an amortization schedule which commenced on September 30, 2013. Each loan made under the 2011 Revolving Credit Facility is repayable in full on the last day of an agreed upon interest period in respect of the loan, generally ranging from one to six months, or rolling over subject to compliance with certain covenants and satisfaction of conditions precedent. The Borrower may make voluntary prepayments in respect of the 2011 Credit Facilities in a minimum amount of HK$160,000,000 (equivalent to $20,566), plus the amount of any applicable break costs. The Borrower is also subject to mandatory prepayment requirements in respect of various amounts within the 2011 Borrowing Group, including but not limited to: (i) the net proceeds received by any member of the 2011 Borrowing Group in respect of the compulsory transfer, seizure or acquisition by any governmental authority of the assets of any member of the 2011 Borrowing Group (subject to certain exceptions); (ii) the net proceeds of certain asset sales, subject to reinvestment rights and certain exceptions, which are in excess of $15,000; (iii) net termination, claim or settlement proceeds paid under the Borrower's subconcession or the 2011 Borrowing Group's land concessions, subject to certain exceptions; (iv) insurance proceeds net of expenses to obtain such proceeds under the property insurances relating to the total loss of all or substantially all of the Altira Macau gaming business; and (v) other insurance proceeds net of expenses to obtain such proceeds under any property insurances, subject to reinvestment rights and certain exceptions, which are in excess of $15,000.

Drawdowns on the 2011 Term Loan Facility were subject to satisfaction of conditions precedent specified in the 2011 Credit Facilities and the 2011 Revolving Credit Facility is to be made available on a fully revolving basis to the date that is one month prior to the 2011 Revolving Credit Facility's final maturity date.

The indebtedness under the 2011 Credit Facilities is guaranteed by the 2011 Borrowing Group. Security for the 2011 Credit Facilities included: a first priority mortgage over all land where Altira Macau and City of Dreams are located, such mortgages also cover all present and any future buildings on, and fixtures to, the relevant land; an assignment of any land use rights under land concession agreements, leases or equivalents; charges over the bank accounts in respect of the 2011 Borrowing Group, subject to certain exceptions; assignment of the rights under certain insurance policies; first priority security over the chattels, receivables and other assets of the 2011

Borrowing Group which are not subject to any security under any other security documentation; first priority charges over the issued share capital of the 2011 Borrowing Group and equipment and tools used in the gaming business by the 2011 Borrowing Group; as well as other customary security.

The 2011 Credit Facilities also contain certain covenants customary for such financings including, but not limited to: limitations on (i) incurring additional liens; (ii) incurring additional indebtedness (including guarantees); (iii) making certain investments; (iv) paying dividends and other restricted payments; (v) creating any subsidiaries; (vi) selling assets; and (vii) entering into any contracts for the construction or financing of an additional hotel tower in connection with the development of City of Dreams except with plans approved by the lenders in accordance with the terms of the 2011 Credit Facilities. The 2011 Credit Facilities removed the financial covenants under the City of Dreams Project Facility, and replaced them with, without limitation, a leverage ratio, total leverage ratio and interest cover ratio. The first test date of the financial covenants was September 30, 2011. As of December 31, 2014, management believes that the 2011 Borrowing Group was in compliance with each of the financial restrictions and requirements.

There are provisions that limit or prohibit certain payments of dividends and other distributions by the 2011 Borrowing Group to the Company or persons who are not members of the 2011 Borrowing Group (described in further detail in Note 20). As of December 31, 2014 and 2013, the net assets of the 2011 Borrowing Group of approximately $3,559,000 and $3,220,000, respectively, were restricted from being distributed under the terms of the 2011 Credit Facilities.

Borrowings under the 2011 Credit Facilities bear interest at HIBOR plus a margin ranging from 1.75% to 2.75% per annum as adjusted in accordance with the leverage ratio in respect of the 2011 Borrowing Group. The Borrower may select an interest period for borrowings under the 2011 Credit Facilities of one, two, three or six months or any other agreed period. The Borrower is obligated to pay a commitment fee quarterly in arrears from June 30, 2011 on the undrawn amount of the 2011 Revolving Credit Facility throughout the availability period. Loan commitment fees on the 2011 Credit Facilities amounting to $2,808, $2,453 and $1,324 were recognized during the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014 and 2013, the 2011 Term Loan Facility has been fully drawn down. During the years ended December 31, 2014 and 2013, the Group repaid HK$1,997,260,800 (equivalent to $256,717) and HK$998,630,400 (equivalent to $128,358), respectively, under the 2011 Term Loan Facility according to the quarterly amortization schedule which commenced on September 30, 2013. The Group repaid HK$1,653,154,570 (equivalent to $212,488) during the year ended December 31, 2013, and accordingly, the entire 2011 Revolving Credit Facility of HK$3,120,720,000 (equivalent to $401,121) remains available for future drawdown as of December 31, 2014 and 2013. As of December 31, 2014 and 2013, the Group had total outstanding borrowings of HK$3,245,548,000 (equivalent to $417,166) and HK$5,242,809,600 (equivalent to $673,883), respectively, under the 2011 Credit Facilities.

During the year ended December 31, 2012, certain floating-for-fixed interest rate swap agreements entered by Melco Crown Macau during the year 2009 to limit the exposure to interest rate risk in connection with the City of Dreams Project Facility expired. Under the interest rate swap agreements, Melco Crown Macau paid a fixed interest rate ranging from 1.96% to 1.98% per annum of the notional amount, and received variable interest which was based on the applicable HIBOR for each of the payment dates. Immediately after the amendment of the City of Dreams Project Facility on June 30, 2011, the interest rate swap agreements no longer qualified for hedge accounting and subsequent changes in fair value of the interest rate swap agreements were recognized in the consolidated statements of operations during the year ended December 31, 2012.

2010 Senior Notes

On May 17, 2010, MCE Finance Limited ("MCE Finance"), a wholly-owned subsidiary of the Company, issued and listed the $600,000 10.25% senior notes, due 2018 (the "2010 Senior Notes") on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST"). The purchase price paid by the initial purchasers was 98.671% of the principal amount. The 2010 Senior Notes were general obligations of MCE Finance, secured by a first-priority pledge of the intercompany note (the "Intercompany Note") representing the on-lending of the gross proceeds from the issuance of the 2010 Senior Notes by MCE Finance to an indirect subsidiary of MCE Finance to reduce the indebtedness under the City of Dreams Project Facility, ranked equally in right of payment to all existing and future senior indebtedness of MCE Finance and ranked senior in right of payment to any existing and future subordinated indebtedness of MCE Finance. The 2010 Senior Notes would have matured on May 15, 2018. Interest on the 2010 Senior Notes was accrued at a rate of 10.25% per annum and was payable semi-annually in arrears on May 15 and November 15 of each year, commenced on November 15, 2010.

MCE Finance had the option to redeem all or part of the 2010 Senior Notes at any time prior to May 15, 2014, at a "make-whole" redemption price. Thereafter, MCE Finance had the option to redeem all or a portion of the 2010 Senior Notes at any time at fixed redemption prices that declined ratably over time.

Prior to May 15, 2013, MCE Finance had the option to redeem up to 35% of the 2010 Senior Notes with the net cash proceeds from one or more certain equity offerings at a fixed redemption price. In addition, under certain circumstances and subject to certain exceptions as more fully described in the indenture, MCE Finance also had the option to redeem in whole, but not in part of the 2010 Senior Notes at fixed redemption prices.

The indenture governing the 2010 Senior Notes contained certain covenants that, subject to certain exceptions and conditions, limited the ability of MCE Finance and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger.

There were provisions under the indenture of the 2010 Senior Notes that limited or prohibited certain payments of dividends and other distributions by MCE Finance and its respective restricted subsidiaries to the Company or persons who were not MCE Finance or members of MCE Finance respective restricted subsidiaries, subject to certain exceptions and conditions (described in further detail in Note 20).

On October 30, 2012, MCE Finance received unrevoked consents from the holders (the "Holders") of the requisite aggregate principal amount of the 2010 Senior Notes necessary to approve certain proposed amendments to, among other things, allowed MCE Finance to (i) make an additional $400,000 of restricted payments to fund the Studio City project and (ii) have the flexibility to transact with, and use any revenues or other payments generated or derived from, certain projects and to provide for certain other technical amendments (the "Proposed Amendments") to the indenture governing the 2010 Senior Notes and executed a supplemental indenture to give effect to the Proposed Amendments. The Group capitalized the payments to the agent and Holders who had validly delivered a consent to the Proposed Amendments totaling $14,795 as deferred financing costs and expensed the third party fee of $3,277 as a result of the aforementioned debt modification.

On January 28, 2013, MCE Finance made a cash tender offer to repurchase the 2010 Senior Notes at a cash consideration plus accrued interest and also solicited consents to amend the terms of the 2010 Senior Notes to substantially remove the debt incurrence, restricted payment and other restrictive covenants (the "Tender Offer"). Closing of the Tender Offer and consent solicitation were conditioned upon MCE Finance receiving net proceeds from offering of the 2013 Senior Notes (as described below) in an amount sufficient to repurchase the tendered 2010 Senior Notes and related fees and expenses and other general conditions. The Tender Offer expired on February 26, 2013 and $599,135 aggregate principal amount of the 2010 Senior Notes were tendered. On February 27, 2013, MCE Finance elected to redeem the remaining outstanding 2010 Senior Notes in aggregate principal amount of $865 on March 28, 2013, at a price equal to 100% of the principal amount outstanding plus applicable premium as of, and accrued and unpaid interest to March 28, 2013. The accounting for the total redemption costs of $102,497, unamortized deferred financing costs of $23,793 and unamortized issue discount of $5,962 in relation to the 2010 Senior Notes as of the redemption date are disclosed as below under the 2013 Senior Notes.

RMB Bonds

On May 9, 2011, the Company issued and listed the Renminbi ("RMB") 2,300,000,000 3.75% bonds due 2013 (the "RMB Bonds") (equivalent to $353,278 based on exchange rate on transaction date) on SGX-ST. The RMB Bonds were priced at 100% at par. The RMB Bonds were direct, general, unconditional, unsubordinated and unsecured obligations of the Company, which at all times ranked equally without any preference or priority among themselves and at least equally with all of the Company's other present and future unsecured and unsubordinated obligations, save for such obligations as may be preferred by provisions of law that were both mandatory and of general application. The RMB Bonds would have matured on May 9, 2013 and the interest on the RMB Bonds was accrued at a rate of 3.75% per annum and was payable semi-annually in arrears on May 9 and November 9 of each year, commenced on November 9, 2011.

The Company had the option to redeem in whole, but not in part under certain circumstances as defined in the indenture, the RMB Bonds at any time prior to May 9, 2012 at an additional redemption price. Thereafter, the Company had the option to redeem in whole, but not in part, the RMB Bonds at any time after May 9, 2012 at a fixed redemption price.

The indenture governing the RMB Bonds contained certain negative pledge and financial covenants, providing that the Company should not create or permit to subsist any security interest upon the whole or any part of the Company's present or future undertaking, assets or revenues to secure any relevant indebtedness or guarantee of relevant indebtedness without: (i) at the same time or prior thereto securing the RMB Bonds equally and rateably therewith to the satisfaction of the trustee under the RMB Bonds; or (ii) providing such other security for the RMB Bonds as the trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the holders of the RMB Bonds or as may be approved by an extraordinary resolution of bondholders. In addition, the Company was also required to comply with certain financial covenants, including maintaining a specified consolidated tangible net worth and a leverage ratio.

On March 11, 2013, the Company early redeemed the RMB Bonds in full in aggregate principal amount of RMB2,300,000,000 (equivalent to $368,177) together with accrued interest, which was partially funded from net proceeds from offering of the 2013 Senior Notes (described below). The Group wrote off the unamortized deferred financing costs of $586 immediately before redemption of the RMB Bonds as loss on extinguishment of debt in the consolidated statements of operations for the year ended December 31, 2013.

Deposit-Linked Loan

On May 20, 2011, the Company entered into a Hong Kong dollar deposit-linked loan facility (the "Deposit-Linked Loan") with a lender in an amount of HK$2,748,500,000 (equivalent to $353,278 based on exchange rate on transaction date), which was secured by a deposit in an amount of RMB2,300,000,000 (equivalent to $353,278 based on exchange rate on transaction date) from the proceeds of the RMB Bonds as described above. The Deposit-Linked Loan would have matured on May 20, 2013 or, if earlier, at any time with 30 days' prior notice given to the lender, the Company may prepay the whole or any part of not less than HK$500,000,000 (equivalent to $64,267) of the Deposit-Linked Loan outstanding. The Deposit-Linked Loan bore interest at a rate of 2.88% per annum and was payable semi-annually in arrears on May 8 and November 8 of each year, commenced on November 8, 2011. On the same date, the Company entered into two RMB forward exchange rate contracts in an aggregate amount of RMB52,325,000 (approximately $8,000) for settlement of the RMB Bonds interest payable at fixed exchange rates on November 9, 2011 and May 9, 2012, respectively, and during the year ended December 31, 2012, the Company entered into another RMB forward exchange rate contract of RMB25,845,867 (approximately $4,000) for settlement of the RMB Bonds interest payable at fixed exchange rate on November 9, 2012. During the year ended December 31, 2012, the Company settled the outstanding forward exchange rate contracts and the gain on the forward exchange rate contracts of $138 was reclassified from accumulated other comprehensive losses to interest expenses.

On March 4, 2013, the Company prepaid in full the Deposit-Linked Loan in aggregate principal amount of HK$2,748,500,000 (equivalent to $353,278) with accrued interest and a deposit in an amount of RMB2,300,000,000 (equivalent to $368,177) from the proceeds of the RMB Bonds, for security of the Deposit-Linked Loan, was released on the same date.

Aircraft Term Loan

On June 25, 2012, MCE Transportation Limited ("MCE Transportation"), an indirect subsidiary of the Company, entered into a $43,000 term loan facility agreement to partly finance the acquisition of an aircraft (the "Aircraft Term Loan"). Principal and interest repayments are payable quarterly in arrears commenced on September 27, 2012 until maturity on June 27, 2019, interest is calculated based on London Interbank Offered Rate plus a margin of 2.80% per annum and the loan may be prepaid in whole or in part of not less than $1,000 and 10 days' prior notice given. The Aircraft Term Loan is guaranteed by the Company and security includes a first-priority mortgage on the aircraft itself; pledge over the MCE Transportation bank accounts; assignment of insurances (other than third party liability insurance); and an assignment of airframe and engine warranties. The Aircraft Term Loan must be prepaid in full if any of the following events occurs: (i) a change of control; (ii) the sale of all or substantially all of the components of the aircraft; (iii) the loss, damage or destruction of the entire or substantially the entire aircraft. Other covenants include lender's approval for any capital expenditure not incurred in the ordinary course of business or any subsequent indebtedness exceeding $1,000 by MCE Transportation. As of December 31, 2014, the Aircraft Term Loan has been fully drawn down and utilized with other funds of the Group, to fund the purchase of the aircraft. As of December 31, 2014 and 2013, the carrying value of aircraft was $40,974 and $46,437, respectively.

2013 Senior Notes

On February 7, 2013, MCE Finance issued and listed $1,000,000 5% senior notes, due 2021 (the "2013 Senior Notes") and priced at 100% at par on the SGX-ST. The 2013 Senior Notes are general obligations of MCE Finance, rank equally in right of payment to all existing and future senior indebtedness of MCE Finance and rank senior in right of payment to any existing and future subordinated indebtedness of MCE Finance and effectively subordinated to all of MCE Finance's existing and future secured indebtedness to the extent of the value of the assets securing such debt. Certain subsidiaries of MCE Finance (the "2013 Senior Notes Guarantors") jointly, severally and unconditionally guarantee the 2013 Senior Notes on a senior basis. The guarantees are joint and several general obligations of the 2013 Senior Notes Guarantors, rank equally in right of payment with all existing and future senior indebtedness of the 2013 Senior Notes Guarantors, and rank senior in right of payment to any existing and future subordinated indebtedness of the 2013 Senior Notes Guarantors. The 2013 Senior Notes mature on February 15, 2021. Interest on the 2013 Senior Notes is accrued at a rate of 5% per annum and is payable semi-annually in arrears on February 15 and August 15 of each year, commenced on August 15, 2013.

The net proceeds from the offering of the 2013 Senior Notes, after deducting the underwriting commissions and other expenses of approximately $14,500, was approximately $985,500. The Group used part of the net proceeds from the offering to (i) repurchase in full the 2010 Senior Notes of $600,000 and fund the related redemption costs of the 2010 Senior Notes of $102,497 and (ii) for the partial repayment of the RMB Bonds on March 11, 2013. As a result, in accordance with the applicable accounting standards, the Group recorded a $50,256 loss on extinguishment of debt in the consolidated statements of operations for the year ended December 31, 2013 which comprised the portion of the redemption costs of $38,949, write off of respective portion of unamortized deferred financing costs of $9,041 and unamortized issue discount of $2,266 related to the 2010 Senior Notes and recorded $10,538 costs associated with debt modification in the consolidated statements of operations for the year ended December 31, 2013 which represented the portion of the underwriting fee and other third party costs incurred in connection with the issuance of the 2013 Senior Notes. The remaining portion of the underwriting fee and other third party costs of $6,523 were capitalized as deferred financing costs.

MCE Finance has the option to redeem all or a portion of the 2013 Senior Notes at any time prior to February 15, 2016, at a "make-whole" redemption price. Thereafter, MCE Finance has the option to redeem all or a portion of the 2013 Senior Notes at any time at fixed redemption prices that decline ratably over time.

MCE Finance has the option to redeem up to 35% of the 2013 Senior Notes with the net cash proceeds from one or more certain equity offerings at a fixed redemption price at any time prior to February 15, 2016. In addition, under certain circumstances and subject to certain exceptions as more fully described in the indenture, MCE Finance also has the option to redeem in whole, but not in part of the 2013 Senior Notes at fixed redemption prices.

The indenture governing the 2013 Senior Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of MCE Finance and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. As of December 31, 2014, management believes that MCE Finance was in compliance with each of the financial restrictions and requirements.

There are provisions under the indenture of the 2013 Senior Notes that limit or prohibit certain payments of dividends and other distributions by MCE Finance and its restricted subsidiaries to the Company or persons who are not MCE Finance or members of MCE Finance's restricted subsidiaries, subject to certain exceptions and conditions (described in further detail in Note 20). As of December 31, 2014 and 2013, the net assets of MCE Finance and its restricted subsidiaries of approximately $3,639,000 and $3,296,000, respectively, were restricted from being distributed under the terms of the 2013 Senior Notes.

Studio City Notes

On November 26, 2012, Studio City Finance Limited ("Studio City Finance"), an indirect subsidiary which the Company holds 60% interest, issued and listed the $825,000 8.5% senior notes, due 2020 (the "Studio City Notes") and priced at 100% at par on the SGX-ST. The Studio City Notes are general obligations of Studio City Finance, secured by a first-priority security interest in certain specific bank accounts incidental to the Studio City Notes and a pledge of any intercompany loans from Studio City Finance to or on behalf of Studio City Investments Limited ("Studio City Investments"), a wholly-owned direct subsidiary of Studio City Finance and the immediate holding company of Studio City Company, a wholly-owned indirect subsidiary of Studio City Finance, or its subsidiaries entered into subsequent to the issue date of the Studio City Notes, rank equally in right of payment to all existing and future senior indebtedness of Studio City Finance and rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Finance. The Studio City Notes are effectively subordinated to all of Studio City Finance's existing and future secured indebtedness to the extent of the value of the property and assets securing such indebtedness. All of the existing direct and indirect subsidiaries of Studio City Finance and any other future restricted subsidiaries that provide guarantees of certain specified indebtedness (including the Studio City Project Facility as described below) (the "Studio City Notes Guarantors") jointly, severally and unconditionally guarantee the Studio City Notes on a senior basis (the "Guarantees"). The Guarantees are general obligations of the Studio City Notes Guarantors, rank equally in right of payment with all existing and future senior indebtedness of the Studio City Notes Guarantors and rank senior in right of payment to any existing and future subordinated indebtedness of the Studio City Notes Guarantors. The Guarantees are effectively subordinated to the Studio City Notes Guarantors' obligations under the Studio City Project Facility and any future secured indebtedness that is secured by property and assets of the Studio City Notes Guarantors to the extent of the value of such property and assets. The Studio City Notes mature on December 1, 2020 and the interest on the Studio City Notes is accrued at a rate of 8.5% per annum and is payable semi-annually in arrears on June 1 and December 1 of each year, commenced on June 1, 2013.

The net proceeds from the offering, after deducting the underwriting commissions and other expenses of approximately $13,200, was approximately $811,800. Studio City Finance used the net proceeds from the offering to fund the Studio City project and the related fees and expenses. The net proceeds from the offering was deposited in a bank account of Studio City Finance (the "Escrow Account") and was restricted for use, which was subsequently released upon signing of the Studio City Project Facility on January 28, 2013. Upon release from the Escrow Account, all the net proceeds were deposited in a bank account of Studio City Finance (the "Note Proceeds Account") and were available for payment of construction and development costs and other project costs of the Studio City project with conditions and sequence for disbursements in accordance with an agreement (the "Note Disbursement and Account Agreement") as described below, except for a portion of net proceeds amounting to $239,594, which represents the sum of interest expected to accrue on the Studio City Notes through to the 41-month anniversary of their issue date, which was deposited in a bank account of Studio City Finance (the "Note Interest Reserve Account"), and is restricted for use to pay future interest payments until the opening date (the "Opening Date") of the Studio City project as defined in the Studio City Project Facility.

Concurrent with the submission of the first utilization request under the Studio City Project Facility on January 10, 2014, an amount equal to the six-month sum of interest due on the Studio City Notes of $35,063 was released from the Note Interest Reserve Account and deposited in a bank account (the "Note Debt Service Reserve Account") of Studio City Company, the borrower under the Studio City Project Facility. During the years ended December 31, 2014 and 2013, Studio City Finance paid Studio City Notes interest expenses amounting to $70,125 and $71,099, respectively, with funds from the Note Interest Reserve Account. The remaining amount in the Note Interest Reserve Account (less an amount equal to the pro-rated portion of interest due on the next interest payment date) will be released and be deposited in a bank account of Studio City Company (the "Revenue Account") on the Opening Date. The security agent of the Studio City Project Facility has security over the Note Debt Service Reserve Account and the Revenue Account.

As of December 31, 2014, the Group classified the balance of the Note Interest Reserve Account of $63,340 as current portion of restricted cash, while the balance of Note Debt Service Reserve Account of $35,064 as non-current portion of restricted cash on the consolidated balance sheets.

The Studio City Notes were subject to a special mandatory redemption at a redemption price in the event that i) the Studio City Project Facility was not executed on or before March 31, 2013; and ii) the funds were not released from the Note Proceeds Account prior to January 28, 2014, the date that was one year from the date of the execution of the Studio City Project Facility due to the failure of the conditions precedent (subject to certain exceptions) to first utilization of the Studio City Project Facility to be satisfied or waived by such date. The first condition was satisfied with execution of the Studio City Project Facility on January 28, 2013 and the second conditions were satisfied and the first disbursement funds on the Studio City Notes were released from the Note Proceeds Account to a bank account of Studio City Finance (the "Note Disbursement Account") for the Studio City project cost payments on January 17, 2014.

On November 26, 2012, Studio City Finance and Studio City Company entered into a Note Disbursement and Account Agreement with certain banks and other parties to, among other things, establish the conditions and sequence of funding of the Studio City project costs. The Studio City project costs are financed in the following order:

- the funding from the Company and the ultimate noncontrolling shareholder of Studio City Finance in an aggregate amount of $825,000 are used until it has been exhausted;

- thereafter, the proceeds in the Note Proceeds Account are used until they have been exhausted; and

- thereafter, the proceeds of the Studio City Project Facility, including any proceeds in any construction disbursement accounts or other accounts established under the Studio City Project Facility, to the extent established for such purpose under the Studio City Project Facility, are used until they have been exhausted.

Studio City Finance has the option to redeem all or a portion of the Studio City Notes at any time prior to December 1, 2015, at an additional redemption price. Thereafter, Studio City Finance has the option to redeem all or a portion of the Studio City Notes at any time at fixed redemption prices that decline ratably over time.

Studio City Finance has the option to redeem up to 35% of the Studio City Notes with the net cash proceeds of certain equity offerings at a fixed redemption price at any time prior to December 1, 2015. In addition, under certain circumstances and subject to certain exceptions as more fully described in the indenture, Studio City Finance also has the option to redeem in whole, but not in part of the Studio City Notes at fixed redemption prices.

The indenture governing the Studio City Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Finance and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. As of December 31, 2014, management believes that Studio City Finance was in compliance with each of the financial restrictions and requirements.

There are provisions under the indenture of the Studio City Notes that limit or prohibit certain payments of dividends and other distributions by Studio City Finance and its restricted subsidiaries to the Company or persons who are not Studio City Finance or members of Studio City Finance's restricted subsidiaries, subject to certain exceptions and conditions (described in further detail in Note 20). As of December 31, 2014 and 2013, the net assets of Studio City Finance and its restricted subsidiaries of approximately $102,000 and $171,000, respectively, were restricted from being distributed under the terms of the Studio City Notes.

Studio City Project Facility

On January 28, 2013, Studio City Company (the "Studio City Borrower") and certain lenders (the "Studio City Lenders") executed a senior secured credit facilities denominated in Hong Kong dollars with an aggregate amount of HK$10,855,880,000 (equivalent to $1,395,357) (the "Studio City Project Facility"), pursuant to substantially all the terms and conditions set out in a commitment letter (the "Commitment Letter") entered on October 19, 2012 by the Studio City Borrower, the Studio City Lenders, the Company and New Cotai Investments, LLC ("New Cotai Investments"), an indirect noncontrolling shareholder who owns 40% interest in Studio City Borrower, to fund the Studio City project. The Studio City Project Facility consists of a HK$10,080,460,000 (equivalent to $1,295,689) term loan facility (the "Studio City Term Loan Facility") and a HK$775,420,000 (equivalent to $99,668) revolving credit facility (the "Studio City Revolving Credit Facility"). The Studio City Term Loan Facility matures on January 28, 2018 and is subject to quarterly amortization payments commencing on the earlier of (i) December 31, 2016, the first fiscal quarter end date falling not less than 45 months after January 28, 2013; and (ii) the end of the second full fiscal quarter after the Opening Date of the Studio City project. Amounts under the Studio City Term Loan Facility may be borrowed from and after the date that certain conditions precedent were satisfied until July 28, 2014, the date falling 18 months after January 28, 2013. The Studio City Revolving Credit Facility matures on January 28, 2018 and has no interim amortization. The Studio City Revolving Credit Facility may be utilized prior to the Opening Date for project costs by way of issue of letters of credit to a maximum of HK$387,710,000 (equivalent to $49,834), and may be borrowed in full on a revolving basis after the Opening Date.

Borrowings under the Studio City Project Facility bear interest at HIBOR plus a margin of 4.50% per annum until the last day of the second full fiscal quarter after the Opening Date, at which time the interest rate shall bear interest at HIBOR plus a margin ranging from 3.75% to 4.50% per annum as determined in accordance with the total leverage ratio in respect of Studio City Investments, Studio City Borrower and its subsidiaries (together, the "Studio City Borrowing Group").

The Studio City Borrower may make voluntary prepayments in respect of the Studio City Project Facility in a minimum amount of HK$100,000,000 (equivalent to $12,853), plus the amount of any applicable break costs. The Studio City Borrower is also subject to mandatory prepayment requirements in respect of various amounts within the Studio City Borrowing Group, including but not limited to: (i) net termination or claim proceeds under the Studio City Borrowing Group's land concessions, certain construction agreements or finance or project documents, subject to certain exceptions; (ii) the net proceeds of certain asset sales, subject to reinvestment rights and certain exceptions, which are in excess of $5,000; (iii) the net proceeds received by any member of the Studio City Borrowing Group in respect of the compulsory transfer, seizure or acquisition by any governmental authority of the assets of any member of the Studio City Borrowing Group (subject to certain exceptions); (iv) 50% of the net proceeds of any permitted equity issuance of any member of the Studio City Borrowing Group; (v) the net proceeds of any debt issuance of any member of the Studio City Borrowing Group, subject to certain exceptions; (vi) insurance proceeds net of expenses to obtain such proceeds under the property insurances, subject to reinvestment rights and certain exceptions, which are in excess of $10,000; and (vii) certain percentage of excess cash in accordance with leverage test.

The indebtedness under the Studio City Project Facility is guaranteed by Studio City Investments and its subsidiaries (other than the Studio City Borrower). Security for the Studio City Project Facility included: a first priority mortgage over the land where Studio City is located, such mortgage will also cover all present and any future buildings on, and fixtures to, the relevant land; an assignment of any land use rights under land concession agreements, leases or equivalent; as well as other customary security. Certain accounts of Melco Crown Macau relating solely to the operation of the Studio City gaming area are pledged as security for the Studio City Project Facility and related finance documents.

The Studio City Project Facility contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Investments and its restricted subsidiaries to, among other things, (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) paying dividends and other restricted payments; and (vii) effect a consolidation or merger. The Studio City Project Facility also contains certain financial covenants and the first test date of these financial covenants is the earlier of June 30, 2016 and the end of the second full financial quarter after Opening Date. As of December 31, 2014, management believes that Studio City Borrowing Group was in compliance with each of the financial restrictions and requirements.

There are provisions that limit or prohibit certain payments of dividends and other distributions by the Studio City Borrowing Group to the Company or persons who are not members of the Studio City Borrowing Group (described in further detail in Note 20). As of December 31, 2014 and 2013, the net assets of Studio City Investments and its restricted subsidiaries of approximately $175,000 and $217,000, respectively, were restricted from being distributed under the terms of the Studio City Project Facility.

The Studio City Borrower is obligated to pay a commitment fee quarterly in arrears on the undrawn amount of the Studio City Project Facility throughout the availability period which started from January 28, 2013. The Studio City Borrower recognized loan commitment fees on the Studio City Project Facility of $15,153 and $23,190, respectively, during the years ended December 31, 2014 and 2013.

In connection with the Studio City Project Facility, Studio City International Holdings Limited ("Studio City International"), an intermediate holding company of Studio City Finance and an indirect subsidiary which the Company holds 60% interest, is required to procure a contingent equity undertaking or similar (with a liability cap of $225,000) granted in favor of the security agent for the Studio City Project Facility to, amongst other things, pay agreed project costs (i) associated with construction of Studio City and (ii) for which the facility agent under the Studio City Project Facility has determined there is no other available funding under the terms of the Studio City Project Facility. In support of such contingent equity undertaking, Studio City International has deposited and maintained a bank balance of $225,000 in an account secured in favor of the security agent for the Studio City Project Facility ("Cash Collateral") as of December 31, 2014 and 2013. The Cash Collateral is required to be maintained until the construction completion date of the Studio City has occurred, certain debt service reserve and accrual accounts have been funded to the required balance and the financial covenants have been complied with. As of December 31, 2014 and 2013, the Cash Collateral is classified as non-current portion of restricted cash in the consolidated balance sheets.

The Studio City Borrower had not drawn down on the Studio City Term Loan Facility and the Studio City Revolving Credit Facility during the year ended December 31, 2013. On July 28, 2014, the Studio City Term Loan Facility of HK$10,080,460,000 (equivalent to $1,295,689) has been fully drawn down. As of December 31, 2014, the entire Studio City Revolving Credit Facility of HK$775,420,000 (equivalent to $99,668) remains available for future draw down, subject to satisfaction of certain conditions precedent.

The Studio City Borrower is required to, within 120 days after the drawdown of the Studio City Project Facility, enter into agreements to ensure that at least 50% of the aggregate of drawn Studio City Term Loan Facility and the Studio City Notes are subject to interest rate protection, by way of interest rate swap agreements, caps, collars or other agreements agreed with the facility agent under the Studio City Project Facility to limit the impact of increases in interest rates on its floating rate debt, for a period of not less than three years from the date of the first drawdown of the Studio City Term Loan Facility. Since the Studio City Borrower drew down the Studio City Term Loan Facility on July 28, 2014, the Studio City Borrower entered into certain floating-for-fixed interest rate swap agreements in September 2014 to limit its exposure to interest rate risk. Under the interest rate swap agreements, the Studio City Borrower pays a fixed interest rate of 0.28% per annum of the notional amount, and receives variable interest which is based on the applicable HIBOR for each of the payment dates. All these interest rate swap agreements will expire in March 2015. These interest rate swap agreements are expected to remain highly effective in fixing the interest rate and qualify for cash flow hedge accounting. Therefore, there is no impact on the consolidated statements of operations from changes in the fair value of the hedging instruments. Instead the fair value of the instruments are recorded as assets or liabilities on the consolidated balance sheets, with an offsetting adjustment to the accumulated other comprehensive losses until the hedged interest expenses were recognized in the consolidated statements of operations. No hedge agreement has been entered as at December 31, 2013 as the Studio City Borrower has not drawn down on the Studio City Project Facility.

Philippine Notes

On January 24, 2014, MCE Leisure issued PHP15 billion 5% senior notes, due 2019 (the "Philippine Notes") (equivalent to $336,825 based on exchange rate on transaction date) at par of 100% of the principal amount and offered to certain primary institutional lenders as noteholders via private placement in the Philippines, which was priced on December 19, 2013.

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

The Philippine Notes mature on January 24, 2019. Interest on the Philippine 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 Philippine 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 Philippine Notes, after deducting the underwriting commissions and other expenses of approximately PHP230,769,000 (equivalent to $5,182 based on exchange rate on transaction date), was approximately PHP14,769,231,000 (equivalent to $331,643 based on exchange rate on transaction date). MCE Leisure used the net proceeds from the offering to fund the City of Dreams Manila project, refinancing of debt and general corporate purposes.

MCE Leisure has the option to redeem all or a portion of the Philippine 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 Philippine Notes. Thereafter, MCE Leisure has the option to redeem all or a portion of the Philippine Notes at any time at fixed prices that decline ratably over time.

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

The Philippine Notes are exempted from registration with the Philippine Securities and Exchange Commission (the "Philippine SEC") under the Philippine Securities Regulation Code Rule ("SRC Rule") 9.2.2(B) promulgated by the Philippine SEC as the Philippine Notes were offered via private placement to not more than nineteen primary institutional lenders, accordingly, the Philippine Notes are subject to the conditions of SRC Rule 9.2.2(B) which limit the assignment and transfer of the Philippine 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 Philippine Notes.

Total interest on long-term debt consisted of the following:

	Year Ended December 31,		
	2014	2013	2012
Interest for Studio City Notes**	$ 70,125	$ 71,099	$ 5,844
Interest for 2013 Senior Notes**	50,000	44,998	–
Interest for Studio City Project Facility*	26,321	–	–
Interest for Philippine Notes*	19,751	–	–
Interest for 2011 Credit Facilities*	11,337	16,841	21,849
Interest for Aircraft Term Loan*	998	1,191	705
Interest for 2010 Senior Notes	–	6,028	61,500
Amortization of discount in connection with issuance of 2010 Senior Notes	–	71	801
Interest for RMB Bonds	–	2,610	13,666
Interest for Deposit-Linked Loan	–	1,728	10,064
	178,532	144,566	114,429
Interest capitalized	(82,761)	(25,259)	(7,900)
	$ 95,771	$ 119,307	$ 106,529

* Long-term debt repayable within five years

** Long-term debt repayable after five years

During the years ended December 31, 2014, 2013 and 2012, the Group's average borrowing rates were approximately 5.41%, 5.36% and 5.06% per annum, respectively.

Scheduled maturities of the long-term debt as of December 31, 2014 are as follows:

Year ending December 31,	
2015	$ 262,750
2016	322,150
2017	161,897
2018	991,336
2019	339,648
Over 2019	1,825,000
	$ 3,902,781

The long-term debt are repayable as follows:

	December 31,	
	2014	2013
Within one year	$ 262,750	$ 262,566
More than one year, but not exceeding two years	322,150	262,749
More than two years, but not exceeding five years	1,492,881	179,697
More than five years	1,825,000	1,828,448
	3,902,781	2,533,460
Less: Amounts due within one year classified as current liabilities	(262,750)	(262,566)
	$ 3,640,031	$ 2,270,894

13. CAPITAL LEASE OBLIGATIONS

On March 13, 2013, a lease agreement (the "MCP Lease Agreement") which was entered on October 25, 2012, and was subsequently amended from time to time, between MCE Leisure and Belle Corporation ("Belle", one of the Philippine Parties as defined in Note 22(a)) for lease of the land and certain of the building structures for City of Dreams Manila which expected to be expired on July 11, 2033, became effective upon completion of closing arrangement conditions and with minor changes from the original terms.

Apart from the MCP Lease Agreement, the Group entered into lease agreements with third parties of lease of certain property and equipment during the years ended December 31, 2014 and 2013.

The Group made assessments at inception of the leases and capitalized the portion related to property and equipment under capital lease at the lower of the fair value or the present value of the future minimum lease payments.

Future minimum lease payments under capital lease obligations for the Group as of December 31, 2014 are as follows:

Year ending December 31, 2015	$	25,289
Year ending December 31, 2016		33,478
Year ending December 31, 2017		36,481
Year ending December 31, 2018		39,916
Year ending December 31, 2019		43,620
Over 2019		755,174
Total minimum lease payments		933,958
Less: amounts representing interest		(632,419)
Present value of minimum lease payments		301,539
Current portion		(23,512)
Non-current portion	$	278,027

14. OTHER LONG-TERM LIABILITIES

	December 31,			
		2014		2013
Construction costs and property and equipment retention payables	$	59,162	$	20,679
Staff cost accruals and others		20,750		–
Deferred rent liabilities		12,296		7,626
Other deposits received		1,233		187
	$	93,441	$	28,492

15. FAIR VALUE MEASUREMENTS

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

The carrying values of cash and cash equivalents, bank deposits with original maturity over three months and restricted cash approximated fair value and represented a level 1 measurement. The carrying values of long-term deposits, long-term receivables and other long-term liabilities approximated fair value and represented a level 2 measurement. The estimated fair value of long-term debt as of December 31, 2014 and 2013, which included the Studio City Project Facility, the 2013 Senior Notes, the Studio City Notes, the 2011 Credit Facilities, the Philippine Notes and the Aircraft Term Loan, were approximately $3,878,381 and $2,585,768, respectively, as compared to its carrying value of $3,902,781 and $2,533,460, respectively. Fair value was estimated using quoted market prices and represented a level 1 measurement for the 2013 Senior Notes and the Studio City Notes. Fair value for the Studio City Project Facility, the 2011 Credit Facilities, the Philippine Notes and the Aircraft Term Loan approximated the carrying values as the instruments carried either variable interest rates or the fixed interest rate approximated the market rate and represented a level 2 measurement. Additionally, the carrying value of land use rights payable approximated fair value as the instruments carried the fixed interest rate approximated the market rate and represented a level 2 measurement.

As of December 31, 2014, the Group did not have any non-financial assets or liabilities that are recognized or disclosed at fair value in the consolidated financial statements.

The Group's financial assets and liabilities recorded at fair value have been categorized based upon the fair value in accordance with the accounting standards. As of December 31, 2014, the interest rate swap agreements carried at fair value and the fair value of these interest rate swap agreements approximated the amounts the Group would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields. Since significant observable inputs are used in the valuation model, the interest rate swap arrangements represented a level 2 measurement in the fair value hierarchy.

16. CAPITAL STRUCTURE

Ordinary and Treasury Shares

The Company's treasury shares represent i) new shares issued by the Company and held by the depository bank to facilitate the administration and operations of the Company's share incentive plans, and are to be delivered to the Directors, eligible employees and consultants on the vesting of restricted shares and upon the exercise of share options; ii) the shares purchased under a trust arrangement for the benefit of certain beneficiaries who are awardees under the 2011 Share Incentive Plan and held by a trustee to facilitate the future vesting of restricted shares in selected Directors, employees and consultants under the 2011 Share Incentive Plan as described in Note 18; and iii) the shares repurchased by the Company under the Stock Repurchase Program (as described below) pending for retirement.

New Shares Issued by the Company

During the years ended December 31, 2014, 2013 and 2012, the Company issued nil, 8,574,153 and 4,958,293 ordinary shares to its depository bank for future vesting of restricted shares and exercise of share options, respectively. The Company issued 1,068,534, 1,297,902 and 1,276,634 of these ordinary shares upon vesting of restricted shares; and 928,299, 3,064,302 and 2,966,955 of these ordinary shares upon exercise of share options during the years ended December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, 2013 and 2012, the Company had a balance of 13,482,154, 15,478,987 and 11,267,038 newly issued ordinary shares which continue to be held by the Company for future issuance upon vesting of restricted shares and exercise of share options.

Shares Purchased under a Trust Arrangement

On May 15, 2013, the Board of Directors of the Company authorized a trustee to purchase the Company's ADS from NASDAQ for the purpose of satisfying its obligation to deliver ADS under its 2011 Share Incentive Plan ("Share Purchase Program"). Under the Share Purchase Program, the trustee can purchase ADS from the open market at the price range to be determined by the Company's management from time to time. This Share Purchase Program may be terminated by the Company at any time. The purchased ADSs are to be delivered to the Directors, eligible employees and consultants upon vesting of the restricted shares.

During the year ended December 31, 2014, 69,426 ADSs, equivalent to 208,278 ordinary shares were purchased under a trust arrangement from NASDAQ at an average market price of $24.79 per ADS or $8.26 per share (including commissions), and 467,121 ordinary shares purchased under a trust arrangement were delivered to Directors and eligible employees to satisfy the vesting of restricted shares. During the year ended December 31, 2013, 373,946 ADSs, equivalent to 1,121,838 ordinary shares were purchased under a trust arrangement from NASDAQ at an average market price of $23.45 per ADS or $7.82 per share (including commissions), and 378,579 ordinary shares purchased under a trust arrangement were delivered to Directors and eligible employees to satisfy the vesting of restricted shares. As of December 31, 2014 and 2013, the shares purchased under trust arrangement has a balance of 484,416 and 743,259 ordinary shares, respectively, for future issuance upon vesting of restricted shares.

Shares Repurchased for Retirement

On August 7, 2014, the Board of Directors of the Company authorized the repurchase of the Company's ADS of up to an aggregate of $500,000 under a stock repurchase program ("Stock Repurchase Program"), which remains valid until the expiry or revocation of the share repurchase mandate granted by the shareholders, upon conclusion of the next annual general meeting of the Company to be held in 2015, for shares retirement. Under the Stock Repurchase Program, the Company can repurchase ADS from the open market at the price range determined by the Company's management from time to time. This Stock Repurchase Program may be terminated by the Company at any time prior to the expiration of the Stock Repurchase Program.

During the year ended December 31, 2014, 12,216,448 ADSs, equivalent to 36,649,344 ordinary shares were repurchased under the Stock Repurchase Program from NASDAQ in aggregate for $300,495 (including commissions), at an average market price of $24.60 per ADS or $8.20 per share, of which 32,931,528 ordinary shares repurchased under the Stock Repurchase Program were retired. As of December 31, 2014, the shares repurchased had a balance of 3,717,816 ordinary shares for future shares retirement and these remaining repurchased ordinary shares were subsequently retired in January 2015.

As of December 31, 2014, 2013 and 2012, the Company had 1,633,701,920, 1,666,633,448 and 1,658,059,295 issued ordinary shares, and 17,684,386, 16,222,246 and 11,267,038 treasury shares, with 1,616,017,534, 1,650,411,202 and 1,646,792,257 issued ordinary shares outstanding, respectively.

17. INCOME TAXES

The Company and certain subsidiaries are exempt from tax in the Cayman Islands or British Virgin Islands ("BVI"), where they are incorporated, however, the Company is subject to Hong Kong Profits Tax on profits from its activities conducted in Hong Kong. Certain subsidiaries incorporated or conducting businesses in Hong Kong, Macau, the Philippines and other jurisdictions are subject to Hong Kong Profits Tax, Macau Complementary Tax, income tax in the Philippines and other jurisdictions, respectively, during the years ended December 31, 2014, 2013 and 2012. The Company's subsidiary incorporated in the United States of America and dissolved in June 2013, is subject to income tax in the United States of America up to the date of dissolution in 2013 and during the year ended December 31, 2012.

Pursuant to the approval notices issued by the Macau Government dated June 7, 2007, Melco Crown Macau has been exempted from Macau Complementary Tax on profits generated by gaming operations for five years commencing from 2007 to 2011 and will continue to benefit from this exemption for another five years from 2012 to 2016 pursuant to the approval notices issued by the Macau Government in April 2011.

The Macau Government has granted to subsidiaries of the Company, Altira Hotel Limited ("Altira Hotel"), in 2007, and Melco Crown (COD) Hotels Limited ("Melco Crown (COD) Hotels"), in 2011 and 2013, the declaration of utility purposes benefit in respect of Altira Macau, Hard Rock Hotel, Crown Towers hotel and Grand Hyatt Macau hotel, pursuant to which they are entitled to a property tax holiday, for a period of 12 years, on any immovable property that they own or have been granted. Under such declaration of utility purposes benefit, they will also be allowed to double the maximum rates applicable regarding depreciation and reintegration for the purposes of assessing the Macau Complementary Tax. The Macau Government has also granted to Altira Hotel and Melco Crown (COD) Hotels a declaration of utility purposes benefit on specific vehicles purchased, pursuant to which they were entitled to a vehicle tax holiday, provided that there is no change in use or disposal of those vehicles within 5 years from the date of purchase. The grant of further vehicle tax holiday is subject to the satisfaction by the Group of certain criteria determined by the Macau Government.

The provision for income tax consisted of:

	Year Ended December 31,		
	2014	**2013**	**2012**
Income tax provision for current year:			
Macau Complementary Tax	$ 2,761	$ 41	$ 203
Lump sum in lieu of Macau Complementary Tax on dividend	2,795	5,590	–
Hong Kong Profits Tax	1,171	654	513
Income tax in other jurisdictions	622	99	238
Sub-total	7,349	6,384	954
(Over) under provision of income tax in prior years:			
Macau Complementary Tax	(57)	(417)	(171)
Hong Kong Profits Tax	124	(2)	32
Income tax in other jurisdictions	91	8	1
Sub-total	158	(411)	(138)
Deferred tax (credit) charge:			
Macau Complementary Tax	(3,917)	(3,543)	(3,676)
Hong Kong Profits Tax	(22)	12	(81)
Income tax in other jurisdictions	(532)	(1)	(2)
Sub-total	(4,471)	(3,532)	(3,759)
Total income tax expense (credit)	$ 3,036	$ 2,441	$ (2,943)

A reconciliation of the income tax expense (credit) to income before income tax per the consolidated statements of operations is as follows:

	Year Ended December 31,		
	2014	2013	2012
Income before income tax	$ 530,422	$ 580,454	$ 395,729
Macau Complementary Tax rate	12%	12%	12%
Income tax expense at Macau Complementary Tax rate	63,651	69,654	47,487
Lump sum in lieu of Macau Complementary Tax on dividend	2,795	5,590	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(25,416)	(9,642)	(556)
Under (over) provision in prior years	158	(411)	(138)
Effect of income for which no income tax expense is payable	(2,272)	(395)	(714)
Effect of expenses for which no income tax benefit is receivable	12,441	26,557	17,317
Effect of profits generated by gaming operations exempted from Macau Complementary Tax	(109,189)	(125,702)	(88,491)
Change in valuation allowance	60,868	36,790	22,152
	$ 3,036	$ 2,441	$ (2,943)

Macau Complementary Tax and Hong Kong Profits Tax have been provided at 12% and 16.5% on the estimated taxable income earned in or derived from Macau and Hong Kong, respectively, during the years ended December 31, 2014, 2013 and 2012, if applicable. Income tax in other jurisdictions for the years ended December 31, 2014, 2013 and 2012 were provided mainly for the profits of the representative offices and branches set up by a subsidiary of the Company in the region where they operate. For the year ended December 31, 2014, the provision for current income tax of one of the Company's subsidiaries in the Philippines has been provided at 30% on the estimated taxable income and offset with a benefit from deferred income tax recognized up to the amount of income tax provided. No provisions for income tax for other subsidiaries of the Company in the Philippines for the years ended December 31, 2014, 2013 and 2012 and in the United States of America for the years ended December 31, 2013 and 2012 were provided as the subsidiaries incurred tax losses.

Melco Crown Macau was granted a tax holiday from Macau Complementary Tax for 5 years on gaming profits by the Macau Government in 2007. In April 2011, this tax holiday for Melco Crown Macau was extended for an additional 5 years through 2016. During the years ended December 31, 2014, 2013 and 2012, Melco Crown Macau reported net income and had the Group been required to pay such taxes, the Group's consolidated net income attributable to Melco Crown Entertainment Limited for the years ended December 31, 2014, 2013 and 2012 would have been decreased by \$109,189, \$125,702 and \$88,491, respectively. The basic and diluted net income attributable to Melco Crown Entertainment Limited per share would have reported reduced income of \$0.066 and \$0.066 per share for the year ended December 31, 2014, \$0.076 and \$0.076 per share for the year ended December 31, 2013 and \$0.054 and \$0.053 per share for the year ended December 31, 2012, respectively. Melco Crown Macau's non-gaming profits remain subject to the Macau Complementary Tax and its casino revenues remain subject to the Macau special gaming tax and other levies in accordance with its gaming subconcession agreement.

In 2013, Melco Crown Macau made an application to the Macau Government for a tax concession arrangement for its shareholders. Pursuant to the proposed terms issued by the Macau Government in December 2013 which was accepted by Melco Crown Macau in January 2014, an annual lump sum amount of MOP22,400,000 (equivalent to \$2,795) is payable by Melco Crown Macau to the Macau Government, effective retroactively from 2012 through 2016, coinciding with the 5-year extension of the tax holiday as mentioned above, as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Crown Macau on dividend distributions from gaming profits. Such annual lump sum tax payments are required regardless of whether dividends are actually distributed or whether Melco Crown Macau has distributable profits in the relevant year. The income tax provision for the year 2013 included the annual lump sum dividend withholding tax payments accrued for the years 2013 and 2012.

The effective tax rates for the years ended December 31, 2014, 2013 and 2012 were 0.6%, 0.4% and negative rate of 0.7%, respectively. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax, the effect of change in valuation allowance, the effect of different tax rates of subsidiaries operating in other jurisdictions and the effect of expenses for which no income tax benefit is receivable for the years ended December 31, 2014, 2013 and 2012.

The net deferred tax liabilities as of December 31, 2014 and 2013 consisted of the following:

	December 31,	
	2014	2013
Deferred tax assets		
Net operating loss carried forwards	$ 94,280	$ 66,744
Depreciation and amortization	13,377	11,100
Deferred deductible expenses	4,402	3,861
Deferred rents	12,896	5,001
Others	9,527	1,997
Sub-total	134,482	88,703
Valuation allowance		
Current	(18,626)	(19,415)
Long-term	(109,301)	(69,195)
Sub-total	(127,927)	(88,610)
Total deferred tax assets	6,555	93
Deferred tax liabilities		
Land use rights	(55,683)	(60,090)
Intangible assets	(505)	(505)
Unrealized capital allowance	(2,821)	(2,211)
Others	(5,848)	–
Total deferred tax liabilities	(64,857)	(62,806)
Deferred tax liabilities, net	$ (58,302)	$ (62,713)

As of December 31, 2014 and 2013, valuation allowance of $127,927 and $88,610 were provided, respectively, as management believes that it is more likely than not that these deferred tax assets will not be realized. As of December 31, 2014, adjusted operating tax loss carry forwards, amounting to $153,845, $177,728 and $245,405 will expire in 2015, 2016 and 2017, respectively. Adjusted operating tax loss carried forwards of $159,715 has expired during the year ended December 31, 2014.

Deferred tax, where applicable, is provided under the liability method at the enacted statutory income tax rate of the respective tax jurisdictions, applicable to the respective financial years, on the difference between the consolidated financial statements carrying amounts and income tax base of assets and liabilities.

Aggregate undistributed earnings of the Company's foreign subsidiaries are available for distribution to the Company of approximately $11,447 and $18,175 as at December 31, 2014 and 2013, respectively, are considered to be indefinitely reinvested and the amounts as of December 31, 2014 and 2013 exclude the undistributed earnings of Melco Crown Macau. Accordingly, no provision has been made for the dividend withholding taxes that would be payable upon the distribution of those amounts to the Company. If those earnings were to be distributed or they were determined to be no longer permanently reinvested, the Company would have to record a deferred income tax liability in respect of those undistributed earnings of approximately $1,717 and $2,725 as at December 31, 2014 and 2013, respectively.

An evaluation of the tax positions for recognition was conducted by the Group by determining if the weight of available evidence indicates it is more likely than not that the positions will be sustained on audit, including resolution of related appeals or litigation processes, if any. Uncertain tax benefits associated with the tax positions were measured based solely on the technical merits of being sustained on examinations. The Group concluded that there was no significant uncertain tax position requiring recognition in the consolidated financial statements for the years ended December 31, 2014, 2013 and 2012 and there is no material unrecognized tax benefit which would favourably affect the effective income tax rate in future periods. As of December 31, 2014 and 2013, there were no interest and penalties related to uncertain tax positions recognized in the consolidated financial statements. The Group does not anticipate any significant increases or decreases to its liability for unrecognized tax benefit within the next twelve months.

The income tax returns of the Company and its subsidiaries remain open and subject to examination by the tax authorities of Hong Kong, Macau, the United States of America, the Philippines and other jurisdictions until the statute of limitations expire in each corresponding jurisdiction. The statute of limitations in Hong Kong, Macau, the United States of America and the Philippines are 6 years, 5 years, 3 years and 3 years, respectively.

18. SHARE-BASED COMPENSATION

2006 Share Incentive Plan

The Group adopted a share incentive plan in 2006 ("2006 Share Incentive Plan") to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to employees, Directors and consultants and to promote the success of its business. Under the 2006 Share Incentive Plan, the Group may grant either options to purchase the Company's ordinary shares or restricted shares (Note: The restricted shares, as named in respective grant documents, are accounted for as nonvested shares). The term of an award shall not exceed 10 years from the date of the grant. The maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2006 Share Incentive Plan (including shares issuable upon exercise of options) is 100,000,000 over 10 years. The new share incentive plan ("2011 Share

Incentive Plan") as described below was effective immediately after the listing of the Company's ordinary shares on the Main Board of the Hong Kong Stock Exchange on December 7, 2011 and no further awards may be granted under the 2006 Share Incentive Plan on or after such date as all subsequent awards will be issued under the 2011 Share Incentive Plan. Accordingly, no share option and restricted share were granted under the 2006 Share Incentive Plan during the years ended December 31, 2014, 2013 and 2012.

Share Options

A summary of share options activity under the 2006 Share Incentive Plan as of December 31, 2014, and changes during the years ended December 31, 2014, 2013 and 2012 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as at January 1, 2012	20,916,462	$ 1.55		
Exercised	(2,966,955)	1.22		
Forfeited	(1,110,843)	1.63		
Expired	(6,510)	1.01		
Outstanding as at December 31, 2012	16,832,154	1.61		
Exercised	(2,967,372)	1.50		
Forfeited	(82,380)	2.07		
Expired	(4,989)	1.01		
Outstanding as at December 31, 2013	13,777,413	1.63		
Exercised	(853,905)	2.06		
Expired	(6,087)	1.01		
Outstanding as at December 31, 2014	12,917,421	$ 1.60	4.60	$ 88,730
Exercisable as at December 31, 2014	12,917,421	$ 1.60	4.60	$ 88,730

A summary of share options vested under the 2006 Share Incentive Plan at December 31, 2014 are presented below:

	Vested			
	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Range of exercise prices per share ($1.01 – $5.06) *(Note)*	12,917,421	$ 1.60	4.60	$ 88,730

Note: 1,615,101 share options vested and 6,087 share options expired during the year ended December 31, 2014.

As of December 31, 2014, there was no unvested share options under the 2006 Share Incentive Plan. Share options of 853,905, 2,967,372 and 2,966,955 were exercised and proceeds amounted to $1,758, $4,463 and $3,632 were recognized during the years ended December 31, 2014, 2013 and 2012, respectively. The total intrinsic values of share options exercised for the years ended December 31, 2014, 2013 and 2012 were $5,472, $34,330 and $13,022, respectively. As of December 31, 2014, there was no unrecognized compensation costs related to share options under the 2006 Share Incentive Plan.

Restricted Shares

A summary of the status of the 2006 Share Incentive Plan's restricted shares as of December 31, 2014, and changes during the years ended December 31, 2014, 2013 and 2012 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as at January 1, 2012	4,002,503	$ 2.22
Vested	(1,276,634)	2.49
Forfeited	(486,984)	1.66
Unvested as at December 31, 2012	2,238,885	2.19
Vested	(1,297,902)	2.04
Forfeited	(38,313)	2.12
Unvested as at December 31, 2013	902,670	2.42
Vested	(902,670)	2.42
Unvested as at December 31, 2014	–	$ –

The total fair values at date of grant of the restricted shares under the 2006 Share Incentive Plan vested during the years ended December 31, 2014, 2013 and 2012 were $2,182, $2,643 and $3,181, respectively. As of December 31, 2014, there was no unrecognized compensation costs related to restricted shares under the 2006 Share Incentive Plan.

2011 Share Incentive Plan

The Group adopted the 2011 Share Incentive Plan to promote the success and enhance the value of the Company by linking personal interests of the members of the Board, employees and consultants to those of the shareholders and by providing such individuals with incentive for outstanding performance to generate superior returns to the shareholders which became effective on December 7, 2011. Under the 2011 Share Incentive Plan, the Group may grant various share-based awards, including but not limited to, options to purchase the Company's ordinary shares, share appreciation rights, restricted shares and other types of awards. The term of such awards shall not exceed 10 years from the date of the grant. The maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2011 Share Incentive Plan is 100,000,000 over 10 years, which could be raised up to 10% of the issued share capital upon shareholders' approval. As of December 31, 2014 and 2013, 92,621,404 and 94,688,953 ordinary shares remain available for the grant of various share-based awards under the 2011 Share Incentive Plan, respectively.

Share Options

The Group granted share options to certain personnel under the 2011 Share Incentive Plan during the years ended December 31, 2014, 2013 and 2012, with the exercise price for share options granted in 2014 and 2013 determined at the higher of the closing price on the date of grant and the average closing price for the five trading dates preceding the date of grant of the Company's ordinary shares trading on the Hong Kong Stock Exchange, while the exercise price for share options granted in 2012 determined at the closing price on the date of grant. These share options became exercisable over vesting periods of three to four 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 option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. Expected volatility is based on the historical volatility of the Company's ADS trading on the NASDAQ Global Select Market. Expected term is based upon the vesting term or the historical of expected term of publicly traded companies. The risk-free interest rate used for each period presented is based on the United States of America Treasury yield curve at the time of grant for the period equal to the expected term.

The fair value per option under the 2011 Share Incentive Plan was estimated at the date of grant using the following weighted average assumptions for options granted during the years ended December 31, 2014, 2013 and 2012:

	December 31, 2014	December 31, 2013	December 31, 2012
Expected dividend yield	1.11%	–	–
Expected stock price volatility	69.56%	65.50%	67.82%
Risk-free interest rate	2.04%	0.82%	1.01%
Expected average life of options (years)	6.1	5.1	5.1

A summary of share options activity under the 2011 Share Incentive Plan as of December 31, 2014, and changes during the years ended December 31, 2014, 2013 and 2012 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as at January 1, 2012	–	$ –		
Granted	1,934,574	4.70		
Forfeited	(33,438)	4.70		
Outstanding as at December 31, 2012	1,901,136	4.70		
Granted	1,388,793	8.42		
Exercised	(96,930)	4.70		
Forfeited	(120,834)	6.00		
Expired	(1,830)	4.70		
Outstanding as at December 31, 2013	3,070,335	6.33		
Granted	1,320,693	12.89		
Exercised	(74,394)	5.34		
Forfeited	(155,865)	9.84		
Outstanding as at December 31, 2014	4,160,769	$ 8.30	8.18	$ 6,249
Exercisable as at December 31, 2014	1,494,933	$ 5.78	7.57	$ 4,023

A summary of share options vested and expected to vest under the 2011 Share Incentive Plan at December 31, 2014 are presented below:

	Vested					
	Number of Share Options		Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value
Range of exercise prices per share ($4.70 – $8.42) *(Note)*	1,494,933	$	5.78	7.57	$	4,023

Note: 1,046,418 share options vested and no share options expired during the year ended December 31, 2014.

	Expected to Vest					
	Number of Share Options		Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value
Range of exercise prices per share ($4.70 – $12.98)	2,665,836	$	9.71	8.53	$	2,226

The weighted average fair value of share options granted under the 2011 Share Incentive Plan during the years ended December 31, 2014, 2013 and 2012 were $7.11, $4.50 and $2.44, respectively. Share options of 74,394 and 96,930 were exercised and proceeds amounts to $397 and $455 were recognized during the years ended December 31, 2014 and 2013, respectively. The total intrinsic value of share options exercised for the years ended December 31, 2014 and 2013 were $232 and $812, respectively. No share option was exercised for the year ended December 31, 2012. As of December 31, 2014, there was $9,556 unrecognized compensation costs related to unvested share options under the 2011 Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.93 years.

Restricted Shares

The Group has also granted restricted shares to certain personnel under the 2011 Share Incentive Plan during the years ended December 31, 2014, 2013 and 2012. These restricted shares have vesting periods of three to four years. The grant date fair value is determined with reference to the market closing price of the Company's ADS trading on the NASDAQ Global Select Market at the date of grant.

A summary of the status of the 2011 Share Incentive Plan's restricted shares as of December 31, 2014, and changes during the years ended December 31, 2014, 2013 and 2012 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2012	–	$ –
Granted	1,170,612	4.43
Forfeited	(16,722)	4.43
Unvested at December 31, 2012	1,153,890	4.43
Granted	817,068	8.27
Vested	(378,579)	4.43
Forfeited	(60,420)	5.77
Unvested at December 31, 2013	1,531,959	6.43
Granted	746,856	12.42
Vested	(632,985)	6.04
Forfeited	(77,938)	9.57
Unvested at December 31, 2014	1,567,892	$ 9.28

The total fair value at date of grant of the restricted shares under the 2011 Share Incentive Plan vested during the years ended December 31, 2014 and 2013 were $3,821 and 1,676, respectively. No restricted shares under the 2011 Share Incentive Plan were vested during the year ended December 31, 2012. As of December 31, 2014, there was $9,785 of unrecognized compensation costs related to restricted shares under the 2011 Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.91 years.

MCP Share Incentive Plan

MCP operates a share incentive plan (the "MCP Share Incentive Plan") to promote the success and enhance the value of MCP, by linking personal interests of members of the Board, employees and consultants of MCP, its subsidiaries, holding companies and affiliated companies by providing such individuals with an incentive for outstanding performance to generate superior returns to the stockholders of MCP. On June 21, 2013, the MCP Share Incentive Plan, with amendments, were approved by MCP shareholders at MCP annual stockholders meeting and the Company's shareholders at its extraordinary general meeting respectively. The MCP Share Incentive Plan became effective on June 24, 2013, the date of the Philippine SEC approved such amendments. Under the MCP Share Incentive Plan, MCP may grant various share-based awards, including but not limited to, options to purchase the MCP common shares, restricted shares, share appreciation rights and other types of awards. The term of such awards shall not exceed 10 years from the date of grant. The maximum aggregate number of common shares which may be issued pursuant to all awards under the MCP Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of MCP from time to time over 10 years. As of December 31, 2014 and 2013, 57,075,917 and 47,098,936 MCP common shares remain available for the grant of various share-based awards under the MCP Share Incentive Plan, respectively.

Share Options

For the year ended December 31, 2014, MCP granted 9,543,186 share options to certain personnel under the MCP Share Incentive Plan, with the exercise price for 4,861,003 share options determined at the higher of the closing price of MCP common shares on the date of grant and the average closing price for the five trading days preceding the date of grant. The exercise price for 4,682,183 share options is fixed at $0.19 per share, with the same exercise price with the share options granted on June 28, 2013 on the bases approved by MCP's management that these personnel would contribute significantly to the pre-opening of City of Dreams Manila and joined MCP and its subsidiaries (collectively referred to as the "MCP Group") prior to March 31, 2014. These share options became exercisable over different vesting periods of around three years. For the year ended December 31, 2013, MCP granted share options to certain personnel under the MCP Share Incentive Plan with the exercise price determined at the higher of the closing price of MCP common shares on the date of grant and the average closing price for the five trading days preceding the date of grant. These share options became exercisable over a vesting period of three years, with the first vesting on 30 days after the opening of City of Dreams Manila which were vested on March 4, 2015. All share options granted expire 10 years after the date of grant.

MCP uses the Black-Scholes valuation model to determine the estimated fair value for each 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 Company. The risk-free interest rate used for each period presented is based on the Philippine Government bond yield at the time of grant for the period equal to the expected term.

The fair value per option under the MCP Share Incentive Plan was estimated at the date of grant using the following weighted average assumptions for options granted during the years ended December 31, 2014 and 2013:

	December 31,	
	2014	**2013**
Expected dividend yield	–	–
Expected stock price volatility	40.00%	45.00%
Risk-free interest rate	3.77%	3.73%
Expected average life of options (years)	5.2	5.0

A summary of share options activity under the MCP Share Incentive Plan as of December 31, 2014, and changes during the years ended December 31, 2014 and 2013 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as at January 1, 2013	–	$ –		
Granted	120,826,336	0.19		
Forfeited	(4,682,183)	0.19		
Outstanding as at December 31, 2013	116,144,153	0.19		
Granted	9,543,186	0.24		
Forfeited	(1,560,727)	0.19		
Outstanding as at December 31, 2014	124,126,612	$ 0.19	8.56	$ 14,149

As of December 31, 2014, no share options granted under the MCP Share Incentive Plan were vested and exercisable.

A summary of share options expected to vest under the MCP Share Incentive Plan as of December 31, 2014 are presented below:

	Expected to Vest			
	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Range of exercise prices per share ($0.19 – $0.30)	124,126,612	$ 0.19	8.56	$ 14,149

The weighted average fair value of share options granted under the MCP Share Incentive Plan during the years ended December 31, 2014 and 2013 were $0.14 and $0.09, respectively. As of December 31, 2014, there was $5,445 unrecognized compensation costs related to share options under the MCP Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.52 years.

Restricted Shares

For the year ended December 31, 2014, MCP granted restricted shares to certain personnel under the MCP Share Incentive Plan with vesting periods of around three years. For the year ended December 31, 2013, MCP granted restricted shares to certain personnel under the MCP Share Incentive Plan with a vesting period of three years, with the first vesting on 30 days after the opening of City of Dreams Manila which were vested on March 4, 2015. The grant date fair value is determined with reference to the market closing price of the MCP common shares at the date of grant.

A summary of the status of the MCP Share Incentive Plan's restricted shares as of December 31, 2014, and changes during the years ended December 31, 2014 and 2013 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as at January 1, 2013	–	$ –
Granted	60,413,167	0.19
Forfeited	(2,341,091)	0.19
Unvested as at December 31, 2013	58,072,076	0.19
Granted	7,079,775	0.29
Forfeited	(780,365)	0.19
Unvested as at December 31, 2014	64,371,486	$ 0.20

No restricted shares under the MCP Share Incentive Plan were vested during the years ended December 31, 2014 and 2013. As of December 31, 2014, there was $6,596 unrecognized compensation costs related to restricted shares under the MCP Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.59 years.

The impact of share options and restricted shares for the Group for the years ended December 31, 2014, 2013 and 2012 recognized in the consolidated financial statements is as follows:

	Year Ended December 31,		
	2014	**2013**	**2012**
2006 Share Incentive Plan			
Share options	$ 579	$ 3,234	$ 4,033
Restricted shares	492	2,188	2,464
Sub-total	1,071	5,422	6,497
2011 Share Incentive Plan			
Share options	5,590	2,775	1,179
Restricted shares	5,915	3,052	1,297
Sub-total	11,505	5,827	2,476
MCP Share Incentive Plan			
Share options	3,631	1,756	–
Restricted shares	4,194	1,982	–
Sub-total	7,825	3,738	–
Total share-based compensation expenses recognized in general and administrative expenses	$ 20,401	$ 14,987	$ 8,973

19. EMPLOYEE BENEFIT PLANS

The Group provides defined contribution plans for its employees and executive officers in Macau, Hong Kong, the Philippines and certain other jurisdictions.

Employees

Macau

Employees employed by the Group in Macau are members of government-managed Social Security Fund Scheme (the "SSF Scheme") operated by the Macau Government and the Group is required to pay a monthly fixed contribution to the SSF Scheme to fund the benefits. The obligation of the Group with respect to the SSF Scheme operated by the Macau Government is to make the required contributions under the scheme.

The Group provided option for its qualifying employees in Macau to participate in voluntary defined contribution schemes (the "Macau Schemes") operated by the Group in Macau. The Group contributes a fixed percentage of the eligible employees' base salaries or fixed amount to the Macau Schemes. The Group's contributions to the Macau Schemes are vested to employees in accordance to a vesting schedule with full vesting in 10 years from date of employment. The Macau Schemes were established under trust with the assets of the funds held separately from those of the Group by independent trustees in Macau.

Hong Kong

Employees employed by the Group in Hong Kong and certain employees employed by the Group in other jurisdictions are members of Mandatory Provident Fund Scheme (the "MPF Scheme") operated by the Group in Hong Kong. The Group is required to contribute a fixed percentage of the employee'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 to the employee in accordance to a vesting schedule with full vesting in 10 years from date of employment. The Group's mandatory contributions to the MPF Scheme are fully and immediately vested to the employee once they are paid. The MPF Scheme was established under trust with the assets of the funds held separately from those of the Group by an independent trustee in Hong Kong.

The Philippines

Employees employed by MCP Group in the Philippines are members of government-managed Social Security System Scheme (the "SSS Scheme") operated by the Philippine Government and MCP Group is required to pay at a certain percentage of the employees' relevant income and met the minimum mandatory requirements of the SSS Scheme to fund the benefits. The only obligation of MCP Group with respect to the SSS Scheme operated by the Philippine Government is to make the required contributions under the scheme.

Other Jurisdictions

The Group's subsidiaries in certain other jurisdictions operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll and met the minimum mandatory requirements.

Executive Officers

Executive officers employed by the Group are members of the MPF Scheme operated by the Group in Hong Kong. The Group is required to contribute a fixed percentage of the executive officers' 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 to the executive officers in accordance to a vesting schedule with full vesting in 10 years from date of employment. The Group's mandatory contributions to the MPF scheme are fully and immediately vested to the executive officer once they are paid. The MPF was established under trust with the assets of the funds held separately from those of the Group by an independent trustee in Hong Kong.

During the years ended December 31, 2014, 2013 and 2012, the Group's contributions into the defined contribution plans were $14,823, $8,522 and $5,303, respectively.

20. DISTRIBUTION OF PROFITS

All subsidiaries incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after taxation to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the Board of Directors of the relevant subsidiaries. As of December 31, 2014 and 2013, the balance of the reserve amounted to $31,202 and $31,201, respectively.

The 2011 Credit Facilities contain restrictions which apply on and from June 30, 2011 on paying dividends to the Company or persons who are not members of the 2011 Borrowing Group, unless certain financial tests and conditions are satisfied. Dividends may be paid from (i) excess cash flow as defined in the 2011 Credit Facilities generated by the 2011 Borrowing Group subject to compliance with the financial covenants under the 2011 Credit Facilities; or (ii) cash held by the 2011 Borrowing Group in an amount not exceeding the aggregate cash and cash equivalents investments of the 2011 Borrowing Group as at June 30, 2011 subject to a certain amount of cash and cash equivalents being retained for operating purposes and, in either case, there being no event of default continuing or likely to occur under the 2011 Credit Facilities as a result of making such payment.

The indenture governing the 2013 Senior Notes and the 2010 Senior Notes contain certain covenants that, subject to certain exceptions and conditions, restrict the payment of dividends for MCE Finance and its respective restricted subsidiaries.

The indenture governing the Studio City Notes also contain certain covenants that, subject to certain exceptions and conditions, restrict the payment of dividends for Studio City Finance and its restricted subsidiaries.

The Studio City Project Facility contains certain covenants that, subject to certain exceptions and conditions, restrict the payment of dividends for Studio City Investments and its restricted subsidiaries.

21. DIVIDENDS

On February 25, 2014, the Company's Board of Directors adopted a new dividend policy (the "New Dividend Policy"). Under the New Dividend Policy, subject to the Company's capacity to pay from accumulated and future earnings and the cash balance and future commitments at the time of declaration of dividend, the Company intends to provide its shareholders with quarterly dividends in an aggregate amount per year of approximately 30% of the Company's annual consolidated net income attributable to Melco Crown Entertainment Limited, commencing from the first quarter of 2014. The New Dividend Policy also allows the Company to declare special dividends from time to time in addition to the quarterly dividends.

On April 16, 2014, the Company paid a special dividend of $0.1147 per share and recorded $189,459 as a distribution against share premium.

On June 6, 2014, September 4, 2014 and December 4, 2014, the Company paid quarterly dividends of $0.0431, $0.0259 and $0.0239 per share, respectively, under the New Dividend Policy. During the year ended December 31, 2014, the Company recorded $153,259 as a distribution against retained earnings.

The total amount of special and quarterly dividends of $342,718 were paid during the year ended December 31, 2014.

On February 12, 2015, a quarterly dividend of $0.0171 per share has been declared by the Board of Directors of the Company and payable on March 16, 2015 to the shareholders of records as of March 4, 2015.

During the years ended December 31, 2013 and 2012, the Company did not declare or pay any cash dividends on the ordinary shares.

22. PROVISIONAL LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MCP LEASE AGREEMENT FOR CITY OF DREAMS MANILA

(a) Provisional License

On October 25, 2012, further to the Cooperation Agreement as mentioned in item (b) below, PAGCOR acknowledged the inclusion of, amongst others, MCE Leisure as a co-licensee, as well as the "special purpose entity", to take effect as of March 13, 2013, the effective date of the Cooperation Agreement, allowing MCE Leisure to be the operator to operate the casino business and as representative for itself and on behalf of the other co-licensees including SM Investments Corporation, SM Land, Inc., SM Hotels and Conventions Corporation, SM Commercial Properties, Inc. and SM Development Corporation (collectively the "SM Group"), PremiumLeisure and Amusement, Inc. ("PLAI") and Belle under the Provisional License in their dealings with PAGCOR. SM Group, Belle and PLAI are collectively referred to as the "Philippine Parties". As a result, MCE Holdings (Philippines) Corporation, a direct subsidiary of MCP, and its subsidiaries including MCE

Leisure (collectively the "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. The Provisional License, as well as any regular license to be issued to replace it upon satisfaction of certain conditions, is concurrent with section 13 of Presidential Decree No. 1869, will expire on July 11, 2033. Further details of the terms and commitments under the Provisional License are included in Note 23(c).

(b) Cooperation Agreement

On March 13, 2013, a cooperation agreement (the "Cooperation Agreement") and other related arrangements which were entered on October 25, 2012 between MCE Holdings Group and the Philippine Parties 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 Provisional License and the operation and management of City of Dreams Manila until the expiry of the Provisional License (currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms). Further details of the commitment under the Cooperation Agreement are included in Note 23(c).

(c) Operating Agreement

On March 13, 2013, the Licensees entered into an operating agreement (the "Operating Agreement") which governs the operation and management of City of Dreams Manila by MCE Leisure. The Operating Agreement was effective as of March 13, 2013 and ends on the date of expiry of the Provisional License (as that License is extended, restored or renewed), unless terminated earlier in accordance with the terms of the Operating Agreement. The Provisional License is currently scheduled to expire on July 11, 2033. Under the Operating Agreement, MCE Leisure is appointed as the sole and exclusive operator and manager of City of Dreams Manila, and is responsible for, and has sole discretion (subject to certain exceptions) and control over, all matters relating to the management and operation of City of Dreams Manila (including the casino and gaming operations, hotel and retail components and all other activities necessary, desirable or incidental for the management and operation of City of Dreams Manila). The Operating Agreement also included terms of certain payments to PLAI upon commencement of operations of City of Dreams Manila in December 2014, in particular, PLAI has the right to receive monthly payments from MCE Leisure, based on the performance of gaming operations of City of Dreams Manila, and MCE Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

(d) MCP Lease Agreement

On March 13, 2013, the MCP Lease Agreement which was entered on October 25, 2012, and was subsequently amended from time to time, between MCE Leisure and Belle became effective upon completion of closing arrangement conditions and with minor changes from the original terms. Under the MCP 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. Further information in relation to the MCP Lease Agreement was disclosed in Notes 13 and 23(c).

23. COMMITMENTS AND CONTINGENCIES

(a) Capital Commitments

As of December 31, 2014, the Group had capital commitments contracted for but not provided mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams Manila and City of Dreams totaling $1,065,813 including advance payments for construction costs of $107,563.

(b) Lease Commitments and Other Arrangements

Operating Leases – As a Lessee

The Group leases the portion of land for City of Dreams Manila, Mocha Clubs sites, office space, warehouses, staff quarters and various equipment under non-cancellable operating lease agreements that expire at various dates through July 2033. Those lease agreements provide for periodic rental increases based on both contractual agreed incremental rates and on the general inflation rate once agreed by the Group and its lessor and in some cases contingent rental expenses stated as a percentage of turnover. During the years ended December 31, 2014, 2013 and 2012, the Group incurred rental expenses amounting to $32,829, $21,815 and $18,573, respectively which consisted of minimum rental expenses of $25,374, $17,586 and $15,003 and contingent rental expenses of $7,455, $4,229 and $3,570, respectively.

As of December 31, 2014, minimum lease payments under all non-cancellable leases were as follows:

Year ending December 31,		
2015	$	24,143
2016		19,618
2017		17,470
2018		16,832
2019		17,016
Over 2019		66,872
	$	161,951

As Grantor of Operating and Right To Use Arrangement

The Group entered into non-cancellable operating and right to use agreements mainly for mall spaces in the sites of City of Dreams and City of Dreams Manila with various retailers that expire at various dates through February 2022. Certain of the operating and right to use agreements include minimum base fee with escalated contingent fee clauses. During the years ended December 31, 2014, 2013 and 2012, the Group earned operating and right to use fees amounting to $25,206, $27,287 and $22,906, respectively which consisted of minimum fees of $7,709, $7,724 and $9,005 and contingent fees of $17,497, $19,563 and $13,901, respectively.

As of December 31, 2014, minimum future fees to be received under all non-cancellable operating and right to use agreements were as follows:

Year ending December 31,		
2015	$	5,860
2016		4,487
2017		1,711
2018		1,489
2019		820
	$	14,367

The total minimum future fees do not include the escalated contingent fee clauses.

(c) Other Commitments

Gaming Subconcession

On September 8, 2006, the Macau Government granted a gaming subconcession to Melco Crown Macau to operate the gaming business in Macau. Pursuant to the gaming subconcession agreement, Melco Crown Macau has committed to the following:

i) To pay the Macau Government a fixed annual premium of $3,744 (MOP30,000,000).

ii) To pay the Macau Government a variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:

- $37 (MOP300,000) per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kind of games or to certain players;
- $19 (MOP150,000) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kind of games or to certain players; and
- $0.1 (MOP1,000) per year for each electrical or mechanical gaming machine, including the slot machine.

iii) To pay the Macau Government a sum of 1.6% of the gross revenues of the gaming business operations on a monthly basis, that will be made available to a public foundation for the promotion, development and study of social, cultural, economic, educational, scientific, academic and charity activities, to be determined by the Macau Government.

iv) To pay the Macau Government a sum of 2.4% of the gross revenues of the gaming business operations on a monthly basis, which will be used for urban development, tourist promotion and the social security of Macau.

v) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.

vi) Melco Crown Macau must maintain two bank guarantees issued by a specific bank with the Macau Government as the beneficiary in a maximum amount of $62,395 (MOP500,000,000) from September 8, 2006 to September 8, 2011 and a maximum amount of $37,437 (MOP300,000,000) from September 8, 2011 until the 180th day after the termination date of the gaming subconcession.

As a result of the bank guarantees given by the bank to the Macau Government as disclosed in Note 23(c)(vi) above, a sum of 1.75% of the guarantee amount will be payable by Melco Crown Macau quarterly to such bank.

Land Concession Contracts

The Company's subsidiaries have entered into concession contracts for the land in Macau on which Altira Macau, City of Dreams and Studio City properties and development projects are located. The title to the land lease right is obtained once the related land concession contract is published in the Macau official gazette. The contracts have a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to payment of a special contribution to be defined by the Macau Government, and impose special development conditions. The Company's land holding subsidiaries are required to i) pay an upfront land premium, which is recognized as land use right in the consolidated balance sheets and a nominal annual government land use fee, which is recognized as general and administrative expense and may be adjusted every five years; and ii) place a guarantee deposit upon acceptance of the land lease terms, which is subject to adjustments from time to time in line with the amounts paid as annual land use fee. During the land concession term, amendments have been sought which have or will result in revisions to the development conditions, land premium and government land use fees.

Altira Macau

On December 18, 2013, the Macau Government published in the Macau official gazette the final amendment for revision of the land concession contract for Taipa Land on which Altira Macau is located. The amendment required an additional land premium of approximately $2,449 which was fully paid by Altira Developments in July 2013 (see Note 9). According to the revised land amendment, the government land use fees was revised from approximately $171 per annum to $186 per annum. As of December 31, 2014, the Group's total commitment for government land use fees for Altira Macau site to be paid during the remaining term of the land concession contract which expires in March 2031 was $3,003.

City of Dreams

On January 29, 2014, the Macau Government published in the Macau official gazette the final amendment for revision of the land concession contract for Cotai Land on which City of Dreams is located (see Note 9). The amendment required an additional land premium of approximately $23,344, with $8,736 paid in October 2013 upon acceptance of the final amendment proposal and the remaining amount of approximately $14,608 is payable in four biannual instalments, accruing with 5% interest per annum, with the first instalment paid in July 2014. As of December 31, 2014 and 2013, the total outstanding balance of the land premium was included in accrued expenses and other current liabilities in an amount of $7,302 and $3,518, and in land use rights payable in an amount of $3,788 and $11,090, respectively. According to the revised land amendment, the government land use fees will be revised to $1,185 per annum during the development period of additional hotel at City of Dreams; and to $1,235 per annum after the completion of the hotel. As of December 31, 2014, the Group's total commitment for government land use fees for City of Dreams site to be paid during the remaining term of the land concession contract which expires in August 2033 was $22,800.

Studio City

On July 25, 2012, the Macau Government published in the Macau official gazette the final amendment for revision of the land concession contract for Studio City Land on which Studio City is located (see Note 9). The amendment revised the land premium to approximately $174,954, with $23,561 paid in 2006 and $35,316 paid in June 2012 upon acceptance of the final amendment proposal and the remaining amount of approximately $116,077 is payable in five biannual instalments, accruing with 5% interest per annum, with the first instalment paid in January 2013. As of December 31, 2014 and 2013, the total outstanding balance of the land premium was included in accrued expenses and other current liabilities in an amount of $24,376 and $46,982, and in land use right payable in an amount of nil and $24,376, respectively. According to the revised land amendment, the government land use fees were revised to $490 per annum during the development period of Studio City; and to $1,131 per annum after the development period. As of December 31, 2014, the Group's total commitment for government land use fees for Studio City site to be paid during the remaining term of the land concession contract which expires in October 2026 was $11,055.

Provisional License

Under the terms of the Provisional License, PAGCOR requires, amongst other things, the Licensees to make a total investment of $1,000,000 for City of Dreams Manila (the "Investment Commitment") with a minimum investment of $650,000 to be made prior to the opening of City of Dreams Manila on December 14, 2014. Under the terms of the Cooperation Agreement, the Licensees' Investment Commitment of $1,000,000 will be satisfied as follows:

- For the amount of $650,000: (a) in the case of the Philippine Parties, the land and building structures having an aggregate value as determined by PAGCOR of not less than $325,000, and (b) in the case of MCE Leisure, the fit-out and furniture, gaming equipment, additional improvements, inventory and supplies as well as intangible property and entertainment facilities inside or outside of the building structures, having an aggregate value as determined by PAGCOR of not less than $325,000.

- For the remaining $350,000, the Philippine Parties and MCE Leisure shall make equal contributions of $175,000 to City of Dreams Manila. The Licensees agree to contribute such amounts and for such purposes as notified by MCE Leisure (or in certain circumstances the Philippine Parties) to PAGCOR (subject to any recommendations PAGCOR may make).

As of December 31, 2014, the Licensees satisfied the minimum investment of $650,000 according to the terms of the Provisional License as mentioned above upon commencement of operations of City of Dreams Manila on December 14, 2014.

Other commitments required by PAGCOR under the Provisional License are as follows:

- Within 30 days from getting approval by PAGCOR of the project implementation plan, to submit a bank guarantee, letter of credit or surety bond in the amount of PHP100,000,000 (equivalent to $2,241) to guarantee the Licensees' completion of City of Dreams Manila and is subject to forfeiture in case of delay in construction which delay exceeds 50% of the schedule, of which SM Group had submitted a surety bond of PHP100,000,000 (equivalent to $2,241) to PAGCOR on February 17, 2012.

- Seven days prior to commencement of operation of the casino, to secure a surety bond in favor of PAGCOR in the amount of PHP100,000,000 (equivalent to $2,241) to ensure prompt and punctual remittance/payment of all license fees, of which MCE Leisure had secured a surety bond of PHP100,000,000 (equivalent to $2,241) in December 2014.

- The Licensees are required to maintain an escrow account into which all funds for development of City of Dreams Manila must be deposited and all funds withdrawn from this account must be used only for such development and to deposit $100,000 in the escrow account and maintain a balance of $50,000 until the completion of City of Dreams Manila, of which MCE Leisure had setup the escrow account in March 2013.

- License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operation.

- For taxable periods prior to April 1, 2014, under the terms of the Provisional License, PAGCOR and the Licensees agreed the license fees that are paid to PAGCOR by the Licensees are in lieu of all taxes with reference to the income component of the gross gaming revenues. In May 2014, PAGCOR temporarily reduced the license fees by 10% to 5% and 15% of gross gaming revenues effective from April 1, 2014. The license fee reduction is required to be used for the payment of corporate income taxes and any portion not used for such payment must be repaid to PAGCOR in quarterly and annual true-up payments (as defined). This adjustment will address the additional exposure to corporate income tax on the Licensees brought by the Philippine Bureau of Internal Revenue ("BIR") Revenue Memorandum Circular ("RMC") No. 33-2013 dated April 17, 2013. The 10% license fee adjustment is a temporary measure to address the unilateral BIR action and is not intended to modify, amend or revise the Provisional License. PAGCOR and the Licensees agreed to revert to the original license fee structure under the Provisional License in the event BIR action is permanently restrained, corrected or withdrawn. PAGCOR and the Licensees also agreed that the 10% license fee adjustment is not an admission of the validity of BIR RMC No. 33-2013 and it is not a waiver of any of the remedies against any assessments by BIR for corporate income tax on the gaming revenue of the Licensees in the Philippines.

- In addition to the above license fees, the Licensees are required to remit 2% of casino revenues generated by non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by Licensees and approved by PAGCOR, of which the foundation was setup by MCE Leisure on February 19, 2014.

- 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% except rental income received from retail concessionaires.

Grounds for revocation of the 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, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of December 31, 2014 and 2013, 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.

Cooperation Agreement

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Provisional License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any loss suffered or incurred by that Licensee arising out of, or in connection with, any breach by the indemnifying Licensee of the Provisional License. Also, each of the Philippine Parties and MCE Holdings Group agree to indemnify the non-breaching party for any loss suffered or incurred as a result of a breach of any warranty.

MCP Lease Agreement

Under the terms of the MCP Lease Agreement, MCE Leisure shall indemnify and keep Belle fully indemnified against all claims, actions, demands, actions and proceedings made against Belle by any person arising as a result of or in connection with any loss, damage or injury from MCE Leisure's use and operation of business on the leased property.

(d) Guarantees

Except as disclosed in Note 12 to the consolidated financial statements, the Group has made the following significant guarantees as of December 31, 2014:

- Melco Crown Macau has issued a promissory note ("Livrança") of $68,635 (MOP550,000,000) to a bank in respect of bank guarantees issued to the Macau Government as disclosed in Note 23(c)(vi) to the consolidated financial statements.

- The Company has entered into two deeds of guarantee with third parties amounted to $35,000 to guarantee certain payment obligations of the City of Dreams' operations.

- Pursuant to the Commitment Letter for the Studio City Project Facility entered into on October 19, 2012 as disclosed in Note 12, the Studio City Borrower, among others provided an indemnity on customary terms to the Studio City Lenders and their affiliates, including in connection with any breach of such Commitment Letter and related documents, such as a breach of warranty in respect of factual information and financial projections provided by or on behalf of the Company and the Studio City Borrower to the Studio City Lenders and their affiliates. On the same date, under the terms of an agreement between, among others, the Company and New Cotai Investments to regulate how indemnity claims under the Commitment Letter are dealt with and funded, the Company has indemnified New Cotai Investments and the Studio City Borrower in respect of any act or omission of the Company or its affiliates (other than Studio City International and its subsidiaries) resulting from such person's gross negligence, willful misconduct or bad faith.

- Under the Cooperation Agreement, Belle has irrevocably and unconditionally guaranteed to MCE Holdings Group the due and punctual observance, performance and discharge of all obligations of PLAI and each SM Group's company, and indemnified MCE Holdings Group against any and all loss incurred in connection with any default by the Philippine Parties under the Cooperation Agreement. MCE Leisure has likewise irrevocably and unconditionally guaranteed to each of the Philippine Parties the due and punctual observance, performance and discharge of all obligations of MCE Holdings Group, and indemnified the Philippine Parties against any and all loss incurred in connection with any default by MCE Holdings Group under the Cooperation Agreement.

- In October 2013, Studio City Developments entered into a trade credit facility of HK$200,000,000 (equivalent to $25,707) ("Trade Credit Facility") with a bank to meet the construction payment obligations of the Studio City project. The Trade Credit Facility is guaranteed by Studio City Company. As of December 31, 2014, the Trade Credit Facility of approximately $5,424 was utilized.

- MCE Leisure has issued a corporate guarantee of PHP100,000,000 (equivalent to $2,241) to a bank in respect of surety bond issued to PAGCOR as disclosed in Note 23(c).

(e) Litigation

On August 12, 2014, a subsidiary's Taiwan branch office and certain of its employees received indictment from the Taipei District Prosecutors Office for alleged violations of certain Taiwan banking and foreign exchange laws. As of the date of this report, management believes that the Group's operations in Taiwan are in compliance with Taiwan laws and the indictment would have no immediate material impact on the Group's business operations or financial position.

As of December 31, 2014, the Group is a party to certain other legal proceedings which relate to matters arising out of the ordinary course of its business. Management does not believe that the outcome of such proceedings will have a material effect on the Group's financial position, results of operations or cash flows.

24. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2014, 2013 and 2012, the Group entered into the following significant related party transactions:

Related companies	Nature of transactions	Year Ended December 31, 2014	2013	2012
Transactions with affiliated companies				
Crown's subsidiary	Consultancy fee expense	$ 387	$ 370	$ 428
	Purchase of property and equipment	830	371	351
	Software license fee expense	312	312	312
Lisboa Holdings Limited[(1)]	Office rental expense	1,810	895	1,157
Melco's subsidiaries and its associated companies	Consultancy fee expense	546	643	483
	Office rental expense	–	308	586
	Purchase of property and equipment	2,852	597	1,479
	Service fee expense[(2)]	775	802	646
	Other service fee income	632	510	345
	Rooms and food and beverage income	115	49	161
Shun Tak Holdings Limited and its subsidiaries (collectively referred to as the "Shun Tak Group")[(1)]	Office rental expense	199	171	136
	Traveling expense[(3)]	3,641	2,962	2,976
Sky Shuttle Helicopters Limited ("Sky Shuttle")[(1)]	Traveling expense	1,399	1,809	1,711
Sociedade de Jogos de Macau S.A. ("SJM")[(1)]	Traveling expense[(3)]	515	570	327
Sociedade de Turismo e Diversões de Macau, S.A. and its subsidiaries (collectively referred to as the "STDM Group")[(1)]	Office rental expense	1,457	1,405	1,404
	Service fee expense	203	222	216
	Traveling expense[(3)]	14	113	33
Transactions with shareholders				
Crown	Consultancy fee capitalized in deferred financing costs	–	–	222
Melco	Development costs	–	–	3,000

Notes

(1) Companies in which a relative/relatives of Mr. Lawrence Yau Lung Ho, the Company's Chief Executive Officer, has/have beneficial interests.

(2) The amounts mainly represent the Company's reimbursement to Melco's subsidiary for service fees incurred on its behalf for rental, office administration, travel and security coverage for the operation of the office of the Company's Chief Executive Officer.

(3) Traveling expenses including ferry and hotel accommodation services within Hong Kong and Macau.

Other Related Party Transaction

On December 18, 2014, MCE (IP) Holdings Limited ("MCE IP"), an indirect subsidiary of the Company, and Crown Films LLC ("CFL"), a subsidiary of Crown, entered into an assignment agreement, under which CFL agreed to assign exclusively to MCE IP a 50% share of a short film and all related elements at a consideration of $15,619, representing 50% of the total production cost incurred by CFL as at the date of the assignment agreement. The short film would be produced for the purpose of promoting the Company's properties in Asia and Crown's properties in Australia.

(a) Amounts Due From Affiliated Companies

The outstanding balances arising from operating income or prepayment of operating expenses as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Melco's subsidiary and its associated company	$ 1,077	$ 20
Shun Tak Group	2	3
	$ 1,079	$ 23

The maximum amounts outstanding due from Melco's subsidiary during the years ended December 31, 2014 and 2013 were $1,077 and $1,312, respectively. The maximum amounts outstanding due from Melco's associated company during the years ended December 31, 2014 and 2013 were $20 and $65, respectively.

The maximum amounts outstanding due from Shun Tak Group during the years ended December 31, 2014 and 2013 were $3 and $15, respectively.

The outstanding balances due from affiliated companies as of December 31, 2014 and 2013 as mentioned above are unsecured, non-interest bearing and repayable on demand.

(b) *Amounts Due To Affiliated Companies*

The outstanding balances arising from operating expenses and expenses paid by affiliated companies on behalf of the Group as of December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	2013
Crown's subsidiary	$ 930	$ 474
Melco's subsidiary and its associated company	1,933	1,403
Shun Tak Group	343	259
SJM	215	445
Sky Shuttle	130	151
STDM Group	75	168
	$ 3,626	$ 2,900

The outstanding balances due to affiliated companies as of December 31, 2014 and 2013 as mentioned above are unsecured, non-interest bearing and repayable on demand.

(c) *Amount Due To A Shareholder*

The amount of $79 due to Melco as of December 31, 2013, mainly arising from expenses paid by Melco on behalf of the Group. The balance was unsecured, non-interest bearing and repayable on demand.

25. SEGMENT INFORMATION

The Group is principally engaged in the gaming and hospitality business in Asia and its principal operating and developmental activities occur in two geographic areas: Macau and the Philippines. The chief operating decision maker monitors its operations and evaluates earnings by reviewing the assets and operations of Mocha Clubs, Altira Macau and City of Dreams and the development activities of Studio City and City of Dreams Manila which commenced operations on December 14, 2014. As of December 31, 2012, Mocha Clubs, Altira Macau, City of Dreams and Studio City were the primary businesses of the Group. Upon closing of the various agreements entered between MCP Group and the Philippine Parties for development and operation of City of Dreams Manila and the completion of the placing and subscription transaction of MCP during the year ended December 31, 2013, City of Dreams Manila has become one of the operating segments of the Group as of June 30, 2013. Taipa Square Casino is included within Corporate and Others.

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

Total Assets

	December 31,		
	2014	**2013**	**2012**
Macau:			
Mocha Clubs	$ 173,150	$ 159,927	$ 176,830
Altira Macau	501,105	573,814	617,847
City of Dreams	3,133,680	3,148,657	3,147,322
Studio City	3,902,717	2,504,332	1,823,160
Sub-total	7,710,652	6,386,730	5,765,159
The Philippines:			
City of Dreams Manila	1,064,459	631,377	30,193
Corporate and Others	1,485,669	1,686,179	2,093,191
Total consolidated assets	$ 10,260,780	$ 8,704,286	$ 7,888,543

Capital Expenditures

	Year Ended December 31,		
	2014	**2013**	**2012**
Macau:			
Mocha Clubs	$ 13,116	$ 6,515	$ 5,951
Altira Macau	21,984	5,464	7,105
City of Dreams	264,922	97,654	99,416
Studio City	907,455	440,826	115,385
Sub-total	1,207,477	550,459	227,857
The Philippines:			
City of Dreams Manila	405,196	359,854	817
Corporate and Others	24,632	2,042	55,324
Total capital expenditures	$ 1,637,305	$ 912,355	$ 283,998

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

	Year Ended December 31,		
	2014	2013	2012
NET REVENUES			
Macau:			
Mocha Clubs	$ 147,373	$ 148,683	$ 143,260
Altira Macau	744,850	1,033,801	966,770
City of Dreams	3,848,623	3,857,049	2,920,912
Studio City	1,767	1,093	160
Sub-total	4,742,613	5,040,626	4,031,102
The Philippines:			
City of Dreams Manila	7,564	–	–
Corporate and Others	52,132	46,552	46,911
Total net revenues	$ 4,802,309	$ 5,087,178	$ 4,078,013
ADJUSTED PROPERTY EBITDA (1)			
Macau:			
Mocha Clubs	$ 36,337	$ 40,222	$ 36,065
Altira Macau	84,795	147,340	154,697
City of Dreams	1,165,632	1,193,211	805,719
Studio City	(1,296)	(1,059)	(670)
Sub-total	1,285,468	1,379,714	995,811
The Philippines:			
City of Dreams Manila	6	(603)	(476)
Total adjusted property EBITDA	1,285,474	1,379,111	995,335

	Year Ended December 31,		
	2014	2013	2012
OPERATING COSTS AND EXPENSES			
Payments to the Philippine Parties	(870)	–	–
Pre-opening costs	(90,556)	(13,969)	(5,785)
Development costs	(10,734)	(26,297)	(11,099)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,237)
Amortization of land use rights	(64,471)	(64,271)	(59,911)
Depreciation and amortization	(246,686)	(261,298)	(261,449)
Land rent to Belle	(3,562)	(3,045)	–
Share-based compensation	(20,401)	(14,987)	(8,973)
Property charges and others	(8,698)	(6,884)	(8,654)
Gain on disposal of assets held for sale	22,072	–	–
Corporate and Others expenses	(118,971)	(91,299)	(75,135)
Total operating costs and expenses	(600,114)	(539,287)	(488,243)
OPERATING INCOME	$ 685,360	$ 839,824	$ 507,092
NON-OPERATING INCOME (EXPENSES)			
Interest income	$ 20,025	$ 7,660	$ 10,958
Interest expenses, net of capitalized interest	(124,090)	(152,660)	(109,611)
Change in fair value of interest rate swap agreements	–	–	363
Amortization of deferred financing costs	(28,055)	(18,159)	(13,272)
Loan commitment and other finance fees	(18,976)	(25,643)	(1,324)
Foreign exchange (loss) gain, net	(6,155)	(10,756)	4,685
Other income, net	2,313	1,661	115
Loss on extinguishment of debt	–	(50,935)	–
Costs associated with debt modification	–	(10,538)	(3,277)
Total non-operating expenses, net	(154,938)	(259,370)	(111,363)
INCOME BEFORE INCOME TAX	530,422	580,454	395,729
INCOME TAX (EXPENSE) CREDIT	(3,036)	(2,441)	2,943
NET INCOME	527,386	578,013	398,672
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	80,894	59,450	18,531
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED	$ 608,280	$ 637,463	$ 417,203

Note

(1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle, gain on disposal of assets held for sale, Corporate and Others expenses, and other non-operating income and expenses. The chief operating decision maker uses Adjusted property EBITDA to measure the operating performance of Mocha Clubs, Altira Macau, City of Dreams, Studio City and City of Dreams Manila and to compare the operating performance of its properties with those of its competitors.

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

Long-lived Assets

	December 31,		
	2014	**2013**	**2012**
Macau	$ 5,366,692	$ 4,503,982	$ 4,301,461
The Philippines	728,999	334,827	817
Hong Kong and other foreign countries	1,817	1,289	203
Total long-lived assets	$ 6,097,508	$ 4,840,098	$ 4,302,481

26. ACQUISITION OF SUBSIDIARIES

Acquisition of MCP

On December 7, 2012, the Company, through its indirect subsidiaries, MCE (Philippines) Investments Limited ("MCE Investments") and MCE (Philippines) Investments No.2 Corporation ("MCE Investments No.2"), entered into an acquisition agreement (the "Acquisition Agreement") with two independent third parties, Interpharma Holdings & Management Corporation and Pharma Industries Holdings Limited (collectively referred to as the "Selling Shareholders"), subject to certain conditions precedent, to acquire from the Selling Shareholders an aggregate of 93.06% of the issued share capital of MCP (the "Proposed Acquisition"). Prior to completion of the Proposed Acquisition on December 19, 2012, MCP sold its two operating subsidiaries, Interphil Laboratories, Inc. and Lancashire Realty Holding Corporation, to the Selling Shareholders (or their affiliates) under the deeds of assignment dated December 7, 2012 between the Selling Shareholders (or their affiliates) and MCP (the "Subsidiary Sale Agreements"), in accordance with the terms of the Acquisition Agreement. The total consideration under the Acquisition Agreement was PHP1,259,000,000 (equivalent to $30,682 based on exchange rate on transaction date) which included i) PHP200,000,000 (equivalent to $4,874 based on exchange rate on transaction date) to the Selling Shareholders, and ii) PHP1,059,000,000 (equivalent to $25,808 based on exchange rate on transaction date) on direction of the Selling Shareholders, to MCP in settlement of the liabilities of the Selling Shareholders (or their affiliates) under the Subsidiary Sale Agreements. On December 19, 2012, MCP retained PHP1,059,000,000 (equivalent to $25,808 based on exchange rate on transaction date), which represented the subsidiaries' sale amount upon completion of the Proposed Acquisition.

On December 19, 2012, the Group completed the acquisition of 93.06% of the issued share capital of MCP. MCP did not have any operation and revenue immediately before the acquisition by the Group and the excess payment of $5,747 for acquisition of assets and liabilities of MCP does not have any measureable future economic benefits to the Group to qualify the recognition requirements of an asset, and was therefore expensed in the consolidated statements of operations and included in development costs.

The net assets acquired in the transaction are as follows:

		Amount recognized at the date of acquisition
Net assets acquired:		
Cash and cash equivalents	$	27,876
Prepaid expenses and other current assets		13
Accrued expenses and other current liabilities		(1,094)
Noncontrolling interests		(1,860)
Net assets		24,935
Excess payment on acquisition of assets and liabilities (including direct cost incurred) charged to consolidated statements of operations and included in development costs		5,747
	$	30,682
Total consideration satisfied by:		
Cash paid	$	30,682

27. CHANGE IN SHAREHOLDING OF THE PHILIPPINE SUBSIDIARIES

On April 8, 2013, the Company through its indirect subsidiary, MCE Investments, subscribed for 2,846,595,000 common shares of MCP at total consideration of PHP2,846,595,000 (equivalent to $69,592 based on exchange rate on transaction date), which increased the Company's shareholding in MCP and the Group recognized an increase of $401 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MCP.

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 of 981,183,700 common shares of MCP at the offer price of PHP14 per share (equivalent to $0.34 per share) (the "Offer"). In connection with the Offer, MCE Investments granted an over-allotment option (the "Over-allotment Option") of up to 117,075,000 common shares of MCP at the offer price of PHP14 per share (equivalent to $0.34 per share) to a stabilizing agent (the "Stabilizing Agent"). MCE Investments then used the proceeds from the Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of PHP14 per share (equivalent to $0.34 per share). On May 23, 2013, the Stabilizing Agent exercised the Over-allotment Option and subscribed for 36,024,600 common shares of MCP at the offer price of PHP14 per share (equivalent to $0.34 per share). MCE Investments then used the proceeds from the Over-allotment Option to subscribe to an equivalent number of common shares in MCP at the subscription price of PHP14 per share (equivalent to $0.34 per share). The aforesaid transactions decreased the Company's shareholding in MCP and the Group recognized an increase of $227,134 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MCP.

In March and April 2014, there are minor changes in ownership of MCP by the Group. The Company through MCE Investments No.2, a minority shareholder of MCP, acquired additional 400 common shares and 3,000 common shares of MCP under trust arrangements on March 13, 2014 and April 11, 2014, respectively. On March 31, 2014, MCE Investments sold 200 common shares of MCP to two independent directors of MCP.

On June 24, 2014, MCP and MCE Investments completed a placing and subscription transaction (the "2014 Placing and Subscription Transaction"), under which MCE Investments offered and sold in a private placement to various institutional investors of 485,177,000 common shares of MCP at the offer price of PHP11.30 per share (equivalent to $0.26 per share) (the "2014 Offer"). MCE Investments then used the proceeds from the 2014 Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of PHP11.30 per share (equivalent to $0.26 per share). The aforesaid transactions decreased the Company's shareholding in MCP and the Group recognized an increase of $57,293 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MCP.

During the years ended December 31, 2014 and 2013, the total transfers from noncontrolling interests amounted to $57,293 and $227,535 in relation to transactions as described above, respectively. The Group retains its controlling financial interest in MCP before and after the above transactions.

The schedule below discloses the effects of changes in the Company's ownership interest in MCP on the Company's equity:

	Year Ended December 31, 2014	Year Ended December 31, 2013
Net income attributable to Melco Crown Entertainment Limited	$ 608,280	$ 637,463
Transfers from noncontrolling interests:		
Increase in Melco Crown Entertainment Limited additional paid-in capital resulting from the 2014 Placing and Subscription Transaction for subscription of common shares of MCP	57,293	–
Increase in Melco Crown Entertainment Limited additional paid-in capital resulting from the Placing and Subscription Transaction and the Over-allotment Option exercised by the Stabilizing Agent for subscription of common shares of MCP	–	227,134
Increase in Melco Crown Entertainment Limited additional paid-in capital resulting from subscription of 2,846,595,000 common shares of MCP	–	401
Changes from net income attributable to Melco Crown Entertainment Limited's shareholders and transfers from noncontrolling interests	$ 665,573	$ 864,998

28. SUBSEQUENT EVENTS

(a) On January 2, 2015, the Company submitted an application to the Hong Kong Stock Exchange for the voluntary withdrawal of the listing of its ordinary shares on the Main Board of Hong Kong Stock Exchange (the "Proposed De-Listing"). The Proposed De-Listing is expected to take effect at 4:00 p.m. on Friday, July 3, 2015, subject to fulfillment of the conditions of (a) the approval from the Company's shareholders; (b) the approval from the Listing Committee of the Hong Kong Stock Exchange; and (c) the Company having given its shareholders at least three months' notice of the Proposed De-Listing commencing on the shareholders' approval date. As of the date of this report, condition (a) has been satisfied.

(b) On January 30, 2015, MCE Leisure applied to PAGCOR for the issuance of a regular casino license for City of Dreams Manila as the Licensees satisfied the Investment Commitment of $1,000,000 under the terms of the Provisional License.

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data)

	December 31,	
	2014	**2013**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,708	$ 3,414
Amount due from an affiliated company	1,091	–
Amounts due from subsidiaries	238,090	74,930
Prepaid expenses and other current assets	7,565	3,717
Total current assets	254,454	82,061
INVESTMENTS IN SUBSIDIARIES	5,915,023	5,492,941
TOTAL ASSETS	$ 6,169,477	$ 5,575,002
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accrued expenses and other current liabilities	$ 2,920	$ 2,336
Income tax payable	239	128
Amounts due to affiliated companies	24	1,783
Amounts due to subsidiaries	183,872	181,819
Amount due to a shareholder	–	67
Total current liabilities	187,055	186,133
ADVANCE FROM A SUBSIDIARY	1,696,090	1,142,199
OTHER LONG-TERM LIABILITIES	191	–

	December 31, 2014	December 31, 2013
SHAREHOLDERS' EQUITY		
Ordinary shares at US$0.01 par value per share (Authorized – 7,300,000,000 shares as of December 31, 2014 and 2013 and issued – 1,633,701,920 and 1,666,633,448 shares as of December 31, 2014 and 2013, respectively)	16,337	16,667
Treasury shares, at cost (17,684,386 and 16,222,246 shares as of December 31, 2014 and 2013, respectively)	(33,167)	(5,960)
Additional paid-in capital	3,092,943	3,479,399
Accumulated other comprehensive losses	(17,149)	(15,592)
Retained earnings	1,227,177	772,156
Total shareholders' equity	4,286,141	4,246,670
TOTAL LIABILITIES AND EQUITY	$ 6,169,477	$ 5,575,002

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2014	2013	2012
REVENUE	$ –	$ –	$ –
OPERATING EXPENSES			
General and administrative	(33,887)	(33,345)	(26,164)
Total operating expenses	(33,887)	(33,345)	(26,164)
OPERATING LOSS	(33,887)	(33,345)	(26,164)
NON-OPERATING INCOME (EXPENSES)			
Interest income	3	(403)	5,544
Interest expenses, net of capitalized interest	–	(4,274)	(16,634)
Amortization of deferred financing cost	–	(748)	(3,732)
Foreign exchange gain (loss), net	569	(1,231)	118
Other income, net	22,325	20,366	17,103
Loss on extinguishment of debt	–	(679)	–
Share of results of subsidiaries	620,023	658,016	441,112
Total non-operating income, net	642,920	671,047	443,511
INCOME BEFORE INCOME TAX	609,033	637,702	417,347
INCOME TAX EXPENSE	(753)	(239)	(144)
NET INCOME	$ 608,280	$ 637,463	$ 417,203

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2014	**2013**	**2012**
Net income	$ 608,280	$ 637,463	$ 417,203
Other comprehensive (loss) income:			
Foreign currency translation adjustment	(1,538)	(14,535)	16
Change in fair value of interest rate swap agreements	(19)	–	–
Change in fair value of forward exchange rate contracts	–	–	99
Reclassification to earnings upon settlement of forward exchange rate contracts	–	–	(138)
Other comprehensive loss	(1,557)	(14,535)	(23)
Total comprehensive income attributable to Parent Company	$ 606,723	$ 622,928	$ 417,180

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars, except share and per share data)

	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Losses	(Accumulated Losses) Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
BALANCE AT JANUARY 1, 2012	1,653,101,002	$ 16,531	(10,552,328)	$ (106)	$ 3,223,274	$ (1,034)	$ (282,510)	$ 2,956,155
Net income for the year	–	–	–	–	–	–	417,203	417,203
Foreign currency translation adjustment	–	–	–	–	–	16	–	16
Change in fair value of forward exchange rate contracts	–	–	–	–	–	99	–	99
Reclassification to earnings upon settlement of forward exchange rate contracts	–	–	–	–	–	(138)	–	(138)
Share-based compensation	–	–	–	–	8,973	–	–	8,973
Shares issued for future vesting of restricted shares and exercise of share options	4,958,293	50	(4,958,293)	(50)	–	–	–	–
Issuance of shares for restricted shares vested	–	–	1,276,634	13	(13)	–	–	–
Cancellation of vested restricted shares	–	–	(6)	–	–	–	–	–
Exercise of share options	–	–	2,966,955	30	3,601	–	–	3,631
BALANCE AT DECEMBER 31, 2012	1,658,059,295	16,581	(11,267,038)	(113)	3,235,835	(1,057)	134,693	3,385,939
Net income for the year	–	–	–	–	–	–	637,463	637,463
Foreign currency translation adjustment	–	–	–	–	–	(14,535)	–	(14,535)
Share-based compensation	–	–	–	–	14,119	–	–	14,119
Shares purchased under trust arrangement for future vesting of restricted shares	–	–	(1,121,838)	(8,770)	–	–	–	(8,770)
Transfer of shares purchased under trust arrangement for restricted shares vested	–	–	378,579	2,965	(2,965)	–	–	–
Shares issued for future vesting of restricted shares and exercise of share options	8,574,153	86	(8,574,153)	(86)	–	–	–	–
Issuance of shares for restricted shares vested	–	–	1,297,902	13	(13)	–	–	–
Exercise of share options	–	–	3,064,302	31	4,888	–	–	4,919
Change in shareholding of the Philippine subsidiaries	–	–	–	–	227,535	–	–	227,535
BALANCE AT DECEMBER 31, 2013	1,666,633,448	16,667	(16,222,246)	(5,960)	3,479,399	(15,592)	772,156	4,246,670
Net income for the year	–	–	–	–	–	–	608,280	608,280
Foreign currency translation adjustment	–	–	–	–	–	(1,538)	–	(1,538)
Change in fair value of interest rate swap agreements	–	–	–	–	–	(19)	–	(19)
Share-based compensation	–	–	–	–	18,233	–	–	18,233
Shares purchased under trust arrangement for future vesting of restricted shares	–	–	(208,278)	(1,721)	–	–	–	(1,721)
Transfer of shares purchased under trust arrangement for restricted shares vested	–	–	467,121	3,648	(3,648)	–	–	–
Shares repurchased for retirement	–	–	(36,649,344)	(300,495)	–	–	–	(300,495)
Retirement of shares	(32,931,528)	(330)	32,931,528	271,341	(271,011)	–	–	–
Issuance of shares for restricted shares vested	–	–	1,068,534	11	(11)	–	–	–
Exercise of share options	–	–	928,299	9	2,147	–	–	2,156
Change in shareholding of the Philippine subsidiaries	–	–	–	–	57,293	–	–	57,293
Dividends declared	–	–	–	–	(189,459)	–	(153,259)	(342,718)
BALANCE AT DECEMBER 31, 2014	1,633,701,920	$ 16,337	(17,684,386)	$ (33,167)	$ 3,092,943	$ (17,149)	$ 1,227,177	$ 4,286,141

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2014	**2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 608,280	$ 637,463	$ 417,203
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Share-based compensation	12,576	11,249	8,973
Amortization of deferred financing cost	–	748	3,732
Loss on extinguishment of debt	–	679	–
Reclassification of accumulated income of forward exchange rate contracts from accumulated other comprehensive losses	–	–	(138)
Dividend received from subsidiary	420,000	–	–
Share of results of subsidiaries	(620,023)	(658,016)	(441,112)
Changes in operating assets and liabilities:			
Amount due from an affiliated company	(1,091)	1,113	438
Prepaid expenses and other current assets	(2,429)	(367)	3,649
Long-term prepayments	–	–	135
Accrued expenses and other current liabilities	584	(4,129)	(1,852)
Income tax payable	111	394	(333)
Amount due to a shareholder	(67)	67	–
Amounts due to affiliated companies	(1,759)	1,724	7
Amounts due to subsidiaries	2,053	1,189	(238)
Other long-term liabilities	191	–	–
Net cash provided by (used in) operating activities	418,426	(7,886)	(9,536)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to subsidiaries	(155,883)	(497,325)	(277,945)
Amounts due from subsidiaries	(167,606)	1,800	(26,975)
Repayment of advance to a subsidiary	400	1,337	10,512
Change in restricted cash	–	368,177	–
Net cash used in investing activities	(323,089)	(126,011)	(294,408)

	Year Ended December 31,		
	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(342,718)	–	–
Repurchase of shares for retirement	(300,495)	–	–
Purchase of shares under trust arrangement for future vesting of restricted shares	(1,721)	(8,770)	–
Principal payments on long-term debt	–	(721,455)	–
Proceeds from exercise of share options	–	4,017	3,599
Advance from a subsidiary	553,891	860,632	225,427
Net cash (used in) provided by financing activities	(91,043)	134,424	229,026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,294	527	(74,918)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,414	2,887	77,805
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,708	$ 3,414	$ 2,887

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
NOTES TO FINANCIAL STATEMENT SCHEDULE 1
(In thousands of U.S. dollars, except share and per share data)

1. Schedule 1 has been provided pursuant to the requirements of Rule 12-04(a) and 4-08(e)(3) of Regulation S-X, which require condensed financial information as to financial position, changes in financial position and results and operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of end of the most recently completed fiscal year. As of December 31, 2014 and 2013, approximately $3,786,000 and $3,473,000, respectively of the restricted net assets were not available for distribution, and as such, the condensed financial information of the Company has been presented for the years ended December 31, 2014, 2013 and 2012. The Company received cash dividend of $420,000, nil and nil from its subsidiary during the years ended December 31, 2014, 2013 and 2012, respectively.

2. Basis of Presentation

   The condensed financial information has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the parent company has used equity method to account for its investments in subsidiaries.

2. The following is the text of the report from Deloitte Touche Tohmatsu in respect of the MCE 2014 financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Melco Crown Entertainment Limited:

We have audited the accompanying consolidated balance sheets of Melco Crown Entertainment Limited and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule included in Schedule 1. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

As discussed in Note 2(aa)(iv) to the consolidated financial statements, the accompanying consolidated balance sheets as of December 31, 2013 and 2014 have been adjusted for the retrospective application of the authoritative guidance on the presentation of debt issuance costs which was adopted by the Company on January 1, 2016.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 25, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 25, 2015 (December 14, 2016 and February 17, 2017 as to Notes 2(aa)(iv), 8, 12 and 25 to the accompanying consolidated financial statements for the years ended December 31, 2014 and 2013, respectively)

3. The following is an extract of the audited consolidated financial statements of Melco Crown Entertainment as of 31 December 2014 and 2015 and for the years ended 31 December 2013, 2014 and 2015 (the "MCE 2015 financial statements"), which were prepared in accordance with U.S. GAAP, from report of Melco Crown Entertainment on Form 6-K and the exhibits thereto furnished to the SEC on 14 December 2016.

CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data)

	December 31,	
	2015	**2014**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,611,026	$ 1,597,655
Bank deposits with original maturity over three months	724,736	110,616
Restricted cash	317,118	1,447,034
Accounts receivable, net *(Note 3)*	271,627	253,665
Amounts due from affiliated companies *(Note 23(a))*	1,175	1,079
Deferred tax assets *(Note 16)*	19	532
Income tax receivable	62	15
Inventories	33,074	23,111
Prepaid expenses and other current assets	61,324	69,254
Total current assets	3,020,161	3,502,961
PROPERTY AND EQUIPMENT, NET *(Note 5)*	5,760,229	4,696,391
GAMING SUBCONCESSION, NET *(Note 6)*	370,557	427,794
INTANGIBLE ASSETS *(Note 7)*	4,220	4,220
GOODWILL *(Note 7)*	81,915	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS *(Note 8)*	192,012	290,647
RESTRICTED CASH	–	369,549
DEFERRED TAX ASSETS *(Note 16)*	83	115
LAND USE RIGHTS, NET *(Note 9)*	833,132	887,188
TOTAL ASSETS	$ 10,262,309	$ 10,260,780

	December 31, 2015	December 31, 2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 15,588	$ 14,428
Accrued expenses and other current liabilities *(Note 10)*	1,056,850	1,005,720
Income tax payable	3,487	6,621
Capital lease obligations, due within one year *(Note 12)*	29,792	23,512
Current portion of long-term debt, net *(Note 11)*	102,836	261,097
Amounts due to affiliated companies *(Note 23(b))*	2,464	3,626
Total current liabilities	1,211,017	1,315,004
LONG-TERM DEBT, NET *(Note 11)*	3,712,396	3,469,901
OTHER LONG-TERM LIABILITIES *(Note 13)*	80,962	93,441
DEFERRED TAX LIABILITIES *(Note 16)*	55,598	58,949
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR *(Note 12)*	270,477	278,027
LAND USE RIGHTS PAYABLE *(Note 22(c))*	–	3,788
COMMITMENTS AND CONTINGENCIES *(Note 22)*		
SHAREHOLDERS' EQUITY		
Ordinary shares at US$0.01 par value per share (Authorized – 7,300,000,000 shares as of December 31, 2015 and 2014 and issued – 1,630,924,523 and 1,633,701,920 shares as of December 31, 2015 and 2014, respectively *(Note 15)*)	$ 16,309	$ 16,337
Treasury shares, at cost (12,935,230 and 17,684,386 shares as of December 31, 2015 and 2014, respectively *(Note 15)*)	(275)	(33,167)
Additional paid-in capital	3,075,459	3,092,943
Accumulated other comprehensive losses	(21,934)	(17,149)
Retained earnings	1,270,074	1,227,177
Total Melco Crown Entertainment Limited shareholders' equity	4,339,633	4,286,141
Noncontrolling interests	592,226	755,529
Total equity	4,931,859	5,041,670
TOTAL LIABILITIES AND EQUITY	$ 10,262,309	$ 10,260,780

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share and per share data)

	Year Ended December 31,		
	2015	**2014**	**2013**
OPERATING REVENUES			
Casino	$ 3,767,291	$ 4,654,184	$ 4,941,487
Rooms	199,727	136,427	127,661
Food and beverage	126,848	84,895	78,880
Entertainment, retail and others	117,543	108,417	103,739
Gross revenues	4,211,409	4,983,923	5,251,767
Less: promotional allowances	(236,609)	(181,614)	(164,589)
Net revenues	3,974,800	4,802,309	5,087,178
OPERATING COSTS AND EXPENSES			
Casino	(2,654,760)	(3,246,404)	(3,452,736)
Rooms	(23,419)	(12,669)	(12,511)
Food and beverage	(43,295)	(23,513)	(29,114)
Entertainment, retail and others	(77,506)	(62,073)	(64,212)
General and administrative	(383,874)	(311,696)	(255,780)
Payments to the Philippine Parties *(Note 21 (c))*	(16,547)	(870)	–
Pre-opening costs	(168,172)	(93,970)	(17,014)
Development costs	(110)	(10,734)	(26,297)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,237)
Amortization of land use rights	(54,056)	(64,471)	(64,271)
Depreciation and amortization	(359,341)	(246,686)	(261,298)
Property charges and others	(38,068)	(8,698)	(6,884)
Gain on disposal of assets held for sale *(Note 4)*	–	22,072	–
Total operating costs and expenses	(3,876,385)	(4,116,949)	(4,247,354)
OPERATING INCOME	98,415	685,360	839,824

	Year Ended December 31,		
	2015	2014	2013
NON-OPERATING INCOME (EXPENSES)			
Interest income	13,900	20,025	7,660
Interest expenses, net of capitalized interest	(118,330)	(124,090)	(152,660)
Amortization of deferred financing costs	(38,511)	(28,055)	(18,159)
Loan commitment and other finance fees	(7,328)	(18,976)	(25,643)
Foreign exchange loss, net	(2,156)	(6,155)	(10,756)
Other income, net	2,317	2,313	1,661
Loss on extinguishment of debt *(Note 11)*	(481)	–	(50,935)
Costs associated with debt modification *(Note 11)*	(7,603)	–	(10,538)
Total non-operating expenses, net	(158,192)	(154,938)	(259,370)
(LOSS) INCOME BEFORE INCOME TAX	(59,777)	530,422	580,454
INCOME TAX EXPENSE *(Note 16)*	(1,031)	(3,036)	(2,441)
NET (LOSS) INCOME	(60,808)	527,386	578,013
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	166,555	80,894	59,450
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED	$ 105,747	$ 608,280	$ 637,463
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED PER SHARE:			
Basic	$ 0.065	$ 0.369	$ 0.386
Diluted	$ 0.065	$ 0.366	$ 0.383
WEIGHTED AVERAGE SHARES USED IN NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED PER SHARE CALCULATION:			
Basic	1,617,263,041	1,647,571,547	1,649,678,643
Diluted	1,627,108,770	1,660,503,130	1,664,198,091

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2015	**2014**	**2013**
Net (loss) income	$ (60,808)	$ 527,386	$ 578,013
Other comprehensive loss:			
Foreign currency translation adjustment	(9,376)	(2,468)	(23,399)
Change in fair value of interest rate swap agreements	(42)	(19)	–
Other comprehensive loss	(9,418)	(2,487)	(23,399)
Total comprehensive (loss) income	(70,226)	524,899	554,614
Comprehensive loss attributable to noncontrolling interests	171,188	81,824	68,314
Comprehensive income attributable to Melco Crown Entertainment Limited	$ 100,962	$ 606,723	$ 622,928

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars, except share and per share data)

	Melco Crown Entertainment Limited Shareholders' Equity								
	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Losses	Retained Earnings	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount					
			(Note)						
BALANCE AT JANUARY 1, 2013	1,658,059,295	$ 16,581	(11,267,038)	$ (113)	$ 3,235,835	$ (1,057)	$ 134,693	$ 354,817	$ 3,740,756
Net income for the year	–	–	–	–	–	–	637,463	(59,450)	578,013
Capital contribution from noncontrolling interests	–	–	–	–	–	–	–	280,000	280,000
Foreign currency translation adjustment	–	–	–	–	–	(14,535)	–	(8,864)	(23,399)
Share-based compensation *(Note 17)*	–	–	–	–	14,119	–	–	883	15,002
Shares purchased under trust arrangement for future vesting of restricted shares *(Note 15)*	–	–	(1,121,838)	(8,770)	–	–	–	–	(8,770)
Transfer of shares purchased under trust arrangement for restricted shares vested *(Note 15)*	–	–	378,579	2,965	(2,965)	–	–	–	–
Shares issued for future vesting of restricted shares and exercise of share options *(Note 15)*	8,574,153	86	(8,574,153)	(86)	–	–	–	–	–
Issuance of shares for restricted shares vested *(Note 15)*	–	–	1,297,902	13	(13)	–	–	–	–
Exercise of share options *(Note 15)*	–	–	3,064,302	31	4,888	–	–	–	4,919
Change in shareholding of the Philippine subsidiaries *(Note 25)*	–	–	–	–	227,535	–	–	110,926	338,461
BALANCE AT DECEMBER 31, 2013	1,666,633,448	16,667	(16,222,246)	(5,960)	3,479,399	(15,592)	772,156	678,312	4,924,982
Net income for the year	–	–	–	–	–	–	608,280	(80,894)	527,386
Capital contribution from noncontrolling interests	–	–	–	–	–	–	–	92,000	92,000
Foreign currency translation adjustment	–	–	–	–	–	(1,538)	–	(930)	(2,468)
Change in fair value of interest rate swap agreements	–	–	–	–	–	(19)	–	–	(19)
Share-based compensation *(Note 17)*	–	–	–	–	18,233	–	–	2,168	20,401
Shares purchased under trust arrangement for future vesting of restricted shares *(Note 15)*	–	–	(208,278)	(1,721)	–	–	–	–	(1,721)
Transfer of shares purchased under trust arrangement for restricted shares vested *(Note 15)*	–	–	467,121	3,648	(3,648)	–	–	–	–
Shares repurchased for retirement *(Note 15)*	–	–	(36,649,344)	(300,495)	–	–	–	–	(300,495)
Retirement of shares *(Note 15)*	(32,931,528)	(330)	32,931,528	271,341	(271,011)	–	–	–	–
Issuance of shares for restricted shares vested *(Note 15)*	–	–	1,068,534	11	(11)	–	–	–	–
Exercise of share options *(Note 15)*	–	–	928,299	9	2,147	–	–	–	2,156
Change in shareholding of the Philippine subsidiaries *(Note 25)*	–	–	–	–	57,293	–	–	64,873	122,166
Dividends declared ($0.2076 per share) *(Note 20)*	–	–	–	–	(189,459)	–	(153,259)	–	(342,718)
BALANCE AT DECEMBER 31, 2014	1,633,701,920	16,337	(17,684,386)	(33,167)	3,092,943	(17,149)	1,227,177	755,529	5,041,670
Net income (loss) for the year	–	–	–	–	–	–	105,747	(166,555)	(60,808)
Foreign currency translation adjustment	–	–	–	–	–	(4,767)	–	(4,609)	(9,376)
Change in fair value of interest rate swap agreements	–	–	–	–	–	(18)	–	(24)	(42)
Share-based compensation *(Note 17)*	–	–	–	–	18,640	–	–	2,210	20,850
Transfer of shares purchased under trust arrangement for restricted shares vested *(Note 15)*	–	–	466,203	3,732	(3,732)	–	–	–	–
Retirement of shares *(Note 15)*	(3,717,816)	(37)	3,717,816	29,154	(29,117)	–	–	–	–
Shares issued for future vesting of restricted shares and exercise of share options *(Note 15)*	940,419	9	(940,419)	(9)	–	–	–	–	–
Issuance of shares for restricted shares vested *(Note 15)*	–	–	136,809	1	(1)	–	–	–	–
Exercise of share options *(Note 15)*	–	–	1,368,747	14	2,401	–	–	–	2,415
Transfer of property and equipment between subsidiaries	–	–	–	–	3,433	–	–	(3,433)	–
Change in shareholding of the Philippine subsidiaries *(Note 25)*	–	–	–	–	(9,108)	–	–	9,108	–
Dividends declared ($0.0389 per share) *(Note 20)*	–	–	–	–	–	–	(62,850)	–	(62,850)
BALANCE AT DECEMBER 31, 2015	1,630,924,523	$ 16,309	(12,935,230)	$ (275)	$ 3,075,459	$ (21,934)	$ 1,270,074	$ 592,226	$ 4,931,859

Note: The treasury shares represent i) new shares issued by the Company and held by the depository bank to facilitate the administration and operations of the Company's share incentive plans, and are to be delivered to the Directors, eligible employees and consultants on the vesting of restricted shares and upon the exercise of share options; ii) the shares purchased under a trust arrangement for the benefit of certain beneficiaries who are awardees under the 2011 Share Incentive Plan and held by a trustee to facilitate the future vesting of restricted shares in selected Directors, employees and consultants under the 2011 Share Incentive Plan; and iii) the shares repurchased by the Company under the 2015 Stock Repurchase Program and 2014 Stock Repurchase Program pending for retirement.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	$ (60,808)	$ 527,386	$ 578,013
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	470,634	368,394	382,806
Amortization of deferred financing costs	38,511	28,055	18,159
Amortization of deferred interest expense	–	–	756
Amortization of discount on senior notes payable	–	–	71
Interest accretion on capital lease obligations	16,137	19,756	16,063
Interest income on restricted cash	(4,776)	(9,050)	–
Loss on disposal of property and equipment	474	4,550	2,483
Impairment loss recognized on property and equipment	–	4,146	–
Allowance for doubtful debts and direct write off	39,341	37,669	44,299
Provision for value-added tax receivables	30,254	–	–
Written off contract acquisition costs	–	–	1,582
Gain on disposal of assets held for sale	–	(22,072)	–
Loss on extinguishment of debt	481	–	50,935
Written off deferred financing costs on modification of debt	7,603	–	10,538
Share-based compensation	20,827	20,401	14,987
Changes in operating assets and liabilities:			
Accounts receivable	(56,172)	(7,732)	(15,261)
Amounts due from affiliated companies	(96)	(1,056)	1,299
Inventories	(9,963)	(4,942)	(1,593)
Prepaid expenses and other current assets	(2,597)	(3,893)	(25,974)
Long-term prepayments, deposits and other assets	(23,927)	(49,007)	(1,197)
Deferred tax assets	557	(22)	12
Accounts payable	1,160	4,603	(3,920)
Accrued expenses and other current liabilities	14,558	(42,668)	71,527
Income tax payable	(3,185)	(239)	5,640
Amounts due to affiliated companies	46	(2,000)	2,164
Amount due to a shareholder	–	(79)	79
Other long-term liabilities	46,318	26,271	2,010
Deferred tax liabilities	(3,351)	(3,857)	(3,544)
Net cash provided by operating activities	522,026	894,614	1,151,934

	Year Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for capitalized construction costs	(1,043,334)	(977,182)	(496,915)
Placement of bank deposits with original maturity over three months	(1,034,173)	(110,616)	(626,940)
Payment for acquisition of property and equipment	(248,038)	(237,715)	(78,250)
Payment for land use rights	(31,678)	(50,541)	(64,297)
Deposits for acquisition of property and equipment	(28,840)	(99,443)	(17,198)
Advance payments for construction costs	(19,739)	(107,587)	(161,633)
Payment for entertainment production costs	(3,100)	(1,346)	(2,064)
Payment for security deposit	(1,389)	–	(4,293)
Payment for contract acquisition costs	–	–	(27,722)
Proceeds from deposits on sale of assets held for sale	–	–	1,285
Net proceeds from sale of assets held for sale	–	29,255	–
Proceeds from sale of property and equipment	295	1,117	343
Escrow funds refundable to the Philippine Parties	24,643	–	–
Withdrawals of bank deposits with original maturity over three months	420,053	626,940	–
Changes in restricted cash	1,495,644	(678,151)	268,414
Net cash used in investing activities	$ (469,656)	$ (1,605,269)	$ (1,209,270)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on long-term debt	$ (70,205)	$ (262,563)	$ (1,667,969)
Dividends paid	(62,850)	(342,718)	–
Payment of deferred financing costs	(49,877)	(12,742)	(129,133)
Principal payments on capital lease obligations	(146)	(228)	(38)
Repurchase of shares for retirement	–	(300,495)	–
Purchase of shares under trust arrangement for future vesting of restricted shares	–	(1,721)	(8,770)
Prepayment of deferred financing costs	–	–	(56,535)
Deferred payment for acquisition of assets and liabilities	–	–	(25,000)
Capital contribution from noncontrolling interests	–	92,000	280,000
Net proceeds from issuance of shares of a subsidiary	–	122,167	338,461
Proceeds from exercise of share options	5,092	736	4,017
Proceeds from long-term debt	148,298	1,632,514	1,000,000
Net cash (used in) provided by financing activities	(29,688)	926,950	(264,967)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	(9,311)	(397)	(5,149)

	Year Ended December 31,		
	2015	2014	2013
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,371	215,898	(327,452)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,597,655	1,381,757	1,709,209
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,611,026	$ 1,597,655	$ 1,381,757
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS			
Cash paid for interest (net of capitalized interest)	$ (106,984)	$ (95,118)	$ (127,807)
Cash paid for tax (net of refunds)	(7,010)	(7,154)	(333)
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Costs of property and equipment funded through capital lease obligations	–	850	288,535
Costs of property and equipment funded through accrued expenses and other current liabilities and other long-term liabilities	65,678	60,738	15,744
Costs of property and equipment funded through amounts due to affiliated companies	772	2,809	215
Construction costs funded through accrued expenses and other current liabilities, other long-term liabilities and capital lease obligations	89,068	200,800	87,611
Land use rights costs funded through accrued expenses and other current liabilities and land use rights payable	–	–	14,608
Deferred financing costs funded through accrued expenses and other current liabilities	8,254	248	4,522

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except share and per share data)

1. COMPANY INFORMATION

Melco Crown Entertainment Limited (the "Company") was incorporated in the Cayman Islands, with its American depository shares ("ADS") listed on the NASDAQ Global Select Market under the symbol "MPEL" in the United States of America and its ordinary shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") under the stock code of "6883" in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") until 4:00 p.m. on July 3, 2015, the date of the Company completed the voluntary withdrawal of the listing of its ordinary shares on the Main Board of the Hong Kong Stock Exchange.

The Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia. The Group currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Taipa Square Casino, a casino located at Taipa, Macau. The Group's business also includes the Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. The Group also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau, which commenced operations on October 27, 2015. In the Philippines, Melco Crown (Philippines) Resorts Corporation ("MCP"), a majority-owned subsidiary of the Company whose common shares are listed on The Philippine Stock Exchange, Inc. under the stock code of "MCP", through MCP's subsidiary, MCE Leisure (Philippines) Corporation ("MCE Leisure"), 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.

As of December 31, 2015 and 2014, the major shareholders of the Company are Melco International Development Limited ("Melco"), a Hong Kong-listed company, and Crown Resorts Limited ("Crown"), an Australian-listed corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. These estimates and judgments are based on historical information, information that is currently available to the Group and on various other assumptions that the Group believes to be reasonable under the circumstances. Accordingly, actual results could differ from those estimates.

(c) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell the asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The Group estimated the fair values using appropriate valuation methodologies and market information available as of the balance sheet date.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cashier's orders, demand deposits and highly liquid investments which are unrestricted as to withdrawal and use, and which have maturities of three months or less when purchased.

Cash and cash equivalents are placed with financial institutions with high-credit ratings and quality.

(e) Restricted Cash

The current portion of restricted cash represents cash deposited into bank accounts which are restricted as to withdrawal and use and the Group expects those funds will be released or utilized in accordance with the terms of the respective agreements within the next twelve months, while the non-current portion of restricted cash represents those funds that will not be released or utilized within the next twelve months. Restricted cash as of December 31, 2015 and 2014 comprises i) bank accounts that are restricted for withdrawal and for payment of Studio City project costs in accordance with the terms of the Studio City Notes and Studio City Project Facility as defined in Note 11 and other associated agreements; ii) a deposit account of the Taiwan branch office of one subsidiary in Taiwan which has been frozen by the Taiwanese authority since January 2013 in connection with an investigation related to certain alleged violations of Taiwan banking and foreign exchange laws, with an indictment received in August 2014 against such Taiwan branch office and certain of its employees, and such freeze order was lifted by the Taiwanese authority in October 2015, further information is included in Note 22(e); iii) cash in escrow account, which was set up in March 2013, that was restricted for payment of City of Dreams Manila project costs in accordance with the terms of the Regular/Provisional License as defined in Note 21(a) issued by the Philippine Amusement and Gaming Corporation ("PAGCOR") and which was released on June 15, 2015, further information is included in Note 22(c); iv) cash in an escrow account that is restricted in respect of a foundation fee payable for City of Dreams Manila in accordance with the terms of the Regular/Provisional License; and v) interest income earned on restricted cash balances which are restricted as to withdrawal and use.

(f) 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 in Macau and the Philippines, which receivable can be offset against commissions payable and any other value items held by the Group to the respective customer and for which the Group intends to set-off when required. As of December 31, 2015 and 2014, a substantial portion of the Group's markers were due from customers 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.

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. Management believes that as of December 31, 2015 and 2014, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

(g) Inventories

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

(h) Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Impairment losses and gains or losses on dispositions of property and equipment are included in operating income. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

During the construction and development stage of the Group's casino gaming and entertainment casino resort facilities, direct and incremental costs related to the design and construction, including costs under the construction contracts, duties and tariffs, equipment installation, shipping costs, payroll and payroll-benefit related costs, depreciation of plant and equipment used, applicable portions of interest and amortization of deferred financing costs, are capitalized in property and equipment. The capitalization of such costs begins when the construction and development of a project starts and ceases once the construction is substantially completed or development activity is suspended for more than a brief period.

Depreciation and amortization expense related to capitalized construction costs and other property and equipment is recognized from the time each asset is placed in service. This may occur at different stages as casino gaming and entertainment casino resort facilities are completed and opened.

Property and equipment and other long-lived assets with a finite useful life are 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**
Buildings	4 to 40 years
Transportation	5 to 10 years
Leasehold improvements	3 to 10 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	2 to 15 years
Plant and gaming machinery	3 to 5 years

The remaining estimated useful lives of the property and equipment are periodically reviewed. For the review of estimated useful lives of buildings of Altira Macau and City of Dreams, the Group considered factors such as the business and operating environment of gaming industry in Macau, laws and regulations in Macau and the Group's anticipated usage of the buildings. As a result, effective from October 1, 2015, the estimated useful lives of certain buildings assets of Altira Macau and City of Dreams have been extended in order to reflect the estimated periods during which the buildings are expected to remain in service. The estimated useful lives of certain buildings assets of Altira Macau and City of Dreams were changed from 25 years to 40 years from the date the buildings are placed in service. The changes in estimated useful lives of these buildings assets have resulted in a reduction in depreciation of $5,827, an increase in net income attributable to Melco Crown Entertainment Limited of $5,827 and an increase in basic and diluted earnings per share of $0.004 for the year ended December 31, 2015.

(i) 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 casino resort facilities during the active construction period are capitalized. Interest subject to capitalization primarily includes interest paid or payable on the Group's long-term debt except for the Aircraft Term Loan as disclosed in Note 11, interest rate swap agreements, the land premium payables for the land use rights where City of Dreams and Studio City are located and the capital lease obligations. The capitalization of interest and amortization of deferred financing costs ceases once a project is substantially completed or development activity is suspended for more than a brief period. The amount to be capitalized is determined by applying the weighted average interest rate of the Group's outstanding borrowings to the average amount of accumulated qualifying capital expenditures for assets under construction during the year and is added to the cost of the underlying assets and amortized over their respective useful lives. Total interest expenses incurred amounted to $253,168, $220,974 and $183,647, of which $134,838, $96,884 and $30,987 were capitalized for the years ended December 31, 2015, 2014 and 2013, respectively. Total amortization of deferred financing costs amounted to $43,969, of which $5,458 was capitalized during the year ended December 31, 2015. No amortization of deferred financing costs were capitalized during the years ended December 31, 2014 and 2013.

(j) Gaming Subconcession, Net

The gaming subconcession is capitalized based on the fair value of the gaming subconcession agreement as of the date of acquisition of Melco Crown (Macau) Limited ("Melco Crown Macau"), a subsidiary of the Company and the holder of the gaming subconcession in Macau, in 2006, and amortized using the straight-line method over the term of agreement which is due to expire in June 2022.

(k) Goodwill and Intangible Assets

Goodwill represents the excess of acquisition cost over the fair value of tangible and identifiable intangible net assets of any business acquired. Goodwill is not amortized, but is tested for impairment at the reporting unit level on an annual basis, and between annual tests when circumstances indicate that the carrying value of goodwill may not be recoverable. An impairment loss is recognized in an amount equal to the excess of the carrying amount over the implied fair value.

Intangible assets other than goodwill are amortized over their useful lives unless their lives are determined to be indefinite in which case they are not amortized. Intangible assets are carried at cost, less accumulated amortization. The Group's finite-lived intangible asset consists of the gaming subconcession. Finite-lived intangible assets are amortized over the shorter of their contractual terms or estimated useful lives. The Group's intangible assets with indefinite lives represent Mocha Clubs trademarks, which are tested for impairment on an annual basis or when circumstances indicate that the carrying value of the intangible assets may not be recoverable.

(l) Impairment of Long-lived Assets (Other Than Goodwill)

The Group evaluates the recoverability of long-lived assets with finite lives based on its classification as a) held for sale or b) to be held and used. Several criteria must be met before an asset is classified as held for sale, including that management with the appropriate authority commits to a plan to sell the asset at a reasonable price in relation to its fair value and is actively seeking a buyer. For assets held for sale, the Group recognizes the assets at the lower of carrying value or fair market value less costs to sell, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. For assets to be held and used, the Group evaluates their recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value.

No impairment loss was recognized during the years ended December 31, 2015 and 2013. During the year ended December 31, 2014, an impairment loss of $4,146 was recognized mainly due to reconfiguration of the entertainment area at City of Dreams and renovation of the casinos at City of Dreams and Altira Macau and the amount was included in the consolidated statements of operations.

(m) Deferred Financing Costs, Net

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. Amortization expense of approximately $38,511, $28,055 and $18,159, net of amortization capitalized of $5,458, nil and nil, were recorded during the years ended December 31, 2015, 2014 and 2013, respectively.

(n) Land Use Rights, Net

Land use rights are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated lease term of the land.

Each land concession contract in Macau has an initial term of 25 years and is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The land use rights were originally amortized over the initial term of 25 years, in which the expiry dates of the leases of the land use rights of Altira Macau, City of Dreams and Studio City are March 2031, August 2033 and October 2026, respectively. The estimated term of the leases are periodically reviewed. For the review of such estimated term of the leases under the applicable land concession contracts, the Group considered factors such as the business and operating environment of gaming industry in Macau, laws and regulations in Macau and the Group's development plans. As a result, effective from October 1, 2015, the estimated term of the leases under the land concession contracts for Altira Macau, City of Dreams and Studio City, in accordance with the relevant accounting standards, have been extended to April 2047, May 2049 and October 2055, respectively which aligned with the estimated useful lives of certain buildings assets of 40 years as disclosed in Note 2(h). The changes in estimated term of the leases under the applicable land concession contracts have resulted in a reduction in amortization of land use rights of $10,413, an increase in net income attributable to Melco Crown Entertainment Limited of $6,763 and an increase in basic and diluted earnings per share of $0.004 for the year ended December 31, 2015.

(o) Revenue Recognition and Promotional Allowances

The Group recognizes revenue at the time persuasive evidence of an arrangement exists, the service is provided or the retail goods are sold, prices are fixed or determinable and collection is reasonably assured.

Casino revenues are measured by the aggregate net difference between gaming wins and losses less accruals for the anticipated payouts of progressive slot jackpots, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession.

The Group follows the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for operations of Grand Hyatt Macau hotel, Hyatt City of Dreams Manila hotel (collectively the "Hyatt Hotels") and Taipa Square Casino. For the operations of the Hyatt Hotels, the Group is the owner of the hotels property, and the hotel managers operate the hotels under management agreements providing management services to the Group, and the Group receives all rewards and takes substantial risks associated with the hotels' business; it is the principal and the transactions of the Hyatt Hotels are therefore recognized on a gross basis. For the operations of Taipa Square Casino, given the Group operates the casino under a right to use agreement with the owner of the casino premises and has full responsibility for the casino operations in accordance with its gaming subconcession, it is the principal and casino revenue is therefore recognized on a gross basis.

Rooms, food and beverage, entertainment, retail and other revenues are recognized when services are performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. Minimum operating and right to use fee, adjusted for contractual base fee and operating fee escalations, are included in entertainment, retail and other revenues and are recognized on a straight-line basis over the terms of the related agreement.

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

The retail value of rooms, food and beverage, entertainment, retail and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances for the years ended December 31, 2015, 2014 and 2013 is reclassified from rooms costs, food and beverage costs, entertainment, retail and other services costs and is included in casino expenses as follows:

	Year Ended December 31,		
	2015	**2014**	**2013**
Rooms	$ 24,625	$ 22,282	$ 19,828
Food and beverage	64,676	53,941	43,838
Entertainment, retail and others	9,365	7,683	8,301
	$ 98,666	$ 83,906	$ 71,967

(p) Point-loyalty Programs

The Group operates different loyalty programs in certain of its properties 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 accrues for loyalty program points expected to be redeemed for cash and free play as a reduction to gaming revenue and accrues for loyalty program points expected to be redeemed for free goods and services as casino expense. The accruals are based on management's estimates and assumptions regarding the estimated costs of providing those benefits, age and history with expiration of unused points resulting in a reduction of the accruals.

(q) Gaming Taxes and License Fees

The Group is subject to taxes and license fees based on gross gaming revenue and other metrics in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. These gaming taxes and license fees are determined mainly from an assessment of the Group's gaming revenue and are recorded as an expense within the "Casino" line item in the consolidated statements of operations. These taxes and license fees totaled \$1,717,805, \$2,275,610 and \$2,479,958 for the years ended December 31, 2015, 2014 and 2013, respectively.

(r) Pre-opening Costs

Pre-opening costs, consist primarily of marketing expenses and other expenses related to new or start-up operations and are expensed as incurred. The Group has incurred pre-opening costs primarily in connection with City of Dreams Manila and Studio City since December 2012 and July 2011, respectively. The Group also incurs pre-opening costs on other one-off activities related to the marketing of new facilities and operations.

(s) Development Costs

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

(t) Advertising and Promotional Expenses

The Group expenses all advertising and promotional expenses as incurred or the first time the advertising takes place. Advertising and promotional expenses included in the accompanying consolidated statements of operations were \$107,383, \$47,906 and \$43,403 for the years ended December 31, 2015, 2014 and 2013, respectively.

(u) Foreign Currency Transactions and Translations

All transactions in currencies other than functional currencies of the Company during the year are remeasured at the exchange rates prevailing on the respective transaction dates. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than functional currencies are remeasured at the exchange rates existing on that date. Exchange differences are recorded in the consolidated statements of operations.

The functional currencies of the Company and its major subsidiaries are the United States dollar ("\$" or "US\$"), the Hong Kong dollar ("HK\$"), the Macau Pataca ("MOP") or the Philippine Peso ("PHP"), respectively. All assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date and all income and expense items are translated at the average rates of exchange over the year. All exchange differences arising from the translation of subsidiaries' financial statements are recorded as a component of comprehensive income (loss).

(v) 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 and recognizes that cost over the service period. Compensation is attributed to the periods of associated service and such expense is being recognized on a straight-line basis over the vesting period of the awards. Forfeitures are estimated at the time of grant and actual forfeitures are recognized currently to the extent they differ from the estimate.

Further information on the Group's share-based compensation arrangements is included in Note 17.

(w) Income Tax

The Group is subject to income taxes in Hong Kong, Macau, the United States of America, the Philippines and other jurisdictions where it operates.

Deferred income taxes are recognized for all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on the characteristics of the underlying assets and liabilities. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

The Group's income tax returns are subject to examination by tax authorities in the jurisdictions where it operates. The Group assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes. These accounting standards utilize a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely, based solely on the technical merits, of being sustained on examinations.

(x) Net Income Attributable to Melco Crown Entertainment Limited Per Share

Basic net income attributable to Melco Crown Entertainment Limited per share is calculated by dividing the net income attributable to Melco Crown Entertainment Limited by the weighted average number of ordinary shares outstanding during the year.

Diluted net income attributable to Melco Crown Entertainment Limited per share is calculated by dividing the net income attributable to Melco Crown Entertainment Limited by the weighted average number of ordinary shares outstanding during the year adjusted to include the potentially dilutive effect of outstanding share-based awards.

The weighted average number of ordinary and ordinary equivalent shares used in the calculation of basic and diluted net income attributable to Melco Crown Entertainment Limited per share consisted of the following:

	Year Ended December 31,		
	2015	2014	2013
Weighted average number of ordinary shares outstanding used in the calculation of basic net income attributable to Melco Crown Entertainment Limited per share	1,617,263,041	1,647,571,547	1,649,678,643
Incremental weighted average number of ordinary shares from assumed vesting of restricted shares and exercise of share options using the treasury stock method	9,845,729	12,931,583	14,519,448
Weighted average number of ordinary shares outstanding used in the calculation of diluted net income attributable to Melco Crown Entertainment Limited per share	1,627,108,770	1,660,503,130	1,664,198,091

During the years ended December 31, 2015, 2014 and 2013, 4,778,880, 2,519,037 and nil outstanding share options and 237,855, 701,681 and nil outstanding restricted shares as at December 31, 2015, 2014 and 2013, respectively, were excluded from the computation of diluted net income attributable to Melco Crown Entertainment Limited per share as their effect would have been anti-dilutive.

(y) Accounting for Derivative Instruments and Hedging Activities

The Group uses derivative financial instruments such as floating-for-fixed interest rate swap agreements to manage its risks associated with interest rate fluctuations in accordance with lenders' requirements under the Group's Studio City Project Facility (as defined in Note 11). All derivative instruments are recognized in the consolidated financial statements at fair value at the balance sheet date. Any changes in fair value are recorded in the consolidated statements of operations or accumulated other comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair values of interest rate swap agreements are based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields. Further information on the Group's interest rate swap agreements is included in Note 11.

(z) Comprehensive (Loss) Income and Accumulated Other Comprehensive Losses

Comprehensive (loss) income includes net (loss) income, foreign currency translation adjustment and change in fair value of interest rate swap agreements and is reported in the consolidated statements of comprehensive income.

As of December 31, 2015 and 2014, the Group's accumulated other comprehensive losses consisted of the following:

	December 31,	
	2015	**2014**
Foreign currency translation adjustment	$ (21,897)	$ (17,130)
Change in the fair value of interest rate swap agreements	(37)	(19)
	$ (21,934)	$ (17,149)

(aa) Recent Changes in Accounting Standards

Newly Adopted Accounting Pronouncement:

(i) In April 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standard update that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, the FASB issued an accounting standard update which clarifies that the guidance issued in April 2015 is not required to be applied to line-of-credit arrangements. The debt issuance costs related to line-of-credit arrangements shall be continue to present as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the arrangement. The guidance was effective as of January 1, 2016 and the Group adopted the new guidance on a retrospective basis. As a result, debt issuance costs of $143,804 and $170,130 as of December 31, 2015 and 2014, respectively, related to the Group's non-current portion of long-term debt (excluding revolving credit facilities) were reclassified from deferred financing costs, net to a direct reduction of the long-term debt, net; debt issuance costs of $3,669 and $1,653 as of December 31, 2015 and 2014, respectively, related to the Group's current portion of long-term debt (excluding revolving credit facilities) were reclassified from deferred financing costs, net to a direct reduction of the current portion of long-term debt, net; and debt issuance costs of $32,335 and $3,089 as of December 31, 2015 and 2014, respectively, related to the Group's revolving credit facilities were reclassified from deferred financing costs, net to long-term prepayments, deposits and other assets in the accompanying consolidated balance sheets.

Recent Accounting Pronouncements Not Yet Adopted:

(ii) In May 2014, the FASB issued an accounting standard update which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principal of this new revenue recognition model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This update also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued an accounting standard update which defers the effective date of the new revenue recognition accounting guidance by one year, to annual and interim periods beginning after December 15, 2017, and early adoption is permitted for annual and interim periods beginning after December 15, 2016. The guidance can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the potential impact of adopting this guidance on the Group's consolidated financial statements.

(iii) In June 2014, the FASB issued an accounting standard update which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The guidance is effective for interim and fiscal years beginning after December 15, 2015, with early adoption permitted. The guidance can be applied either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the consolidated financial statements and to all new or modified awards thereafter. The adoption of this guidance is not expected to have a material impact on the Group's consolidated financial statements.

(iv) In January 2015, the FASB issued a new pronouncement which eliminates from U.S. GAAP the concept of an extraordinary item, which is an event or transaction that is both unusual in nature and infrequently occurring. As a result of the amendment, an entity will no longer segregate an extraordinary item from the results of ordinary operations; separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or disclose income taxes and earnings-per-share data applicable to an extraordinary item. The guidance is effective for interim and fiscals years beginning after December 15, 2015 with early adoption permitted. The guidance should be applied retrospectively to all prior periods. The adoption of this guidance is not expected to have a material impact on the Group's consolidated financial statements.

(v) In July 2015, the FASB issued an accounting standard update, which changes the measurement principle for inventories that is measured using other than last-in, first-out or the retail inventory method from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined by FASB as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The guidance is effective for interim and fiscals years beginning after December 15, 2016, with early adoption permitted. The guidance should be applied prospectively. The adoption of this guidance is not expected to have a material impact on the Group's consolidated financial statements.

(vi) In November 2015, the FASB issued an accounting standard update which simplifies balance sheet classification of deferred taxes. The guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent. The guidance is effective for interim and fiscals years beginning after December 15, 2016, with early adoption permitted. The guidance can be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The adoption of this guidance is not expected to have a material impact on the Group's consolidated financial statements.

(vii) In January 2016, the FASB issued an accounting standard update which improves certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The guidance changes the measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value, and also amends certain disclosure requirements associated with the fair value of financial instruments. The guidance is effective for interim and fiscals years beginning after December 15, 2017, with early adoption permitted for certain changes. The guidance should be applied as a cumulative-effect adjustment as of the date of adoption, except for the guidance related to equity securities without readily determinable fair values should be applied prospectively. The adoption of this guidance is not expected to have a material impact on the Group's consolidated financial statements.

(viii) In February 2016, the FASB issued an accounting standard update on leases, which amends various aspects of existing accounting guidance for leases. The guidance requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. The guidance is effective for interim and fiscals years beginning after December 15, 2018, with early adoption permitted. The guidance should be applied at the beginning of the earliest period presented using a modified retrospective approach. Management is currently assessing the potential impact of adopting this guidance on the Group's consolidated financial statements.

3. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable, net are as follows:

	December 31,	
	2015	**2014**
Casino	$ 466,259	$ 414,515
Hotel	8,427	1,728
Other	7,698	6,208
Sub-total	482,384	422,451
Less: allowance for doubtful debts	(210,757)	(168,786)
	$ 271,627	$ 253,665

During the years ended December 31, 2015, 2014 and 2013, the Group has provided allowance for doubtful debts, net of recoveries of $37,978, $29,979 and $43,750 and has directly written off accounts receivable of $1,350, $7,690 and $549, respectively.

Movement of allowance for doubtful debts are as follows:

	Year Ended December 31,		
	2015	2014	2013
At beginning of year	$ 168,786	$ 143,334	$ 113,264
Additional allowance, net of recoveries	37,978	29,979	43,750
Reclassified from (to) long-term receivables, net	3,993	(4,527)	(13,680)
At end of year	$ 210,757	$ 168,786	$ 143,334

4. ASSETS HELD FOR SALE

On February 18, 2014, the Group completed the sale of its properties in Macau pursuant to a promissory agreement dated November 20, 2013 signed with a third party. Total consideration amounted to HK$240,000,000 (equivalent to $30,848) which include a cash deposit of HK$10,000,000 (equivalent to $1,285) received by the Group on the date of signing the promissory agreement. During the year ended December 31, 2014, the Group recognized a gain on disposal of assets held for sale of $22,072.

5. PROPERTY AND EQUIPMENT, NET

	December 31,	
	2015	2014
Cost		
Buildings	$ 4,944,672	$ 2,693,256
Furniture, fixtures and equipment	885,724	607,423
Leasehold improvements	775,422	588,454
Plant and gaming machinery	228,591	197,740
Transportation	88,590	84,441
Construction in progress	563,720	1,935,391
Sub-total	7,486,719	6,106,705
Less: accumulated depreciation and amortization	(1,726,490)	(1,410,314)
Property and equipment, net	$ 5,760,229	$ 4,696,391

As of December 31, 2015 and 2014, construction in progress in relation to City of Dreams, Studio City and City of Dreams Manila included interest capitalized in accordance with applicable accounting standards and other direct incidental costs capitalized (representing insurance, salaries and wages and certain other professional charges incurred) which, in the aggregate, amounted to $69,311 and $219,141, respectively.

The cost and accumulated depreciation and amortization of property and equipment held under capital lease arrangements were $251,176 and $14,322 as of December 31, 2015 and $265,781 and $711 as of December 31, 2014, respectively. Further information of the lease arrangements is included in Note 12.

6. GAMING SUBCONCESSION, NET

	December 31, 2015	December 31, 2014
Deemed cost	$ 900,000	$ 900,000
Less: accumulated amortization	(529,443)	(472,206)
Gaming subconcession, net	$ 370,557	$ 427,794

The deemed cost was determined based on the estimated fair value of the gaming subconcession contributed by a shareholder of the Company in 2006. The gaming subconcession is amortized on a straight-line basis over the term of the gaming subconcession agreement which expires in June 2022. The Group expects that amortization of the gaming subconcession will be approximately $57,237 each year from 2016 through 2021, and approximately $27,135 in 2022.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill relating to Mocha Clubs and other intangible assets with indefinite useful lives, representing trademarks of Mocha Clubs, are not amortized. Goodwill and intangible assets arose from the acquisition of Mocha Slot Group Limited and its subsidiaries by the Group in 2006.

To assess potential impairment of goodwill, the Group performs an assessment of the carrying value of the reporting units at least on an annual basis or when events occur or circumstances change that would more likely than not reduce the estimated fair value of those reporting units below their carrying value. If the carrying value of a reporting unit exceeds its fair value, the Group would perform the second step in its assessment process and record an impairment loss to earnings to the extent the carrying amount of the reporting unit's goodwill exceeds its implied fair value. The Group estimates the fair value of those reporting units through internal analysis and external valuations, which utilize income and market valuation approaches through the application of capitalized earnings and discounted cash flow methods. These valuation techniques are based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, discount rates, long-term growth rates and market comparables.

Trademarks of Mocha Clubs are tested for impairment at least annually or when events occur or circumstances change that would more likely than not reduce the estimated fair value of trademarks below its carrying value using the relief-from-royalty method. Under this method, the Group estimates the fair value of the trademarks through internal and external valuations, mainly based on the incremental after-tax cash flow representing the royalties that the Group is relieved from paying given it is the owner of the trademarks. These valuation techniques are based on a number of estimates and assumptions, including the projected future revenues of the trademarks calculated using an appropriate royalty rate, discount rate and long-term growth rates.

The Group has performed annual tests for impairment of goodwill and trademarks in accordance with the accounting standards regarding goodwill and other intangible assets. No impairment loss has been recognized during the years ended December 31, 2015, 2014 and 2013.

8. LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS

Long-term prepayments, deposits and other assets consisted of the following:

	December 31, 2015	December 31, 2014
Entertainment production costs	$ 77,284	$ 73,819
Less: accumulated amortization	(43,888)	(34,646)
Entertainment production costs, net	33,396	39,173
Deferred financing costs, net	32,335	3,089
Other long-term prepayments and other assets	27,895	27,956
Advance payments for construction costs	26,544	107,563
Input value-added tax, net	23,281	43,841
Other deposits	14,579	11,653
Short film production cost	12,701	–
Deferred rent assets	10,393	99
Long-term receivables, net	9,202	10,115
Deposits for acquisition of property and equipment	1,686	47,158
Long-term prepayments, deposits and other assets	$ 192,012	$ 290,647

Entertainment production costs represent amounts incurred and capitalized for entertainment shows in City of Dreams. The Group amortized the entertainment production costs over 10 years or the respective estimated useful life of the entertainment show, whichever is shorter.

Deferred financing costs, net represent unamortized debt issuance costs related to the Group's revolving credit facilities.

Advance payments for construction costs are connected with the construction and fit-out cost for City of Dreams, Studio City and City of Dreams Manila.

Input value-added tax, net represents the value-added tax recoverable from the tax authority in the Philippines mainly connected with the purchase of assets or services for City of Dreams Manila. During the year ended December 31, 2015, a provision for input value-added tax primarily pertaining to certain construction of City of Dreams Manila expected to be non-recoverable amounted to $30,254 was recognized and included in "Property Charges and Others" line item in the consolidated statements of operations. No provisions for input value-added tax were recognized during the years ended December 31, 2014 and 2013.

Long-term receivables, net represent casino receivables from casino customers where settlement is not expected within the next year. During the year ended December 31, 2015, net amount of long-term receivables of $5,111 and net amount of allowance for doubtful debts of $3,993 were reclassified to current. During the years ended December 31, 2014 and 2013, net amount of current accounts receivable of $8,642 and $17,691 and net amount of allowance for doubtful debts of $4,527 and $13,680, respectively, were reclassified to non-current. Reclassifications to current accounts receivable, net, are made when conditions support that it is probable for settlement of such balances to occur within one year.

9. LAND USE RIGHTS, NET

	December 31,	
	2015	**2014**
Altira Macau ("Taipa Land")	$ 146,475	$ 146,475
City of Dreams ("Cotai Land")	399,578	399,578
Studio City ("Studio City Land")	653,564	653,564
	1,199,617	1,199,617
Less: accumulated amortization	(366,485)	(312,429)
Land use rights, net	$ 833,132	$ 887,188

In January 2013, the Group recognized an additional land premium of approximately $2,449 for Taipa Land upon Altira Developments Limited's ("Altira Developments"), a subsidiary of the Company, acceptance of the initial terms for the revision of the land concession contract issued by the Macau Government further to an amendment request applied by Altira Developments in 2012 for an increase of the total gross floor area, to reflect the construction plans approved by the Macau Government and to enable the final registration of the Taipa Land. In June 2013, the Macau Government issued the final amendment proposal for the revision of the land concession contract for Taipa Land. On July 15, 2013, Altira Developments paid the additional land premium of approximately $2,449 set forth in the final amendment proposal, and accepted the terms of such proposal on July 16, 2013. The land grant amendment process was completed with the publication in the Macau official gazette of such revision on December 18, 2013. Further details on the revised land amendment for Taipa Land are disclosed in Note 22(c).

In March 2013, the Group recognized an additional land premium of approximately $23,344 for Cotai Land upon Melco Crown (COD) Developments Limited's ("Melco Crown (COD) Developments"), a subsidiary of the Company, and Melco Crown Macau's acceptance of the land grant amendment proposal for the land concession contract of the Cotai Land, issued by the Macau Government in February 2013 further to an amendment request applied by Melco Crown (COD) Developments in 2011. Such amendment proposal contemplated the development of an additional five-star hotel area in replacement of the four-star apartment hotel area included in such land grant, and the extension of the development period of the Cotai Land grant until the date falling four years after publication of the amendment in the Macau official gazette. In October 2013, the Macau Government issued the final amendment proposal for the revision of the land concession contract for Cotai Land. On October 16, 2013, Melco Crown (COD) Developments paid a portion of the additional land premium of approximately $8,736 set forth in the final amendment proposal, and on October 17, 2013, Melco Crown (COD) Developments and Melco Crown Macau accepted the terms of such proposal. The land grant amendment process for Cotai Land was completed following the publication in the Macau official gazette of such revision on January 29, 2014. Further details on the final land amendment for Cotai Land are disclosed in Note 22(c).

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2015	2014
Construction costs payables	$ 189,592	$ 169,053
Gaming tax accruals	185,223	171,460
Outstanding gaming chips and tokens	184,223	237,013
Staff cost accruals	123,978	117,049
Operating expense and other accruals and liabilities	143,318	94,068
Property and equipment payables	87,291	70,957
Customer deposits and ticket sales	83,265	80,898
Interest expenses payable	32,755	33,544
Restricted cash refundable to the Philippine Parties *(Note 22(c))*	23,417	–
Land use rights payable	3,788	31,678
	$ 1,056,850	$ 1,005,720

11. LONG-TERM DEBT, NET

Long-term debt, net consisted of the following:

	December 31,	
	2015	2014
Studio City Project Facility (net of unamortized deferred financing costs of $51,845 and $71,735 as of December 31, 2015 and 2014, respectively)	$ 1,243,844	$ 1,223,954
2013 Senior Notes (net of unamortized deferred financing costs of $63,486 and $73,611 as of December 31, 2015 and 2014, respectively)	936,514	926,389
Studio City Notes (net of unamortized deferred financing costs of $15,129 and $17,486 as of December 31, 2015 and 2014, respectively)	809,871	807,514
2015 Credit Facilities (net of unamortized deferred financing costs of $12,399 and nil as of December 31, 2015 and 2014, respectively)	488,886	–
Philippine Notes (net of unamortized deferred financing costs of $4,614 and $6,264 as of December 31, 2015 and 2014, respectively)	313,412	329,931
Aircraft Term Loan	22,705	28,731
2011 Credit Facilities (net of unamortized deferred financing costs of nil and $2,687 as of December 31, 2015 and 2014, respectively)	–	414,479
	3,815,232	3,730,998
Current portion of long-term debt (net of unamortized deferred financing costs of $3,669 and $1,653 as of December 31, 2015 and 2014, respectively)	(102,836)	(261,097)
	$ 3,712,396	$ 3,469,901

2011 Credit Facilities

On June 22, 2011, Melco Crown Macau (the "Borrower") entered into an amendment and restatement agreement (the "2011 Credit Facilities"), which was further amended on June 29, 2015 pursuant to a second amendment and restatement agreement dated June 19, 2015 (and defined as the "2015 Credit Facilities") as described below, with certain lenders in respect of a senior secured credit facility (the "City of Dreams Project Facility"). The City of Dreams Project Facility was originally entered on September 5, 2007 (and was subsequently amended from time to time) in an aggregate amount of $1,750,000 to fund the City of Dreams project, construction of an integrated entertainment resort complex in Macau. The City of Dreams Project Facility consisted of a $1,500,000 term loan facility (the "Term Loan Facility") and a $250,000 revolving credit facility (the "Revolving Credit Facility").

On June 30, 2011, the 2011 Credit Facilities, which was subsequently amended from time to time, became effective and among other things: (i) reduced the Term Loan Facility to HK$6,241,440,000 (equivalent to $802,241) (the "2011 Term Loan Facility") and increased the Revolving Credit Facility to HK$3,120,720,000 (equivalent to $401,121) (the "2011 Revolving Credit Facility"), both of which were denominated in Hong Kong dollars; (ii) introduced new lenders and removed certain lenders originally under the City of Dreams Project Facility; (iii) extended the repayment maturity date; (iv) reduced and removed certain restrictions imposed by the covenants in the City of Dreams Project Facility; and (v) removed one of the Borrower's subsidiaries which was subsequently dissolved on May 31, 2012, from the borrowing group which included the Borrower and certain of its affiliates and subsidiaries as defined under the City of Dreams Project Facility (the "2011 Borrowing Group").

The 2011 Credit Facilities would have matured on June 30, 2016. The 2011 Term Loan Facility was subject to quarterly amortization payments commencing on September 30, 2013. Each loan made under the 2011 Revolving Credit Facility would have been repaid in full on the last day of an agreed upon interest period in respect of the loan, generally ranging from one to six months, or rolling over subject to compliance with certain covenants and satisfaction of conditions precedent. The Borrower had the option to make voluntary prepayments with a minimum amount required in respect of the 2011 Credit Facilities, plus any applicable break costs. The Borrower was also subject to mandatory prepayment requirements in respect of various amounts within the 2011 Borrowing Group, including but not limited to: (i) the net proceeds received by any member of the 2011 Borrowing Group in respect of the compulsory transfer, seizure or acquisition by any governmental authority of the assets of any member of the 2011 Borrowing Group, subject to certain exceptions; (ii) the net proceeds in excess of a required amount under the 2011 Credit Facilities of certain asset sales, subject to reinvestment rights and certain exceptions; (iii) net termination, claim or settlement proceeds paid under the Borrower's subconcession or the 2011 Borrowing Group's land concessions, subject to certain exceptions; (iv) insurance proceeds net of expenses to obtain such proceeds under the property insurances relating to the total loss of all or substantially all of the Altira Macau gaming business; and (v) other insurance proceeds net of expenses in excess of a required amount under the 2011 Credit Facilities to obtain such proceeds under any property insurances, subject to reinvestment rights and certain exceptions.

Drawdowns on the 2011 Term Loan Facility were subject to satisfaction of conditions precedent specified in the 2011 Credit Facilities and the 2011 Revolving Credit Facility was to be made available on a fully revolving basis to the date that was one month prior to the 2011 Revolving Credit Facility's final maturity date.

The indebtedness under the 2011 Credit Facilities was guaranteed by the 2011 Borrowing Group, which applied until the 2011 Credit Facilities was amended on June 29, 2015. Security for the 2011 Credit Facilities included: a first priority mortgage over all land where Altira Macau and City of Dreams are located, such mortgages also covered all present and any future buildings on, and fixtures to, the relevant land; an assignment of any land use rights under land concession agreements, leases or equivalents; charges over the bank accounts in respect of the 2011 Borrowing Group, subject to certain exceptions; assignment of the rights under certain insurance policies; first priority security over the chattels, receivables and other assets of the 2011 Borrowing Group which were not subject to any security under any other security documentation; first priority charges over the issued share capital of the 2011 Borrowing Group and equipment and tools used in the gaming business by the 2011 Borrowing Group; as well as other customary security.

The 2011 Credit Facilities contained certain covenants customary for such financings including, but not limited to: limitations on (i) incurring additional liens; (ii) incurring additional indebtedness (including guarantees); (iii) making certain investments; (iv) paying dividends and other restricted payments; (v) creating any subsidiaries; (vi) selling assets; and (vii) entering into any contracts for the construction or financing of an additional hotel tower in connection with the development of City of Dreams except with plans approved by the lenders in accordance with the terms of the 2011 Credit Facilities. The 2011 Credit Facilities removed the financial covenants under the City of Dreams Project Facility, and replaced them with, without limitation, a leverage ratio, total leverage ratio and interest cover ratio. The first test date of the financial covenants was September 30, 2011. As of December 31, 2014, management believes that the 2011 Borrowing Group was in compliance with each of the financial restrictions and requirements.

There were provisions that limited or prohibited certain payments of dividends and other distributions by the 2011 Borrowing Group to companies or persons who were not members of the 2011 Borrowing Group (described in further detail in Note 19). As of December 31, 2014, the net assets of the 2011 Borrowing Group of approximately \$3,559,000 were restricted from being distributed under the terms of the 2011 Credit Facilities.

Borrowings under the 2011 Credit Facilities bore interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin ranging from 1.75% to 2.75% per annum as adjusted in accordance with the leverage ratio in respect of the 2011 Borrowing Group. The Borrower had the option to select an interest period for borrowings under the 2011 Credit Facilities of one, two, three or six months or any other agreed period. The Borrower was obligated to pay a commitment fee quarterly in arrears from June 30, 2011 on the undrawn amount of the 2011 Revolving Credit Facility throughout the availability period. Loan commitment fees on the 2011 Credit Facilities amounting to \$1,385, \$2,808 and \$2,453 were recognized during the years ended December 31, 2015, 2014 and 2013, respectively.

During the years ended December 31, 2015 and 2014, the Borrower repaid HK$499,315,200 (equivalent to $64,179) and HK$1,997,260,800 (equivalent to $256,717), respectively, under the 2011 Term Loan Facility according to the quarterly amortization schedule which commenced on September 30, 2013, and the Borrower had no drawdown on the 2011 Revolving Credit Facility. Immediately before the amendment of the 2011 Credit Facilities on June 29, 2015, the Borrower had total outstanding borrowings of HK$2,746,233,600 (equivalent to $352,987) under the 2011 Credit Facilities and the Borrower made voluntary repayments to repay the entire outstanding balance under the 2011 Credit Facilities with part of the proceeds of the drawdown from the 2015 Credit Facilities as described below. As of December 31, 2014, the 2011 Term Loan Facility had been fully drawn down while the entire 2011 Revolving Credit Facility of HK$3,120,720,000 (equivalent to $401,121) remained available for future drawdown, and accordingly, the Borrower had total outstanding borrowings of HK$3,245,548,800 (equivalent to $417,166) under the 2011 Credit Facilities.

2015 Credit Facilities

On June 29, 2015, the 2011 Credit Facilities were further amended pursuant to a second amendment and restatement agreement (the "2015 Credit Facilities") entered into by, among others, the Borrower and certain lenders in respect of the 2011 Credit Facilities, on June 19, 2015. The 2015 Credit Facilities, among other things: (i) increased the size of the total available facilities from HK$9,362,160,000 (equivalent to $1,203,362) to HK$13,650,000,000 (equivalent to $1,750,000 based on exchange rate on transaction date), comprising a HK$3,900,000,000 (equivalent to $500,000 based on exchange rate on transaction date) term loan facility (the "2015 Term Loan Facility") and a HK$9,750,000,000 (equivalent to $1,250,000 based on exchange rate on transaction date) multicurrency revolving credit facility (the "2015 Revolving Credit Facility"). In addition, the 2015 Credit Facilities provide for additional incremental facilities to be made available, upon further agreement with any of the existing lenders under the 2015 Credit Facilities or other entities, of up to $1,300,000 (the "2015 Incremental Facility"); (ii) introduced new lenders and removed certain lenders originally under the 2011 Credit Facilities; (iii) extended the repayment maturity date; and (iv) reduced and removed certain restrictions imposed by the covenants in the 2011 Credit Facilities, including but not limited to, increased flexibility to move cash within borrowing group as defined under the 2015 Credit Facilities (the "2015 Borrowing Group"), lower covenant levels and reduced reporting requirements.

The final maturity date of the 2015 Credit Facilities is: (i) June 29, 2021 in respect of the 2015 Term Loan Facility; and (ii) June 29, 2020 in respect of the 2015 Revolving Credit Facility, or if earlier, the date of repayment, prepayment or cancellation in full of the 2015 Credit Facilities. The maturity date, amount, margin, currency, form and other terms of the 2015 Incremental Facility will be further specified and agreed by the Borrower and the lenders under the 2015 Credit Facilities and additional lenders, if any, upon drawdown on the 2015 Incremental Facility. The 2015 Term Loan Facility is repayable in quarterly instalments according to an amortization schedule commencing on September 29, 2016. Each loan made under the 2015 Revolving Credit Facility is repayable in full on the last day of an agreed upon interest period in respect of the loan, generally ranging from one to six months, or rolling over subject to compliance with certain covenants and satisfaction of conditions precedent. The Borrower may make voluntary prepayments in respect of the 2015 Credit Facilities in a minimum amount of HK$160,000,000 (equivalent to $20,566), plus the amount of any applicable break costs. The Borrower is also subject to mandatory prepayment requirements in respect of various amounts within the 2015 Borrowing Group, including but not limited to: (i) net termination, claim or settlement proceeds paid under the Borrower's subconcession or the 2015 Borrowing Group's land concessions, subject to certain exceptions; (ii) insurance proceeds net of expenses to obtain such proceeds under the property insurances relating to the total loss of all or substantially all of the Altira Macau gaming business; and (iii) other insurance proceeds net of expenses to obtain such proceeds under any property insurances, subject to reinvestment rights and certain exceptions, which are in excess of $50,000. In addition, upon the occurrence of a "Change of Control" as defined under the 2015 Credit Facilities, any lender under the 2015 Credit Facilities may, with 20 business days' notice, cancel their commitment and request repayment in full of the 2015 Credit Facilities; and upon the occurrence of the disposal of all or substantially all of the business and assets of the 2015 Borrowing Group, comprised in any of the Altira Macau or the City of Dreams gaming business, the whole of the 2015 Credit Facilities will be cancelled and all amounts outstanding thereunder will become immediately due and payable.

Drawdowns on the 2015 Term Loan Facility are subject to satisfaction of conditions precedent specified in the 2015 Credit Facilities and the 2015 Revolving Credit Facility is available on a fully revolving basis up to the date that is one month prior to the 2015 Revolving Credit Facility's final maturity date. On June 29, 2015, the 2015 Term Loan Facility of HK$3,900,000,000 (equivalent to $500,000 based on exchange rate on transaction date) was fully drawn down and the availability period for this facility has expired. The Borrower has no drawdown on the 2015 Revolving Credit Facility and 2015 Incremental Facility during the year ended December 31, 2015.

The indebtedness under the 2015 Credit Facilities is guaranteed by the 2015 Borrowing Group, which applied on and from June 29, 2015. Security for the 2015 Credit Facilities remains the same as the 2011 Credit Facilities (except that the terms of the associated security documents have been amended for consistency with the 2015 Credit Facilities).

The 2015 Credit Facilities contains certain covenants customary for such financings including, but not limited to: the 2015 Borrowing Group's limitations on, except as permitted under the 2015 Credit Facilities (i) incurring additional liens; (ii) incurring additional indebtedness (including guarantees); (iii) making certain investments; (iv) paying dividends and other restricted payments; (v) creating any subsidiaries; and (vi) selling assets. The financial covenants under the 2015 Credit Facilities remain the same as the 2011 Credit Facilities, including a leverage ratio, total leverage ratio and interest cover ratio but with lower covenant levels. The first test date of the financial covenants was September 30, 2015. As of December 31, 2015, management believes that the 2015 Borrowing Group was in compliance with each of the financial restrictions and requirements.

There are provisions that limit certain payments of dividends and other distributions by the 2015 Borrowing Group to companies or persons who are not members of the 2015 Borrowing Group (described in further detail in Note 19). As of December 31, 2015, the net assets of the 2015 Borrowing Group of approximately $3,825,000 were restricted from being distributed under the terms of the 2015 Credit Facilities.

Borrowings under the 2015 Credit Facilities bear an initial interest for the six months from June 29, 2015 at HIBOR plus a margin of 1.75% per annum. Subsequent to that, borrowings under the 2015 Credit Facilities bear interest at HIBOR plus a margin ranging from 1.25% to 2.50% per annum as adjusted in accordance with the leverage ratio in respect of the 2015 Borrowing Group. The Borrower may select an interest period for borrowings under the 2015 Credit Facilities of one, two, three or six months or any other agreed period. The Borrower is obligated to pay a commitment fee quarterly in arrears from July 13, 2015 on the undrawn amount of the 2015 Revolving Credit Facility throughout the availability period. Loan commitment fees on the 2015 Credit Facilities amounting to $3,100 were recognized during the year ended December 31, 2015.

As of December 31, 2015, the Borrower had total outstanding borrowings relating to the 2015 Credit Facilities of HK$3,900,000,000 (equivalent to $501,285). The entire 2015 Revolving Credit Facility of HK$9,750,000,000 (equivalent to $1,250,000 based on exchange rate on transaction date) remains available for future drawdown.

In accordance with the applicable accounting standards, the Borrower recorded a $481 loss on extinguishment of debt in the consolidated statements of operations for the year ended December 31, 2015 which represented the write off of a portion of unamortized deferred financing costs associated with the 2011 Credit Facilities and recorded $592 costs associated with debt modification in the consolidated statements of operations for the year ended December 31, 2015 which represented the portion of the third party costs in relation to the 2015 Credit Facilities. The upfront fee and the remaining portion of third party costs of $46,507 were capitalized as deferred financing costs.

2010 Senior Notes

On May 17, 2010, MCE Finance Limited ("MCE Finance"), a subsidiary of the Company, issued and listed the $600,000 10.25% senior notes, due 2018 (the "2010 Senior Notes") on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST"). The purchase price paid by the initial purchasers was 98.671% of the principal amount. The 2010 Senior Notes were general obligations of MCE Finance, secured by a first-priority pledge of the intercompany note representing the on-lending of the gross proceeds from the issuance of the 2010 Senior Notes by MCE Finance to a subsidiary of MCE Finance to reduce the indebtedness under the City of Dreams Project Facility, ranked equally in right of payment to all existing and future senior indebtedness of MCE Finance and ranked senior in right of payment to any existing and future subordinated indebtedness of MCE Finance. The 2010 Senior Notes would have matured on May 15, 2018. Interest on the 2010 Senior Notes was accrued at a rate of 10.25% per annum and was payable semi-annually in arrears on May 15 and November 15 of each year, commenced on November 15, 2010.

MCE Finance had the option to redeem all or part of the 2010 Senior Notes at any time prior to May 15, 2014, at a "make-whole" redemption price. Thereafter, MCE Finance had the option to redeem all or a portion of the 2010 Senior Notes at any time at fixed redemption prices that declined ratably over time.

Prior to May 15, 2013, MCE Finance had the option to redeem up to 35% of the 2010 Senior Notes with the net cash proceeds from one or more certain equity offerings at a fixed redemption price. In addition, under certain circumstances and subject to certain exceptions as more fully described in the indenture, MCE Finance also had the option to redeem in whole, but not in part the 2010 Senior Notes at fixed redemption prices.

The indenture governing the 2010 Senior Notes contained certain covenants that, subject to certain exceptions and conditions, limited the ability of MCE Finance and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger.

There were provisions under the indenture of the 2010 Senior Notes that limited or prohibited certain payments of dividends and other distributions by MCE Finance and its respective restricted subsidiaries to companies or persons who were not MCE Finance or members of MCE Finance respective restricted subsidiaries, subject to certain exceptions and conditions (described in further detail in Note 19).

On October 30, 2012, MCE Finance received unrevoked consents from the holders (the "Holders") of the requisite aggregate principal amount of the 2010 Senior Notes necessary to approve certain proposed amendments to, among other things, allowed MCE Finance to (i) make an additional $400,000 of restricted payments to fund the Studio City project and (ii) have the flexibility to transact with, and use any revenues or other payments generated or derived from, certain projects and to provide for certain other technical amendments (the "Proposed Amendments") to the indenture governing the 2010 Senior Notes and executed a supplemental indenture to give effect to the Proposed Amendments. The Group capitalized the payments to the agent and Holders who had validly delivered a consent to the Proposed Amendments totaling $14,795 as deferred financing costs and expensed the third party fee of $3,277 as a result of the aforementioned debt modification.

On January 28, 2013, MCE Finance made a cash tender offer to repurchase the 2010 Senior Notes at a cash consideration plus accrued interest and also solicited consents to amend the terms of the 2010 Senior Notes to substantially remove the debt incurrence, restricted payment and other restrictive covenants (the "Tender Offer"). Closing of the Tender Offer and consent solicitation were conditioned upon MCE Finance receiving net proceeds from offering of the 2013 Senior Notes (as described below) in an amount sufficient to repurchase the tendered 2010 Senior Notes and related fees and expenses and other general conditions. The Tender Offer expired on February 26, 2013 and $599,135 aggregate principal amount of the 2010 Senior Notes were tendered. On February 27, 2013, MCE Finance elected to redeem the remaining outstanding 2010 Senior Notes in aggregate principal amount of $865 on March 28, 2013, at a price equal to 100% of the principal amount outstanding plus applicable premium as of, and accrued and unpaid interest to March 28, 2013. The accounting for the total redemption costs of $102,497, unamortized deferred financing costs of $23,793 and unamortized issue discount of $5,962 in relation to the 2010 Senior Notes as of the redemption date are disclosed as below under the 2013 Senior Notes.

RMB Bonds

On May 9, 2011, the Company issued and listed the Renminbi ("RMB") 2,300,000,000 3.75% bonds due 2013 (the "RMB Bonds") (equivalent to $353,278 based on exchange rate on transaction date) on SGX-ST. The RMB Bonds were priced at 100% at par. The RMB Bonds were direct, general, unconditional, unsubordinated and unsecured obligations of the Company, which at all times ranked equally without any preference or priority among themselves and at least equally with all of the Company's other present and future unsecured and unsubordinated obligations, save for such obligations as may be preferred by provisions of law that were both mandatory and of general application. The RMB Bonds would have matured on May 9, 2013 and the interest on the RMB Bonds was accrued at a rate of 3.75% per annum and was payable semi-annually in arrears on May 9 and November 9 of each year, commenced on November 9, 2011.

The Company had the option to redeem in whole, but not in part under certain circumstances as defined in the indenture, the RMB Bonds at any time prior to May 9, 2012 at an additional redemption price. Thereafter, the Company had the option to redeem in whole, but not in part, the RMB Bonds at any time after May 9, 2012 at a fixed redemption price.

The indenture governing the RMB Bonds contained certain negative pledge and financial covenants, providing that the Company should not create or permit to subsist any security interest upon the whole or any part of the Company's present or future undertaking, assets or revenues to secure any relevant indebtedness or guarantee of relevant indebtedness without: (i) at the same time or prior thereto securing the RMB Bonds equally and rateably therewith to the satisfaction of the trustee under the RMB Bonds; or (ii) providing such other security for the RMB Bonds as the trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the holders of the RMB Bonds or as may be approved by an extraordinary resolution of bondholders. In addition, the Company was also required to comply with certain financial covenants, including maintaining a specified consolidated tangible net worth and a leverage ratio.

On March 11, 2013, the Company early redeemed the RMB Bonds in full in aggregate principal amount of RMB2,300,000,000 (equivalent to $368,177) together with accrued interest, which was partially funded from net proceeds from offering of the 2013 Senior Notes (described below). The Group wrote off the unamortized deferred financing costs of $586 immediately before redemption of the RMB Bonds as loss on extinguishment of debt in the consolidated statements of operations for the year ended December 31, 2013.

Deposit-Linked Loan

On May 20, 2011, the Company entered into a Hong Kong dollar deposit-linked loan facility (the "Deposit-Linked Loan") with a lender in an amount of HK$2,748,500,000 (equivalent to $353,278 based on exchange rate on transaction date), which was secured by a deposit in an amount of RMB2,300,000,000 (equivalent to $353,278 based on exchange rate on transaction date) from the proceeds of the RMB Bonds as described above. The Deposit-Linked Loan would have matured on May 20, 2013 or, if earlier, at any time with 30 days' prior notice given to the lender, the Company may prepay the whole or any part of not less than HK$500,000,000 (equivalent to $64,267) of the Deposit-Linked Loan outstanding. The Deposit-Linked Loan bore interest at a rate of 2.88% per annum and was payable semi-annually in arrears on May 8 and November 8 of each year, commenced on November 8, 2011.

On March 4, 2013, the Company prepaid in full the Deposit-Linked Loan in aggregate principal amount of HK$2,748,500,000 (equivalent to $353,278) with accrued interest and a deposit in an amount of RMB2,300,000,000 (equivalent to $368,177) from the proceeds of the RMB Bonds, for security of the Deposit-Linked Loan, was released on the same date.

Aircraft Term Loan

On June 25, 2012, MCE Transportation Limited ("MCE Transportation"), a subsidiary of the Company, entered into a $43,000 term loan facility agreement to partly finance the acquisition of an aircraft (the "Aircraft Term Loan"). Principal and interest repayments are payable quarterly in arrears commenced on September 27, 2012 until maturity on June 27, 2019, interest is calculated based on London Interbank Offered Rate plus a margin of 2.80% per annum and the loan may be prepaid in whole or in part of not less than $1,000 and 10 days' prior notice given. The Aircraft Term Loan is guaranteed by the Company and security includes a first-priority mortgage on the aircraft itself; pledge over the MCE Transportation bank accounts; assignment of insurances (other than third party liability insurance); and an assignment of airframe and engine warranties. The Aircraft Term Loan must be prepaid in full if any of the following events occurs: (i) a change of control; (ii) the sale of all or substantially all of the components of the aircraft; (iii) the loss, damage or destruction of the entire or substantially the entire aircraft. Other covenants include lender's approval for any capital expenditure not incurred in the ordinary course of business or any subsequent indebtedness exceeding $1,000 by MCE Transportation. As of December 31, 2015, the Aircraft Term Loan has been fully drawn down and utilized with other funds of the Group, to fund the purchase of the aircraft. As of December 31, 2015 and 2014, the carrying value of aircraft was $37,559 and $40,974, respectively.

2013 Senior Notes

On February 7, 2013, MCE Finance issued and listed $1,000,000 5% senior notes, due 2021 (the "2013 Senior Notes") and priced at 100% at par on the SGX-ST. The 2013 Senior Notes are general obligations of MCE Finance, rank equally in right of payment to all existing and future senior indebtedness of MCE Finance and rank senior in right of payment to any existing and future subordinated indebtedness of MCE Finance and effectively subordinated to all of MCE Finance's existing and future secured indebtedness to the extent of the value of the assets securing such debt. Certain subsidiaries of MCE Finance (the "2013 Senior Notes Guarantors") jointly, severally and unconditionally guarantee the 2013 Senior Notes on a senior basis. The guarantees are joint and several general obligations of the 2013 Senior Notes Guarantors, rank equally in right of payment with all existing and future senior indebtedness of the 2013 Senior Notes Guarantors, and rank senior in right of payment to any existing and future subordinated indebtedness of the 2013 Senior Notes Guarantors. The 2013 Senior Notes mature on February 15, 2021. Interest on the 2013 Senior Notes is accrued at a rate of 5% per annum and is payable semi-annually in arrears on February 15 and August 15 of each year, commenced on August 15, 2013.

The net proceeds from the offering of the 2013 Senior Notes, after deducting the underwriting commissions and other expenses of approximately $14,500, was approximately $985,500. The Group used part of the net proceeds from the offering to (i) repurchase in full the 2010 Senior Notes of $600,000 and fund the related redemption costs of the 2010 Senior Notes of $102,497 and (ii) for the partial repayment of the RMB Bonds on March 11, 2013. As a result, in accordance with the applicable accounting standards, the Group recorded a $50,256 loss on extinguishment of debt in the consolidated statements of operations for the year ended December 31, 2013 which comprised the portion of the redemption costs of $38,949, write off of respective portion of unamortized deferred financing costs of $9,041 and unamortized issue discount of $2,266 related to the 2010 Senior Notes and recorded $10,538 costs associated with debt modification in the consolidated statements of operations for the year ended December 31, 2013 which represented the portion of the underwriting fee and other third party costs incurred in connection with the issuance of the 2013 Senior Notes. The remaining portion of the underwriting fee and other third party costs of $6,523 were capitalized as deferred financing costs.

MCE Finance has the option to redeem all or a portion of the 2013 Senior Notes at any time prior to February 15, 2016, at a “make-whole” redemption price. Thereafter, MCE Finance has the option to redeem all or a portion of the 2013 Senior Notes at any time at fixed redemption prices that decline ratably over time.

MCE Finance has the option to redeem up to 35% of the 2013 Senior Notes with the net cash proceeds from one or more certain equity offerings at a fixed redemption price at any time prior to February 15, 2016. In addition, under certain circumstances and subject to certain exceptions as more fully described in the indenture, MCE Finance also has the option to redeem in whole, but not in part the 2013 Senior Notes at fixed redemption prices.

The indenture governing the 2013 Senior Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of MCE Finance and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. As of December 31, 2015, management believes that MCE Finance was in compliance with each of the financial restrictions and requirements.

There are provisions under the indenture of the 2013 Senior Notes that limit or prohibit certain payments of dividends and other distributions by MCE Finance and its restricted subsidiaries to companies or persons who are not MCE Finance or members of MCE Finance’s restricted subsidiaries, subject to certain exceptions and conditions (described in further detail in Note 19). As of December 31, 2015 and 2014, the net assets of MCE Finance and its restricted subsidiaries of approximately $3,913,000 and $3,639,000, respectively, were restricted from being distributed under the terms of the 2013 Senior Notes.

Studio City Notes

On November 26, 2012, Studio City Finance Limited ("Studio City Finance"), a majority-owned subsidiary, issued and listed the $825,000 8.5% senior notes, due 2020 (the "Studio City Notes") and priced at 100% at par on the SGX-ST. The Studio City Notes are general obligations of Studio City Finance, secured by a first-priority security interest in certain specific bank accounts incidental to the Studio City Notes and a pledge of any intercompany loans from Studio City Finance to or on behalf of Studio City Investments Limited ("Studio City Investments"), a subsidiary of Studio City Finance and the immediate holding company of Studio City Company Limited ("Studio City Company"), a subsidiary of Studio City Finance, or its subsidiaries entered into subsequent to the issue date of the Studio City Notes, rank equally in right of payment to all existing and future senior indebtedness of Studio City Finance and rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Finance. The Studio City Notes are effectively subordinated to all of Studio City Finance's existing and future secured indebtedness to the extent of the value of the property and assets securing such indebtedness. All of the existing subsidiaries of Studio City Finance and any other future restricted subsidiaries that provide guarantees of certain specified indebtedness (including the Studio City Project Facility as described below) (the "Studio City Notes Guarantors") jointly, severally and unconditionally guarantee the Studio City Notes on a senior basis (the "Guarantees"). The Guarantees are general obligations of the Studio City Notes Guarantors, rank equally in right of payment with all existing and future senior indebtedness of the Studio City Notes Guarantors and rank senior in right of payment to any existing and future subordinated indebtedness of the Studio City Notes Guarantors. The Guarantees are effectively subordinated to the Studio City Notes Guarantors' obligations under the Studio City Project Facility and any future secured indebtedness that is secured by property and assets of the Studio City Notes Guarantors to the extent of the value of such property and assets. The Studio City Notes mature on December 1, 2020 and the interest on the Studio City Notes is accrued at a rate of 8.5% per annum and is payable semi-annually in arrears on June 1 and December 1 of each year, commenced on June 1, 2013.

The net proceeds from the offering, after deducting the underwriting commissions and other expenses of approximately $13,200, was approximately $811,800. Studio City Finance used the net proceeds from the offering to fund the Studio City project and the related fees and expenses. The net proceeds from the offering was deposited in a bank account of Studio City Finance (the "Escrow Account") and was restricted for use, which was subsequently released upon signing of the Studio City Project Facility on January 28, 2013. Upon release from the Escrow Account, all the net proceeds were deposited in a bank account of Studio City Finance (the "Note Proceeds Account") and were available for payment of construction and development costs and other project costs of the Studio City project with conditions and sequence for disbursements in accordance with an agreement (the "Note Disbursement and Account Agreement") as described below, except for a portion of net proceeds amounting to $239,594, which represents the sum of interest expected to accrue on the Studio City Notes through to the 41-month anniversary of their issue date, which was deposited in a bank account of Studio City Finance (the "Note Interest Reserve Account"), and has been restricted for use to pay future interest payments until the opening date (the "Opening Date") of the Studio City project as defined in the Studio City Project Facility.

Concurrent with the submission of the first utilization request under the Studio City Project Facility on January 10, 2014, an amount equal to the six-month sum of interest due on the Studio City Notes of $35,063 was released from the Note Interest Reserve Account and deposited in a bank account (the "Note Debt Service Reserve Account") of Studio City Company, the borrower under the Studio City Project Facility. The security agent of the Studio City Project Facility has security over the Note Debt Service Reserve Account. During the years ended December 31, 2015 and 2014, Studio City Finance paid Studio City Notes interest expenses amounting to $70,125 and $70,125, respectively. As of December 31, 2015, the balance of the Note Interest Reserve Account was fully utilized for interest payments.

As of December 31, 2015, the Group classified the balance of Note Debt Service Reserve Account of $35,068 as current portion of restricted cash on the consolidated balance sheets. As of December 31, 2014, the Group classified the balance of the Note Interest Reserve Account of $63,340 as current portion of restricted cash, while the balance of Note Debt Service Reserve Account of $35,064 as non-current portion of restricted cash on the consolidated balance sheets.

The Studio City Notes were subject to a special mandatory redemption at a redemption price in the event that i) the Studio City Project Facility was not executed on or before March 31, 2013; and ii) the funds were not released from the Note Proceeds Account prior to January 28, 2014, the date that was one year from the date of the execution of the Studio City Project Facility due to the failure of the conditions precedent (subject to certain exceptions) to first utilization of the Studio City Project Facility to be satisfied or waived by such date. The first condition was satisfied with execution of the Studio City Project Facility on January 28, 2013 and the second condition was satisfied when the first disbursement funds on the Studio City Notes were released from the Note Proceeds Account to a bank account of Studio City Finance for the Studio City project cost payments on January 17, 2014.

On November 26, 2012, Studio City Finance and Studio City Company entered into a Note Disbursement and Account Agreement with certain banks and other parties to, among other things, establish the conditions and sequence of funding of the Studio City project costs. The Studio City project costs are financed in the following order:

- the funding from the Company and the ultimate noncontrolling shareholder of Studio City Finance in an aggregate amount of $825,000 is used until it has been exhausted;
- thereafter, the proceeds in the Note Proceeds Account are used until they have been exhausted; and
- thereafter, the proceeds of the Studio City Project Facility, including any proceeds in any construction disbursement accounts or other accounts established under the Studio City Project Facility, to the extent established for such purpose under the Studio City Project Facility, are used until they have been exhausted.

Studio City Finance had the option to redeem all or a portion of the Studio City Notes at any time prior to December 1, 2015, at an additional redemption price. Thereafter, Studio City Finance has the option to redeem all or a portion of the Studio City Notes at any time at fixed redemption prices that decline ratably over time.

Studio City Finance had the option to redeem up to 35% of the Studio City Notes with the net cash proceeds of certain equity offerings at a fixed redemption price at any time prior to December 1, 2015. In addition, under certain circumstances and subject to certain exceptions as more fully described in the indenture governing the Studio City Notes, Studio City Finance also has the option to redeem in whole, but not in part the Studio City Notes at fixed redemption prices.

The indenture governing the Studio City Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Finance and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. As of December 31, 2015, management believes that Studio City Finance was in compliance with each of the financial restrictions and requirements.

There are provisions under the indenture governing the Studio City Notes that limit or prohibit certain payments of dividends and other distributions by Studio City Finance and its restricted subsidiaries to companies or persons who are not Studio City Finance or restricted subsidiaries of Studio City Finance, subject to certain exceptions and conditions (described in further detail in Note 19). As of December 31, 2015 and 2014, the net assets of Studio City Finance and its restricted subsidiaries of approximately $89,000 and $102,000, respectively, were restricted from being distributed under the terms of the Studio City Notes.

Studio City Project Facility

On January 28, 2013, Studio City Company (the "Studio City Borrower") and certain lenders (the "Studio City Lenders") executed a senior secured credit facilities denominated in Hong Kong dollars with an aggregate amount of HK$10,855,880,000 (equivalent to $1,395,357) (the "Studio City Project Facility"), pursuant to substantially all the terms and conditions set out in a commitment letter (the "Commitment Letter") entered on October 19, 2012 by the Studio City Borrower, the Studio City Lenders, the Company and New Cotai Investments, LLC ("New Cotai Investments"), a noncontrolling shareholder who owns 40% interest in Studio City Borrower, to fund the Studio City project. The Studio City Project Facility consists of a HK$10,080,460,000 (equivalent to $1,295,689) term loan facility (the "Studio City Term Loan Facility") and a HK$775,420,000 (equivalent to $99,668) revolving credit facility (the "Studio City Revolving Credit Facility"). The Studio City Term Loan Facility matures on January 28, 2018 and is subject to quarterly amortization payments commencing on September 30, 2016. Amounts under the Studio City Term Loan Facility were able to be borrowed from and after the date that certain conditions precedent were satisfied until July 28, 2014. The Studio City Revolving Credit Facility matures on

January 28, 2018 and has no interim amortization. The Studio City Revolving Credit Facility may be utilized prior to the Opening Date for project costs by way of issue of letters of credit to a maximum of HK$387,710,000 (equivalent to $49,834), and may be borrowed in full on a revolving basis after the Opening Date. On November 18, 2015, the Studio City Borrower received the requisite lender consent to amend the Studio City Project Facility documentation as proposed by the Studio City Borrowing Group (as defined below). The amendments, which were in effect as of November 18, 2015, included changing the Studio City project Opening Date condition from 400 to 250 tables, consequential adjustments to the financial covenants, and rescheduling the commencement of financial covenant testing (the "Amendments to the Studio City Project Facility").

Borrowings under the Studio City Project Facility bear interest at HIBOR plus a margin of 4.50% per annum until September 30, 2016, at which time the interest rate shall bear interest at HIBOR plus a margin ranging from 3.75% to 4.50% per annum as determined in accordance with the total leverage ratio in respect of Studio City Investments, Studio City Borrower and its subsidiaries (together, the "Studio City Borrowing Group").

The Studio City Borrower may make voluntary prepayments in respect of the Studio City Project Facility in a minimum amount of HK$100,000,000 (equivalent to $12,853), plus the amount of any applicable break costs. The Studio City Borrower is also subject to mandatory prepayment requirements in respect of various amounts within the Studio City Borrowing Group, including but not limited to: (i) net termination or claim proceeds under the Studio City Borrowing Group's land concessions, certain construction agreements or finance or project documents, subject to certain exceptions; (ii) the net proceeds of certain asset sales, subject to reinvestment rights and certain exceptions, which are in excess of $5,000; (iii) the net proceeds received by any member of the Studio City Borrowing Group in respect of the compulsory transfer, seizure or acquisition by any governmental authority of the assets of any member of the Studio City Borrowing Group, subject to certain exceptions; (iv) 50% of the net proceeds of any permitted equity issuance of any member of the Studio City Borrowing Group; (v) the net proceeds of any debt issuance of any member of the Studio City Borrowing Group, subject to certain exceptions; (vi) insurance proceeds net of expenses to obtain such proceeds under the property insurances, subject to reinvestment rights and certain exceptions, which are in excess of $10,000; and (vii) certain percentage of excess cash in accordance with leverage test.

The indebtedness under the Studio City Project Facility is guaranteed by Studio City Investments and its subsidiaries (other than the Studio City Borrower). Security for the Studio City Project Facility included: a first priority mortgage over the land where Studio City is located, such mortgage will also cover all present and any future buildings on, and fixtures to, the relevant land; an assignment of any land use rights under land concession agreements, leases or equivalent; as well as other customary security. Certain accounts of Melco Crown Macau related solely to the operation of the Studio City gaming area which are funded from the proceeds of the Studio City Project Facility are pledged as security for the Studio City Project Facility and related finance documents.

The Studio City Project Facility contains certain covenants that, subject to certain exceptions and conditions, limit the ability of Studio City Investments and its restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) pay dividends and other restricted payments; and (vii) effect a consolidation or merger. The Studio City Project Facility, as amended, contains certain financial covenants and the first test date of these financial covenants is March 31, 2017. As of December 31, 2015, management believes that Studio City Borrowing Group was in compliance with each of the financial restrictions and requirements.

There are provisions that limit or prohibit certain payments of dividends and other distributions by the Studio City Borrowing Group to companies or persons who are not members of the Studio City Borrowing Group (described in further detail in Note 19). As of December 31, 2015 and 2014, the net assets of Studio City Investments and its restricted subsidiaries of approximately $173,000 and $175,000, respectively, were restricted from being distributed under the terms of the Studio City Project Facility.

The Studio City Borrower is obligated to pay a commitment fee quarterly in arrears on the undrawn amount of the Studio City Project Facility throughout the availability period which started from January 28, 2013. The Studio City Borrower recognized loan commitment fees on the Studio City Project Facility of $1,794 and $15,153 during the years ended December 31, 2015 and 2014, respectively.

In connection with the Studio City Project Facility, Studio City International Holdings Limited ("Studio City International"), an intermediate holding company of Studio City Finance and a majority-owned subsidiary, was required to procure a contingent equity undertaking or similar (with a liability cap of $225,000) granted in favor of the security agent for the Studio City Project Facility to, amongst other things, pay agreed project costs (i) associated with construction of Studio City and (ii) for which the facility agent under the Studio City Project Facility has determined there is no other available funding under the terms of the Studio City Project Facility. In support of such contingent equity undertaking, Studio City International had deposited and maintained a bank balance of $225,000 in an account secured in favor of the security agent for the Studio City Project Facility ("Cash Collateral") as of December 31, 2014. The Cash Collateral was required to be maintained until the construction completion date of the Studio City had occurred, certain debt service reserve and accrual accounts had been funded to the required balance and the financial covenants had been complied with. As of December 31, 2014, the Cash Collateral was classified as non-current portion of restricted cash in the consolidated balance sheets. The Amendments to the Studio City Project Facility on November 18, 2015 includes a creation of a new secured liquidity account ("Liquidity Account") to be held in the name of the Studio City Borrower and to be credited with the Cash Collateral as a liquidity amount for the general corporate and working capital purposes of the Studio City group. On November 30, 2015, the Cash Collateral was transferred to the Liquidity Account and was released from restricted cash.

During the year ended December 31, 2015, the Group recorded $7,011 costs associated with debt modification which represented the third party fees incurred for the Amendments to the Studio City Project Facility in the consolidated statements of operations.

As of December 31, 2015 and 2014, the Studio City Term Loan Facility of HK$10,080,460,000 (equivalent to $1,295,689) has been fully drawn down while the entire Studio City Revolving Credit Facility of HK$775,420,000 (equivalent to $99,668) remains available for future drawdown, subject to satisfaction of certain conditions precedent.

The Studio City Borrower is required, within 120 days after the drawdown of the Studio City Term Loan Facility, to enter into agreements to ensure that at least 50% of the aggregate of drawn Studio City Term Loan Facility and the Studio City Notes are subject to interest rate protection, by way of interest rate swap agreements, caps, collars or other agreements agreed with the facility agent under the Studio City Project Facility to limit the impact of increases in interest rates on its floating rate debt, for a period of not less than three years from the date of the first drawdown of the Studio City Term Loan Facility. Since the Studio City Borrower drew down the Studio City Term Loan Facility on July 28, 2014, the Studio City Borrower entered into certain floating-for-fixed interest rate swap agreements since September 2014 to limit its exposure to interest rate risk. Under the interest rate swap agreements, the Studio City Borrower pays a fixed interest rate of the notional amount, and receives variable interest which is based on the applicable HIBOR for each of the payment dates. These interest rate swap agreements are expected to remain highly effective in fixing the interest rate and qualify for cash flow hedge accounting. Therefore, there is no impact on the consolidated statements of operations from changes in the fair value of the hedging instruments. Instead the fair value of the instruments are recorded as assets or liabilities on the consolidated balance sheets, with an offsetting adjustment to the accumulated other comprehensive losses until the hedged interest expenses were recognized in the consolidated statements of operations. No hedge agreement had been entered as at December 31, 2013, as the Studio City Borrower has not drawn down on the Studio City Project Facility.

Philippine Notes

On January 24, 2014, MCE Leisure issued PHP15 billion 5% senior notes, due 2019 (the "Philippine Notes") (equivalent to $336,825 based on exchange rate on transaction date) at par of 100% of the principal amount and offered to certain primary institutional lenders as noteholders via private placement in the Philippines, which was priced on December 19, 2013.

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

The Philippine Notes mature on January 24, 2019. Interest on the Philippine 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 Philippine 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 Philippine Notes, after deducting the underwriting commissions and other expenses of approximately PHP230,769,000 (equivalent to $5,182 based on exchange rate on transaction date), was approximately PHP14,769,231,000 (equivalent to $331,643 based on exchange rate on transaction date). MCE Leisure used the net proceeds from the offering to fund 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 Philippine 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 Philippine Notes. Thereafter, MCE Leisure has the option to redeem all or a portion of the Philippine Notes at any time at fixed prices that decline ratably over time.

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

The Philippine Notes are exempted from registration with the Philippine Securities and Exchange Commission (the "Philippine SEC") under the Philippine Securities Regulation Code Rule ("SRC Rule") 9.2.2(B) promulgated by the Philippine SEC as the Philippine Notes were offered via private placement to not more than nineteen primary institutional lenders, accordingly, the Philippine Notes are subject to the conditions of SRC Rule 9.2.2(B) which limit the assignment and transfer of the Philippine 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 Philippine Notes.

Philippine Credit Facility

On October 14, 2015, MCP entered into an on-demand, unsecured credit facility agreement of PHP2,350,000,000 (the "Philippine Credit Facility") (equivalent to $49,824) with a lender to finance advances to MCE Leisure. The Philippine Credit Facility availability period is up to August 31, 2016 and the maturity date of each individual drawdown cannot extend beyond the later to occur of (i) the date which is one year from the date of drawdown, and (ii) 90 days after the end of the availability period. The individual drawdowns under the Philippine 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 Philippine 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 Philippine Credit Facility includes a tax gross up provision requiring MCP to pay without any deduction or withholding for or on account of tax. As of December 31, 2015, the Philippine Credit Facility has not been drawn.

Total interest on long-term debt consisted of the following:

	Year Ended December 31,		
	2015	2014	2013
Interest for Studio City Notes	$ 70,125	$ 70,125	$ 71,099
Interest for Studio City Project Facility	61,330	26,321	–
Interest for 2013 Senior Notes	50,000	50,000	44,998
Interest for Philippine Notes	20,563	19,751	–
Interest for 2015 Credit Facilities	5,053	–	–
Interest for 2011 Credit Facilities	3,768	11,337	16,841
Interest for Aircraft Term Loan	823	998	1,191
Interest for 2010 Senior Notes	–	–	6,028
Amortization of discount in connection with issuance of 2010 Senior Notes	–	–	71
Interest for RMB Bonds	–	–	2,610
Interest for Deposit-Linked Loan	–	–	1,728
	211,662	178,532	144,566
Interest capitalized	(133,007)	(82,761)	(25,259)
	$ 78,655	$ 95,771	$ 119,307

During the years ended December 31, 2015, 2014 and 2013, the Group's average borrowing rates were approximately 5.40%, 5.41% and 5.36% per annum, respectively.

Scheduled maturities of the long-term debt as of December 31, 2015 are as follows:

Year ending December 31,		
2016	$	106,505
2017		207,006
2018		1,114,194
2019		366,621
2020		870,116
Over 2020		1,298,263
	$	3,962,705

12. CAPITAL LEASE OBLIGATIONS

On March 13, 2013, a lease agreement (the "MCP Lease Agreement") which was entered on October 25, 2012, and was subsequently amended from time to time, between MCE Leisure and Belle Corporation ("Belle", one of the Philippine Parties as defined in Note 21(a)) for lease of the land and certain of the building structures for City of Dreams Manila which is expected to expire on July 11, 2033, became effective upon completion of closing arrangement conditions and with minor changes from the original terms.

Apart from the MCP Lease Agreement, the Group entered into lease agreements with third parties for the lease of certain property and equipment during the year ended December 31, 2014.

The Group made assessments at inception of the leases and capitalized the portion related to property and equipment under capital lease at the lower of the fair value or the present value of the future minimum lease payments.

Future minimum lease payments under capital lease obligations for the Group as of December 31, 2015 are as follows:

Year ending December 31,		
2016	$	32,030
2017		34,945
2018		38,234
2019		41,802
2020		46,016
Over 2020		678,950
Total minimum lease payments		871,977
Less: amounts representing interest		(571,708)
Present value of minimum lease payments		300,269
Current portion		(29,792)
Non-current portion	$	270,477

13. OTHER LONG-TERM LIABILITIES

	December 31,	
	2015	2014
Staff cost accruals	$ 47,979	$ 20,545
Other liabilities	13,219	205
Deferred rent liabilities	11,749	12,296
Other deposits received	7,456	1,233
Construction costs and property and equipment retention payables	559	59,162
	$ 80,962	$ 93,441

14. FAIR VALUE MEASUREMENTS

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

The carrying values of cash and cash equivalents, bank deposits with original maturity over three months and restricted cash approximated fair value and represented a level 1 measurement. The carrying values of long-term deposits, long-term receivables and other long-term liabilities approximated fair value and represented a level 2 measurement. The estimated fair value of long-term debt as of December 31, 2015 and 2014, which included the Studio City Project Facility, the 2013 Senior Notes, the Studio City Notes, the 2015 Credit Facilities, the 2011 Credit Facilities, the Philippine Notes and the Aircraft Term Loan, were approximately $3,855,538 and $3,878,381, respectively, as compared to its carrying value of $3,962,705 and $3,902,781, respectively. Fair value was estimated using quoted market prices and represented a level 1 measurement for the 2013 Senior Notes and the Studio City Notes. Fair value for the Studio City Project Facility, the 2015 Credit Facilities, the 2011 Credit Facilities, the Philippine Notes and the Aircraft Term Loan approximated the carrying values as the instruments carried either variable interest rates or the fixed interest rate approximated the market rate and represented a level 2 measurement. Additionally, the carrying value of land use rights payable approximated fair value as the instruments carried the fixed interest rate approximated the market rate and represented a level 2 measurement.

As of December 31, 2015, the Group did not have any non-financial assets or liabilities that are recognized or disclosed at fair value in the consolidated financial statements.

The Group's financial assets and liabilities recorded at fair value have been categorized based upon the fair value in accordance with the accounting standards. As of December 31, 2015, the interest rate swap agreements carried at fair value and the fair value of these interest rate swap agreements approximated the amounts the Group would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields. Since significant observable inputs are used in the valuation model, the interest rate swap arrangements represented a level 2 measurement in the fair value hierarchy.

15. CAPITAL STRUCTURE

Ordinary and Treasury Shares

The Company's treasury shares represent i) new shares issued by the Company and held by the depository bank to facilitate the administration and operations of the Company's share incentive plans, and are to be delivered to the Directors, eligible employees and consultants on the vesting of restricted shares and upon the exercise of share options; ii) the shares purchased under a trust arrangement for the benefit of certain beneficiaries who are awardees under the 2011 Share Incentive Plan and held by a trustee to facilitate the future vesting of restricted shares in selected Directors, employees and consultants under the 2011 Share Incentive Plan as described in Note 17; and iii) the shares repurchased by the Company under the 2015 Stock Repurchase Program and 2014 Stock Repurchase Program (as described below) pending for retirement.

New Shares Issued by the Company

During the years ended December 31, 2015, 2014 and 2013, the Company issued 940,419, nil and 8,574,153 ordinary shares to its depository bank for future vesting of restricted shares and exercise of share options, respectively. The Company issued 136,809, 1,068,534 and 1,297,902 of these ordinary shares upon vesting of restricted shares; and 1,368,747, 928,299 and 3,064,302 of these ordinary shares upon exercise of share options during the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, 2014 and 2013, the Company had a balance of 12,917,017, 13,482,154 and 15,478,987 newly issued ordinary shares which continue to be held by the Company for future issuance upon vesting of restricted shares and exercise of share options, respectively.

Shares Purchased under a Trust Arrangement

On May 15, 2013, the Board of Directors of the Company authorized a trustee to purchase the Company's ADS from the open market for the purpose of satisfying its obligation to deliver ADS under its 2011 Share Incentive Plan ("Share Purchase Program"). Under the Share Purchase Program, the trustee can purchase ADS from the open market at the price range to be determined by the Company's management from time to time. This Share Purchase Program may be terminated by the Company at any time. The purchased ADSs are to be delivered to the Directors, eligible employees and consultants upon vesting of the restricted shares.

During the year ended December 31, 2015, no ordinary share was purchased under a trust arrangement, while 466,203 ordinary shares purchased under a trust arrangement were delivered to Directors and eligible employees to satisfy the vesting of restricted shares. During the year ended December 31, 2014, 69,426 ADSs, equivalent to 208,278 ordinary shares were purchased under a trust arrangement from the open market at an average market price of $24.79 per ADS or $8.26 per share (including commissions), and 467,121 ordinary shares purchased under a trust arrangement were delivered to Directors and eligible employees to satisfy the vesting of restricted shares. During the year ended December 31, 2013, 373,946 ADSs, equivalent to 1,121,838 ordinary shares were purchased under a trust arrangement from the open market at an average market price of $23.45 per ADS or $7.82 per share (including commissions), and 378,579 ordinary shares purchased under a trust arrangement were delivered to Directors and eligible employees to satisfy the vesting of restricted shares. As of December 31, 2015 and 2014, the shares purchased under trust arrangement had a balance of 18,213 and 484,416 ordinary shares for future issuance upon vesting of restricted shares, respectively.

Shares Repurchased for Retirement

On August 7, 2014, the Board of Directors of the Company authorized the repurchase of the Company's ADS of up to an aggregate of $500,000 under a stock repurchase program (the "2014 Stock Repurchase Program") for shares retirement. The 2014 Stock Repurchase Program expired following the 2015 share repurchase mandate granted by the shareholders at the annual general meeting of the Company held on May 20, 2015 (as describe below). Under the 2014 Stock Repurchase Program, the Company could repurchase ADS from the open market at the price range determined by the Company's management from time to time. The 2014 Stock Repurchase Program might be terminated by the Company at any time prior to the expiration of the 2014 Stock Repurchase Program.

On May 20, 2015, the Board of Directors of the Company authorized the repurchase of the Company's ADS of up to an aggregate of $500,000 under a stock repurchase program (the "2015 Stock Repurchase Program"), which remained valid until the expiry or revocation of the share repurchase mandate granted by the shareholders, upon conclusion of the annual general meeting of the Company held in 2016, for shares retirement. Under the 2015 Stock Repurchase Program, the Company can repurchase ADS from the open market at the price range determined by the Company's management from time to time. The 2015 Stock Repurchase Program may be terminated by the Company at any time prior to the expiration of the 2015 Stock Repurchase Program.

During the year ended December 31, 2015, no ordinary share was repurchased under the 2015 Stock Repurchase Program and the 2014 Stock Repurchase Program, while 3,717,816 ordinary shares repurchased under the 2014 Stock Repurchase Program were retired. During the year ended December 31, 2014, 12,216,448 ADSs, equivalent to 36,649,344 ordinary shares were repurchased under the 2014 Stock Repurchase Program from the open market in aggregate for $300,495 (including commissions), at an average market price of $24.60 per ADS or $8.20 per share, of which 32,931,528 ordinary shares repurchased under the 2014 Stock Repurchase Program were retired. As of December 31, 2015 and 2014, the shares repurchased had a balance of nil and 3,717,816 ordinary shares for future shares retirement, respectively.

As of December 31, 2015, 2014 and 2013, the Company had 1,630,924,523, 1,633,701,920 and 1,666,633,448 issued ordinary shares, and 12,935,230, 17,684,386 and 16,222,246 treasury shares, with 1,617,989,293, 1,616,017,534 and 1,650,411,202 issued ordinary shares outstanding, respectively.

16. INCOME TAXES

(Loss) income before income tax consisted of:

	Year Ended December 31,		
	2015	2014	2013
Macau operations	$ 277,764	$ 775,790	$ 865,911
Hong Kong operations	(54,778)	(10,062)	(21,241)
Other jurisdictions' operations	(282,763)	(235,306)	(264,216)
Total (loss) income before income tax	$ (59,777)	$ 530,422	$ 580,454

The income tax expense consisted of:

	Year Ended December 31,		
	2015	2014	2013
Income tax expense – current:			
Macau Complementary Tax	$ 408	$ 2,761	$ 41
Lump sum in lieu of Macau Complementary Tax on dividend	2,795	2,795	5,590
Hong Kong Profits Tax	800	1,171	654
Income tax in other jurisdictions	283	622	99
Sub-total	4,286	7,349	6,384
(Over) under provision of income tax in prior years:			
Macau Complementary Tax	(423)	(57)	(417)
Hong Kong Profits Tax	(14)	124	(2)
Income tax in other jurisdictions	(5)	91	8
Sub-total	(442)	158	(411)
Income tax expense (benefit) – deferred:			
Macau Complementary Tax	(3,351)	(3,917)	(3,543)
Hong Kong Profits Tax	32	(22)	12
Income tax in other jurisdictions	506	(532)	(1)
Sub-total	(2,813)	(4,471)	(3,532)
Total income tax expense	$ 1,031	$ 3,036	$ 2,441

A reconciliation of the income tax expense from (loss) income before income tax per the consolidated statements of operations is as follows:

	Year Ended December 31,		
	2015	2014	2013
(Loss) income before income tax	$ (59,777)	$ 530,422	$ 580,454
Macau Complementary Tax rate	12%	12%	12%
Income tax (credit) expense at Macau Complementary Tax rate	(7,173)	63,651	69,654
Lump sum in lieu of Macau Complementary Tax on dividend	2,795	2,795	5,590
Effect of different tax rates of subsidiaries operating in other jurisdictions	(37,422)	(25,416)	(9,642)
(Over) under provision in prior years	(442)	158	(411)
Effect of income for which no income tax expense is payable	(1,850)	(2,272)	(395)
Effect of expenses for which no income tax benefit is receivable	18,824	12,441	26,557
Effect of profits generated by gaming operations exempted from Macau Complementary Tax	(64,437)	(109,189)	(125,702)
Losses that cannot be carried forward	979	–	–
Change in valuation allowance	89,757	60,868	36,790
	$ 1,031	$ 3,036	$ 2,441

The Company and certain of its subsidiaries are exempt from tax in the Cayman Islands or British Virgin Islands, where they are incorporated, however, the Company is subject to Hong Kong Profits Tax on profits from its activities conducted in Hong Kong. Certain subsidiaries incorporated or conducting businesses in Hong Kong, Macau, the Philippines and other jurisdictions are subject to Hong Kong Profits Tax, Macau Complementary Tax, income tax in the Philippines and other jurisdictions, respectively, during the years ended December 31, 2015, 2014 and 2013. The Company's subsidiary incorporated in the United States of America and dissolved in June 2013, is subject to income tax in the United States of America up to the date of dissolution in 2013.

Macau Complementary Tax, Hong Kong Profits Tax and the Philippines income tax have been provided at 12%, 16.5% and 30% on the estimated taxable income earned in or derived from Macau, Hong Kong and the Philippines, respectively, during the years ended December 31, 2015, 2014 and 2013, if applicable. Income tax in other jurisdictions for the years ended December 31, 2015, 2014 and 2013 were provided mainly for the profits of the representative offices and branches set up by a subsidiary of the Company in the region where they operate. No provisions for income tax in the United States of America for the year ended December 31, 2013 was provided as the subsidiary incurred tax losses.

Melco Crown Macau has been exempted from Macau Complementary Tax on profits generated by gaming operations for five years commencing from 2007 to 2011 pursuant to the approval notice issued by the Macau Government dated June 7, 2007, and continues to benefit from this exemption for another five years from 2012 to 2016 pursuant to the approval notice issued by the Macau Government in April 2011. Pursuant to a notice issued by the Macau Government dated January 12, 2015, one of the Company's subsidiaries in Macau has also been exempted from Macau Complementary Tax on profits generated from income received from Melco Crown Macau until 2016, to the extent that such income is derived from Studio City gaming operations, coinciding with Melco Crown Macau's exemption from Macau Complementary Tax. The dividend distributions of such subsidiary to its shareholders continue to be subject to Macau Complementary Tax. The non-gaming profits of Melco Crown Macau and the Company's subsidiary in Macau remain subject to the Macau Complementary Tax and Melco Crown Macau casino revenues remain subject to the Macau special gaming tax and other levies in accordance with its gaming subconcession agreement.

During the years ended December 31, 2015, 2014 and 2013, Melco Crown Macau reported net income and had the Group been required to pay such taxes, the Group's consolidated net income attributable to Melco Crown Entertainment Limited for the years ended December 31, 2015, 2014 and 2013 would have been decreased by $64,437, $109,189 and $125,702, respectively. The basic and diluted net income attributable to Melco Crown Entertainment Limited per share would have reported reduced income of $0.040 and $0.040 per share for the year ended December 31, 2015, $0.066 and $0.066 per share for the year ended December 31, 2014, and $0.076 and $0.076 per share for the year ended December 31, 2013, respectively. During the year ended December 31, 2015, the Company's subsidiary in Macau reported net loss and no effect of the tax holiday on the consolidated net income attributable to Melco Crown Entertainment Limited and on the basic and diluted loss per share of the Group.

In 2013, Melco Crown Macau made an application to the Macau Government for a tax concession arrangement for its shareholders. Pursuant to the proposed terms issued by the Macau Government in December 2013 which was accepted by Melco Crown Macau in January 2014, an annual lump sum amount of MOP22,400,000 (equivalent to $2,795) is payable by Melco Crown Macau to the Macau Government, effective retroactively from 2012 through 2016, coinciding with the 5-year extension of the tax holiday as mentioned above, as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Crown Macau on dividend distributions from gaming profits. Such annual lump sum tax payments are required regardless of whether dividends are actually distributed or whether Melco Crown Macau has distributable profits in the relevant year. The income tax provision for the year 2013 included the annual lump sum dividend withholding tax payments accrued for the years 2013 and 2012.

The effective tax rates for the years ended December 31, 2015, 2014 and 2013 were negative rate of 1.7%, positive rates of 0.6% and 0.4%, respectively. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax, the effect of change in valuation allowance, the effect of different tax rates of subsidiaries operating in other jurisdictions and the effect of expenses for which no income tax benefit is receivable for the years ended December 31, 2015, 2014 and 2013.

The net deferred tax liabilities as of December 31, 2015 and 2014 consisted of the following:

	December 31,	
	2015	2014
Deferred tax assets		
Net operating loss carried forwards	$ 149,616	$ 94,280
Depreciation and amortization	15,644	13,377
Deferred deductible expenses	3,994	4,402
Deferred rents	21,243	12,896
Others	7,219	9,527
Sub-total	197,716	134,482
Valuation allowances		
Current	(26,617)	(18,626)
Long-term	(165,583)	(109,301)
Sub-total	(192,200)	(127,927)
Total deferred tax assets	5,516	6,555
Deferred tax liabilities		
Land use rights	(52,032)	(55,683)
Intangible assets	(505)	(505)
Unrealized capital allowance	(3,061)	(2,821)
Others	(5,414)	(5,848)
Total deferred tax liabilities	(61,012)	(64,857)
Deferred tax liabilities, net	$ (55,496)	$ (58,302)

As of December 31, 2015 and 2014, valuation allowances of $192,200 and $127,927 were provided, respectively, as management believes that it is more likely than not that these deferred tax assets will not be realized. As of December 31, 2015, adjusted operating tax loss carry forwards, amounting to $175,986, $228,760 and $429,924 will expire in 2016, 2017 and 2018, respectively. Adjusted operating tax loss carried forward of $152,118 has expired during the year ended December 31, 2015.

Deferred tax, where applicable, is provided under the liability method at the enacted statutory income tax rate of the respective tax jurisdictions, applicable to the respective financial years, on the difference between the consolidated financial statements carrying amounts and income tax base of assets and liabilities.

Aggregate undistributed earnings of the Company's foreign subsidiaries available for distribution to the Company of approximately $6,630 and $11,447 as at December 31, 2015 and 2014, respectively, are considered to be indefinitely reinvested and the amounts as of December 31, 2015 and 2014 exclude the undistributed earnings of Melco Crown Macau. Accordingly, no provision has been made for the dividend withholding taxes that would be payable upon the distribution of those amounts to the Company. If those earnings were to be distributed or they were determined to be no longer permanently reinvested, the Company would have to record a deferred income tax liability in respect of those undistributed earnings of approximately $994 and $1,717 as at December 31, 2015 and 2014, respectively.

An evaluation of the tax positions for recognition was conducted by the Group by determining if the weight of available evidence indicates it is more likely than not that the positions will be sustained on audit, including resolution of related appeals or litigation processes, if any. Uncertain tax benefits associated with the tax positions were measured based solely on the technical merits of being sustained on examinations. The Group concluded that there was no significant uncertain tax position requiring recognition in the consolidated financial statements for the years ended December 31, 2015, 2014 and 2013 and there is no material unrecognized tax benefit which would favorably affect the effective income tax rate in future periods. As of December 31, 2015 and 2014, there were no interest and penalties related to uncertain tax positions recognized in the consolidated financial statements. The Group does not anticipate any significant increases or decreases to its liability for unrecognized tax benefit within the next twelve months.

The income tax returns of the Company and its subsidiaries remain open and subject to examination by the tax authorities of Hong Kong, Macau, the Philippines, the United States of America and other jurisdictions until the statute of limitations expire in each corresponding jurisdiction. The statute of limitations in Hong Kong, Macau, the Philippines and the United States of America are 6 years, 5 years, 3 years and 3 years, respectively.

17. SHARE-BASED COMPENSATION

2006 Share Incentive Plan

The Group adopted a share incentive plan in 2006 ("2006 Share Incentive Plan") to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to employees, Directors and consultants and to promote the success of its business. Under the 2006 Share Incentive Plan, the Group may grant either options to purchase the Company's ordinary shares or restricted shares (Note: The restricted shares, as named in respective grant documents, are accounted for as nonvested shares). The term of an award shall not exceed 10 years from the date of the grant. The maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2006 Share Incentive Plan (including shares issuable upon exercise of options) is 100,000,000 over 10 years. The new share incentive plan ("2011 Share Incentive Plan") as described below was effective immediately after the listing of the Company's ordinary shares on the Main Board of the Hong Kong Stock Exchange on December 7, 2011 and no further awards may be granted under the 2006 Share Incentive Plan on or after such date as all subsequent awards will be issued under the 2011 Share Incentive Plan. Accordingly, no share option and restricted share were granted under the 2006 Share Incentive Plan during the years ended December 31, 2015, 2014 and 2013.

Share Options

A summary of share options activity under the 2006 Share Incentive Plan as of December 31, 2015, and changes during the years ended December 31, 2015, 2014 and 2013 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as at January 1, 2013	16,832,154	$ 1.61		
Exercised	(2,967,372)	1.50		
Forfeited	(82,380)	2.07		
Expired	(4,989)	1.01		
Outstanding as at December 31, 2013	13,777,413	1.63		
Exercised	(853,905)	2.06		
Expired	(6,087)	1.01		
Outstanding as at December 31, 2014	12,917,421	1.60		
Exercised	(1,260,018)	1.51		
Outstanding as at December 31, 2015	11,657,403	$ 1.61	3.58	$ 46,548
Exercisable as at December 31, 2015	11,657,403	$ 1.61	3.58	$ 46,548

A summary of share options vested under the 2006 Share Incentive Plan at December 31, 2015 are presented below:

	Vested			
	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Range of exercise prices per share ($1.01- $5.06) *(Note)*	11,657,403	$ 1.61	3.58	$ 46,548

Note: No share options vested and no share options expired during the year ended December 31, 2015.

As of December 31, 2015, there was no unvested share options under the 2006 Share Incentive Plan. Share options of 1,260,018, 853,905 and 2,967,372 were exercised and proceeds amounted to $1,904, $1,758 and $4,463 were recognized during the years ended December 31, 2015, 2014 and 2013, respectively. The total intrinsic values of share options exercised for the years ended December 31, 2015, 2014 and 2013 were $5,152, $5,472 and $34,330, respectively. As of December 31, 2015, there was no unrecognized compensation costs related to share options under the 2006 Share Incentive Plan.

Restricted Shares

A summary of restricted shares activity under the 2006 Share Incentive Plan as of December 31, 2015, and changes during the years ended December 31, 2015, 2014 and 2013 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as at January 1, 2013	2,238,885	$ 2.19
Vested	(1,297,902)	2.04
Forfeited	(38,313)	2.12
Unvested as at December 31, 2013	902,670	2.42
Vested	(902,670)	2.42
Unvested as at December 31, 2014 and 2015	–	$ –

The total fair values at the date of grant of the restricted shares under the 2006 Share Incentive Plan vested during the years ended December 31, 2014 and 2013 were $2,182 and $2,643, respectively. As of December 31, 2015, there was no unrecognized compensation costs related to restricted shares under the 2006 Share Incentive Plan.

2011 Share Incentive Plan

The Group adopted the 2011 Share Incentive Plan to promote the success and enhance the value of the Company by linking personal interests of the members of the Board, employees and consultants to those of the shareholders and by providing such individuals with incentive for outstanding performance to generate superior returns to the shareholders which became effective on December 7, 2011. Under the 2011 Share Incentive Plan, the Group may grant various share-based awards, including but not limited to, options to purchase the Company's ordinary shares, share appreciation rights, restricted shares and other types of awards. The term of such awards shall not exceed 10 years from the date of the grant. The maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2011 Share Incentive Plan is 100,000,000 over 10 years, which could be raised up to 10% of the issued share capital upon shareholders' approval. As of December 31, 2015 and 2014, 88,584,652 and 92,621,404 ordinary shares remain available for the grant of various share-based awards under the 2011 Share Incentive Plan, respectively.

Share Options

The Group granted share options to certain personnel under the 2011 Share Incentive Plan during the years ended December 31, 2015, 2014 and 2013, with the exercise price for share options granted determined at the higher of the closing price at the date of grant and the average closing price for the five trading dates preceding the date of grant of the Company's ordinary shares trading on the Hong Kong Stock Exchange. These share options became exercisable over vesting periods of three to four 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 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 grant. Expected volatility is based on the historical volatility of the Company's ADS trading on the NASDAQ Global Select Market. Expected term is based upon the vesting term or the historical of expected term of publicly traded companies. The risk-free interest rate used for each period presented is based on the United States of America Treasury yield curve at the time of grant for the period equal to the expected term.

The fair value per option under the 2011 Share Incentive Plan was estimated at the date of grant using the following weighted average assumptions for options granted during the years ended December 31, 2015, 2014 and 2013:

	December 31,		
	2015	**2014**	**2013**
Expected dividend yield	1.40%	1.11%	–
Expected stock price volatility	57.86%	69.56%	65.50%
Risk-free interest rate	1.59%	2.04%	0.82%
Expected average life of options (years)	6.1	6.1	5.1

A summary of share options activity under the 2011 Share Incentive Plan as of December 31, 2015, and changes during the years ended December 31, 2015, 2014 and 2013 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as at January 1, 2013	1,901,136	$ 4.70		
Granted	1,388,793	8.42		
Exercised	(96,930)	4.70		
Forfeited	(120,834)	6.00		
Expired	(1,830)	4.70		
Outstanding as at December 31, 2013	3,070,335	6.33		
Granted	1,320,693	12.89		
Exercised	(74,394)	5.34		
Forfeited	(155,865)	9.84		
Outstanding as at December 31, 2014	4,160,769	8.30		
Granted	2,591,751	7.48		
Exercised	(108,729)	4.70		
Forfeited	(343,695)	9.17		
Expired	(27,129)	8.42		
Outstanding as at December 31, 2015	6,272,967	$ 7.98	8.00	$ 1,350
Exercisable as at December 31, 2015	2,294,499	$ 6.00	6.64	$ 1,350

A summary of share options vested and expected to vest under the 2011 Share Incentive Plan at December 31, 2015 are presented below:

	Vested			
	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Range of exercise prices per share ($4.70 – $8.42) *(Note)*	2,294,499	$ 6.00	6.64	$ 1,350

Note: 935,424 share options vested and 27,129 share options expired during the year ended December 31, 2015.

	Expected to Vest			
	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Range of exercise prices per share ($7.48 – $12.98)	3,978,468	$ 9.12	8.79	$ –

The weighted average fair values of share options granted under the 2011 Share Incentive Plan during the years ended December 31, 2015, 2014 and 2013 were $3.45, $7.11 and $4.50, respectively. Share options of 108,729, 74,394 and 96,930 were exercised and proceeds amounts to $511, $397 and $455 were recognized during the years ended December 31, 2015, 2014 and 2013, respectively. The total intrinsic values of share options exercised for the years ended December 31, 2015, 2014 and 2013 were $98, $232 and $812, respectively. As of December 31, 2015, there was $10,314 unrecognized compensation costs related to share options under the 2011 Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.81 years.

Restricted Shares

The Group has also granted restricted shares to certain personnel under the 2011 Share Incentive Plan during the years ended December 31, 2015, 2014 and 2013. These restricted shares have vesting periods of three to four years. The grant date fair value is determined with reference to the market closing price of the Company's ADS trading on the NASDAQ Global Select Market at the date of grant.

A summary of restricted shares activity under the 2011 Share Incentive Plan as of December 31, 2015, and changes during the years ended December 31, 2015, 2014 and 2013 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2013	1,153,890	$ 4.43
Granted	817,068	8.27
Vested	(378,579)	4.43
Forfeited	(60,420)	5.77
Unvested at December 31, 2013	1,531,959	6.43
Granted	746,856	12.42
Vested	(632,985)	6.04
Forfeited	(77,938)	9.57
Unvested at December 31, 2014	1,567,892	9.28
Granted	1,445,001	7.24
Vested	(603,012)	6.32
Forfeited	(175,191)	8.85
Unvested at December 31, 2015	2,234,690	$ 8.80

The total fair values at the date of grant of the restricted shares under the 2011 Share Incentive Plan vested during the years ended December 31, 2015, 2014 and 2013 were $3,809, $3,821 and $1,676, respectively. As of December 31, 2015, there was $11,509 of unrecognized compensation costs related to restricted shares under the 2011 Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.84 years.

MCP Share Incentive Plan

MCP adopted a share incentive plan (the "MCP Share Incentive Plan") to promote the success and enhance the value of MCP, by linking personal interests of members of the Board, employees and consultants of MCP, its subsidiaries, holding companies and affiliated companies by providing such individuals with an incentive for outstanding performance to generate superior returns to the stockholders of MCP. The MCP Share Incentive Plan, which was subsequently amended from time to time, was approved by MCP shareholders at MCP annual stockholders meeting and the Company's shareholders at its extraordinary general meeting on June 21, 2013 and became effective on June 24, 2013, the date of approval from the Philippine SEC. Under the MCP Share Incentive Plan, MCP may grant various share-based awards, including but not limited to, options to purchase the MCP common shares, restricted shares, share appreciation rights and other types of awards. The term of such awards shall not exceed 10 years from the date of grant. The maximum aggregate number of common shares which may be issued pursuant to all awards under the MCP Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of MCP from time to time over 10 years. As of December 31, 2015 and 2014, 90,550,748 and 57,075,917 MCP common shares remain available for the grant of various share-based awards under the MCP Share Incentive Plan, respectively.

Share Options

For the year ended December 31, 2015, MCP granted share options to personnel under the MCP Share Incentive Plan, with the exercise price determined with reference to the market closing price of MCP common shares at the date of grant. These share options become exercisable over a vesting period of three years. For the year ended December 31, 2014, MCP granted 9,543,186 share options to certain personnel under the MCP Share Incentive Plan, with the exercise price for 4,861,003 share options determined at the higher of the closing price of MCP common shares at the date of grant and the average closing price for the five trading days preceding the date of grant. The exercise price for 4,682,183 share options is fixed at $0.19 per share, with the same exercise price with the share options granted on June 28, 2013 on the bases approved by MCP's management that these personnel would contribute significantly to the pre-opening of City of Dreams Manila and joined MCP and its subsidiaries (collectively referred to as the "MCP Group") prior to March 31, 2014. These share options became exercisable over different vesting periods of around three years. For the year ended December 31, 2013, MCP granted share options to certain personnel under the MCP Share Incentive Plan with the exercise price determined at the higher of the closing price of MCP common shares at the date of grant and the average closing price for the five trading days preceding the date of grant. These share options became exercisable over a vesting period of three years, with the first vesting on 30 days after the opening of City of Dreams Manila which were vested on March 4, 2015. All share options granted expire 10 years from the date of grant.

MCP uses the Black-Scholes valuation model to determine the estimated fair value for each 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 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 Company. The risk-free interest rate used for each period presented is based on the Philippine Government bond yield at the time of grant for the period equal to the expected term.

The fair value per option under the MCP Share Incentive Plan was estimated at the date of grant using the following weighted average assumptions for options granted during the years ended December 31, 2015, 2014 and 2013:

	December 31,		
	2015	2014	2013
Expected dividend yield	–	–	–
Expected stock price volatility	45.00%	40.00%	45.00%
Risk-free interest rate	4.08%	3.77%	3.73%
Expected average life of options (years)	5.4	5.2	5.0

A summary of share options activity under the MCP Share Incentive Plan as of December 31, 2015, and changes during the years ended December 31, 2015, 2014 and 2013 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as at January 1, 2013	–	$ –		
Granted	120,826,336	0.19		
Forfeited	(4,682,183)	0.19		
Outstanding as at December 31, 2013	116,144,153	0.19		
Granted	9,543,186	0.24		
Forfeited	(1,560,727)	0.19		
Outstanding as at December 31, 2014	124,126,612	0.19		
Granted	6,796,532	0.07		
Forfeited	(6,195,610)	0.18		
Expired	(16,902)	0.28		
Outstanding as at December 31, 2015	124,710,632	$ 0.17	7.69	$ –
Exercisable as at December 31, 2015	75,194,658	$ 0.18	7.53	$ –

A summary of share options vested and expected to vest under the MCP Share Incentive Plan as of December 31, 2015 are presented below:

	Vested			
	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Range of exercise prices per share ($0.18 – $0.28) *(Note)*	75,194,658	$ 0.18	7.53	$ –

Note: 75,211,560 share options vested and 16,902 share options expired during the year ended December 31, 2015.

	Expected to Vest			
	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Range of exercise prices per share ($0.07 – $0.28)	49,515,974	$ 0.17	7.93	$ –

The weighted average fair values of share options granted under the MCP Share Incentive Plan during the years ended December 31, 2015, 2014 and 2013 were $0.03, $0.14 and $0.09, respectively. No share options were exercised during the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, there was $1,750 unrecognized compensation costs related to share options under the MCP Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 0.98 years.

Restricted Shares

For the years ended December 31, 2015 and 2014, MCP granted restricted shares to certain personnel under the MCP Share Incentive Plan with vesting periods of around three years. For the year ended December 31, 2013, MCP granted restricted shares to certain personnel under the MCP Share Incentive Plan with a vesting period of three years, with the first vesting on 30 days after the opening of City of Dreams Manila which were vested on March 4, 2015. The grant date fair value is determined with reference to the market closing price of the MCP common shares at the date of grant.

A summary of restricted shares activity under the MCP Share Incentive Plan as of December 31, 2015, and changes during the years ended December 31, 2015, 2014 and 2013 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as at January 1, 2013	–	$ –
Granted	60,413,167	0.19
Forfeited	(2,341,091)	0.19
Unvested as at December 31, 2013	58,072,076	0.19
Granted	7,079,775	0.29
Forfeited	(780,365)	0.19
Unvested as at December 31, 2014	64,371,486	0.20
Granted	5,745,033	0.08
Vested	(38,375,178)	0.18
Forfeited	(3,210,126)	0.18
Unvested as at December 31, 2015	28,531,215	$ 0.17

The total fair value at the date of grant of the restricted shares under the MCP Share Incentive Plan vested during the year ended December 31, 2015 was $6,989. No restricted shares under the MCP Share Incentive Plan were vested during the years ended December 31, 2014 and 2013. As of December 31, 2015, there was $2,382 unrecognized compensation costs related to restricted shares under the MCP Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.15 years.

The impact of share options and restricted shares for the Group for the years ended December 31, 2015, 2014 and 2013 recognized in the consolidated financial statements is as follows:

	Year Ended December 31,		
	2015	2014	2013
2006 Share Incentive Plan			
Share options	$ –	$ 579	$ 3,234
Restricted shares	–	492	2,188
Sub-total	–	1,071	5,422
2011 Share Incentive Plan			
Share options	6,543	5,590	2,775
Restricted shares	7,191	5,915	3,052
Sub-total	13,734	11,505	5,827
MCP Share Incentive Plan			
Share options	3,248	3,631	1,756
Restricted shares	3,845	4,194	1,982
Sub-total	7,093	7,825	3,738
Total share-based compensation expenses recognized in general and administrative expenses	$ 20,827	$ 20,401	$ 14,987

18. EMPLOYEE BENEFIT PLANS

The Group provides defined contribution plans for its employees and executive officers in Macau, Hong Kong, the Philippines and certain other jurisdictions.

Employees

Macau

Employees employed by the Group in Macau are members of government-managed Social Security Fund Scheme (the "SSF Scheme") operated by the Macau Government and the Group is required to pay a monthly fixed contribution to the SSF Scheme to fund the benefits.

The Group provides options for its qualifying employees in Macau to participate in voluntary defined contribution schemes (the "Macau Schemes") operated by the Group in 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 Group by independent trustees in Macau.

Hong Kong

Executive officers, employees employed by the Group in Hong Kong and certain employees employed by the Group in other jurisdictions are members of Mandatory Provident Fund Schemes (the "MPF Schemes") operated by the Group in Hong Kong. The Group provides options for its qualifying employees to participate in voluntary contribution plan of the MPF Schemes. The Group is required to contribute a certain percentage of the executive officers' and employees' base salaries, determined by seniority, tenure and the type of plan, to the MPF Schemes, 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 Schemes are fully and immediately vested to the executive officers and employees once they are paid. The MPF Schemes were established under trust with the fund assets being held separately from those of the Group by independent trustees in Hong Kong.

The Philippines

Employees employed by MCP Group in the Philippines are members of government-managed Social Security System Scheme (the "SSS Scheme") operated by the Philippine Government and MCP 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.

Other Jurisdictions

The Group's subsidiaries in certain other jurisdictions operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' relevant income and met the minimum mandatory requirements.

The obligations of the Group with respect to the above retirement benefits schemes are to make the required contributions under the schemes.

During the years ended December 31, 2015, 2014 and 2013, the Group's contributions into the defined contribution plans were $18,295, $14,823 and $8,522, respectively.

19. DISTRIBUTION OF PROFITS

All subsidiaries of the Company incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after taxation to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the Board of Directors of the relevant subsidiaries. As of December 31, 2015 and 2014, the balance of the reserve amounted to $31,202 and $31,202, respectively.

The 2011 Credit Facilities contained restrictions, which applied until the 2011 Credit Facilities was amended on June 29, 2015, on paying dividends to companies or persons who were not members of the 2011 Borrowing Group, unless certain financial tests and conditions were satisfied. Dividends might be paid from (i) excess cash flow as defined in the 2011 Credit Facilities generated by the 2011 Borrowing Group subject to compliance with the financial covenants under the 2011 Credit Facilities; or (ii) cash held by the 2011 Borrowing Group in an amount not exceeding the aggregate cash and cash equivalents investments of the 2011 Borrowing Group as at June 30, 2011 subject to a certain amount of cash and cash equivalents being retained for operating purposes and, in either case, there being no event of default continuing or likely to occur under the 2011 Credit Facilities as a result of making such payment.

The 2015 Credit Facilities removed certain restrictions on paying of dividends applied under the 2011 Credit Facilities. Under the 2015 Credit Facilities, which apply on and from June 29, 2015, the payment of dividends to companies or persons who are not members of the 2015 Borrowing Group remains restricted in certain circumstances, unless certain financial tests and conditions are satisfied and there is no continuing default under the 2015 Credit Facilities.

The indenture governing the 2013 Senior Notes and the 2010 Senior Notes contains certain covenants that, subject to certain exceptions and conditions, restrict the payment of dividends by MCE Finance and its respective restricted subsidiaries.

The indenture governing the Studio City Notes also contains certain covenants that, subject to certain exceptions and conditions, restrict the payment of dividends by Studio City Finance and its restricted subsidiaries.

The Studio City Project Facility contains certain covenants that, subject to certain exceptions and conditions, restrict the payment of dividends by Studio City Investments and its restricted subsidiaries.

20. DIVIDENDS

On February 25, 2014, the Company's Board of Directors adopted a new dividend policy (the "New Dividend Policy"). Under the New Dividend Policy, subject to the Company's capacity to pay from accumulated and future earnings and the cash balance and future commitments at the time of declaration of dividend, the Company intends to provide its shareholders with quarterly dividends of approximately 30% of the Company's consolidated net income attributable to Melco Crown Entertainment Limited for the relevant quarter, commencing from the first quarter of 2014. The New Dividend Policy also allows the Company to declare special dividends from time to time in addition to the quarterly dividends.

On March 16, 2015, June 5, 2015, September 4, 2015 and December 4, 2015, the Company paid quarterly dividends of $0.0171, $0.0112, $0.0045 and $0.0061 per share, respectively, under the New Dividend Policy. During the year ended December 31, 2015, the Company recorded $62,850 as a distribution against retained earnings.

On February 18, 2016, a special dividend of $0.2146 per share has been declared by the Board of Directors of the Company and payable on March 16, 2016 to the shareholders of records as of March 1, 2016.

On April 16, 2014, the Company paid a special dividend of $0.1147 per share and recorded $189,459 as a distribution against share premium.

On June 6, 2014, September 4, 2014 and December 4, 2014, the Company paid quarterly dividends of $0.0431, $0.0259 and $0.0239 per share, respectively, under the New Dividend Policy. During the year ended December 31, 2014, the Company recorded $153,259 as a distribution against retained earnings.

The total amount of special and quarterly dividends of $342,718 were paid during the year ended December 31, 2014.

During the year ended December 31, 2013, the Company did not declare or pay any cash dividends on the ordinary shares.

21. REGULAR/PROVISIONAL LICENSE, COOPERATION AGREEMENT, OPERATING AGREEMENT AND MCP LEASE AGREEMENT FOR CITY OF DREAMS MANILA

(a) Regular/Provisional License

As of March 13, 2013, 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 including SM Investments Corporation ("SMIC"), PremiumLeisure and Amusement, Inc. ("PLAI") and Belle under the provisional license (the "Provisional License") in their dealings with PAGCOR. SMIC, PLAI and Belle are collectively referred to as the "Philippine Parties". As a result, MCE Holdings (Philippines) Corporation, a subsidiary of MCP, and its subsidiaries including MCE Leisure (collectively the "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 the regular license (the "Regular License") for City of Dreams Manila as the Licensees satisfied the Investment Commitment (as defined in Note 22(c)) under the terms of the Provisional License.

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

Further details of the terms and commitments under the Regular/Provisional License are included in Note 22(c).

(b) Cooperation Agreement

On March 13, 2013, a cooperation agreement (the "Cooperation Agreement") and other related arrangements which were entered on October 25, 2012 among MCE Holdings Group, SMIC and certain of its subsidiaries (collectively the "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/Provisional License and the operation and management of City of Dreams Manila until the expiry of the Regular/Provisional License (currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms). Further details of the commitments under the Cooperation Agreement are included in Note 22(c).

(c) Operating Agreement

On March 13, 2013, the Licensees entered into an operating agreement (the "Operating Agreement") which governs the operation and management of City of Dreams Manila by MCE Leisure. The Operating Agreement was effective on March 13, 2013 and ends on the date of expiry of the Regular/Provisional License (as that Regular/Provisional License is extended, restored or renewed), unless terminated earlier in accordance with the terms of the Operating Agreement. The Regular/Provisional License is currently scheduled to expire on July 11, 2033. Under the Operating Agreement, MCE Leisure is appointed as the sole and exclusive operator and manager of City of Dreams Manila, and is responsible for, and has sole discretion (subject to certain exceptions) and control over, all matters relating to the management and operation of City of Dreams Manila (including the casino and gaming operations, hotel and retail components and all other activities necessary, desirable or incidental for the management and operation of City of Dreams Manila). The Operating Agreement also included terms of certain payments to PLAI upon commencement of operations of City of Dreams Manila in December 2014, in particular, PLAI has the right to receive monthly payments from MCE Leisure, based on the performance of gaming operations of City of Dreams Manila and was included in "Payments to the Philippine Parties" in the consolidated statements of operations, and MCE Leisure has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

(d) MCP Lease Agreement

On March 13, 2013, the MCP Lease Agreement which was entered on October 25, 2012, and was subsequently amended from time to time, between MCE Leisure and Belle became effective upon completion of closing arrangement conditions and with minor changes from the original terms. Under the MCP 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. Further information in relation to the MCP Lease Agreement was disclosed in Notes 12 and 22(c).

22. COMMITMENTS AND CONTINGENCIES

(a) Capital Commitments

As of December 31, 2015, the Group had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams Manila and City of Dreams totaling $254,687 including advance payments for construction costs of $26,544.

(b) Lease Commitments and Other Arrangements

Operating Leases – As a Lessee

The Group leased a portion of land for City of Dreams Manila, Mocha Clubs sites, office space, warehouses, staff quarters and various equipment under non-cancellable operating lease agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractual agreed incremental rates and on the general inflation rate once agreed by the Group and its lessor and in some cases contingent rental expenses stated as a percentage of turnover. During the years ended December 31, 2015, 2014 and 2013, the Group incurred rental expenses amounting to $39,667, $32,829 and $21,815, respectively, which consisted of minimum rental expenses of $32,864, $25,374 and $17,586 and contingent rental expenses of $6,803, $7,455 and $4,229, respectively.

As of December 31, 2015, minimum lease payments under all non-cancellable leases were as follows:

Year ending December 31,	
2016	$ 25,271
2017	22,776
2018	22,408
2019	23,096
2020	16,352
Over 2020	80,365
	$ 190,268

As Grantor of Operating and Right To Use Arrangement

The Group entered into non-cancellable operating and right to use agreements mainly for mall spaces in the sites of City of Dreams, City of Dreams Manila and Studio City with various retailers that expire at various dates through October 2025. Certain of the operating and right to use agreements include minimum base fee with escalated contingent fee clauses. During the years ended December 31, 2015, 2014 and 2013, the Group earned contingent fees of $12,898, $17,497 and $19,563, respectively.

As of December 31, 2015, minimum future fees to be received under all non-cancellable operating and right to use agreements were as follows:

Year ending December 31,		
2016	$	13,706
2017		15,324
2018		23,306
2019		20,482
2020		14,310
Over 2020		2,779
	$	89,907

The total minimum future fees do not include the escalated contingent fee clauses.

(c) Other Commitments

Gaming Subconcession

On September 8, 2006, the Macau Government granted a gaming subconcession to Melco Crown Macau to operate the gaming business in Macau. Pursuant to the gaming subconcession agreement, Melco Crown Macau has committed to the following:

i) To pay the Macau Government a fixed annual premium of $3,744 (MOP30,000,000).

ii) To pay the Macau Government a variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:

- $37 (MOP300,000) per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kind of games or to certain players;

- $19 (MOP150,000) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kind of games or to certain players; and

- $0.1 (MOP1,000) per year for each electrical or mechanical gaming machine, including the slot machine.

iii) To pay the Macau Government a sum of 1.6% of the gross revenues of the gaming business operations on a monthly basis, that will be made available to a public foundation for the promotion, development and study of social, cultural, economic, educational, scientific, academic and charity activities, to be determined by the Macau Government.

iv) To pay the Macau Government a sum of 2.4% of the gross revenues of the gaming business operations on a monthly basis, which will be used for urban development, tourist promotion and the social security of Macau.

v) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.

vi) Melco Crown Macau must maintain a guarantee issued by a Macau bank in favor of the Macau Government in a maximum amount of $62,395 (MOP500,000,000) from September 8, 2006 to September 8, 2011 and a maximum amount of $37,437 (MOP300,000,000) from September 8, 2011 until the 180th day after the termination date of the gaming subconcession.

As a result of the bank guarantee given by the bank to the Macau Government as disclosed in Note 22(c)(vi) above, a sum of 1.75% of the guarantee amount will be payable by Melco Crown Macau quarterly to such bank.

Land Concession Contracts

The Company's subsidiaries have entered into concession contracts for the land in Macau on which Altira Macau, City of Dreams and Studio City properties and development projects are located. The title to the land lease right is obtained once the related land concession contract is published in the Macau official gazette. The contracts have a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to applicable legislation in Macau. The Company's land holding subsidiaries are required to i) pay an upfront land premium, which is recognized as land use right in the consolidated balance sheets and a nominal annual government land use fee, which is recognized as general and administrative expense and may be adjusted every five years; and ii) place a guarantee deposit upon acceptance of the land lease terms, which is subject to adjustments from time to time in line with the amounts paid as annual land use fee. During the land concession term, amendments have been sought which have or will result in revisions to the development conditions, land premium and government land use fees.

Altira Macau

On December 18, 2013, the Macau Government published in the Macau official gazette the final amendment for revision of the land concession contract for Taipa Land on which Altira Macau is located (see Note 9). The amendment required an additional land premium of approximately $2,449 which was fully paid by Altira Developments in July 2013. According to the revised land amendment, the government land use fees were revised from approximately $171 per annum to $186 per annum. As of December 31, 2015, the Group's total commitment for government land use fees for Altira Macau site to be paid during the remaining term of the land concession contract which expires in March 2031 was $2,817.

City of Dreams

On January 29, 2014, the Macau Government published in the Macau official gazette the final amendment for revision of the land concession contract for Cotai Land on which City of Dreams is located (see Note 9). The amendment required an additional land premium of approximately $23,344, with $8,736 paid in October 2013 upon acceptance of the final amendment proposal and the remaining amount of approximately $14,608 payable in four biannual instalments, with 5% interest accruing per annum, with the first three instalments paid in July 2014, January 2015 and July 2015, respectively, and the last instalment paid in January 2016. As of December 31, 2015 and 2014, the total outstanding balance of the land premium was included in accrued expenses and other current liabilities in an amount of $3,788 and $7,302, and in land use rights payable in an amount of nil and $3,788, respectively. According to the revised land amendment, the government land use fees were revised to $1,185 per annum during the development period of additional hotel at City of Dreams; and to $1,235 per annum after the completion of the development. As of December 31, 2015, the Group's total commitment for government land use fees for City of Dreams site to be paid during the remaining term of the land concession contract which expires in August 2033 was $21,616.

Studio City

On September 23, 2015, the Macau Government published in the Macau official gazette the final amendment for revision of the land concession contract for Studio City Land on which Studio City is located. Such amendment reflected the change to build a five-star hotel to a four-star hotel. According to the revised land amendment, the government land use fees were $490 per annum during the development period of Studio City; and $1,131 per annum after the development period. As of December 31, 2015, the Group's total commitment for government land use fees for Studio City site to be paid during the remaining term of the land concession contract which expires in October 2026 was $10,565.

Regular/Provisional License

Under the terms of the Provisional License, PAGCOR requires, amongst other things, the Licensees to make a total investment of $1,000,000 for City of Dreams Manila (the "Investment Commitment") with a minimum investment of $650,000 to be made prior to the opening of City of Dreams Manila on December 14, 2014. Under the terms of the Cooperation Agreement, the Licensees' Investment Commitment of $1,000,000 will be satisfied as follows:

- For the amount of $650,000: (a) in the case of the Philippine Parties, the land and building structures having an aggregate value as determined by PAGCOR of not less than $325,000; and (b) in the case of MCE Leisure, the fit-out and furniture, gaming equipment, additional improvements, inventory and supplies as well as intangible property and entertainment facilities inside or outside of the building structures, having an aggregate value as determined by PAGCOR of not less than $325,000.

- For the remaining $350,000, the Philippine Parties and MCE Leisure shall make equal contributions of $175,000 to City of Dreams Manila. The Licensees agree to contribute such amounts and for such purposes as notified by MCE Leisure (or in certain circumstances the Philippine Parties) to PAGCOR (subject to any recommendations PAGCOR may make).

On January 30, 2015, MCE Leisure applied to PAGCOR for the issuance of the Regular License for City of Dreams Manila as the Licensees satisfied the Investment Commitment of $1,000,000 under the terms of the Provisional License. PAGCOR issued the Regular License dated April 29, 2015 in replacement of the Provisional License to the Licensees for the operation of City of Dreams Manila. The Regular License has the same terms and conditions as the Provisional License and is valid until July 11, 2033.

Other commitments required by PAGCOR under the Regular/Provisional License are as follows:

- Within 30 days from getting approval by PAGCOR of the project implementation plan, to submit a bank guarantee, letter of credit or surety bond in the amount of PHP100,000,000 (equivalent to $2,120) to guarantee the Licensees' completion of City of Dreams Manila and is subject to forfeiture in case of delay in construction which delay exceeds 50% of the schedule, of which SM Group had submitted a surety bond of PHP100,000,000 (equivalent to $2,120) to PAGCOR on February 17, 2012. The surety bond was subsequently released on March 31, 2015.

- Seven days prior to commencement of operation of the casino, to secure a surety bond in favor of PAGCOR in the amount of PHP100,000,000 (equivalent to $2,120) to ensure prompt and punctual remittance/payment of all license fees, of which MCE Leisure had secured a surety bond of PHP100,000,000 (equivalent to $2,120) in December 2014.

- The Licensees are required to maintain an escrow account into which all funds for development of City of Dreams Manila must be deposited and all funds withdrawn from this account must be used only for such development and to deposit $100,000 in the escrow account and maintain a balance of $50,000 until the completion of City of Dreams Manila, of which MCE Leisure had setup the escrow account in March 2013. On May 7, 2015, PAGCOR granted the approval to close the escrow account as the Licensees had fulfilled the completion of City of Dreams Manila and funds of $50,000 held in the escrow account were released to MCE Leisure on June 15, 2015. The escrow account balance released to MCE Leisure was partly funded by the Philippine Parties in accordance with the terms of the Cooperation Agreement and the amount was included in the accrued expenses and other current liabilities as disclosed in Note 10.

- License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operation.

- For taxable periods prior to April 1, 2014, under the terms of the Regular/Provisional License, PAGCOR and the Licensees agreed the license fees that are paid to PAGCOR by the Licensees are in lieu of all taxes with reference to the income component of the gross gaming revenues. In May 2014, PAGCOR temporarily reduced the license fees by 10% to 5% and 15% of gross gaming revenues effective from April 1, 2014. The license fee reduction is required to be used for the payment of corporate income taxes and any portion not used for such payment must be paid to PAGCOR as an annual true-up payment (as defined). This adjustment will address the additional exposure to corporate income tax on the Licensees brought by the Philippine Bureau of Internal Revenue ("BIR") Revenue Memorandum Circular ("RMC") No. 33-2013 dated April 17, 2013. The 10% license fee adjustment is a temporary measure to address the unilateral BIR action and is not intended to modify, amend or revise the Regular/Provisional License. PAGCOR and the Licensees agreed to revert to the original license fee structure under the Regular/Provisional License in the event BIR action is permanently restrained, corrected or withdrawn. PAGCOR and the Licensees also agreed that the 10% license fee adjustment is not an admission of the validity of BIR RMC No. 33-2013 and it is not a waiver of any of the remedies against any assessments by BIR for corporate income tax on the gaming revenue of the Licensees in the Philippines.

- In addition to the above license fees, the Licensees are required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the Licensees and approved by PAGCOR, of which the foundation was setup by MCE Leisure on February 19, 2014.

- 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.

Grounds for revocation of the Regular/Provisional License, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt or insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of December 31, 2015 and 2014, MCE Holdings Group, as one of the parties as Licensees, has complied with the required debt-to-equity ratio under definition as agreed with PAGCOR.

Cooperation Agreement

Under the terms of the Cooperation Agreement, the Licensees are jointly and severally liable to PAGCOR under the Regular/Provisional License and each Licensee (indemnifying Licensee) must indemnify the other Licensees for any loss suffered or incurred by that Licensees arising out of, or in connection with, any breach by the indemnifying Licensee of the Regular/Provisional License. Also, each of the Philippine Parties and MCE Holdings Group agree to indemnify the non-breaching party for any loss suffered or incurred as a result of a breach of any warranty.

MCP Lease Agreement

Under the terms of the MCP Lease Agreement, MCE Leisure shall indemnify and keep Belle fully indemnified against all claims, actions, demands, actions and proceedings made against Belle by any person arising as a result of or in connection with any loss, damage or injury from MCE Leisure's use and operation of business on the leased property.

(d) Guarantees

Except as disclosed in Note 11, the Group has made the following significant guarantees as of December 31, 2015:

- Melco Crown Macau has issued a promissory note ("Livrança") of $68,635 (MOP550,000,000) to a bank in respect of the bank guarantee issued to the Macau Government as disclosed in Note 22(c)(vi) under gaming subconcession to the consolidated financial statements.

- The Company has entered into two deeds of guarantee with third parties amounted to $35,000 to guarantee certain payment obligations of the City of Dreams' operations.

- Pursuant to the Commitment Letter for the Studio City Project Facility as disclosed in Note 11, the Studio City Borrower, among others, provided an indemnity on customary terms to the Studio City Lenders and their affiliates, including in connection with any breach of such Commitment Letter and related documents, such as a breach of warranty in respect of factual information and financial projections provided by or on behalf of the Company and the Studio City Borrower to the Studio City Lenders and their affiliates. On the same date, under the terms of an agreement between, among others, the Company and New Cotai Investments to regulate how indemnity claims under the Commitment Letter are dealt with and funded, the Company has indemnified New Cotai Investments and the Studio City Borrower in respect of any act or omission of the Company or its affiliates (other than Studio City International and its subsidiaries) resulting from such person's gross negligence, willful misconduct or bad faith.

- Under the Cooperation Agreement, Belle has irrevocably and unconditionally guaranteed to MCE Holdings Group the due and punctual observance, performance and discharge of all obligations of PLAI and each SM Group's company, and indemnified MCE Holdings Group against any and all loss incurred in connection with any default by the Philippine Parties under the Cooperation Agreement. MCE Leisure has likewise irrevocably and unconditionally guaranteed to each of the Philippine Parties the due and punctual observance, performance and discharge of all obligations of MCE Holdings Group, and indemnified the Philippine Parties against any and all loss incurred in connection with any default by MCE Holdings Group under the Cooperation Agreement.

- In October 2013, Studio City Developments entered into a trade credit facility of HK$200,000,000 (equivalent to $25,707) ("Trade Credit Facility") with a bank to meet certain payment obligations of the Studio City project. The Trade Credit Facility is available until August 31, 2017 and guaranteed by Studio City Company. As of December 31, 2015, approximately $1,335 of the Trade Credit Facility had been utilized.

- MCE Leisure has issued a corporate guarantee of PHP100,000,000 (equivalent to $2,120) to a bank in respect of surety bond issued to PAGCOR as disclosed in Note 22(c) under Regular/Provisional License.

(e) Litigation

On August 12, 2014, a subsidiary's Taiwan branch office and certain of its employees received indictment from the Taipei District Prosecutors Office for alleged violations of certain Taiwan banking and foreign exchange laws. In October 2015, the Taipei District Court rendered a not guilty verdict in favor of all defendants, on all charges alleging violation of Taiwan banking and foreign exchange laws. The Taipei District Court also lifted the freeze order on a deposit account in October 2015 and such deposit was released from restricted cash upon lifting of the freeze order. The case is now under appeal at the Taipei High Court. As of the date of this report, management believes that the Group's operations in Taiwan are in compliance with Taiwan laws and the legal proceedings would have no material impact on the Group's financial statements as a whole.

As of December 31, 2015, the Group is a party to certain other 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 financial statements as a whole.

23. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2015, 2014 and 2013, the Group entered into the following significant related party transactions:

		Year Ended December 31,		
Related companies	**Nature of transactions**	**2015**	**2014**	**2013**
Transactions with affiliated companies				
Crown's subsidiary	Consultancy fee expense	$ 461	$ 387	$ 370
	Purchase of property and equipment	771	830	371
	Software license fee expense	312	312	312
Lisboa Holdings Limited ("Lisboa")[1]	Office rental expense	1,597	1,810	895
Melco's subsidiaries and its associated companies	Consultancy fee expense	449	546	643
	Office rental expense	–	–	308
	Purchase of property and equipment	7,758	2,852	597
	Service fee expense[2]	728	775	802
	Other service fee income	1,609	632	510
	Rooms and food and beverage income	41	115	49
Shun Tak Holdings Limited's subsidiaries and its associated company (collectively referred to as the "Shun Tak Group")[1]	Office rental expense	238	199	171
	Traveling expense[3]	3,685	3,641	2,962
Sky Shuttle Helicopters Limited ("Sky Shuttle")[1]	Traveling expense	1,021	1,399	1,809
Sociedade de Jogos de Macau S.A. ("SJM")[1]	Traveling expense[3]	395	515	570
Sociedade de Turismo e Diversões de Macau, S.A. and its subsidiaries (collectively referred to as the "STDM Group")[1]	Office rental expense	1,451	1,457	1,405
	Service fee expense	194	203	222
	Traveling expense[3]	175	14	113

Notes

(1) Companies in which a relative/relatives of Mr. Lawrence Yau Lung Ho, the Company's Chief Executive Officer, has/have beneficial interests.

(2) The amounts mainly represent the Company's reimbursement to Melco's subsidiary for service fees incurred on its behalf for rental, office administration, travel and security coverage for the operation of the office of the Company's Chief Executive Officer.

(3) Traveling expenses including ferry and hotel accommodation services within Hong Kong and Macau.

Other Related Party Transaction

On December 18, 2014, MCE (IP) Holdings Limited ("MCE IP"), a subsidiary of the Company, and Crown Films LLC ("CFL"), a subsidiary of Crown, entered into an assignment agreement, under which CFL agreed to assign exclusively to MCE IP a 50% share of a short film and all related elements at a consideration of $15,619, representing 50% of the total production cost incurred by CFL as at the date of the assignment agreement. The short film was produced for the purpose of promoting the Company's properties in Asia and Crown's properties in Australia.

(a) *Amounts Due From Affiliated Companies*

The outstanding balances arising from operating income or prepayment of operating expenses as of December 31, 2015 and 2014 are as follows:

	December 31,	
	2015	**2014**
Melco's subsidiaries	$ 1,174	$ 1,077
Shun Tak Group	1	2
	$ 1,175	$ 1,079

The outstanding balances due from affiliated companies as of December 31, 2015 and 2014 as mentioned above are unsecured, non-interest bearing and repayable on demand.

(b) Amounts Due To Affiliated Companies

The outstanding balances arising from operating expenses and expenses paid by affiliated companies on behalf of the Group as of December 31, 2015 and 2014 are as follows:

	December 31,	
	2015	2014
Crown's subsidiary	$ 1,935	$ 930
Melco's subsidiary	–	1,933
Shun Tak Group	231	343
SJM	98	215
Sky Shuttle	87	130
STDM Group	87	75
Lisboa	26	–
	$ 2,464	$ 3,626

The outstanding balances due to affiliated companies as of December 31, 2015 and 2014 as mentioned above are unsecured, non-interest bearing and repayable on demand.

24. SEGMENT INFORMATION

The Group is principally engaged in the gaming and hospitality business in Asia and its principal operating and developmental activities occur in two geographic areas: Macau and the Philippines. The chief operating decision maker monitors its operations and evaluates earnings by reviewing the assets and operations of Mocha Clubs, Altira Macau, City of Dreams, Studio City, which commenced operations on October 27, 2015 and City of Dreams Manila, which commenced operations on December 14, 2014. Upon closing of the various agreements entered between MCP Group and the Philippine Parties for development and operation of City of Dreams Manila and the completion of the placing and subscription transaction of MCP during the year ended December 31, 2013, City of Dreams Manila has become one of the operating segments of the Group as of June 30, 2013. Taipa Square Casino is included within Corporate and Others.

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

Total Assets

	December 31,		
	2015	**2014**	**2013**
Macau:			
Mocha Clubs	$ 145,631	$ 173,150	$ 159,927
Altira Macau	496,455	501,105	573,814
City of Dreams	3,183,460	3,133,680	3,148,657
Studio City	3,769,284	3,902,717	2,504,332
Sub-total	7,594,830	7,710,652	6,386,730
The Philippines:			
City of Dreams Manila	941,926	1,064,459	631,377
Corporate and Others	1,725,553	1,485,669	1,686,179
Total consolidated assets	$ 10,262,309	$10,260,780	$ 8,704,286

Capital Expenditures

	Year Ended December 31,		
	2015	**2014**	**2013**
Macau:			
Mocha Clubs	$ 6,446	$ 13,116	$ 6,515
Altira Macau	18,404	21,984	5,464
City of Dreams	331,503	264,922	97,654
Studio City	968,696	907,455	440,826
Sub-total	1,325,049	1,207,477	550,459
The Philippines:			
City of Dreams Manila	98,884	405,196	359,854
Corporate and Others	31,909	24,632	2,042
Total capital expenditures	$ 1,455,842	$ 1,637,305	$ 912,355

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

	Year Ended December 31,		
	2015	2014	2013
NET REVENUES			
Macau:			
Mocha Clubs	$ 136,217	$ 147,373	$ 148,683
Altira Macau	574,848	744,850	1,033,801
City of Dreams	2,794,673	3,848,623	3,857,049
Studio City	125,303	1,767	1,093
Sub-total	3,631,041	4,742,613	5,040,626
The Philippines:			
City of Dreams Manila	300,409	7,564	–
Corporate and Others	43,350	52,132	46,552
Total net revenues	$ 3,974,800	$ 4,802,309	$ 5,087,178
ADJUSTED PROPERTY EBITDA [(1)]			
Macau:			
Mocha Clubs	$ 30,259	$ 36,337	$ 40,222
Altira Macau	36,261	84,795	147,340
City of Dreams	798,504	1,165,632	1,193,211
Studio City	11,594	(1,296)	(1,059)
Sub-total	876,618	1,285,468	1,379,714
The Philippines:			
City of Dreams Manila	55,366	6	(603)
Total adjusted property EBITDA	931,984	1,285,474	1,379,111
OPERATING COSTS AND EXPENSES			
Payments to the Philippine Parties	(16,547)	(870)	–
Pre-opening costs	(168,172)	(90,556)	(13,969)
Development costs	(110)	(10,734)	(26,297)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,237)
Amortization of land use rights	(54,056)	(64,471)	(64,271)
Depreciation and amortization	(359,341)	(246,686)	(261,298)
Land rent to Belle	(3,476)	(3,562)	(3,045)
Share-based compensation	(20,827)	(20,401)	(14,987)
Property charges and others	(38,068)	(8,698)	(6,884)
Gain on disposal of assets held for sale	–	22,072	–
Corporate and Others expenses	(115,735)	(118,971)	(91,299)

	Year Ended December 31,		
	2015	2014	2013
Total operating costs and expenses	(833,569)	(600,114)	(539,287)
OPERATING INCOME	$ 98,415	$ 685,360	$ 839,824
NON-OPERATING INCOME (EXPENSES)			
Interest income	$ 13,900	$ 20,025	$ 7,660
Interest expenses, net of capitalized interest	(118,330)	(124,090)	(152,660)
Amortization of deferred financing costs	(38,511)	(28,055)	(18,159)
Loan commitment and other finance fees	(7,328)	(18,976)	(25,643)
Foreign exchange loss, net	(2,156)	(6,155)	(10,756)
Other income, net	2,317	2,313	1,661
Loss on extinguishment of debt	(481)	–	(50,935)
Costs associated with debt modification	(7,603)	–	(10,538)
Total non-operating expenses, net	(158,192)	(154,938)	(259,370)
(LOSS) INCOME BEFORE INCOME TAX	(59,777)	530,422	580,454
INCOME TAX EXPENSE	(1,031)	(3,036)	(2,441)
NET (LOSS) INCOME	(60,808)	527,386	578,013
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	166,555	80,894	59,450
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED	$ 105,747	$ 608,280	$ 637,463

Note:

(1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle, gain on disposal of assets held for sale, Corporate and Others expenses, and other non-operating income and expenses. The chief operating decision maker uses Adjusted property EBITDA to measure the operating performance of Mocha Clubs, Altira Macau, City of Dreams, Studio City and City of Dreams Manila and to compare the operating performance of its properties with those of its competitors.

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

Long-lived Assets

	December 31,		
	2015	**2014**	**2013**
Macau	$ 6,355,934	$ 5,366,692	$ 4,503,982
The Philippines	691,729	728,999	334,827
Hong Kong and other foreign countries	2,390	1,817	1,289
Total long-lived assets	$ 7,050,053	$ 6,097,508	$ 4,840,098

25. CHANGE IN SHAREHOLDING OF THE PHILIPPINE SUBSIDIARIES

On April 8, 2013, the Company through its subsidiary, MCE (Philippines) Investments Limited ("MCE Investments"), subscribed for 2,846,595,000 common shares of MCP at a total consideration of PHP2,846,595,000 (equivalent to $69,592 based on exchange rate on transaction date), which increased the Company's shareholding in MCP and the Group recognized an increase of $401 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MCP.

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 of 981,183,700 common shares of MCP at the offer price of PHP14 per share (equivalent to $0.34 per share) (the "Offer"). MCE Investments then used the proceeds from the Offer to subscribe for an equivalent number of common shares of MCP at the subscription price of PHP14 per share (equivalent to $0.34 per share). In connection with the Offer, MCE Investments granted an over-allotment option (the "Over-allotment Option") of up to 117,075,000 common shares of MCP at the offer price of PHP14 per share (equivalent to $0.34 per share) to a stabilizing agent (the "Stabilizing Agent"). On May 23, 2013, the Stabilizing Agent exercised the Over-allotment Option and subscribed for 36,024,600 common shares of MCP at the offer price of PHP14 per share (equivalent to $0.34 per share). MCE Investments then used the proceeds from the Over-allotment Option to subscribe for an equivalent number of common shares of MCP at the subscription price of PHP14 per share (equivalent to $0.34 per share). The aforesaid transactions decreased the Company's shareholding in MCP and the Group recognized an increase of $227,134 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MCP.

In March and April 2014, there are minor changes in ownership of MCP by the Group. The Company through its subsidiary, MCE (Philippines) Investments No.2 Corporation, acquired additional 400 common shares and 3,000 common shares of MCP under trust arrangements on March 13, 2014 and April 11, 2014, respectively. On March 31, 2014, MCE Investments sold 200 common shares of MCP to two independent directors of MCP.

On June 24, 2014, MCP and MCE Investments completed a placing and subscription transaction (the "2014 Placing and Subscription Transaction"), under which MCE Investments offered and sold in a private placement to various institutional investors of 485,177,000 common shares of MCP at the offer price of PHP11.30 per share (equivalent to $0.26 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 PHP11.30 per share (equivalent to $0.26 per share). The aforesaid transactions decreased the Company's shareholding in MCP and the Group recognized an increase of $57,293 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MCP.

On November 23, 2015, the Company through MCE Investments, subscribed for 693,500,000 common shares of MCP at a total consideration of PHP2,704,650,000 (equivalent to $57,681 based on exchange rate on transaction date), which increased the Company's shareholding in MCP and the Group recognized a decrease of $7,368 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MCP.

For the year ended December 31, 2015, 38,375,178 of restricted shares under the MCP Share Incentive Plan were vested (further details please refer to Note 17), which decreased the Company's shareholding in MCP and the Group recognized a decrease of $1,740 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MCP.

During the year ended December 31, 2015, the total transfers to noncontrolling interest amounted to $9,108 and during the years ended December 31, 2014 and 2013, the total transfers from noncontrolling interests amounted to $57,293 and $227,535, respectively, in relation to transactions as described above. The Group retains its controlling financial interest in MCP before and after the above transactions.

The schedule below discloses the effects of changes in the Company's ownership interest in MCP on the Company's equity:

	Year Ended December 31,		
	2015	2014	2013
Net income attributable to Melco Crown Entertainment Limited	$ 105,747	$ 608,280	$ 637,463
Transfers (to) from noncontrolling interests:			
Decrease in Melco Crown Entertainment Limited additional paid-in capital resulting from subscription of 693,500,000 common shares of MCP	(7,368)	–	–
Decrease in Melco Crown Entertainment Limited additional paid-in capital resulting from the vesting of restricted shares under the MCP Share Incentive Plan	(1,740)	–	–
Increase in Melco Crown Entertainment Limited additional paid-in capital resulting from the 2014 Placing and Subscription Transaction for subscription of common shares of MCP	–	57,293	–
Increase in Melco Crown Entertainment Limited additional paid-in capital resulting from the Placing and Subscription Transaction and the Over-allotment Option exercised by the Stabilizing Agent for subscription of common shares of MCP	–	–	227,134
Increase in Melco Crown Entertainment Limited additional paid-in capital resulting from subscription of 2,846,595,000 common shares of MCP	–	–	401
Changes from net income attributable to Melco Crown Entertainment Limited's shareholders and transfers from noncontrolling interests	$ 96,639	$ 665,573	$ 864,998

26. SUBSEQUENT EVENT

On March 18, 2016, the Board of Directors of the Company approved a modification to lower the exercise prices and extend the vesting schedules of certain outstanding share options held by active employees as of March 18, 2016. A total of 4,572,234 share options awarded in 2013, 2014 and 2015 under the 2011 Share Incentive Plan were modified to state an exercise price of $17.27 per ADS or $5.7567 per share, which reflected the closing price of the Company's ADS on the NASDAQ Global Select Market on the modification date.

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data)

	December 31,	
	2015	**2014**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 18,850	$ 7,708
Bank deposits with original maturity over three months	47,943	–
Amount due from an affiliated company	184	1,091
Amounts due from subsidiaries	150,323	238,090
Income tax receivable	62	–
Prepaid expenses and other current assets	3,823	7,565
Total current assets	221,185	254,454
INVESTMENTS IN SUBSIDIARIES	5,940,761	5,915,023
TOTAL ASSETS	$ 6,161,946	$ 6,169,477
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accrued expenses and other current liabilities	$ 3,270	$ 2,920
Income tax payable	–	239
Amount due to an affiliated company	320	24
Amounts due to subsidiaries	184,549	183,872
Total current liabilities	188,139	187,055
ADVANCE FROM A SUBSIDIARY	1,634,005	1,696,090
OTHER LONG-TERM LIABILITIES	169	191

	December 31, 2015	December 31, 2014
SHAREHOLDERS' EQUITY		
Ordinary shares at US$0.01 par value per share (Authorized – 7,300,000,000 shares as of December 31, 2015 and 2014 and issued – 1,630,924,523 and 1,633,701,920 shares as of December 31, 2015 and 2014, respectively)	16,309	16,337
Treasury shares, at cost (12,935,230 and 17,684,386 shares as of December 31, 2015 and 2014, respectively)	(275)	(33,167)
Additional paid-in capital	3,075,459	3,092,943
Accumulated other comprehensive losses	(21,934)	(17,149)
Retained earnings	1,270,074	1,227,177
Total shareholders' equity	4,339,633	4,286,141
TOTAL LIABILITIES AND EQUITY	$ 6,161,946	$ 6,169,477

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2015	**2014**	**2013**
REVENUE	$ –	$ –	$ –
OPERATING EXPENSES			
General and administrative	(30,843)	(33,887)	(33,345)
Property charges and others	(907)	–	–
Total operating expenses	(31,750)	(33,887)	(33,345)
OPERATING LOSS	(31,750)	(33,887)	(33,345)
NON-OPERATING INCOME (EXPENSES)			
Interest income	992	3	(403)
Interest expenses, net of capitalized interest	–	–	(4,274)
Amortization of deferred financing costs	–	–	(748)
Foreign exchange (loss) gain, net	(108)	569	(1,231)
Other income, net	19,118	22,325	20,366
Loss on extinguishment of debt	–	–	(679)
Share of results of subsidiaries	118,046	620,023	658,016
Total non-operating income, net	138,048	642,920	671,047
INCOME BEFORE INCOME TAX	106,298	609,033	637,702
INCOME TAX EXPENSE	(551)	(753)	(239)
NET INCOME	$ 105,747	$ 608,280	$ 637,463

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2015	**2014**	**2013**
Net income	$ 105,747	$ 608,280	$ 637,463
Other comprehensive loss:			
Foreign currency translation adjustment	(4,767)	(1,538)	(14,535)
Change in fair value of interest rate swap agreements	(18)	(19)	–
Other comprehensive loss	(4,785)	(1,557)	(14,535)
Total comprehensive income attributable to Parent Company	$ 100,962	$ 606,723	$ 622,928

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2015	**2014**	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 105,747	$ 608,280	$ 637,463
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Share-based compensation	13,734	12,576	11,249
Amortization of deferred financing costs	–	–	748
Loss on extinguishment of debt	–	–	679
Dividend received from a subsidiary	150,000	420,000	–
Share of results of subsidiaries	(118,046)	(620,023)	(658,016)
Changes in operating assets and liabilities:			
Amount due from an affiliated company	907	(1,091)	1,113
Income tax receivable	(301)	–	–
Prepaid expenses and other current assets	983	(2,429)	(367)
Accrued expenses and other current liabilities	350	584	(4,129)
Income tax payable	–	111	394
Amount due to a shareholder	–	(67)	67
Amounts due to affiliated companies	296	(1,759)	1,724
Amounts due to subsidiaries	964	2,053	1,189
Other long-term liabilities	(22)	191	–
Net cash provided by (used in) operating activities	154,612	418,426	(7,886)
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement of bank deposits with original maturity over three months	(144,730)	–	–
Advances to subsidiaries	(63,246)	(155,883)	(497,325)
Repayment of advance to a subsidiary	–	400	1,337
Change in restricted cash	–	–	368,177
Amounts due from subsidiaries	90,245	(167,606)	1,800
Withdrawals of bank deposits with original maturity over three months	96,787	–	–
Net cash used in investing activities	(20,944)	(323,089)	(126,011)

	Year Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of advance from a subsidiary	(105,398)	–	–
Dividends paid	(62,850)	(342,718)	–
Repurchase of shares for retirement	–	(300,495)	–
Purchase of shares under trust arrangement for future vesting of restricted shares	–	(1,721)	(8,770)
Principal payments on long-term debt	–	–	(721,455)
Proceeds from exercise of share options	2,409	–	4,017
Advance from a subsidiary	43,313	553,891	860,632
Net cash (used in) provided by financing activities	(122,526)	(91,043)	134,424
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,142	4,294	527
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,708	3,414	2,887
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 18,850	$ 7,708	$ 3,414

ADDITIONAL INFORMATION – FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
NOTES TO FINANCIAL STATEMENT SCHEDULE 1
(In thousands of U.S. dollars, except share and per share data)

1. Schedule 1 has been provided pursuant to the requirements of Rule 12-04(a) and 4-08(e)(3) of Regulation S-X, which require condensed financial information as to financial position, cash flows and results and operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of end of the most recently completed fiscal year. As of December 31, 2015 and 2014, approximately $4,054,000 and $3,786,000, respectively, of the restricted net assets were not available for distribution, and as such, the condensed financial information of the Company has been presented for the years ended December 31, 2015, 2014 and 2013. The Company received cash dividend of $150,000, 420,000 and nil from its subsidiary during the years ended December 31, 2015, 2014 and 2013, respectively.

2. Basis of Presentation

   The condensed financial information has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the parent company has used equity method to account for its investments in subsidiaries.

4. The following is the text of the report from Deloitte Touche Tohmatsu in respect of the MCE 2015 financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Melco Crown Entertainment Limited:

We have audited the accompanying consolidated balance sheets of Melco Crown Entertainment Limited and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule included in Schedule 1. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

As discussed in Note 2(aa)(i) to the consolidated financial statements, the accompanying consolidated balance sheets as of December 31, 2014 and 2015 have been adjusted for the retrospective application of the authoritative guidance on the presentation of debt issuance costs which was adopted by the Company on January 1, 2016.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 12, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
April 12, 2016 (December 14, 2016 as to Notes 2(aa)(i), 8, 11 and 24)

5. The following is an extract of the unaudited condensed consolidated financial statements of Melco Crown Entertainment for the nine months ended September 30, 2015 and 2016 (the "MCE September 2016 financial statements"), which were prepared in accordance with U.S. GAAP, from the report of Melco Crown Entertainment on Form 6-K and the exhibits thereto furnished to the SEC on December 14, 2016.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data)

	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,631,447	$ 1,611,026
Bank deposits with original maturity over three months	92,819	724,736
Restricted cash	202,600	317,118
Accounts receivable, net *(Note 3)*	189,307	271,627
Amounts due from affiliated companies	1,394	1,175
Amount due from a shareholder	164	–
Deferred tax assets	–	19
Income tax receivable	–	62
Inventories	33,667	33,074
Prepaid expenses and other current assets	69,507	61,324
Total current assets	2,220,905	3,020,161
PROPERTY AND EQUIPMENT, NET *(Note 4)*	5,714,021	5,760,229
GAMING SUBCONCESSION, NET	327,629	370,557
INTANGIBLE ASSETS	4,220	4,220
GOODWILL	81,915	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	170,027	192,012
DEFERRED TAX ASSETS	121	83
LAND USE RIGHTS, NET	816,020	833,132
TOTAL ASSETS	$ 9,334,858	$ 10,262,309

	September 30, 2016	December 31, 2015
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 17,783	$ 15,588
Accrued expenses and other current liabilities *(Note 5)*	1,299,913	1,056,850
Income tax payable	5,242	3,487
Capital lease obligations, due within one year	31,036	29,792
Current portion of long-term debt, net *(Note 6)*	117,393	102,836
Amount due to ultimate holding company	20	–
Amounts due to affiliated companies	2,770	2,464
Total current liabilities	1,474,157	1,211,017
LONG-TERM DEBT, NET *(Note 6)*	3,667,778	3,712,396
OTHER LONG-TERM LIABILITIES	46,868	80,962
DEFERRED TAX LIABILITIES	54,934	55,598
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR	269,112	270,477
COMMITMENTS AND CONTINGENCIES *(Note 12)*		
SHAREHOLDERS' EQUITY		
Ordinary shares at US$0.01 par value per share (Authorized – 7,300,000,000 shares as of September 30, 2016 and December 31, 2015 and issued – 1,475,924,523 and 1,630,924,523 shares as of September 30, 2016 and December 31, 2015, respectively *(Note 8)*)	$ 14,759	$ 16,309
Treasury shares, at cost (12,416,017 and 12,935,230 shares as of September 30, 2016 and December 31, 2015, respectively *(Note 8)*)	(124)	(275)
Additional paid-in capital	2,776,599	3,075,459
Accumulated other comprehensive losses	(23,248)	(21,934)
Retained earnings	546,090	1,270,074
Total Melco Crown Entertainment Limited shareholders' equity	3,314,076	4,339,633
Noncontrolling interests	507,933	592,226
Total equity	3,822,009	4,931,859
TOTAL LIABILITIES AND EQUITY	$ 9,334,858	$ 10,262,309

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share and per share data)

	Nine Months Ended September 30,	
	2016	**2015**
OPERATING REVENUES		
Casino	$ 3,076,823	$ 2,786,170
Rooms	195,951	138,591
Food and beverage	129,611	89,213
Entertainment, retail and others	145,118	76,063
Gross revenues	3,547,503	3,090,037
Less: promotional allowances	(220,985)	(173,267)
Net revenues	3,326,518	2,916,770
OPERATING COSTS AND EXPENSES		
Casino	(2,154,024)	(1,962,154)
Rooms	(24,958)	(15,341)
Food and beverage	(47,569)	(24,024)
Entertainment, retail and others	(82,491)	(51,528)
General and administrative	(326,081)	(273,733)
Payments to the Philippine Parties	(24,475)	(11,994)
Pre-opening costs	(2,212)	(115,671)
Development costs	(7)	(57)
Amortization of gaming subconcession	(42,928)	(42,928)
Amortization of land use rights	(17,112)	(48,353)
Depreciation and amortization	(354,704)	(249,400)
Property charges and others	(2,809)	(5,339)
Total operating costs and expenses	(3,079,370)	(2,800,522)
OPERATING INCOME	247,148	116,248
NON-OPERATING INCOME (EXPENSES)		
Interest income	4,213	10,771
Interest expenses, net of capitalized interest	(167,397)	(74,214)
Amortization of deferred financing costs	(36,728)	(26,875)
Loan commitment and other finance fees	(5,724)	(4,964)
Foreign exchange gain (loss), net	10,275	(3,537)
Other income, net	2,636	1,582
Loss on extinguishment of debt	–	(481)
Costs associated with debt modification	–	(592)
Total non-operating expenses, net	(192,725)	(98,310)

	Nine Months Ended September 30,	
	2016	2015
INCOME BEFORE INCOME TAX	54,423	17,938
INCOME TAX EXPENSE *(Note 9)*	(4,016)	(765)
NET INCOME	50,407	17,173
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	82,223	100,913
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED	$ 132,630	$ 118,086
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED PER SHARE:		
Basic	$ 0.086	$ 0.073
Diluted	$ 0.086	$ 0.073
WEIGHTED AVERAGE SHARES USED IN NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED PER SHARE CALCULATION:		
Basic	1,534,527,893	1,617,033,893
Diluted	1,542,641,243	1,627,249,911
DIVIDENDS DECLARED PER SHARE	$ 0.2282	$ 0.0328

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net income	$ 50,407	$ 17,173
Other comprehensive loss:		
Foreign currency translation adjustment	(2,602)	(8,614)
Change in fair value of interest rate swap agreements	58	(8)
Other comprehensive loss	(2,544)	(8,622)
Total comprehensive income	47,863	8,551
Comprehensive loss attributable to noncontrolling interests	83,453	105,129
Comprehensive income attributable to Melco Crown Entertainment Limited	$ 131,316	$ 113,680

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars, except share and per share data)

	Melco Crown Entertainment Limited Shareholders' Equity								
	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Losses	Retained Earnings	Noncontrolling Interests	Total Equity
	Shares	Amount	Shares	Amount					
BALANCE AT JANUARY 1, 2016	1,630,924,523	$ 16,309	(12,935,230)	$ (275)	$ 3,075,459	$ (21,934)	$ 1,270,074	$ 592,226	$ 4,931,859
Net income (loss) for the period	–	–	–	–	–	–	132,630	(82,223)	50,407
Foreign currency translation adjustment	–	–	–	–	–	(1,349)	–	(1,253)	(2,602)
Change in fair value of interest rate swap agreements	–	–	–	–	–	35	–	23	58
Share-based compensation *(Note 10)*	–	–	–	–	14,195	–	–	547	14,742
Transfer of shares purchased under trust arrangement for restricted shares vested *(Note 8)*	–	–	18,213	146	(146)	–	–	–	–
Share repurchased for retirement *(Note 8)*	–	–	(155,000,000)	(803,171)	–	–	–	–	(803,171)
Retirement of shares *(Note 8)*	(155,000,000)	(1,550)	155,000,000	803,171	(203,496)	–	(598,125)	–	–
Issuance of shares for restricted shares vested *(Note 8)*	–	–	303,318	3	(3)	–	–	–	–
Exercise of share options *(Note 8)*	–	–	197,682	2	456	–	–	–	458
Transfer of property and equipment between subsidiaries	–	–	–	–	55	–	–	(55)	–
Change in shareholding of the Philippine subsidiaries	–	–	–	–	(1,282)	–	–	(1,332)	(2,614)
Dividends declared ($0.2282 per share) *(Note 11)*	–	–	–	–	(108,639)	–	(258,489)	–	(367,128)
BALANCE AT SEPTEMBER 30, 2016	1,475,924,523	$ 14,759	(12,416,017)	$ (124)	$ 2,776,599	$ (23,248)	$ 546,090	$ 507,933	$ 3,822,009

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by operating activities	$ 904,741	$ 373,671
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for capitalized construction costs	(301,225)	(816,893)
Payment for acquisition of property and equipment	(111,282)	(200,829)
Placement of bank deposits with original maturity over three months	(92,819)	(720,557)
Payment for land use rights	(3,788)	(31,678)
Deposits for acquisition of property and equipment	(3,557)	(28,564)
Advance payments for construction costs	(199)	(8,577)
Payment for entertainment production costs	(33)	(2,750)
Payment for security deposit	–	(1,389)
Escrow funds refundable to the Philippine Parties	–	24,643
Proceeds from sale of property and equipment	26,216	83
Changes in restricted cash	114,433	857,211
Withdrawals of bank deposits with original maturity over three months	724,736	123,469
Net cash provided by (used in) investing activities	352,482	(805,831)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares for retirement	(803,085)	–
Dividends paid	(367,128)	(52,980)
Principal payments on long-term debt	(54,762)	(68,680)
Payment of deferred financing costs	(7,727)	(46,815)
Purchase of shares of a subsidiary	(2,614)	–
Principal payments on capital lease obligations	(33)	(126)
Proceeds from long-term debt	–	148,298
Proceeds from exercise of share options	459	4,976
Net cash used in financing activities	(1,234,890)	(15,327)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	(1,912)	(8,484)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,421	(455,971)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,611,026	1,597,655
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,631,447	$ 1,141,684

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS		
Cash paid for interest (net of capitalized interest)	$ (156,671)	$ (81,041)
Cash paid for income tax (net of income tax refunds)	(2,881)	(4,291)
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Costs of property and equipment funded through accrued expenses and other current liabilities and other long-term liabilities	51,268	34,821
Construction costs funded through accrued expenses and other current liabilities and other long-term liabilities	37,979	165,992
Deferred financing costs funded through accrued expenses and other current liabilities	–	1,097
Proceeds from sale of property and equipment offset by escrow funds refundable to the Philippine Parties	24,644	–
Proceeds from sale of property and equipment unsettled and included in prepaid expenses and other current assets	2,618	–

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except share and per share data)

1. COMPANY INFORMATION

Melco Crown Entertainment Limited (the “Company”) was incorporated in the Cayman Islands, with its American depository shares (“ADS”) listed on the NASDAQ Global Select Market under the symbol “MPEL” in the United States of America and its ordinary shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) under the stock code of “6883” in the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”) until 4:00 p.m. on July 3, 2015, the date of the Company completed the voluntary withdrawal of the listing of its ordinary shares on the Main Board of the Hong Kong Stock Exchange.

The Company together with its subsidiaries (collectively referred to as the “Group”) is a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia. The Group currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People’s Republic of China (“Macau”), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Taipa Square Casino, a casino located at Taipa, Macau. The Group’s business also includes the Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. The Group also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau, which commenced operations on October 27, 2015. In the Philippines, Melco Crown (Philippines) Resorts Corporation (“MCP”), a majority-owned subsidiary of the Company whose common shares are listed on The Philippine Stock Exchange, Inc. under the stock code of “MCP”, through MCP’s subsidiary, MCE Leisure (Philippines) Corporation (“MCE Leisure”), 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.

As of December 31, 2015, the major shareholders of the Company were Melco International Development Limited (“Melco”), a Hong Kong-listed company, and Crown Resorts Limited (“Crown”), an Australian-listed corporation.

On May 9, 2016, the Company completed a repurchase of its 155,000,000 ordinary shares from a subsidiary of Crown and canceled the repurchased shares, followed by certain changes in the composition of the Board of Directors of the Company. Upon completion of this transaction, Melco became the controlling shareholder of the Company and for accounting purpose, the ultimate holding company of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Principles of Consolidation

The unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial reporting. The results of operations for the nine months ended September 30, 2016 and 2015 are not necessarily indicative of the results for the full year. The financial information as of December 31, 2015 presented in the unaudited condensed consolidated financial statements is derived from the Company's audited consolidated financial statements as of December 31, 2015 included in Form 6-K furnished to the U.S. Securities and Exchange Commission by the Company in December 2016.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments consisting only of normal recurring adjustments, which are necessary for a fair presentation of financial results of such periods.

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared using the same accounting policies as used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2015.

(b) 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 in Macau and the Philippines, 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 September 30, 2016 and December 31, 2015, a substantial portion of the Group's markers were due from customers 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.

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. Management believes that as of September 30, 2016 and December 31, 2015, no significant concentrations of credit risk existed for which an allowance for doubtful debts had not already been recorded.

(c) Gaming Taxes and License Fees

The Group is subject to taxes and license fees based on gross gaming revenue and other metrics in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. These gaming taxes and license fees are determined mainly from an assessment of the Group's gaming revenue and are recorded as an expense within the "Casino" line item in the unaudited condensed consolidated statements of operations. These taxes and license fees totaled $1,346,388 and $1,279,168 for the nine months ended September 30, 2016 and 2015, respectively.

(d) Net Income Attributable to Melco Crown Entertainment Limited Per Share

Basic net income attributable to Melco Crown Entertainment Limited per share is calculated by dividing the net income attributable to Melco Crown Entertainment Limited by the weighted average number of ordinary shares outstanding during the period.

Diluted net income attributable to Melco Crown Entertainment Limited per share is calculated by dividing the net income attributable to Melco Crown Entertainment Limited by the weighted average number of ordinary shares outstanding during the period adjusted to include the potentially dilutive effect of outstanding share-based awards.

The weighted average number of ordinary and ordinary equivalent shares used in the calculation of basic and diluted net income attributable to Melco Crown Entertainment Limited per share consisted of the following:

	Nine Months Ended September 30,	
	2016	2015
Weighted average number of ordinary shares outstanding used in the calculation of basic net income attributable to Melco Crown Entertainment Limited per share	1,534,527,893	1,617,033,893
Incremental weighted average number of ordinary shares from assumed vesting of restricted shares and exercise of share options using the treasury stock method	8,113,350	10,216,018
Weighted average number of ordinary shares outstanding used in the calculation of diluted net income attributable to Melco Crown Entertainment Limited per share	1,542,641,243	1,627,249,911

During the nine months ended September 30, 2016 and 2015, 9,409,494 and 4,930,161 outstanding share options and 3,169,488 and 633,062 outstanding restricted shares as at September 30, 2016 and 2015, respectively, were excluded from the computation of diluted net income attributable to Melco Crown Entertainment Limited per share as their effect would have been anti-dilutive.

(e) Accounting for Derivative Instruments and Hedging Activities

The Group uses derivative financial instruments such as floating-for-fixed interest rate swap agreements to manage its risks associated with interest rate fluctuations in accordance with lenders' requirements under the Group's Studio City Project Facility. All derivative instruments are recognized in the unaudited condensed consolidated financial statements at fair value at the balance sheet date. Any changes in fair value are recorded in the unaudited condensed consolidated statements of operations or accumulated other comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge.

(f) Comprehensive Income and Accumulated Other Comprehensive Losses

Comprehensive income includes net income, foreign currency translation adjustment and change in fair value of interest rate swap agreements and is reported in the unaudited condensed consolidated statements of comprehensive income.

As of September 30, 2016 and December 31, 2015, the Group's accumulated other comprehensive losses consisted of the following:

	September 30, 2016	December 31, 2015
Foreign currency translation adjustment	$ (23,246)	$ (21,897)
Change in the fair value of interest rate swap agreements	(2)	(37)
	$ (23,248)	$ (21,934)

(g) Recent Changes in Accounting Standards

Newly Adopted Accounting Pronouncements:

In January 2015, the Financial Accounting Standards Board ("FASB") issued a new pronouncement which eliminates from U.S. GAAP the concept of an extraordinary item, which is an event or transaction that is both unusual in nature and infrequently occurring. As a result of the amendment, an entity will no longer segregate an extraordinary item from the results of ordinary operations; separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or disclose income taxes and earnings-per-share data applicable to an extraordinary item. The adoption of this guidance was effective for the Group as of January 1, 2016 and did not have a material impact on the Group's unaudited condensed consolidated financial statements.

In April 2015, the FASB issued an accounting standard update that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, the FASB issued an accounting standard update which clarifies that the guidance issued in April 2015 is not required to be applied to line-of-credit arrangements. The debt issuance costs related to line-of-credit arrangements shall be continue to be presented as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the arrangement. The guidance was effective as of January 1, 2016 and the Group adopted the new guidance on a retrospective basis. As a result, debt issuance costs of $143,804 related to the Group's non-current portion of long-term debt (excluding revolving credit facilities) were reclassified from deferred financing costs, net to a direct reduction of the long-term debt, net; debt issuance costs of $3,669 related to the Group's current portion of long-term debt (excluding revolving credit facilities) were reclassified from deferred financing costs, net to a direct reduction of the current portion of long-term debt, net; and debt insurance costs of $32,335 related to the Group's revolving credit facilities were reclassified from deferred financing costs, net to long term prepayments, deposits and other assets in the accompanying unaudited condensed consolidated balance sheet as of December 31, 2015.

Recent Accounting Pronouncements Not Yet Adopted:

In May 2014, the FASB issued an accounting standard update which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principal of this new revenue recognition model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This update also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued an accounting standard update which defers the effective date of the new revenue recognition accounting guidance by one year, to annual periods beginning after December 15, 2017, and early adoption is permitted for annual periods beginning after December 15, 2016. From March 2016 through May 2016, the FASB issued accounting standard updates which amend and further clarify the new revenue guidance such as reporting revenue as a principal versus agent, identifying performance obligations, accounting for intellectual property licenses, assessing collectability and presentation of sales taxes. The guidance can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the potential impact of adopting this guidance on the Group's unaudited condensed consolidated financial statements.

In August 2016, the FASB issued an accounting standard update which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance is effective for interim and fiscal years beginning after December 15, 2017, with early adoption is permitted. The guidance should be applied retrospectively. The adoption of this guidance is not expected to have a material impact on the Group's unaudited condensed consolidated financial statements.

In October, 2016, the FASB issued an accounting standard update which improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This guidance removes the prohibition on the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory, and requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The guidance is effective for fiscals years beginning after December 15, 2017, with early adoption permitted. The guidance should be applied at the beginning of the period of adoption using a modified retrospective approach. Management is currently assessing the potential impact of adopting this guidance on the Group's unaudited condensed consolidated financial statements.

In November 2016, the FASB issued an accounting standard update which amends and clarifies the guidance on the classification and presentation of restricted cash in the statement of cash flows. The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. Accordingly, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance is effective for fiscals years beginning after December 15, 2017, with early adoption permitted. The guidance should be applied retrospectively to all prior periods. The adoption of this guidance will impact the presentation and classification of restricted cash in the Group's unaudited condensed consolidated statements of cash flows.

3. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable, net are as follows:

	September 30, 2016	December 31, 2015
Casino	$ 435,927	$ 466,259
Hotel	3,000	8,427
Other	5,323	7,698
Sub-total	444,250	482,384
Less: allowance for doubtful debts	(254,943)	(210,757)
	$ 189,307	$ 271,627

During the nine months ended September 30, 2016 and 2015, the Group has provided allowance for doubtful debts, net of recoveries of $51,797 and $26,806 and has directly written off accounts receivable of $3,039 and $129, respectively.

4. PROPERTY AND EQUIPMENT, NET

	September 30, 2016	December 31, 2015
Cost		
Buildings	$ 5,148,548	$ 4,944,672
Furniture, fixtures and equipment	897,495	885,724
Leasehold improvements	760,146	775,422
Plant and gaming machinery	226,893	228,591
Transportation	87,370	88,590
Construction in progress	631,211	563,720
Sub-total	7,751,663	7,486,719
Less: accumulated depreciation and amortization	(2,037,642)	(1,726,490)
Property and equipment, net	$ 5,714,021	$ 5,760,229

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	September 30, 2016	December 31, 2015
Outstanding gaming chips and tokens	$ 462,689	$ 184,223
Staff cost accruals	182,150	123,978
Gaming tax accruals	180,091	185,223
Construction costs payables	160,168	189,592
Customer deposits and ticket sales	117,582	83,265
Operating expense and other accruals and liabilities	116,889	143,318
Property and equipment payables	47,273	87,291
Interest expenses payable	33,071	32,755
Escrow funds refundable to the Philippine Parties	–	23,417
Land use rights payable	–	3,788
	$ 1,299,913	$ 1,056,850

6. LONG-TERM DEBT, NET

Long-term debt, net consisted of the following:

	September 30, 2016	December 31, 2015
Studio City Project Facility (net of unamortized deferred financing costs of $32,948 and $51,845 as of September 30, 2016 and December 31, 2015, respectively)	$ 1,223,871	$ 1,243,844
2013 Senior Notes (net of unamortized deferred financing costs of $55,452 and $63,486 as of September 30, 2016 and December 31, 2015, respectively)	944,548	936,514
Studio City Notes (net of unamortized deferred financing costs of $13,218 and $15,129 as of September 30, 2016 and December 31, 2015, respectively)	811,782	809,871
2015 Credit Facilities (net of unamortized deferred financing costs of $10,473 and $12,399 as of September 30, 2016 and December 31, 2015, respectively)	479,533	488,886
Philippine Notes (net of unamortized deferred financing costs of $3,491 and $4,614 as of September 30, 2016 and December 31, 2015, respectively)	307,345	313,412
Aircraft Term Loan	18,092	22,705
	3,785,171	3,815,232
Current portion of long-term debt (net of unamortized deferred financing costs of $2,765 and $3,669 as of September 30, 2016 and December 31, 2015, respectively)	(117,393)	(102,836)
	$ 3,667,778	$ 3,712,396

During the nine months ended September 30, 2016, there is no significant change to the terms of the long-term debt as disclosed in the Company's audited consolidated financial statements as of December 31, 2015, except for the following:

2015 Credit Facilities

During the nine months ended September 30, 2016, the Group repaid HK$87,750,000 (equivalent to $11,279) of the term loan facility under the 2015 Credit Facilities according to the quarterly amortization schedule. As of September 30, 2016, the entire revolving credit facility under the 2015 credit facilities of HK$9,750,000,000 (equivalent to $1,250,000 based on exchange rate on transaction date) remains available for future drawdown.

Studio City Project Facility

During the nine months ended September 30, 2016, the Group repaid HK$302,413,800 (equivalent to $38,870) of the term loan facility under the Studio City Project Facility according to the quarterly amortization schedule. As of September 30, 2016, the entire revolving credit facility under the Studio City Project Facility of HK$775,420,000 (equivalent to $99,668) remains available for future drawdown, subject to satisfaction of certain conditions precedent.

On November 30, 2016, the term loan facility under the Studio City Project Facility was repaid in full through the net proceeds from the issuance of senior secured notes and cash on hand, as described in Note 15. Accordingly, $84,518 of the current portion of long-term debt (net of unamortized deferred financing costs) was refinanced on a long-term basis and has been excluded from current liabilities as of September 30, 2016. The remaining current portion of long-term debt (net of unamortized deferred financing costs) of $66,889 as of September 30, 2016 represented the obligation that settled with cash on hand.

Philippine Credit Facility

The Philippine Credit Facility availability period was extended from August 31, 2016 to November 29, 2016 in September 2016 and further extended to February 28, 2017 in December 2016.

Total interest on long-term debt consisted of the following:

	Nine Months Ended September 30,	
	2016	**2015**
Interest for Studio City Notes	$ 52,594	$ 52,594
Interest for Studio City Project Facility	46,274	45,930
Interest for 2013 Senior Notes	37,500	37,500
Interest for Philippine Notes	14,934	15,580
Interest for 2015 Credit Facilities	5,735	2,557
Interest for Aircraft Term Loan	550	630
Interest for 2011 Credit Facilities	–	3,768
	157,587	158,559
Interest capitalized	(21,162)	(113,881)
	$ 136,425	$ 44,678

During the nine months ended September 30, 2016 and 2015, the Group's average borrowing rates were approximately 5.31% and 5.41% per annum, respectively.

7. FAIR VALUE MEASUREMENTS

The carrying values of cash and cash equivalents, bank deposits with original maturity over three months and restricted cash approximated fair value and are classified as level 1 in the fair value hierarchy. The carrying values of long-term deposits, long-term receivables and other long-term liabilities approximated fair value and are classified as level 2 in the fair value hierarchy. The estimated fair value of long-term debt as of September 30, 2016 and December 31, 2015, which included the Studio City Project Facility, the 2013 Senior Notes, the Studio City Notes, the 2015 Credit Facilities, the Philippine Notes and the Aircraft Term Loan, were approximately $3,939,712 and $3,855,538, respectively, as compared to its carrying value, excluding unamortized deferred financing costs, of $3,900,753 and $3,962,705, respectively. Fair value was estimated using quoted market prices and was classified as level 1 in the fair value hierarchy for the 2013 Senior Notes and the Studio City Notes. Fair values for the Studio City Project Facility, the 2015 Credit Facilities, the Philippine Notes and the Aircraft Term Loan approximated the carrying values as the instruments carried either variable interest rates or the fixed interest rate approximated the market rate and were classified as level 2 in the fair value hierarchy. Additionally, the carrying value of land use rights payable approximated fair value as the instruments carried the fixed interest rate approximated the market rate and was classified as level 2 in the fair value hierarchy.

As of September 30, 2016, the Group did not have any non-financial assets or liabilities that are recognized or disclosed at fair value in the unaudited condensed consolidated financial statements.

The Group's financial assets and liabilities recorded at fair value have been categorized based upon the fair value in accordance with the accounting standards. As of September 30, 2016, the interest rate swap agreements carried at fair value and the fair value of these interest rate swap agreements approximated the amounts the Group would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields. Since significant observable inputs are used in the valuation model, the interest rate swap arrangements represented a level 2 measurement in the fair value hierarchy.

8. CAPITAL STRUCTURE

Ordinary and Treasury Shares

The Company's treasury shares represent i) new shares issued by the Company and held by the depository bank to facilitate the administration and operations of the Company's share incentive plans, and are to be delivered to the Directors, eligible employees and consultants on the vesting of restricted shares and upon the exercise of share options; ii) the shares purchased under a trust arrangement for the benefit of certain beneficiaries who are awardees under the 2011 Share Incentive Plan and held by a trustee to facilitate the future vesting of restricted shares in selected Directors, employees and consultants under the 2011 Share Incentive Plan; and iii) the shares repurchased by the Company under the 2015 Stock Repurchase Program (as described below) pending for retirement.

New Shares Issued by the Company

During the nine months ended September 30, 2016, no ordinary share was issued by the Company to its depository bank for future vesting of restricted shares and exercise of share options. The Company issued 303,318 of these ordinary shares upon vesting of restricted shares; and 197,682 of these ordinary shares upon exercise of share options during the nine months ended September 30, 2016. As of September 30, 2016 and December 31, 2015, the Company had a balance of 12,416,017 and 12,917,017 newly issued ordinary shares which continue to be held by the Company for future issuance upon vesting of restricted shares and exercise of share options, respectively.

Shares Purchased under a Trust Arrangement

On May 15, 2013, the Board of Directors of the Company authorized a trustee to purchase the Company's ADSs from the open market for the purpose of satisfying its obligation to deliver ADSs under its 2011 Share Incentive Plan ("Share Purchase Program"). Under the Share Purchase Program, the trustee was authorized to purchase ADSs from the open market at the price ranges to be determined by the Company's management from time to time. The purchased ADSs were to be delivered to the Directors, eligible employees and consultants upon vesting of the restricted shares. Following the delisting of the Company from the Hong Kong Stock Exchange in July 2015, the Company terminated the trust and the trustee approved the termination on April 26, 2016. The securities in the account maintained with the trustee were transferred back to the Company for future vesting.

As of December 31, 2015, the shares purchased under the trust arrangement had a balance of 18,213 ordinary shares. During the nine months ended September 30, 2016, the remaining 18,213 ordinary shares previously purchased under the trust arrangement were delivered to Directors and eligible employees upon vesting of restricted shares.

Shares Repurchased for Retirement

On May 20, 2015, the Board of Directors of the Company authorized the repurchase of the Company's ADSs of up to an aggregate of $500,000 under a stock repurchase program (the "2015 Stock Repurchase Program") for shares retirement. Under the 2015 Stock Repurchase Program, the Company was authorized to repurchase ADSs from the open market at the price ranges determined by the Company's management from time to time. Upon the conclusion of the annual general meeting of the Company held on May 18, 2016, the 2015 Stock Repurchase Program expired. During the nine months ended September 30, 2016, no ordinary share was repurchased and retired under the 2015 Stock Repurchase Program. As of September 30, 2016 and December 31, 2015, there was no outstanding repurchased ordinary shares pending future retirement, respectively.

On May 9, 2016, the Company completed a repurchase of 155,000,000 of its ordinary shares (equivalent to 51,666,666 ADSs) from a subsidiary of Crown for an aggregate purchase price of $800,839, at an average market price of $15.50 per ADS or $5.1667 per share. Following the completion of this share repurchase, the 155,000,000 repurchased shares were canceled. The total cost for these repurchased shares, which comprised the purchase price and all incidental expenses, amounted to $803,171 was accounted for as cost for treasury shares for the nine months ended September 30, 2016.

As of September 30, 2016 and December 31, 2015, the Company had 1,475,924,523 and 1,630,924,523 issued ordinary shares, and 12,416,017 and 12,935,230 treasury shares, with 1,463,508,506 and 1,617,989,293 issued ordinary shares outstanding, respectively.

9. INCOME TAXES

The income tax expense consisted of:

	Nine Months Ended September 30,	
	2016	2015
Income tax expense – current:		
Macau Complementary Tax	$ 1,730	$ 399
Lump sum in lieu of Macau Complementary Tax on dividend	2,096	2,096
Hong Kong Profits Tax	809	849
Income tax in other jurisdictions	28	253
Sub-total	4,663	3,597
Under (over) provision of income tax in prior period:		
Macau Complementary Tax	–	(259)
Hong Kong Profits Tax	40	(4)
Income tax in other jurisdictions	(4)	(5)
Sub-total	36	(268)
Income tax (benefit) expense – deferred:		
Macau Complementary Tax	(1,008)	(3,096)
Hong Kong Profits Tax	(38)	7
Income tax in other jurisdictions	363	525
Sub-total	(683)	(2,564)
Total income tax expense	$ 4,016	$ 765

The Company and certain of its subsidiaries are exempt from tax in the Cayman Islands or British Virgin Islands, where they are incorporated, however, the Company is subject to Hong Kong Profits Tax on profits from its activities conducted in Hong Kong. Certain subsidiaries incorporated or conducting businesses in Hong Kong, Macau, the Philippines and other jurisdictions are subject to Hong Kong Profits Tax, Macau Complementary Tax, income tax in the Philippines and other jurisdictions, respectively, during the nine months ended September 30, 2016 and 2015.

Macau Complementary Tax, Hong Kong Profits Tax and the Philippines income tax have been provided at 12%, 16.5% and 30% on the estimated taxable income earned in or derived from Macau, Hong Kong and the Philippines, respectively, during the nine months ended September 30, 2016 and 2015, if applicable. Income tax in other jurisdictions for the nine months ended September 30, 2016 and 2015 were provided mainly for the profits of the representative offices and branches set up by a subsidiary of the Company in the region where they operate.

Melco Crown (Macau) Limited ("Melco Crown Macau") has been exempted from Macau Complementary Tax on profits generated by gaming operations for five years commencing from 2007 to 2011 pursuant to the approval notice issued by the Macau Government dated June 7, 2007, and continues to benefit from this exemption for another five years from 2012 to 2016 pursuant to the approval notice issued by the Macau Government in April 2011, and further benefit from this exemption for another five years from 2017 to 2021 pursuant to the approval notice issued by the Macau Government in September 2016. Pursuant to a notice issued by the Macau Government dated January 12, 2015, one of the Company's subsidiaries in Macau has also been exempted from Macau Complementary Tax on profits generated from income received from Melco Crown Macau until 2016, to the extent that such income is derived from Studio City gaming operations, coinciding with Melco Crown Macau's exemption from Macau Complementary Tax. The Company's subsidiary has also applied for an additional 5-year exemption from Macau Complementary Tax on profits generated from income received from Melco Crown Macau, to the extent that such income is derived from Studio City gaming operations. Such application is being reviewed by the Macau Government. The dividend distributions of such subsidiary to its shareholders continue to be subject to Macau Complementary Tax. The non-gaming profits of Melco Crown Macau and the Company's subsidiary in Macau remain subject to the Macau Complementary Tax and Melco Crown Macau's casino revenues remain subject to the Macau special gaming tax and other levies in accordance with its gaming subconcession agreement.

In 2013, Melco Crown Macau made an application to the Macau Government for a tax concession arrangement for its shareholders. Pursuant to the proposed terms issued by the Macau Government in December 2013 which was accepted by Melco Crown Macau in January 2014, an annual lump sum amount of MOP22,400,000 (equivalent to $2,795) is payable by Melco Crown Macau to the Macau Government, effective retroactively from 2012 through 2016, coinciding with the 5-year extension of the tax holiday as mentioned above, as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Crown Macau on dividend distributions from gaming profits. Such annual lump sum tax payments are required regardless of whether dividends are actually distributed or whether Melco Crown Macau has distributable profits in the relevant year. Melco Crown Macau has also applied for an additional 5-year extension for the tax concession arrangement. Such application is being reviewed by the Macau Government.

The casino operations of MCE Leisure, the operator of City of Dreams Manila, were previously subject to corporate income tax at the rate of 30% based on an April 2013 Revenue Memorandum Circular issued by the Bureau of Internal Revenue ("BIR"). On August 10, 2016, the Supreme Court of the Philippines ("SC") found in the case of Bloomberry Resorts and Hotels, Inc. vs. the BIR, G. R. No. 212530 that all contractees and licensees of the Philippine Amusement and Gaming Corporation ("PAGCOR"), shall be exempted from all other taxes, including corporate income tax realized from the casino operations, upon payment of the 5% franchise tax. The BIR subsequently filed a Motion for Reconsideration of the said decision which is pending with the SC. If the SC decision is confirmed, MCE Leisure's gaming operations should be exempt from corporate income tax among other taxes provided the 5% franchise tax is paid as outlined in the SC decision.

The effective tax rates for the nine months ended September 30, 2016 and 2015 were 7.4% and 4.3%, respectively. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax, the effect of change in valuation allowance, the effect of different tax rates of subsidiaries operating in other jurisdictions and the effect of expenses for which no income tax benefit is receivable for the nine months ended September 30, 2016 and 2015.

10. SHARE-BASED COMPENSATION

2006 Share Incentive Plan

Share Options

A summary of share options activity under the 2006 Share Incentive Plan as of September 30, 2016, and changes during the nine months ended September 30, 2016 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share
Outstanding as at January 1, 2016	11,657,403	$ 1.61
Exercised	(162,372)	1.81
Outstanding as at September 30, 2016	11,495,031	$ 1.60
Exercisable as at September 30, 2016	11,495,031	$ 1.60

As of September 30, 2016, there was no unrecognized compensation costs related to share options under the 2006 Share Incentive Plan.

Restricted Shares

As of September 30, 2016, there was no unvested restricted shares and no unrecognized compensation costs related to restricted shares under the 2006 Share Incentive Plan.

2011 Share Incentive Plan

Share Options

On March 18, 2016, the Board of Directors of the Company approved a modification to lower the exercise prices and extend the vesting schedules of certain outstanding underwater share options held by active employees as of March 18, 2016. Share options eligible for modification were those that were granted during the years ended December 2015, 2014 and 2013 under the 2011 Share Incentive Plan, including those unvested, or vested but not exercised. A total of 4,572,234 eligible share options were modified with exercise price of $17.27 per ADS or $5.7567 per share, which was the closing price of the Company's ADS trading on the NASDAQ Global Select Market at the date of modification. The vesting period for the relevant share options (including certain vested share options) was extended as part of the modification. The number of the Company's ordinary share subject to the modified share options and the expiration dates of such modified share options will remain the same as the original share options. A total incremental share-based compensation expense resulting from the modification was approximately $689, representing the excess of the fair value of the modified share options, using Black-Scholes valuation model, over the fair value of the share options immediately before its modification. The incremental share-based compensation expense is being recognized on a straight-line basis over a new vesting period of three years from the date of modification. The significant weighted average assumptions used to determine the fair value of the modified share options includes expected dividend of 1%, expected stock price volatility of 45.8%, risk-free interest rate of 1.31% and expected average life of 5.6 years.

The Group granted share options to certain personnel under the 2011 Share Incentive Plan during the nine months ended September 30, 2016, with the exercise price for share options granted determined at the market closing price of the Company's ADS trading on the NASDAQ Global Select Market at the date of grant. These share options 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 grant. Expected volatility is based on the historical volatility of the Company's ADS trading on the NASDAQ Global Select Market. Expected term is based upon the vesting term or the historical of expected term of publicly traded companies. The risk-free interest rate used for each period presented is based on the United States of America Treasury yield curve at the time of grant for the period equal to the expected term.

The fair value of share options granted during the nine months ended September 30, 2016 was estimated at the date of grant using the following weighted average assumptions:

Expected dividend yield	1.00%
Expected stock price volatility	46.00%
Risk-free interest rate	1.44%
Expected average life of options (years)	5.6

A summary of share options activity under the 2011 Share Incentive Plan as of September 30, 2016, and changes during the nine months ended September 30, 2016 are presented below:

	Number of Share Options	**Weighted Average Exercise Price per Share**
Outstanding as at January 1, 2016	6,272,967	$ 7.98
Granted	4,759,686	5.76
Granted under modification	4,572,234	5.76
Exercised	(35,310)	4.70
Forfeited	(195,996)	8.00
Cancelled under modification	(4,572,234)	9.02
Expired	(52,773)	8.42
Outstanding as at September 30, 2016	10,748,574	$ 5.61
Exercisable as at September 30, 2016	1,458,777	$ 4.70

The weighted average fair value of share options granted under the 2011 Share Incentive Plan during the nine months ended September 30, 2016 was $2.29. As of September 30, 2016, there was $16,338 unrecognized compensation costs related to share options under the 2011 Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 2.46 years.

Restricted Shares

The Group has also granted restricted shares to certain personnel under the 2011 Share Incentive Plan during the nine months ended September 30, 2016. These restricted shares have vesting periods of three years. The grant date fair value is determined with reference to the market closing price of the Company's ADS trading on the NASDAQ Global Select Market at the date of grant.

A summary of restricted shares activity under the 2011 Share Incentive Plan as of September 30, 2016, and changes during the nine months ended September 30, 2016 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2016	2,234,690	$ 8.80
Granted	3,064,512	5.76
Vested	(321,531)	8.56
Forfeited	(117,315)	7.28
Unvested at September 30, 2016	4,860,356	$ 6.93

The total fair value at the date of grant of the restricted shares under the 2011 Share Incentive Plan vested during the nine months ended September 30, 2016 were $17,641. As of September 30, 2016, there was $20,375 of unrecognized compensation costs related to restricted shares under the 2011 Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 2.10 years.

MCP Share Incentive Plan

Share Options

A summary of share options activity under the MCP Share Incentive Plan as of September 30, 2016, and changes during the nine months ended September 30, 2016 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share
Outstanding as at January 1, 2016	124,710,632	$ 0.17
Forfeited	(6,402,297)	0.20
Expired	(6,296,205)	0.18
Outstanding as at September 30, 2016	112,012,130	$ 0.17
Exercisable as at September 30, 2016	103,683,107	$ 0.17

As of September 30, 2016, there was $281 unrecognized compensation costs related to share options under the MCP Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.47 years.

On August 2, 2016, the board of MCP 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. Share options eligible for exchange were those that were granted during the years ended December 31, 2013 and 2014 under the MCP Share Incentive Plan. The approval of the option exchange program from the Philippine Securities and Exchange Commission was obtained by MCP 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.

Restricted Shares

A summary of restricted shares activity under the MCP Share Incentive Plan as of September 30, 2016, and changes during the nine months ended September 30, 2016 are presented below:

	Number of Restricted Shares	**Weighted Average Grant Date Fair Value**
Unvested as at January 1, 2016	28,531,215	$ 0.17
Vested	(18,692,234)	0.18
Forfeited	(3,027,736)	0.22
Unvested as at September 30, 2016	6,811,245	$ 0.12

As of September 30, 2016, there was $602 unrecognized compensation costs related to restricted shares under the MCP Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.35 years.

The impact of share options and restricted shares for the Group for the nine months ended September 30, 2016 and 2015 recognized in the unaudited condensed consolidated financial statements is as follows:

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
2011 Share Incentive Plan		
Share options	$ 4,809	$ 4,940
Restricted shares	7,970	5,408
Sub-total	12,779	10,348
MCP Share Incentive Plan		
Share options	826	2,421
Restricted shares	1,143	2,855
Sub-total	1,969	5,276
Total share-based compensation expenses recognized in general and administrative expenses	$ 14,748	$ 15,624

11. DIVIDENDS

On March 16, 2016, the Company paid a special dividend of $0.2146 per share and recorded $108,639 and $238,586 as a distribution against share premium and retained earnings, respectively. On May 31, 2016 and August 31, 2016, the Company paid quarterly dividends of $0.0073 and $0.0063 per share, respectively. During the nine months ended September 30, 2016, the Company recorded $19,903 as a distribution against retained earnings.

The total amount of special and quarterly dividends of $367,128 were paid during the nine months ended September 30, 2016.

On November 3, 2016, a quarterly dividend of $0.0126 per share was declared by the Board of Directors of the Company and was paid on November 30, 2016 to the shareholders of records as of November 15, 2016.

12. COMMITMENTS AND CONTINGENCIES

(a) Capital Commitments

As of September 30, 2016, the Group had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams Manila and City of Dreams totaling $112,359 including advance payments for construction costs of $8,355.

(b) Other Commitments

Regular/Provisional License

On August 10, 2016, the SC issued its decision in the case of Bloomberry Resorts and Hotels, Inc. vs. the BIR, G. R. No. 212530 in the favor of Bloomberry Resorts and Hotels, Inc. Accordingly, the SC ruled that Bloomberry Resorts and Hotels, Inc., as a licensee of PAGCOR, should be exempt from tax, income or otherwise, as well as exempt 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. On August 15, 2016, PAGCOR discontinued the temporary license fee reallocation which allowed the licensees under the regular license for the establishment and operation of City of Dreams Manila to reallocate 10% of the license fees for payment of corporate income taxes. The BIR subsequently filed a Motion for Reconsideration of the said decision which is currently pending with the SC.

For the nine months ended September 30, 2016, other than the discontinuation of the reallocation of the 10% of the license fees by PAGCOR as mentioned above, there is no significant change to the terms of other commitments as disclosed in the Company's audited consolidated financial statements as of December 31, 2015.

(c) Guarantees

As of September 30, 2016, there is no significant change to the guarantees as disclosed in the Company's audited consolidated financial statements as of December 31, 2015, except for the amount of trade credit facility being utilized as disclosed below.

Trade Credit Facility

In October 2013, Studio City Developments Limited, a subsidiary of the Company, entered into a trade credit facility of HK$200,000,000 (equivalent to $25,707) ("Trade Credit Facility") with a bank to meet certain payment obligations of the Studio City project. The Trade Credit Facility is available until August 31, 2017 and guaranteed by Studio City Company Limited ("Studio City Company"). As of September 30, 2016, approximately $643 of the Trade Credit Facility had been utilized.

(d) Litigation

As of September 30, 2016, the Group is a party to certain other 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 financial statements as a whole.

13. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2016 and 2015, the Group entered into the following significant related party transactions:

Related companies	Nature of transactions	Nine Months Ended September 30, 2016	2015
Transactions with affiliated companies			
Crown's subsidiaries and its associated company	Consultancy fee expense	$ 411	$ 355
	Purchase of property and equipment	138	32
	Software license fee expense	234	234
	Management fee expense	625	–
Lisboa Holdings Limited ("Lisboa")[1]	Office rental expense	1,094	1,231
Melco's subsidiaries	Consultancy fee expense	411	354
	Purchase of property and equipment	315	4,716
	Service fee expense[2]	474	559
	Other service fee income	1,023	523
Shun Tak Holdings Limited and its subsidiary and associated company (collectively referred to as the "Shun Tak Group")[1]	Office rental expense	–	179
	Traveling expense[3]	2,973	2,864
	Advertising and promotional expense	210	–
Sky Shuttle Helicopters Limited ("Sky Shuttle")[1]	Traveling expense	583	697
Sociedade de Jogos de Macau S.A. ("SJM")[1]	Traveling expense[3]	262	306
Sociedade de Turismo e Diversões de Macau, S.A. and its subsidiaries (collectively referred to as the "STDM Group")[1]	Office rental expense	1,088	1,088
	Service fee expense	134	149
New Cotai, LLC[4]	Consultancy fee expense	128	–

Notes

(1) Companies in which a relative/relatives of Mr. Lawrence Yau Lung Ho, the Company's Chief Executive Officer, has/have beneficial interests.

(2) The amounts mainly represent the Company's reimbursement to Melco's subsidiary for service fees incurred on its behalf for rental, office administration, travel and security coverage for the operation of the office of the Company's Chief Executive Officer.

(3) Traveling expenses including ferry and hotel accommodation services within Hong Kong and Macau.

(4) New Cotai, LLC is a noncontrolling shareholder who owns 40% interests in Studio City International Holdings Limited, a majority-owned subsidiary of the Company.

During the nine months ended September 30, 2016, there is no significant change to the terms of the balances with related parties as disclosed in the Company's audited consolidated financial statements as of December 31, 2015.

14. SEGMENT INFORMATION

The Group is principally engaged in the gaming and hospitality business in Asia and its principal operating and developmental activities occur in two geographic areas: Macau and the Philippines. The chief operating decision maker monitors its operations and evaluates earnings by reviewing the assets and operations of Mocha Clubs, Altira Macau, City of Dreams, Studio City, which commenced operations on October 27, 2015 and City of Dreams Manila, which commenced operations on December 14, 2014. Taipa Square Casino is included within Corporate and Others.

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

Capital Expenditures

	Nine Months Ended September 30,	
	2016	**2015**
Macau:		
Mocha Clubs	$ 5,559	$ 2,133
Altira Macau	2,446	16,701
City of Dreams	285,627	235,596
Studio City	60,666	875,514
Sub-total	354,298	1,129,944
The Philippines:		
City of Dreams Manila	3,305	101,685
Corporate and Others	1,361	25,978
Total capital expenditures	$ 358,964	$ 1,257,607

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

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
NET REVENUES		
Macau:		
Mocha Clubs	$ 91,569	$ 104,251
Altira Macau	335,865	432,893
City of Dreams	1,929,756	2,125,642
Studio City	591,957	2,082
Sub-total	2,949,147	2,664,868
The Philippines:		
City of Dreams Manila	346,539	219,493
Corporate and Others	30,832	32,409
Total net revenues	$ 3,326,518	$ 2,916,770
ADJUSTED PROPERTY EBITDA [1]		
Macau:		
Mocha Clubs	$ 18,354	$ 23,850
Altira Macau	1,829	26,592
City of Dreams	553,614	606,272
Studio City	99,331	(1,042)
Sub-total	673,128	655,672
The Philippines:		
City of Dreams Manila	110,136	39,886
Total adjusted property EBITDA	783,264	695,558
OPERATING COSTS AND EXPENSES		
Payments to the Philippine Parties	(24,475)	(11,994)
Pre-opening costs	(2,212)	(115,671)
Development costs	(7)	(57)
Amortization of gaming subconcession	(42,928)	(42,928)
Amortization of land use rights	(17,112)	(48,353)
Depreciation and amortization	(354,704)	(249,400)
Land rent to Belle	(2,524)	(2,634)
Share-based compensation	(14,748)	(15,624)
Property charges and others	(2,809)	(5,339)
Net gain on disposal of property and equipment to Belle	8,134	–
Corporate and Others expenses	(82,731)	(87,310)
Total operating costs and expenses	(536,116)	(579,310)
OPERATING INCOME	$ 247,148	$ 116,248

	Nine Months Ended September 30,	
	2016	2015
NON-OPERATING INCOME (EXPENSES)		
Interest income	$ 4,213	$ 10,771
Interest expenses, net of capitalized interest	(167,397)	(74,214)
Amortization of deferred financing costs	(36,728)	(26,875)
Loan commitment and other finance fees	(5,724)	(4,964)
Foreign exchange gain (loss), net	10,275	(3,537)
Other income, net	2,636	1,582
Loss on extinguishment of debt	–	(481)
Cost associated with debt modification	–	(592)
Total non-operating expenses, net	(192,725)	(98,310)
INCOME BEFORE INCOME TAX	54,423	17,938
INCOME TAX EXPENSE	(4,016)	(765)
NET INCOME	50,407	17,173
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	82,223	100,913
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED	$ 132,630	$ 118,086

Note:

(1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle, net gain on disposal of property and equipment to Belle, Corporate and Others expenses, and other non-operating income and expenses. The chief operating decision maker uses Adjusted property EBITDA to measure the operating performance of Mocha Clubs, Altira Macau, City of Dreams, Studio City and City of Dreams Manila and to compare the operating performance of its properties with those of its competitors.

15. SUBSEQUENT EVENTS

(a) Studio City Company Notes Offering

On November 30, 2016, Studio City Company issued the $350,000 5.875% senior secured notes due 2019 (the "2016 3-year Studio City Notes") and $850,000 7.250% senior secured notes due 2021 (the "2016 5-year Studio City Notes" and together with the 2016 3-year Studio City Notes, collectively referred to as the "2016 Studio City Notes") and both priced at 100%. The 2016 Studio City Notes are listed on the Official List of Singapore Exchange Securities Trading Limited on December 1, 2016. The 2016 Studio City Notes are senior secured obligations of Studio City Company, rank equally in right of payment with all existing and future senior indebtedness of Studio City Company (although any liabilities in respect of obligations under the Senior Secured Credit Facilities as described below that are secured by common collateral securing the 2016 Studio City Notes will have priority over the 2016 Studio City Notes with respect to any proceeds received upon any enforcement action of such common collateral) and rank senior in right of payment to any existing and future subordinated indebtedness of Studio City Company and effectively subordinated to Studio City Company's existing and future secured indebtedness that is secured by assets that do not secure the 2016 Studio City Notes, to the extent of the assets securing such indebtedness. The 2016 Studio City Notes are guaranteed by Studio City Investments Limited ("Studio City Investments") and its subsidiaries (other than Studio City Company) on a senior basis. The common collateral (shared with the Senior Secured Credit Facilities) includes a first priority mortgage over any rights under land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. The 2016 3-year Studio City Notes and 2016 5-year Studio City Notes mature on November 30, 2019 and November 30, 2021, respectively, and bear interest at a rate of 5.875% and 7.250% per annum, respectively, payable semi-annually in arrears on May 30 and November 30 of each year, commencing on May 30, 2017.

The net proceeds from the offering of the 2016 Studio City Notes, after deducting the underwriting commissions of approximately $12,000, were approximately $1,188,000. On November 30, 2016 (December 1, 2016 Hong Kong time), the Group used the net proceeds from the offering, together with cash on hand, to fund the repayment in full of the Studio City Project Facility (other than the HK$1,000,000 (equivalent to $129) rolled over into the 2016 Term Loan Facility of the Senior Secured Credit Facilities as described below) of HK$9,777,046,200 (equivalent to $1,256,690).

(b) Amendment to Studio City Project Facility

On November 23, 2016, Studio City Company entered into an amendment and restatement agreement with, among others, a lender to, upon the satisfaction of certain conditions precedent, amend, restate and extend the Studio City Project Facility to provide for senior secured credit facilities (the "Senior Secured Credit Facilities") in an aggregate amount of HK$234,000,000 (equivalent to $30,077). On November 30, 2016 (December 1, 2016 Hong Kong time), the Senior Secured Credit Facilities became effective.

The Senior Secured Credit Facilities consists of a HK$1,000,000 (equivalent to $129) term loan facility (the "2016 Term Loan Facility") and a HK$233,000,000 (equivalent to $29,948) revolving credit facility (the "2016 Revolving Credit Facility"). The 2016 Term Loan Facility and the 2016 Revolving Credit Facility mature on the date which is five years after the effective date of the definitive documentation of the Senior Secured Credit Facilities. The 2016 Term Loan Facility has to be repaid at maturity with no interim amortization payments. The 2016 Term Loan Facility is collateralized by cash collateral equal to HK$1,012,500 (equivalent to $130) (representing the principal amount of the 2016 Term Loan Facility plus expected interest expense in respect of the 2016 Term Loan Facility for one financial quarter). Borrowings under the Senior Secured Credit Facilities bear interest at Hong Kong Interbank Offered Rate plus a margin of 4% per annum.

The indebtedness under the Senior Secured Credit Facilities is guaranteed by Studio City Investments and its subsidiaries (other than Studio City Company). Security for the Senior Secured Credit Facilities includes a first priority mortgage over any rights under land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. The Senior Secured Credit Facilities contain certain affirmative and negative covenants customary for such financings, as well as affirmative, negative and financial covenants equivalent to those contained in the 2016 Studio City Notes.

6. The following is the text of the review report from Deloitte Touche Tohmatsu, for inclusion in this circular, in respect of the condensed consolidated financial information of Melco Crown Entertainment as of and for the nine months period ended September 30, 2016.

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of Melco Crown Entertainment Limited:

We have reviewed the accompanying condensed consolidated balance sheet of Melco Crown Entertainment Limited ("MCE") and its subsidiaries (the "Company") as of September 30, 2016, and the related condensed consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the nine months periods ended September 30, 2016 and 2015 (the "interim financial information").

Management's Responsibility for the Interim Financial Information

The Company's management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the interim financial information referred to above for it to be in accordance with accounting principles generally accepted in the United States of America.

Deloitte Touche Tohmatsu
Hong Kong
December 14, 2016

B. DIFFERENCES BETWEEN THE ACCOUNTING POLICIES ADOPTED BY THE COMPANY (HKFRS) AND MELCO CROWN ENTERTAINMENT (U.S. GAAP)

As described in "*Letter from the Board — Waiver from Strict Compliance with the Listing Rules*", the Company has applied to the Stock Exchange for, and been granted, a waiver from the requirement to produce an accountants' report on Melco Crown Entertainment in accordance with Rule 14.67(6)(a)(i) of the Listing Rules.

Instead, this circular contains a copy of:

(a) the MCE 2014 financial statements and MCE 2015 financial statements prepared in accordance with U.S. GAAP extracted from the reports of Melco Crown Entertainment on Form 6-K and the exhibits thereto furnished to the SEC on February 17, 2017 and December 14, 2016, respectively, and the management discussion and analysis extracted from the annual reports of Melco Crown Entertainment for each of those years; and

(b) the MCE September 2016 financial statements and the management discussion and analysis, extracted from the report of Melco Crown Entertainment on Form 6-K and the exhibits thereto furnished to the SEC on December 14, 2016.

(together, the "**Melco Crown Entertainment Historical Track Record Accounts**").

The Melco Crown Entertainment Historical Track Record Accounts cover the financial positions of Melco Crown Entertainment as of December 31, 2013, 2014 and 2015 and as of September 30, 2016 and the results of Melco Crown Entertainment for each of the three years ended December 31, 2013, 2014 and 2015 and for the nine months ended September 30, 2016 (the "**Relevant Periods**").

The accounting policies adopted in the preparation of the Melco Crown Entertainment Historical Track Record Accounts differ in certain material respects from the accounting policies presently adopted by the Company which comply with HKFRS. Differences which would have a significant effect on the Melco Crown Entertainment Historical Track Record Accounts, had they been prepared in accordance with the accounting policies presently adopted by the Company rather than in accordance with U.S. GAAP, are set out below in "*Melco Crown Entertainment's Unaudited Adjusted Financial Information under the Company's Policies*", with the following disclosures:

(a) a comparison between Melco Crown Entertainment's consolidated statements of financial position as extracted from the Melco Crown Entertainment Historical Track Record Accounts, prepared in accordance with U.S. GAAP, and unaudited adjusted consolidated statements of financial position had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with HKFRS. The process applied in the preparation of such a comparison is set out in the "*Basis of Preparation*" and "*Reconciliation Process*" sections below;

(b) a comparison between Melco Crown Entertainment's consolidated income statements as extracted from the Melco Crown Entertainment Historical Track Record Accounts, prepared in accordance with U.S. GAAP, and unaudited adjusted consolidated income statements had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with HKFRS. The process applied in the preparation of such a comparison is also set out in the "*Basis of Preparation*" and "*Reconciliation Process*" sections below; and

(c) a discussion of the material financial statement line item differences arising out of the exercise outlined in (a) and (b) above.

The above referenced items are collectively referred to as the "**Reconciliation Information**".

Basis of Preparation

The Reconciliation Information for the Relevant Periods, which presents the "*Unadjusted Financial Information under U.S. GAAP*" of Melco Crown Entertainment as if it had been prepared in accordance with the accounting policies presently adopted by the Company which are in compliance with HKFRS, has been prepared on the assumption that the transition provisions of HKFRS 1 are applicable to Melco Crown Entertainment. Melco Crown Entertainment's HKFRS transition date is deemed to be January 1, 2013 and as such, Melco Crown Entertainment has applied the mandatory exceptions and certain optional exemptions afforded by HKFRS 1 for the preparation of the Reconciliation Information for the Relevant Periods.

Reconciliation Process

The Reconciliation Information has been prepared by Melco Crown Entertainment by comparing and analyzing the differences between the accounting policies adopted by Melco Crown Entertainment for the preparation of the Melco Crown Entertainment Historical Track Record Accounts in accordance with U.S. GAAP and the accounting policies adopted by the Company which are in compliance with HKFRS, and quantifying the relevant material financial effects of such differences.

Deloitte Touche Tohmatsu was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000**") issued by the HKICPA on the Reconciliation Information. The work consisted primarily of:

(i) comparing the "*Unadjusted Financial Information under U.S. GAAP*" as set out below in the section "*Melco Crown Entertainment's Unaudited Adjusted Financial Information under the Company's Policies*" with the Melco Crown Entertainment Historical Track Record Accounts prepared under U.S. GAAP;

(ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the "*Adjusted Financial Information under the Company's Policies*" set out below in the section "*Melco Crown Entertainment's Unaudited Adjusted Financial Information under the Company's Policies*", which included examining the differences between Melco Crown Entertainment's accounting policies and the Company's accounting policies; and

(iii) checking the arithmetic accuracy of the computation of the "*Adjusted Financial Information under the Company's Policies*".

Deloitte Touche Tohmatsu's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Deloitte Touche Tohmatsu did not express an audit opinion nor a review conclusion on the Reconciliation Information. Deloitte Touche Tohmatsu's engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, Deloitte Touche Tohmatsu has concluded that:

(i) the "*Unadjusted Financial Information under U.S. GAAP*" as set out in the section "*Melco Crown Entertainment's Unaudited Adjusted Financial Information under the Company's Policies*" is in agreement with the Melco Crown Entertainment Historical Track Record Accounts;

(ii) the adjustments set out in the section entitled "*MCE's Unaudited Adjusted Financial Information under the Company's Policies*" reflect, in all material respects, the differences between MCE's accounting policies and the Company's accounting policies on the basis described in the section "*Basis of Preparation*" above; and

(iii) the computation of the "*Adjusted Financial Information under the Company's Policies*" is arithmetically accurate.

Melco Crown Entertainment's Unaudited Adjusted Financial Information under the Company's Policies

The Melco Crown Entertainment Historical Track Record Accounts for the Relevant Periods have been prepared and presented in accordance with U.S. GAAP. The material differences between the Melco Crown Entertainment Historical Track Record Accounts, as prepared in accordance with U.S. GAAP, compared to that applying the accounting policies presently adopted by the Company which are in compliance with HKFRS, are set out below:

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2013
(In thousands of U.S. dollars)

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		$ 1,381,757	$	$ 1,381,757
Bank deposits with original maturity over three months		626,940		626,940
Restricted cash		770,294		770,294
Accounts receivable, net		287,880		287,880
Amounts due from affiliated companies		23		23
Income tax receivable		18		18
Inventories		18,169		18,169
Prepaid expenses and other current assets		54,898		54,898
Assets held for sale		8,468		8,468
Total current assets		3,148,447	–	3,148,447
PROPERTY AND EQUIPMENT, NET	(a), (b)	3,308,846	151,905	3,460,751
GAMING SUBCONCESSION, NET		485,031		485,031
INTANGIBLE ASSETS, NET		4,220		4,220
GOODWILL		81,915		81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	(e)	350,745	(5,078)	345,667
RESTRICTED CASH		373,371		373,371
DEFERRED TAX ASSETS		93		93
LAND USE RIGHTS, NET	(a), (c)	951,618	(64,918)	886,700
TOTAL ASSETS		$ 8,704,286	$ 81,909	$ 8,786,195

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable		$ 9,825	$	$ 9,825
Accrued expenses and other current liabilities	(f)	928,751	5,581	934,332
Income tax payable		6,584		6,584
Capital lease obligations, due within one year		27,265		27,265
Current portion of long-term debt, net	(e)	260,051	2,515	262,566
Amounts due to affiliated companies		2,900		2,900
Amount due to a shareholder		79		79
Total current liabilities		1,235,455	8,096	1,243,551
LONG-TERM DEBT, NET	(e)	2,164,056	10,240	2,174,296
OTHER LONG-TERM LIABILITIES		28,492		28,492
DEFERRED TAX LIABILITIES	(c)	62,806	(60,090)	2,716
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR		253,029		253,029
LAND USE RIGHTS PAYABLE		35,466		35,466
SHAREHOLDERS' EQUITY				
Ordinary shares		$ 16,667	$	$ 16,667
Treasury shares		(5,960)		(5,960)
Additional paid-in capital	(d)	3,479,399	7,578	3,486,977
Accumulated other comprehensive losses	(d)	(15,592)	(10)	(15,602)
Retained earnings		772,156	72,606	844,762
Total Melco Crown Entertainment Limited shareholders' equity		4,246,670	80,174	4,326,844
Noncontrolling interests		678,312	43,489	721,801
Total equity		4,924,982	123,663	5,048,645
TOTAL LIABILITIES AND EQUITY		$ 8,704,286	$ 81,909	$ 8,786,195
NET CURRENT ASSETS		$ 1,912,992	$ (8,096)	$ 1,904,896
TOTAL ASSETS LESS CURRENT LIABILITIES		$ 7,468,831	$ 73,813	$ 7,542,644

Unaudited Adjusted Consolidated Income Statement under the Company's Policies for the year ended December 31, 2013
(In thousands of U.S. dollars)

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
OPERATING REVENUES				
Casino	(f)	$ 4,941,487	$ (6,379)	$ 4,935,108
Rooms		127,661		127,661
Food and beverage		78,880		78,880
Entertainment, retail and others		103,739		103,739
Gross revenues		5,251,767	(6,379)	5,245,388
Less: promotional allowances		(164,589)		(164,589)
Net revenues		5,087,178	(6,379)	5,080,799
OPERATING COSTS AND EXPENSES				
Casino	(f)	(3,452,736)	798	(3,451,938)
Rooms		(12,511)		(12,511)
Food and beverage		(29,114)		(29,114)
Entertainment, retail and others		(64,212)		(64,212)
General and administrative	(d)	(255,780)	(1,689)	(257,469)
Pre-opening costs		(17,014)		(17,014)
Development costs		(26,297)		(26,297)
Amortization of gaming subconcession		(57,237)		(57,237)
Amortization of land use rights	(a), (c)	(64,271)	45,538	(18,733)
Depreciation and amortization	(a), (b)	(261,298)	(2,029)	(263,327)
Property charges and others		(6,884)		(6,884)
Total operating costs and expenses		(4,247,354)	42,618	(4,204,736)
OPERATING INCOME		$ 839,824	$ 36,239	$ 876,063

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
NON-OPERATING INCOME (EXPENSES)				
Interest income		$ 7,660	$	$ 7,660
Interest expenses, net of capitalized interest	(b)	(152,660)	17,052	(135,608)
Amortization of deferred financing costs	(e)	(18,159)	7,480	(10,679)
Loan commitment and other finance fees		(25,643)		(25,643)
Foreign exchange loss, net		(10,756)		(10,756)
Other income, net		1,661		1,661
Loss on extinguishment of debt	(e)	(50,935)	(6,523)	(57,458)
Costs associated with debt modification		(10,538)		(10,538)
Total non-operating expenses, net		(259,370)	18,009	(241,361)
INCOME BEFORE INCOME TAX		580,454	54,248	634,702
INCOME TAX EXPENSE	(c)	(2,441)	(4,407)	(6,848)
NET INCOME		578,013	49,841	627,854
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS		59,450	(22,507)	36,943
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED		$ 637,463	$ 27,334	$ 664,797

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2014
(In thousands of U.S. dollars)

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		$ 1,597,655	$	$ 1,597,655
Bank deposits with original maturity over three months		110,616		110,616
Restricted cash		1,447,034		1,447,034
Accounts receivable, net		253,665		253,665
Amounts due from affiliated companies		1,079		1,079
Deferred tax assets	(c)	532	(532)	–
Income tax receivable		15		15
Inventories		23,111		23,111
Prepaid expenses and other current assets		69,254		69,254
Total current assets		3,502,961	(532)	3,502,429
PROPERTY AND EQUIPMENT, NET	(a), (b)	4,696,391	198,063	4,894,454
GAMING SUBCONCESSION, NET		427,794		427,794
INTANGIBLE ASSETS		4,220		4,220
GOODWILL		81,915		81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	(e)	290,647	(3,089)	287,558
RESTRICTED CASH		369,549		369,549
DEFERRED TAX ASSETS	(c)	115	532	647
LAND USE RIGHTS, NET	(a), (c)	887,188	(60,223)	826,965
TOTAL ASSETS		$ 10,260,780	$ 134,751	$ 10,395,531

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable		$ 14,428	$	$ 14,428
Accrued expenses and other current liabilities	(f)	1,005,720	7,185	1,012,905
Income tax payable		6,621		6,621
Capital lease obligations, due within one year		23,512		23,512
Current portion of long-term debt, net	(e)	261,097	1,653	262,750
Amounts due to affiliated companies		3,626		3,626
Total current liabilities		1,315,004	8,838	1,323,842
LONG-TERM DEBT, NET	(e)	3,469,901	6,517	3,476,418
OTHER LONG-TERM LIABILITIES		93,441		93,441
DEFERRED TAX LIABILITIES	(c)	58,949	(55,683)	3,266
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR		278,027		278,027
LAND USE RIGHTS PAYABLE		3,788		3,788
SHAREHOLDERS' EQUITY				
Ordinary shares		$ 16,337	$	$ 16,337
Treasury shares		(33,167)		(33,167)
Additional paid-in capital	(d)	3,092,943	8,023	3,100,966
Accumulated other comprehensive losses	(d)	(17,149)	(7)	(17,156)
Retained earnings		1,227,177	103,336	1,330,513
Total Melco Crown Entertainment Limited shareholders' equity		4,286,141	111,352	4,397,493
Noncontrolling interests		755,529	63,727	819,256
Total equity		5,041,670	175,079	5,216,749
TOTAL LIABILITIES AND EQUITY		$ 10,260,780	$ 134,751	$ 10,395,531
NET CURRENT ASSETS		$ 2,187,957	$ (9,370)	$ 2,178,587
TOTAL ASSETS LESS CURRENT LIABILITIES		$ 8,945,776	$ 125,913	$ 9,071,689

Unaudited Adjusted Consolidated Income Statement under the Company's Policies for the year ended December 31, 2014
(In thousands of U.S. dollars)

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
OPERATING REVENUES				
Casino	(f)	$ 4,654,184	$ (3,159)	$ 4,651,025
Rooms		136,427		136,427
Food and beverage		84,895		84,895
Entertainment, retail and others		108,417		108,417
Gross revenues		4,983,923	(3,159)	4,980,764
Less: promotional allowances		(181,614)		(181,614)
Net revenues		4,802,309	(3,159)	4,799,150
OPERATING COSTS AND EXPENSES				
Casino	(f)	(3,246,404)	1,555	(3,244,849)
Rooms		(12,669)		(12,669)
Food and beverage		(23,513)		(23,513)
Entertainment, retail and others		(62,073)		(62,073)
General and administrative	(d)	(311,696)	(1,577)	(313,273)
Payments to the Philippine Parties		(870)		(870)
Pre-opening costs		(93,970)		(93,970)
Development costs		(10,734)		(10,734)
Amortization of gaming subconcession		(57,237)		(57,237)
Amortization of land use rights	(a), (c)	(64,471)	45,758	(18,713)
Depreciation and amortization	(a), (b)	(246,686)	(2,067)	(248,753)
Property charges and others		(8,698)		(8,698)
Gain on disposal of assets held for sale		22,072		22,072
Total operating costs and expenses		(4,116,949)	43,669	(4,073,280)
OPERATING INCOME		$ 685,360	$ 40,510	$ 725,870

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
NON-OPERATING INCOME (EXPENSES)				
Interest income		$ 20,025	$	$ 20,025
Interest expenses, net of capitalized interest	(b)	(124,090)	6,277	(117,813)
Amortization of deferred financing costs	(b), (e)	(28,055)	7,459	(20,596)
Loan commitment and other finance fees		(18,976)		(18,976)
Foreign exchange loss, net		(6,155)		(6,155)
Other income, net		2,313		2,313
Total non-operating expenses, net		(154,938)	13,736	(141,202)
INCOME BEFORE INCOME TAX		530,422	54,246	584,668
INCOME TAX EXPENSE	(c)	(3,036)	(4,407)	(7,443)
NET INCOME		527,386	49,839	577,225
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS		80,894	(19,109)	61,785
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED		$ 608,280	$ 30,730	$ 639,010

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2015
(In thousands of U.S. dollars)

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		$ 1,611,026	$	$ 1,611,026
Bank deposits with original maturity over three months		724,736		724,736
Restricted cash		317,118		317,118
Accounts receivable, net		271,627		271,627
Amounts due from affiliated companies		1,175		1,175
Deferred tax assets	(c)	19	(19)	–
Income tax receivable		62		62
Inventories		33,074		33,074
Prepaid expenses and other current assets		61,324		61,324
Total current assets		3,020,161	(19)	3,020,142
PROPERTY AND EQUIPMENT, NET	(a), (b)	5,760,229	223,616	5,983,845
GAMING SUBCONCESSION, NET		370,557		370,557
INTANGIBLE ASSETS		4,220		4,220
GOODWILL		81,915		81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	(e), (g)	192,012	(14,558)	177,454
DEFERRED TAX ASSETS	(c)	83	19	102
LAND USE RIGHTS, NET	(a), (c)	833,132	(56,325)	776,807
TOTAL ASSETS		$ 10,262,309	$ 152,733	$ 10,415,042

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable		$ 15,588	$	$ 15,588
Accrued expenses and other current liabilities	(f)	1,056,850	6,832	1,063,682
Income tax payable		3,487		3,487
Capital lease obligations, due within one year		29,792		29,792
Current portion of long-term debt, net	(e)	102,836	35	102,871
Amounts due to affiliated companies		2,464		2,464
Total current liabilities		1,211,017	6,867	1,217,884
LONG-TERM DEBT, NET	(e)	3,712,396	5,496	3,717,892
OTHER LONG-TERM LIABILITIES		80,962		80,962
DEFERRED TAX LIABILITIES	(c)	55,598	(52,032)	3,566
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR		270,477		270,477
SHAREHOLDERS'S EQUITY				
Ordinary shares		$ 16,309	$	$ 16,309
Treasury shares		(275)		(275)
Additional paid-in capital	(d)	3,075,459	3,719	3,079,178
Accumulated other comprehensive losses	(d), (f)	(21,934)	46	(21,888)
Retained earnings		1,270,074	111,228	1,381,302
Total Melco Crown Entertainment Limited shareholders' equity		4,339,633	114,993	4,454,626
Noncontrolling interests		592,226	77,409	669,635
Total equity		4,931,859	192,402	5,124,261
TOTAL LIABILITIES AND EQUITY		$ 10,262,309	$ 152,733	$ 10,415,042
NET CURRENT ASSETS		$ 1,809,144	$ (6,886)	$ 1,802,258
TOTAL ASSETS LESS CURRENT LIABILITIES		$ 9,051,292	$ 145,866	$ 9,197,158

Unaudited Adjusted Consolidated Income Statement under the Company's Policies for the year ended December 31, 2015
(In thousands of U.S. dollars)

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
OPERATING REVENUES				
Casino	(f)	$ 3,767,291	$ 1,079	$ 3,768,370
Rooms		199,727		199,727
Food and beverage		126,848		126,848
Entertainment, retail and others		117,543		117,543
Gross revenues		4,211,409	1,079	4,212,488
Less: promotional allowances		(236,609)		(236,609)
Net revenues		3,974,800	1,079	3,975,879
OPERATING COSTS AND EXPENSES				
Casino	(f)	(2,654,760)	(744)	(2,655,504)
Rooms		(23,419)		(23,419)
Food and beverage		(43,295)		(43,295)
Entertainment, retail and others		(77,506)		(77,506)
General and administrative	(d)	(383,874)	5,352	(378,522)
Payments to the Philippine Parties		(16,547)		(16,547)
Pre-opening costs		(168,172)		(168,172)
Development costs	(g)	(110)	(12,695)	(12,805)
Amortization of gaming subconcession		(57,237)		(57,237)
Amortization of land use rights	(a), (c)	(54,056)	35,628	(18,428)
Depreciation and amortization	(a), (b)	(359,341)	(3,879)	(363,220)
Property charges and others		(38,068)		(38,068)
Total operating costs and expenses		(3,876,385)	23,662	(3,852,723)
OPERATING INCOME		$ 98,415	$ 24,741	$ 123,156

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
NON-OPERATING INCOME (EXPENSES)				
Interest income		$ 13,900	$	$ 13,900
Interest expenses, net of capitalized interest	(b)	(118,330)	(6,919)	(125,249)
Amortization of deferred financing costs	(b), (e)	(38,511)	8,005	(30,506)
Loan commitment and other finance fees		(7,328)		(7,328)
Foreign exchange loss, net		(2,156)		(2,156)
Other income, net		2,317		2,317
Loss on extinguishment of debt	(e)	(481)	481	–
Costs associated with debt modification		(7,603)		(7,603)
Total non-operating expenses, net		(158,192)	1,567	(156,625)
LOSS BEFORE INCOME TAX		(59,777)	26,308	(33,469)
INCOME TAX EXPENSE	(c)	(1,031)	(3,651)	(4,682)
NET LOSS		(60,808)	22,657	(38,151)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS		166,555	(14,765)	151,790
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED		$ 105,747	$ 7,892	$ 113,639

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of September 30, 2016
(In thousands of U.S. dollars)

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		$ 1,631,447	$	$ 1,631,447
Bank deposits with original maturity over three months		92,819		92,819
Restricted cash		202,600		202,600
Accounts receivable, net		189,307		189,307
Amounts due from affiliated companies		1,394		1,394
Amount due from a shareholder		164		164
Inventories		33,667		33,667
Prepaid expenses and other current assets		69,507		69,507
Total current assets		2,220,905	–	2,220,905
PROPERTY AND EQUIPMENT, NET	(a), (b)	5,714,021	216,774	5,930,795
GAMING SUBCONCESSION, NET		327,629		327,629
INTANGIBLE ASSETS		4,220		4,220
GOODWILL		81,915		81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS	(e), (g)	170,027	(14,404)	155,623
DEFERRED TAX ASSETS		121		121
LAND USE RIGHTS, NET	(a), (c)	816,020	(55,196)	760,824
TOTAL ASSETS		$ 9,334,858	$ 147,174	$ 9,482,032

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable		$ 17,783	$	$ 17,783
Accrued expenses and other current liabilities	(f)	1,299,913	7,689	1,307,602
Income tax payable		5,242		5,242
Capital lease obligations, due within one year		31,036		31,036
Current portion of long-term debt, net	(e)	117,393	60	117,453
Amount due to ultimate holding company		20		20
Amounts due to affiliated companies		2,770		2,770
Total current liabilities		1,474,157	7,749	1,481,906
LONG-TERM DEBT, NET	(e)	3,667,778	4,763	3,672,541
OTHER LONG-TERM LIABILITIES		46,868		46,868
DEFERRED TAX LIABILITIES	(c)	54,934	(50,993)	3,941
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR		269,112		269,112
SHAREHOLDERS' EQUITY				
Ordinary shares		$ 14,759	$	$ 14,759
Treasury shares		(124)		(124)
Additional paid-in capital	(d)	2,776,599	3,706	2,780,305
Accumulated other comprehensive losses	(d), (f)	(23,248)	49	(23,199)
Retained earnings	(d)	546,090	107,284	653,374
Total Melco Crown Entertainment Limited shareholders' equity		3,314,076	111,039	3,425,115
Noncontrolling interests		507,933	74,616	582,549
Total equity		3,822,009	185,655	4,007,664
TOTAL LIABILITIES AND EQUITY		$ 9,334,858	$ 147,174	$ 9,482,032
NET CURRENT ASSETS		$ 746,748	$ (7,749)	$ 738,999
TOTAL ASSETS LESS CURRENT LIABILITIES		$ 7,860,701	$ 139,425	$ 8,000,126

Unaudited Adjusted Consolidated Income Statement under the Company's Policies for the period ended September 30, 2016
(In thousands of U.S. dollars)

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
OPERATING REVENUES				
Casino	(f)	$ 3,076,823	$ (2,140)	$ 3,074,683
Rooms		195,951		195,951
Food and beverage		129,611		129,611
Entertainment, retail and others		145,118		145,118
Gross revenues		3,547,503	(2,140)	3,545,363
Less: promotional allowances		(220,985)		(220,985)
Net revenues		3,326,518	(2,140)	3,324,378
OPERATING COSTS AND EXPENSES				
Casino	(f)	(2,154,024)	1,260	(2,152,764)
Rooms		(24,958)		(24,958)
Food and beverage		(47,569)		(47,569)
Entertainment, retail and others		(82,491)		(82,491)
General and administrative	(d)	(326,081)	(194)	(326,275)
Payments to the Philippine Parties		(24,475)		(24,475)
Pre-opening costs		(2,212)		(2,212)
Development costs	(g)	(7)	(142)	(149)
Amortization of gaming subconcession		(42,928)		(42,928)
Amortization of land use rights	(a), (c)	(17,112)	1,640	(15,472)
Depreciation and amortization	(a), (b)	(354,704)	(7,333)	(362,037)
Property charges and others		(2,809)		(2,809)
Total operating costs and expenses		(3,079,370)	(4,769)	(3,084,139)
OPERATING INCOME		$ 247,148	$ (6,909)	$ 240,239

	Notes	Unadjusted Financial Information under U.S. GAAP	Adjustments	Adjusted Financial Information under the Company's Policies
NON-OPERATING INCOME (EXPENSES)				
Interest income		$ 4,213	$	$ 4,213
Interest expenses, net of capitalized interest	(b)	(167,397)	(20)	(167,417)
Amortization of deferred financing costs	(b), (e)	(36,728)	1,004	(35,724)
Loan commitment and other finance fees		(5,724)		(5,724)
Foreign exchange gain, net		10,275		10,275
Other income, net		2,636		2,636
Total non-operating expenses, net		(192,725)	984	(191,741)
INCOME BEFORE INCOME TAX		54,423	(5,925)	48,498
INCOME TAX EXPENSE	(c)	(4,016)	(1,039)	(5,055)
NET INCOME		50,407	(6,964)	43,443
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS		82,223	2,073	84,296
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED		$ 132,630	$ (4,891)	$ 127,739

Notes:

(a) Capitalization of Amortization of Land Use Rights as Property and Equipment

Under U.S. GAAP, the amortization of land use rights is recognized in the consolidated income statements over the estimated lease term of the land on a straight-line basis and is not capitalized to the construction in progress during the property construction period.

Under HKFRS, the amortization of land use rights is generally recognized in the consolidated income statements over the estimated lease term of the land on a straight-line basis. If the amortization of land use rights is expenditure directly attributable to bringing a property to working condition for its intended use, the related amortization is capitalized to construction in progress, until such time as the construction works are completed.

(b) Borrowing Costs

Under U.S. GAAP, the amount of interest cost to be capitalized is determined by applying the capitalization rate to the average amount of accumulated expenditures for the asset during the construction period. If the average accumulated expenditures exceed the total amount of that borrowing, the capitalization rate to be applied to such excess shall be a weighted average of the rates applicable to other borrowings of the entity. Income earned on temporary investment of actual borrowings is not generally deducted from the amount of borrowing costs to be capitalized.

Under HKFRS, 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.

(c) Deferred Income Taxes

Under U.S. GAAP, deferred income tax is recognized for the temporary differences arising from an asset purchase that is not a business combination. The tax effect of asset purchases that are not business combinations in which the amount paid differs from the tax basis of the asset shall not result in immediate income statements recognition. The differences are considered to be a temporary difference and a deferred tax asset or liability should be recognized. The simultaneous-equations method shall be used to calculate the assigned value of the asset and the related deferred tax assets or deferred tax liabilities.

Under HKFRS, deferred income tax is not recognized for temporary differences resulting from the initial recognition of an asset or liability in a transaction that is not a business combination and do not affect accounting or taxable profit as of the transaction date. Therefore, the carrying value of the asset and liability is not adjusted.

The value of land use rights acquired for Altira Macau, City of Dreams and Studio City are different under U.S. GAAP and HKFRS. Accordingly, the amount of amortization of land use rights over the estimated useful lives and the deferred income taxes are different.

Under U.S. GAAP, deferred tax for each jurisdiction is presented as a net current asset or liability and net noncurrent asset or liability based on the classification of the assets and liabilities to which the underlying temporary differences relate, or, in the case of loss or credit carryforwards, based on the period in which the attribute is expected to be realized. Any valuation allowance is then allocated on a pro rata basis, by jurisdiction, between current and noncurrent deferred tax assets.

Under HKFRS, all deferred tax assets and liabilities are classified as noncurrent.

(d) Share-based Compensation

Under U.S. GAAP, for awards that have graded vesting features and service condition only, an entity has to choose as an accounting policy either to (1) recognize a charge on an accelerated basis to reflect the vesting as it occurs (which is similar to the method under HKFRS) or (2) amortize the entire grant on a straight-line basis over the longest vesting period.

HKFRS states that share-based compensation expense is recognized on an accelerated method where an entity recognizes compensation cost 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.

Melco Crown Entertainment has adopted the straight-line method in the preparation of its consolidated financial statements. Compensation expense recognized will be different under U.S. GAAP and HKFRS.

For the awards that are modified with longer vesting period, Melco Crown Entertainment has recognized the unrecognized compensation cost remaining from the original award plus the incremental compensation cost, if any, as a result of the modification in its entirety over the remaining portion of the requisite service period of the modified award under U.S. GAAP. However, the unrecognized compensation cost remaining from the original award is recognized over the original vesting period if the modification includes an extension of vesting period under HKFRS.

In addition, for awards that are forfeited after the vesting date, the amount previously recognized in additional paid in capital is transferred to retained earnings under HKFRS. However, such transfer is not allowed under U.S. GAAP.

(e) Deferred Financing Costs, Net

Under U.S. GAAP, fees paid to lenders and other third-party costs incurred in relation to a debt refinancing are distinguished and accounted for differently depending on the classification of such debt as modified or extinguished in accordance with U.S. GAAP. If the debt is extinguished, fees paid to lenders are included in gain or loss on extinguishment of debt and other third-party costs are capitalized as deferred financing costs and amortized as an adjustment of interest expense over the term of the amended debt instrument.

Under HKFRS, if an exchange of debt instruments or modification of terms is accounted for as an extinguishment, all fees and costs incurred are recognized as part of the gain or loss on the extinguishment, there is no difference in the treatment for fees paid to lenders and other third-party costs.

(f) Point-loyalty Programs

Under U.S. GAAP, an entity can choose between two approaches developed in practice to account for the point-loyalty programs: (1) the multiple-element approach (similar to the approach under HKFRS), in which a portion of the revenue from the initial transaction(s) is generally deferred until redemption and (2) the incremental-cost approach, in which the estimated cost of the loyalty program points is recorded as a liability.

Under HKFRS, loyalty program points granted to customers as part of a sales transaction that customers can redeem for free or discounted goods or services shall be accounted for as a separate identifiable component of the sales arrangement (i.e. multiple-element approach) and the fair value of the consideration received should be allocated between the loyalty program points and the other components in the arrangement, and recorded as deferred revenue until redemption.

Melco Crown Entertainment has adopted the incremental-cost approach in the preparation of its consolidated financial statements and accrued for loyalty program points expected to be redeemed for cash and free play as a reduction to gaming revenue and accrues for loyalty program points expected to be redeemed for free goods and services as casino expense. Accordingly, the liability of point-loyalty programs recognized and the classification of casino revenue and casino expense will be different under U.S. GAAP and HKFRS.

(g) Advertising and Promotional Costs

Under U.S. GAAP, advertising and promotional costs are generally expensed as incurred or the first time the advertising takes place.

Under HKFRS, advertising and promotional costs are generally expensed when the entity has a right to access the goods or has received the services.

There are other differences between U.S. GAAP and HKFRS relevant to the accounting policies of Melco Crown Entertainment. Such differences do not have a material impact on shareholders' equity of Melco Crown Entertainment as at December 31, 2013, 2014 and 2015 and September 30, 2016 and net income attributable to Melco Crown Entertainment during the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016 but may affect future periods and the relevant details are set out below:

Impairment of Assets

Under U.S. GAAP, entities are required to use a two-step approach to measure impairment. In step 1, entities perform a recoverability test by comparing the expected undiscounted future cash flows to be derived from the asset with its carrying amount. If the asset fails the recoverability test, step 2 is required, and the entity must record an impairment loss calculated as the excess of the asset's carrying amount over its fair value. Fair value should be calculated as "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".

Under HKFRS, the impairment loss is calculated as the excess of the asset's carrying amount over its recoverable amount. The recoverable amount is the higher of an asset's (1) fair value less costs of disposal and (2) value in use. "Fair value less costs of disposal is defined as "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, less the costs of disposal". When entities calculate value in use, they discount the expected future cash flows to be generated by the asset to their present value.

Under U.S. GAAP, if the recoverability test in step 1 is passed, impairment is not recorded even if the fair value of the asset is less than its carrying amount. Accordingly, an impairment loss may be recorded under HKFRS but may not be recorded under U.S. GAAP under the same set of circumstances. When an impairment loss is recorded under both U.S. GAAP and HKFRS, the amount of the impairment loss may not be the same under U.S. GAAP and HKFRS because the fair value (under U.S. GAAP) and recoverable amount (under HKFRS) may differ.

During the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016, the management of the Company considered that there is no material difference between the amount of impairment loss recorded under U.S. GAAP and HKFRS.

There are also differences between U.S. GAAP and HKFRS in the presentation and classification of items in the consolidated income statements, statements of financial position and statements of cash flows. In addition, there are differences on financial statement disclosure required between U.S. GAAP and HKFRS. Such differences do not have impact on shareholders' equity of Melco Crown Entertainment as at December 31, 2013, 2014 and 2015 and September 30, 2016 or net income attributable to Melco Crown Entertainment during the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016.

C. SUPPLEMENTAL FINANCIAL INFORMATION OF MELCO CROWN ENTERTAINMENT

For the purpose of this section only, unless the context requires otherwise, references to the "Company", "we", "us" refer to Melco Crown Entertainment.

The Company sets out the following supplemental information of Melco Crown Entertainment, which was not included in Melco Crown Entertainment's audited consolidated financial statements showing the financial information for the three financial years ended December 31, 2015, 2014 and 2013, and unaudited condensed consolidated financial statements showing the financial information for the nine months ended September 30, 2016.

The following discussion should be read in connection with MCE September 2016 financial statements, MCE 2015 financial statements and MCE 2014 financial statements, included elsewhere in this circular. Unless otherwise defined in this circular, terms used in this Appendix shall have the meanings ascribed to them in the 2015 annual report of Melco Crown Entertainment published on April 12, 2016.

1. Capital Structure and Charge on Assets

For details of the indebtedness as of September 30, 2016, see note 6 to the MCE September 2016 financial statements; note 11 to the MCE 2015 financial statements; and note 12 to the MCE 2014 financial statements included elsewhere in this circular, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the charge on Melco Crown Entertainment's assets and nature and extent of any restrictions on Melco Crown Entertainment's ability, and the ability of Melco Crown Entertainment's subsidiaries, to transfer funds as cash dividends, loans or advances.

2. Gearing Ratio

As of September 30, 2016 and December 31, 2015, Melco Crown Entertainment's gearing ratios (total gross indebtedness before the reduction of debt issuance costs divided by total assets) were 41.8% and 38.6%, respectively. The gearing ratio increased as of September 30, 2016, primarily as a result of decrease in total assets which mainly due to the repurchase of shares for retirement and special dividend payment in 2016.

As of December 31, 2015 and December 31, 2014, Melco Crown Entertainment's gearing ratios (total gross indebtedness before the reduction of debt issuance costs divided by total assets) were 38.6% and 38.0%, respectively. The gearing ratio increased as of December 31, 2015, primarily as a result of increased indebtedness from the refinancing of 2011 Credit Facilities with 2015 Credit Facilities, offset by the foreign exchange translation difference arisen from the Philippine Notes.

As of December 31, 2014 and December 31, 2013, Melco Crown Entertainment's gearing ratios (total gross indebtedness before the reduction of debt issuance costs divided by total assets) were 38.0% and 29.1%, respectively. The gearing ratio increased as of December 31, 2014, primarily as a result of increased indebtedness from the drawdown of the term loan under the Studio City Project Facility and the issuance of Philippine Notes, offset by the scheduled repayments of the term loan under the 2011 Credit Facilities.

3. Employees

The following table sets forth the number of employees categorized by the areas of operations and as a percentage of Melco Crown Entertainment's workforce as of September 30, 2016, December 31, 2015, 2014 and 2013. Staff remuneration packages are determined taking into account market conditions and the performance of the individuals concerned, and are subject to review from time to time.

	As of September 30,		As of December 31,					
	2016		2015		2014		2013	
	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
Mocha Clubs	693	3.4%	703	3.3%	750	4.1%	618	5.2%
Altira Macau	1,716	8.4%	1,929	9.0%	2,428	13.2%	2,264	18.9%
City of Dreams	7,997	39.1%	8,250	38.5%	9,244	50.3%	8,292	69.3%
Corporate and centralized services	723	3.5%	804	3.8%	837	4.6%	483	4.1%
Studio City	5,106	25.0%	5,228	24.4%	95	0.5%	165	1.4%
City of Dreams Manila	4,206	20.6%	4,500	21.0%	5,013	27.3%	136	1.1%
Total	20,441	100.0%	21,414	100.0%	18,367	100.0%	11,958	100.0%

Melco Crown Entertainment has implemented a number of human resource initiatives over recent years for the benefit of employees and their families. These initiatives include a unique in-house learning academy, an on-site high school diploma program and Diploma in Casino Management program (a collaboration with The University of Macau), the Diploma in Hospitality Management (a collaboration with the Institute for Tourism Studies), scholarship awards, as well as fast track promotion training initiatives. In September 2015, Melco Crown Entertainment launched the MCE You-niversity program with the Edinburgh Napier University, an overseas institution based in the United Kingdom which was rated "Excellent" in Eduniversal 2014 ranking, to bring a bachelor degree program in-house.

Share-based compensation

Melco Crown Entertainment adopted the 2006 Share Incentive Plan, 2011 Share Incentive Plan and MCP Share Incentive Plan. The 2006 Share Incentive Plan has been succeeded by 2011 Share Incentive Plan. No further awards may be granted under the 2006 Share Incentive Plan. All subsequent awards will be issued under the 2011 Share Incentive Plan.
For the details of share-based compensation, please refer to note 10 to the MCE September 2016 financial statements; note 17 to the MCE 2015 financial statements; and note 18 to the MCE 2014 financial statements, included elsewhere in this circular.

4. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Melco Crown Entertainment believes the primary exposure to market risk will be interest rate risk associated with the substantial indebtedness.

For the details of interest rate risk and foreign exchange risk exposure as of December 31, 2015, 2014 and 2013, please refer to the section "D. Management Discussion and Analysis of Melco Crown Entertainment" in Appendix II to this circular.

The interest rate risk and foreign exchange risk exposure as of September 30, 2016 are set out below.

Interest rate risk

Melco Crown Entertainment's exposure to interest rate risk is associated with the substantial indebtedness bearing interest based on floating rates. As of September 30, 2016, Melco Crown Entertainment is subject to fluctuations in HIBOR and LIBOR as a result of the 2015 Credit Facilities, Aircraft Term Loan and Studio City Project Facility. In addition, Melco Crown Entertainment entered into interest rate swaps in connection with portion of drawdown under the Studio City Project Facility in accordance with the lenders' requirements at such time under the Studio City Project Facility. As of September 30, 2016, Melco Crown Entertainment had three interest rate swap agreements with a total nominal amount of HK$1,711,599,900 (equivalent to approximately US$220.0 million) that expired in October 2016. In October 2016, Melco Crown Entertainment entered into another two interest rate swap agreements with a total nominal amount of HK$1,711,600,100 (equivalent to approximately US$220.0 million) that expired in November 2016 ("New Swaps"). In December 2016, the Studio City Project Facility was repaid in full through the net proceeds from the issuance of senior secured notes and cash on hand, as described in note 15 to the MCE September 2016 financial statements and there is no new interest rate swaps in place since the expiry of the New Swaps in November 2016.

Melco Crown Entertainment attempts to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and may supplement by hedging activities in a manner deem prudent. It cannot be sure that these risk management strategies have had the desired effect, and interest rate fluctuations could have a negative impact on results of operations of Melco Crown Entertainment.

As of September 30, 2016, approximately 55% of Melco Crown Entertainment's total indebtedness was based on fixed rates. Based on September 30, 2016 indebtedness and interest rate swap levels, an assumed 100 basis point change in HIBOR and LIBOR would cause Melco Crown Entertainment's annual interest cost to change by approximately US$15.4 million.

To the extent that Melco Crown Entertainment effects hedging in respect of its credit facilities, the counterparties to such hedging will also benefit from the security and guarantees it provides to the lenders under such credit facilities, which could increase the aggregate secured indebtedness. Melco Crown Entertainment does not intend to engage in transactions in derivatives or other financial instruments for trading or speculative purposes and Melco Crown Entertainment expects the provisions of its existing and any future credit facilities to restrict or prohibit the use of derivatives and financial instruments for purposes other than hedging.

Foreign Exchange Risk

Melco Crown Entertainment's exposure to foreign exchange rate risk is associated with the currency of operations and indebtedness and as a result of the presentation of consolidated financial statements in U.S. dollar. The majority of Melco Crown Entertainment's revenues are denominated in H.K. dollar, given the H.K. dollar is the predominant currency used in Macau and is often used interchangeably with the Pataca in Macau, while the expenses are denominated predominantly in Pataca, H.K. dollar and Philippine peso. In addition, a significant portion of Melco Crown Entertainment's indebtedness, as a result of the 2013 Senior Notes and Studio City Notes, and certain expenses, have been and are denominated in U.S. dollar, and the costs associated with servicing and repaying such debt will be denominated in U.S dollar. Melco Crown Entertainment also has a certain portion of assets and liabilities, including the issuance of Philippine Notes in January 2014, denominated in Philippine peso.

The value of the H.K. dollar, Pataca and Philippine peso against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. While the H.K. dollar is pegged to the U.S. dollar within a narrow range and the Pataca in turn pegged to the H.K. dollar, and the exchange rates between these currencies has remained relatively stable over the past several years, Melco Crown Entertainment cannot assure you that the current peg or linkages between the U.S dollar, H.K. dollar and Pataca will not be broken or modified and subjected to fluctuation. Any significant fluctuations in the exchange rates between H.K. dollar, Pataca or Philippine peso to U.S. dollar may have a material adverse effect on Melco Crown Entertainment's revenues and financial condition.

Melco Crown Entertainment accepts foreign currencies from customers and as of September 30, 2016, in addition to H.K. dollar, Pataca and Philippine peso, Melco Crown Entertainment also holds other foreign currencies. However, any foreign exchange risk exposure associated with those currencies is minimal.

Melco Crown Entertainment has not engaged in hedging transactions with respect to foreign exchange exposure of its revenues and expenses in day-to-day operations during the period ended September 30, 2016. Instead, Melco Crown Entertainment maintains a certain amount of operating funds in the same currencies in which Melco Crown Entertainment has obligations, thereby reducing exposure to currency fluctuations. However, Melco Crown Entertainment occasionally enters into foreign exchange transactions as part of financing transactions and capital expenditure programs.

Major currencies in which Melco Crown Entertainment's cash and bank balances (including bank deposits with original maturity over three months and restricted cash) held as of September 30, 2016 were U.S. dollar, H.K. dollar, New Taiwan dollar, Philippine peso and Pataca. Based on the cash and bank balances as of September 30, 2016, an assumed 1% change in the exchange rates between currencies other than U.S. dollar against the U.S. dollar would cause a maximum foreign transaction gain or loss of approximately US$15.9 million.

Based on the balances of indebtedness denominated in currencies other than U.S. dollar as of September 30, 2016, an assumed 1% change in the exchange rates between currencies other than U.S dollar against the U.S. dollar would cause a foreign transaction gain or loss of approximately US$20.6 million.

5. Accounts Receivable

During the years ended December 31, 2015, 2014 and 2013, and for the nine months ended September 30, 2016, Melco Crown Entertainment has provided allowance for doubtful debts, net of recoveries of approximately US$37,978,000, US$29,979,000, US$43,750,000 and US$51,797,000 and has directly written off accounts receivable of approximately US$1,350,000, US$7,690,000, US$549,000 and US$3,039,000, respectively.

Movement of allowance for doubtful debts are as follows:

	Year Ended December 31,			Nine Months Ended September, 30
	2013	**2014**	**2015**	**2016**
		(in thousands of US$)		
At beginning of year/ period	$ 113,264	$ 143,334	$ 168,786	$ 210,757
Additional allowance, net of recoveries	43,750	29,979	37,978	51,797
Reclassified (to) from long-term receivables, net	(13,680)	(4,527)	3,993	(7,601)
Exchange adjustments	–	–	–	(10)
At end of year/period	$ 143,334	$ 168,786	$ 210,757	$ 254,943

Melco Crown Entertainment grants unsecured credit lines to gaming promoters based on pre-approved credit limits. Melco Crown Entertainment 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 Melco Crown Entertainment'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, Melco Crown Entertainment typically allows a credit period of 14 days to 28 days on issuance of markers following investigations of creditworthiness. An extended repayment term of typically 90 days may be offered to casino customers with large gaming losses and established credit history.

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

	December 31,			September 30,
	2013	**2014**	**2015**	**2016**
	(in thousands of US$)			
Current	$ 187,377	$ 155,172	$ 140,004	$ 120,164
1 – 30 days	57,727	52,574	85,189	33,121
31 – 60 days	11,607	18,719	10,489	7,596
61 – 90 days	11,878	3,937	10,674	5,334
Over 90 days	19,291	23,263	25,271	23,092
	$ 287,880	$ 253,665	$ 271,627	$ 189,307

6. Accounts Payable

The following is an aged analysis of accounts payable presented based on payment due date:

	December 31,			September 30,
	2013	**2014**	**2015**	**2016**
	(in thousands of US$)			
Within 30 days	$ 8,429	$ 12,319	$ 13,265	$ 15,345
31 – 60 days	341	691	1,571	1,156
61 – 90 days	478	381	400	562
Over 90 days	577	1,037	352	720
	$ 9,825	$ 14,428	$ 15,588	$ 17,783

7. Operating Income

Operating income is arrived at after charging (crediting):

	Year Ended December 31, 2013	Year Ended December 31, 2014	Year Ended December 31, 2015	Nine Months Ended September 30, 2016
	(in thousands of US$)			
Auditor's remuneration	$ 999	$ 1,091	$ 1,317	$ 1,163
Loss (gain) on disposal of property and equipment	2,483	4,550	474	(8,937)
Impairment loss recognized on property and equipment	–	4,146	–	–

8. Directors' Emoluments

Details of the emoluments paid or payable to the Directors during the years ended December 31, 2015, 2014 and 2013 and for the nine months ended September 30, 2016 were as follows:

	Directors' Fees	Salaries and Other Benefits	Performance Bonuses	Retirement Benefit Scheme Contributions	Share-based Compensation	December 31, 2015 Total
	(in thousands of US$)					
Co-chairman, executive Director						
Lawrence Yau Lung Ho	$ –	$ 2,919	$ 1,641	$ 2	$ 4,833	$ 9,395
Co-chairman, non-executive Director						
James Douglas Packer	–	–	–	–	1,014	1,014
Non-executive Directors						
John Peter Ben Wang(1)	–	–	–	–	120	120
Clarence Yuk Man Chung	–	200	200	–	844	1,244
William Todd Nisbet(2)	–	100	–	–	620	720
Rowen Bruce Craigie(3)	–	–	–	–	36	36
Independent non-executive Directors						
James Andrew Charles MacKenzie	125	188	–	–	276	589
Thomas Jefferson Wu	113	–	–	–	120	233
Alec Yiu Wa Tsui	112	172	–	–	276	560
Robert Wason Mactier	85	–	–	–	120	205
	$ 435	$ 3,579	$ 1,841	$ 2	$ 8,259	$ 14,116

	Directors' Fees	Salaries and Other Benefits	Performance Bonuses	Retirement Benefit Scheme Contributions	Share-based Compensation	December 31, 2014 Total
			(in thousands of US$)			
Co-chairman, executive Director						
Lawrence Yau Lung Ho	$ –	$ 2,777	$ 3,625	$ 2	$ 4,156	$ 10,560
Co-chairman, non-executive Director						
James Douglas Packer	–	–	–	–	998	998
Non-executive Directors						
John Peter Ben Wang[(1)]	–	–	–	–	119	119
Clarence Yuk Man Chung	–	200	200	–	863	1,263
William Todd Nisbet[(2)]	–	100	–	–	578	678
Rowen Bruce Craigie[(3)]	–	–	–	–	71	71
Independent non-executive Directors						
James Andrew Charles MacKenzie	125	190	–	–	264	579
Thomas Jefferson Wu	113	–	–	–	119	232
Alec Yiu Wa Tsui	112	183	–	–	264	559
Robert Wason Mactier	85	–	–	–	119	204
	$ 435	$ 3,450	$ 3,825	$ 2	$ 7,551	$ 15,263

	Directors' Fees	Salaries and Other Benefits	Performance Bonuses	Retirement Benefit Scheme Contributions	Share-based Compensation	December 31, 2013 Total
			(in thousands of US$)			
Co-chairman, executive Director						
Lawrence Yau Lung Ho	$ –	$ 2,216	$ 9,000	$ 2	$ 3,674	$ 14,892
Co-chairman, non-executive Director						
James Douglas Packer	–	–	–	–	502	502
Non-executive Directors						
John Peter Ben Wang[(1)]	–	–	–	–	112	112
Clarence Yuk Man Chung	–	200	–	–	507	707
William Todd Nisbet[(2)]	–	100	–	–	277	377
Rowen Bruce Craigie[(3)]	–	–	–	–	26	26
Independent non-executive Directors						
James Andrew Charles MacKenzie	125	184	–	–	175	484
Thomas Jefferson Wu	113	–	–	–	112	225
Alec Yiu Wa Tsui	112	189	–	–	175	476
Robert Wason Mactier	85	–	–	–	112	197
	$ 435	$ 2,889	$ 9,000	$ 2	$ 5,672	$ 17,998

	Directors' Fees	Salaries and Other Benefits	Performance Bonuses	Retirement Benefit Scheme Contributions	Share-based Compensation	September 30, 2016 Total
			(in thousands of US$)			
Co-chairman, executive Director						
Lawrence Yau Lung Ho	$ –	$ 1,903	$ 937	$ 2	$ 3,517	$ 6,359
Co-chairman, non-executive Director						
James Douglas Packer	–	3	–	–	379	382
Non-executive Directors						
John Peter Ben Wang(1)	–	–	–	–	77	77
Clarence Yuk Man Chung	–	155	150	–	391	696
William Todd Nisbet(2)	–	80	–	–	209	289
Robert John Rankin(4)	–	–	–	–	22	22
Independent non-executive Directors						
James Andrew Charles MacKenzie	94	140	–	–	161	395
Thomas Jefferson Wu	84	5	–	–	96	185
Alec Yiu Wa Tsui	84	130	–	–	161	375
Robert Wason Mactier	64	5	–	–	96	165
	$ 326	$ 2,421	$ 1,087	$ 2	$ 5,109	$ 8,945

Notes:

(1) Mr. John Peter Ben Wang resigned as a director of Melco Crown Entertainment on August 3, 2016.

(2) Mr. William Todd Nisbet resigned as a director of Melco Crown Entertainment on May 6, 2016.

(3) Mr. Rowen Bruce Craigie resigned as a director of Melco Crown Entertainment on May 20, 2015.

(4) Mr. Robert John Rankin was appointed as a director of Melco Crown Entertainment on May 20, 2015.

9. Employee's Emoluments

Emoluments of Five Highest Paid Individuals

For each of the three years ended December 31, 2015, 2014 and 2013 and for the nine months ended September 30, 2016, the five highest paid individuals included one Director of Melco Crown Entertainment. The emoluments of the remaining four highest paid individuals for the years ended December 31, 2015, 2014 and 2013 and for the nine months ended September 30, 2016 are as follows:

	Year Ended December 31,			Nine Months Ended September 30,
	2013	2014	2015	2016
	(in thousands of US$)			
Basic salaries, allowances and benefits in kind	$ 2,848	$ 3,320	$ 3,615	$ 2,662
Performance bonuses	4,983	2,931	1,824	796
Retirement benefit scheme contributions	238	286	248	186
Share-based compensation	3,283	3,663	3,869	2,738
	$ 11,352	$ 10,200	$ 9,556	$ 6,382

Their emoluments were within the following bands:

	Number of Employees			
	Year Ended December 31,			Nine Months Ended September 30,
	2013	2014	2015	2016
HK$8,500,001 (approximately US$1,093,000) to HK$9,000,000 (approximately US$1,157,000)	–	–	–	1
HK$9,000,001 (approximately US$1,157,000) to HK$9,500,000 (approximately US$1,221,000)	–	–	–	1
HK$11,500,001 (approximately US$1,478,000) to HK$12,000,000 (approximately US$1,542,000)	–	–	–	1
HK$12,500,001 (approximately US$1,607,000) to HK$13,000,000 (approximately US$1,671,000)	–	–	1	–
HK$13,500,001 (approximately US$1,735,000) to HK$14,000,000 (approximately US$1,799,000)	1	1	–	–
HK$14,000,001 (approximately US$1,799,000) to HK$14,500,000 (approximately US$1,864,000)	–	1	1	–
HK$16,500,001 (approximately US$2,121,000) to HK$17,000,000 (approximately US$2,185,000)	–	–	1	–
HK$18,000,001 (approximately US$2,314,000) to HK$18,500,000 (approximately US$2,378,000)	1	–	–	–
HK$18,500,001 (approximately US$2,378,000) to HK$19,000,000 (approximately US$2,442,000)	–	1	–	–
HK$19,500,001 (approximately US$2,506,000) to HK$20,000,000 (approximately US$2,571,000)	1	–	–	–
HK$20,000,001 (approximately US$2,571,000) to HK$20,500,000 (approximately US$2,635,000)	–	–	–	1
HK$30,500,001 (approximately US$3,920,000) to HK$31,000,000 (approximately US$3,985,000)	–	–	1	–
HK$32,500,001 (approximately US$4,177,000) to HK$33,000,000 (approximately US$4,242,000)	–	1	–	–
HK$36,500,001 (approximately US$4,692,000) to HK$37,000,000 (approximately US$4,756,000)	1	–	–	–
	4	4	4	4

10. Subsequent Events

(a) Pursuant to the approval notice issued by the Macau Government in January 2017, one of the subsidiaries of Melco Crown Entertainment in Macau has been exempted from Macau Complementary Tax for additional five years from 2017 to 2021 on profits generated from income received from Melco Crown Macau, to the extent that such income is derived from Studio City gaming operations and has been subject to gaming tax, coinciding with Melco Crown Macau's exemption from Macau Complementary Tax.

(b) On January 12, 2017, the board of Melco Crown Entertainment has approved the declaration and payment of a special dividend of approximately US$650 million (representing US$0.4404 per share) (the "Special Dividend") and amended the quarterly dividend policy from one based on approximately 30% of consolidated net income attributable to Melco Crown Entertainment to one targeting a quarterly cash dividend payment of US$0.03 per share (the "New Dividend Policy"). The Special Dividend was paid to those shareholders whose names appear on the register of members of Melco Crown Entertainment at the close of business on January 23, 2017, being the record date for determination of entitlements to the Special Dividend. The New Dividend Policy will take effect beginning with any dividends declared by the board of Melco Crown Entertainment for the fourth quarter of 2016 and continue until amended or otherwise determined by the board of Melco Crown Entertainment.

D. MANAGEMENT DISCUSSION AND ANALYSIS OF MELCO CROWN ENTERTAINMENT

For the purpose of this section only, unless the context requires otherwise, references to the "Company", "we", "us" and "our" refer to Melco Crown Entertainment and references to "$" refer to US$.

1. The following is an extract of the management discussion and analysis of the results of Melco Crown Entertainment for the year ended December 31, 2013 from the 2013 annual report of Melco Crown Entertainment.

Summary of Financial Results

For the year ended December 31, 2013, our total net revenues were US$5.09 billion, an increase of 24.7% from US$4.08 billion of net revenues for the year ended December 31, 2012. Net income attributable to Melco Crown Entertainment for the year ended December 31, 2013 was US$637.5 million, as compared to net income of US$417.2 million for the year ended December 31, 2012. Our improvement in profitability was attributable to substantially improved group-wide mass table games and rolling chip revenues.

	Year Ended December 31,		
	2013	**2012**	**2011**
	(in thousands of US$)		
Net revenues	$ 5,087,178	$ 4,078,013	$ 3,830,847
Total operating costs and expenses	(4,247,354)	(3,570,921)	(3,385,737)
Operating income	839,824	507,092	445,110
Net income attributable to Melco Crown Entertainment	$ 637,463	$ 417,203	$ 294,656

Our results of operations for the years presented are not fully comparable for the following reasons:

- On November 26, 2012, Studio City Finance issued the Studio City Notes
- On December 19, 2012, we completed the acquisition of a majority interest in the issued share capital of MCP
- On February 7, 2013, MCE Finance issued the 2013 Senior Notes
- On March 11, 2013, we completed the early redemption of the RMB Bonds in full
- On March 13, 2013, the cooperation agreement and the lease agreement between us and the Philippine Parties became effective

- On March 28, 2013, we completed the early redemption of our 2010 Senior Notes
- In April, 2013, MCP completed a top-up placement on the Philippine Stock Exchange raising net proceeds of approximately US$338.5 million, including the over-allotment option

Factors Affecting Our Current and Future Results

Our results of operations are and will be affected most significantly by:

- The growth of the gaming and leisure market in Macau, which is facilitated by a number of key drivers and initiatives including, among others, favorable population demographics and economic growth in major Asian tourism markets, substantial private capital investment in Macau, particularly in developing diversified destination resort properties, and the commitment and support of the PRC central and Macau governments to improve and develop infrastructure both within, and connecting to, Macau;
- The current economic and operating environment, including the impact of global and local economic conditions, changes in capital market conditions; and the impact of visa and other regulatory policies of the PRC central and Macau governments, as discussed under "Item 4. Information on the Company – B. Business Overview – Market and Competition";
- The competitive landscape in Macau, which is expected to evolve as more gaming and non-gaming facilities are developed in Macau, including the expected new supply of integrated resorts in the Cotai region of Macau, as well as the impact of recent or future expansion of gaming markets throughout Asia;
- The different mix of table and machine games at our casinos, such as the mix between rolling chip and mass market table game segments, and customer playing habits; as well as changes in the mix of rolling chip business sourced through gaming promoters or via our direct VIP relationships;
- Our relationships with gaming promoters, which contribute a significant portion of our casino revenues, expose us to credit risk (given the majority of these gaming promoters are provided with credit as part of the ordinary course of business) and to any change in the gaming promoter commission environment in Macau. For the years ended December 31, 2013, 2012 and 2011, approximately 49.8%, 53.4% and 61.0% of our casino revenues were derived from customers sourced through our rolling chip gaming promoters, respectively. For the year ended December 31, 2013, our top five customers and the largest customer were gaming promoters and accounted for approximately 20.7% and 6.3% of our casino revenues, respectively. We believe we have good relationships with our gaming promoters. Commissions paid to our rolling chip gaming promoters (net of amounts indirectly rebated to customers) amounted to US$391.9 million, US$308.6 million and US$321.6 million for the years ended December 31, 2013, 2012 and 2011, respectively;
- Our 2011 Credit Facilities and Aircraft Term Loan, which expose us to interest rate risk, as discussed under "Item 11 Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk"; and

- The currency of our operations, our indebtedness and presentation of our financial statements, which expose us to foreign exchange risk rate, as discussed under "Item 11 Quantitative and Qualitative Disclosures About Market Risk – Foreign Exchange Risk".

Our historical financial results may not be characteristic of our potential future results as we continue to expand and refine our service offerings at our properties and develop and open new properties.

Key Performance Indicators (KPIs)

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

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

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

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

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

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

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

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

In the rolling chip market segment, customers purchase identifiable chips known as non-negotiable chips, or rolling chips, from the casino cage, and there is no deposit into a gaming table's drop box of rolling chips purchased from the cage. Rolling chip volume and mass market table games drop are not equivalent. Rolling chip volume is a measure of amounts wagered and lost. Mass market table games drop measures buy in. Rolling chip volume is generally substantially higher than mass market table games drop. As these volumes are the denominator used in calculating win rate or hold percentage, with the same use of gaming win as the numerator, the win rate is generally lower in the rolling chip market segment than the hold percentage in the mass market table games segment.

Our combined expected rolling chip win rate (calculated before discounts and commissions) across our properties is in the range of 2.7% to 3.0%.

We use the following KPIs to evaluate our hotel operations:

- *Average daily rate:* calculated by dividing total room revenues (less service charges, if any) by total rooms occupied, i.e., average price of occupied rooms per day.
- *Occupancy rate:* the average percentage of available hotel rooms occupied during a period.
- Revenue per available room, or REVPAR: calculated by dividing total room revenues (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

Complimentary rooms, for which rates are set at a discount from standard walk-in rates, are included in the calculation of the above room-related KPIs. As not all available rooms are occupied, average daily room rates are normally higher than revenue per available room.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues

Our total net revenues for the year ended December 31, 2013 were US$5.09 billion, an increase of US$1.01 billion, or 24.7%, from US$4.08 billion for the year ended December 31, 2012. The increase in total net revenues was driven by substantially improved mass table games volumes and blended hold percentages, as well as increased volumes in the rolling chip and gaming machines segments.

Our total net revenues for the year ended December 31, 2013 comprised of US$4.94 billion of casino revenues, representing 97.1% of our total net revenues, and US$145.7 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2012 comprised US$3.93 billion of casino revenues, representing 96.5% of our total net revenues, and US$143.3 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2013 were US$4.94 billion, representing a US$1.01 billion, or 25.6%, increase from casino revenues of US$3.93 billion for the year ended December 31, 2012, primarily due to an increase in casino revenues at City of Dreams and Altira Macau of US$935.2 million, or 33.5%, and US$65.5 million, or 6.9%, respectively. This increase was primarily a result of increased rolling chip volume and mass market table games drop at both City of Dreams and Altira Macau, as well as an improved blended mass market table games hold percentage and rolling chip win rate. Our mass market table games revenues continue to improve reflecting the success of a range of gaming floor efficiency initiatives, improved casino visitation and casino marketing initiatives, together with a strong overall market growth environment in the segment.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2013 was US$44.9 billion, representing an increase of US$0.9 billion, or 2.2%, from US$44.0 billion for the year ended December 31, 2012. The rolling chip win rate (calculated before discounts and commissions) was 2.96% for the year ended December 31, 2013, within our expected level of 2.7% to 3.0%, and increased slightly from 2.89% for the year ended December 31, 2012. In the mass market table games segment, mass market table games drop was US$724.0 million for the year ended December 31, 2013, representing an increase of 20.4% from US$601.4 million for the year ended December 31, 2012. The mass market table games hold percentage was 15.4% for the year ended December 31, 2013, representing a decrease from 16.7% for the year ended December 31, 2012.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2013 of US$97.0 billion represented an increase of US$15.7 billion, or 19.3%, from US$81.3 billion for the year ended December 31, 2012. The rolling chip win rate (calculated before discounts and commissions) was 2.95% for the year ended December 31, 2013, in line with our expected range of 2.7% to 3.0%, and reflected a slight increase from 2.92% for the year ended December 31, 2012. In the mass market table games segment, mass market table games drop was US$4.66 billion for the year ended December 31, 2013 which represented an increase of US$1.07 billion, or 30.0%, from US$3.59 billion for the year ended December 31, 2012. The mass market table games hold percentage was 34.6% in the year ended December 31, 2013, demonstrating a large increase from 29.1% for the year ended December 31, 2012. Average net win per gaming machine per day was US$361 for the year ended December 31, 2013, an increase of US$48, or 15.2%, from US$313 for the year ended December 31, 2012.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2013 was US$212, an increase of approximately US$26, or 13.9%, from US$186 for the year ended December 31, 2012.

Rooms. Room revenues for the year ended December 31, 2013 were US$127.7 million, representing a US$9.6 million, or 8.1%, increase from room revenues of US$118.1 million for the year ended December 31, 2012. The increase was primarily due to improved occupancy and the positive impact from the increase in average daily rate. Altira Macau's average daily rate, occupancy rate and REVPAR were US$230, 99% and US$227, respectively, for the year ended December 31, 2013, as compared to US$221, 98% and US$216, respectively, for the year ended December 31, 2012. City of Dreams' average daily rate, occupancy rate and REVPAR were US$189, 97% and US$183, respectively, for the year ended December 31, 2013, as compared to US$185, 93% and US$171, respectively, for the year ended December 31, 2012.

Food, beverage and others. Other non-casino revenues for the year ended December 31, 2013 included food and beverage revenues of US$78.9 million and entertainment, retail and other revenues of US$103.7 million. Other non-casino revenues for the year ended December 31, 2012 included food and beverage revenues of US$72.7 million, and entertainment, retail and other revenues of US$90.8 million. The increase of US$19.1 million in food, beverage and other revenues from the year ended December 31, 2012 to the year ended December 31, 2013 was primarily due to higher business volumes associated with an increase in visitation during the year, as well as the improved yield of rental income at City of Dreams.

Operating costs and expenses

Total operating costs and expenses were US$4.25 billion for the year ended December 31, 2013, representing an increase of US$676.4 million, or 18.9%, from US$3.57 billion for the year ended December 31, 2012. The increase in operating costs was primarily due to an increase in operating costs at City of Dreams and Altira Macau which were in-line with the increased gaming volume and associated increase in revenues, as well as the increase in associated costs in connection with MCP after our acquisition of a majority interest in MCP, including fees and costs associated with the corporate reorganization of MCP.

Casino. Casino expenses increased by US$618.0 million, or 21.8%, to US$3.45 billion for the year ended December 31, 2013 from US$2.83 billion for the year ended December 31, 2012 primarily due to additional gaming tax and other levies and commission expenses of US$531.0 million, as well as other operating costs, such as payroll and promotional expenses of US$87.0 million, which increased as a result of increased gaming volume and associated increase in revenues.

Rooms. Room expenses, which represent the costs in operating the hotel facilities at Altira Macau and City of Dreams, decreased by 14.9% to US$12.5 million for the year ended December 31, 2013 from US$14.7 million for the year ended December 31, 2012, primarily due to a higher level of complimentary hotel rooms offered to gaming customers for which the associated costs are included as casino expenses, partially offset by an increase in the operating costs as a result of increased occupancy.

Food, beverage and others. Food, beverage and others expenses were US$93.3 million and US$90.3 million for the years ended December 31, 2013 and 2012, respectively.

General and administrative. General and administrative expenses increased by US$28.8 million, or 12.7%, to US$255.8 million for the year ended December 31, 2013 from US$227.0 million for the year ended December 31, 2012, primarily due to an increase in payroll expenses, share-based compensation, marketing and advertising expenses, as well as professional fees to support continuing and expanding operations.

Pre-opening costs. Pre-opening costs were US$17.0 million for the year ended December 31, 2013 as compared to US$5.8 million for the year ended December 31, 2012. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. Pre-opening costs for the year ended December 31, 2013 primarily related to the payroll expenses, rental and administrative costs in connection with City of Dreams Manila and Studio City. The pre-opening costs for the year ended December 31, 2012 related to the administrative costs in connection with Studio City, the opening of The Tasting Room, Signature Club Lounge and Jade Dragon at City of Dreams, and the introduction of Taboo at Club Cubic.

Development costs. Development costs were US$26.3 million for the year ended December 31, 2013, which predominantly related to fees and costs associated with the corporate reorganization of MCP as well as corporate business development. Development costs for the year ended December 31, 2012 primarily included US$5.7 million excess payment between purchase consideration and direct transaction costs and share of net assets acquired upon completion of the acquisition of MCP in December 2012 and a total of US$5.4 million of professional and consultancy fee for City of Dreams Manila, as well as corporate business development.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US$57.2 million for each of the years ended December 31, 2013 and 2012.

Amortization of land use rights. The increase in amortization of land use rights expenses to US$64.3 million for the year ended December 31, 2013 from US$59.9 million for the year ended December 31, 2012 was primarily due to the additional amortization of land use rights expenses associated with amended Studio City land concession contract in July 2012.

Depreciation and amortization. Depreciation and amortization expenses were US$261.3 million and US$261.4 million for the years ended December 31, 2013 and 2012, respectively. The slight decrease was primarily due to fully depreciated assets at City of Dreams and Altira Macau during the year ended December 31, 2013, offset in part by depreciation of assets progressively added to City of Dreams.

Property charges and others. Property charges and others generally include costs related to the remodeling and rebranding of a property which might include the retirement, disposal or write-off of assets. Property charges and others for the year ended December 31, 2013 were US$6.9 million, which primarily included a write-off of US$3.0 million for the final payment in relation to a service contract at City of Dreams and assets write-off of US$1.6 million as a result of the remodel of non-gaming attractions at City of Dreams. Property charges and others for the year ended December 31, 2012 were US$8.7 million, which mainly related to the write-off of US$4.4 million for excess payments in relation to a service contract at City of Dreams and US$2.4 million of costs incurred for implementing our streamlined management structure in February 2012.

Non-operating expenses, net

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, amortization of deferred financing costs, loan commitment fees, foreign exchange (loss) gain, net, change in fair value of interest rate swap agreements, loss on extinguishment of debt and costs associated with debt modification, as well as other non-operating income, net.

Interest income was US$7.7 million for the year ended December 31, 2013, as compared to US$11.0 million for the year ended December 31, 2012. The decrease was primarily driven by lower interest income from RMB Bonds proceeds deposit upon the early redemption of RMB Bonds in March 2013.

Interest expenses were US$152.7 million, net of capitalized interest of US$31.0 million for the year ended December 31, 2013, compared to US$109.6 million, net of capitalized interest of US$10.4 million for the year ended December 31, 2012. The increase in net interest expenses (net of interest capitalization) of US$43.1 million was primarily due to: (i) US$65.3 million higher interest expenses upon our issuance of Studio City Notes in November 2012; (ii) US$34.0 million interest on capital lease obligation relating to MCP's building lease payments incurred during the year ended December 31, 2013; partially offset by (iii) lower interest charges of US$10.5 million upon our redemption of our 2010 Senior Notes by our issuance of the lower interest rate 2013 Senior Notes in March 2013 and US$19.5 million upon our repayment and redemption on the Deposit-Linked Loan and RMB Bonds; (iv) a lower interest charge of US$5.0 million as a result of the scheduled repayments of the term loan started from September 2013 and repayment of the drawn revolving credit facility both under 2011 Credit Facilities; and (v) higher interest capitalization of US$20.6 million, primarily associated with the Studio City construction and development projects.

Other finance costs for the year ended December 31, 2013 of US$43.8 million, included US$18.2 million of amortization of deferred financing costs and loan commitment fees of US$25.6 million. Other finance costs for the year ended December 31, 2012 of US$14.6 million, included US$13.3 million of amortization of deferred financing costs and loan commitment fees of US$1.3 million. The increase in amortization of deferred financing costs compared to the year ended December 31, 2012 was primarily due to the recognition of amortized deferred financing costs incurred for the Studio City Notes issued in November 2012 and the 2013 Senior Notes issued in February 2013, which were offset in part by the cessation of amortization of deferred financing costs relating to the RMB Bonds and 2010 Senior Notes upon our redemption. The increase in loan commitment fees compared to the year ended December 31, 2012 was primarily associated with the Studio City Project Facility, which became effective from January 28, 2013.

Loss on extinguishment of debt for the year ended December 31, 2013 was US$50.9 million, which mainly represented a portion of the 2010 Senior Notes redemption fees and unamortized deferred financing costs that are not eligible for capitalization. There was no loss on extinguishment of debt for the year ended December 31, 2012. See "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Indebtedness" for more information.

Costs associated with debt modification for the year ended December 31, 2013 were US$10.5 million, which mainly represented a portion of underwriting fee, legal and professional fees incurred for refinancing 2010 Senior Notes with 2013 Senior Notes that are not eligible for capitalization. Cost associated with debt modification for the year ended December 31, 2012 were US$3.3 million, which were primarily attributable to a consent solicitation fee in relation to the 2010 Senior Notes in October 2012. See "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Indebtedness" for more information.

Income tax (expense) credit

Income tax expense for the year ended December 31, 2013 was primarily attributable to a lump sum tax payable in lieu of Macau Complementary Tax otherwise due by Melco Crown Macau's shareholders for dividends distributable to them by Melco Crown Macau. The effective tax rate for the year ended December 31, 2013 was 0.4%, as compared to a negative rate of 0.7% for the year ended December 31, 2012. Such rates for the years ended December 31, 2013 and 2012 differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of change in valuation allowance and expenses for which no income tax benefit is receivable for the years ended December 31, 2013 and 2012 and the effect of a tax holiday of US$125.7 million and US$88.5 million on the net income of our Macau gaming operations during the years ended December 31, 2013 and 2012, respectively, which is set to expire in 2016. Our management does not expect to realize a significant income tax benefit related to deferred tax assets generated by our Macau operations; however, to the extent that the financial results of our Macau operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance through earnings.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US$59.5 million for the year ended December 31, 2013, which compared to that of US$18.5 million for the year ended December 31, 2012, was primarily due to the share of the Studio City expenses of US$48.0 million and MCP expenses of US$11.5 million, respectively, by the respective minority shareholders for the year ended December 31, 2013. The year-over-year increase was primarily attributable to the noncontrolling interests' share of Studio City's financing costs and City of Dreams Manila's pre-operating expenses during the year ended December 31, 2013.

Net income attributable to Melco Crown Entertainment

As a result of the foregoing, we had net income of US$637.5 million for the year ended December 31, 2013, compared to US$417.2 million for the year ended December 31, 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenues

Our total net revenues for the year ended December 31, 2012 were US$4.08 billion, an increase of US$0.25 billion, or 6.5%, from US$3.83 billion for the year ended December 31, 2011. The increase in total net revenues was primarily driven by substantially improved mass market table games volumes and blended hold percentages, as well as increased volumes in the gaming machines operations, partially offset by lower group-wide rolling chip volumes.

Our total net revenues for the year ended December 31, 2012 comprised US$3.93 billion of casino revenues, representing 96.5% of our total net revenues, and US$143.3 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2011 comprised US$3.68 billion of casino revenues, representing 96.0% of our total net revenues, and US$151.4 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2012 were US$3.93 billion, representing a US$0.25 billion, or 6.9%, increase from casino revenues of US$3.68 billion for the year ended December 31, 2011, primarily due to an increase in casino revenues at City of Dreams of US$439.3 million, or 18.6%, which was partially offset by a decrease in casino revenues at Altira Macau of US$207.3 million, or 17.9%. This increase was primarily attributable to substantial growth in the mass market table games segment, particularly at City of Dreams, driven by improvements in both the mass market table games hold percentage together with increased mass market table games drop. Our mass market table games revenues continue to improve reflecting the success of a range of gaming floor efficiency initiatives, improved casino visitation and casino marketing initiatives, together with a strong overall market growth environment in the segment.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2012 was US$44.0 billion, representing a decrease of US$7.2 billion, or 14.1%, from US$51.2 billion for the year ended December 31, 2011. Altira Macau's rolling chip volumes were impacted by a slow-down in the market-wide rolling chip segment and various group-wide table efficiency initiatives which, among other things, resulted in a reduction in the number of rolling chip gaming tables in operation at Altira Macau for the year ended December 31, 2012 when compared to 2011. The rolling chip win rate (calculated before discounts and commissions) was 2.89% for the year ended December 31, 2012, within our expected level of 2.7% to 3.0%, and decreased from 3.03% for the year ended December 31, 2011. In the mass market table games segment, mass market table games drop was US$601.4 million for the year ended December 31, 2012, representing an increase of 3.4% from US$581.8 million for the year ended December 31, 2011. The mass market table games hold percentage was 16.7% for the year ended December 31, 2012 and represented a slight increase from 16.6% for the year ended December 31, 2011.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2012 of US$81.3 billion represented an increase of US$2.5 billion, or 3.2%, from US$78.8 billion for the year ended December 31, 2011. The rolling chip win rate (calculated before discounts and commissions) was 2.92% for the year ended December 31, 2012, which is within our expected range of 2.7% to 3.0%, and slightly improved from 2.89% for the year ended December 31, 2011. In the mass market table games segment, mass market table games drop was US$3.59 billion for the year ended December 31, 2012 which represented an increase of US$0.65 billion, or 22.0%, from US$2.94 billion for the year ended December 31, 2011. The increase in mass market table games drop was positively impacted by an increase in casino visitation and improvements in casino marketing initiatives, together with the overall market growth in the mass market table games segment. The mass market table games hold percentage was 29.1% in the year ended December 31, 2012 and demonstrated a significant increase from 24.4% for the year ended December 31, 2011. Average net win per gaming machine per day was US$313 for the year ended December 31, 2012, an increase of US$45, or 16.8%, from US$268 for the year ended December 31, 2011.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2012 was US$186, a decrease of approximately US$31, or 14.3%, from US$217 for the year ended December 31, 2011. The average net win per gaming machine was impacted by the addition of over 500 gaming machines as a result of the opening of two new Mocha Clubs venues in late 2011 and early 2012. The number of gaming machines in operation at Mocha Clubs averaged approximately 2,100 for the year ended December 31, 2012, compared to approximately 1,700 for the year ended December 31, 2011.

Rooms. Room revenues for the year ended December 31, 2012 were US$118.1 million, representing a US$15.1 million, or 14.6%, increase from room revenues of US$103.0 million for the year ended December 31, 2011, primarily due to improved occupancy and the positive impact from the increase in average daily rate. Altira Macau's average daily rate, occupancy rate and REVPAR were US$221, 98% and US$216, respectively, for the year ended December 31, 2012, as compared to US$196, 98% and US$191, respectively, for the year ended December 31, 2011. City of Dreams' average daily rate, occupancy rate and REVPAR were US$185, 93% and US$171, respectively, for the year ended December 31, 2012, as compared to US$172, 91% and US$156, respectively, for the year ended December 31, 2011.

Food, beverage and others. Other non-casino revenues for the year ended December 31, 2012 included food and beverage revenues of US$72.7 million, and entertainment, retail and other revenues of US$90.8 million. Other non-casino revenues for the year ended December 31, 2011 included food and beverage revenues of US$61.8 million, and entertainment, retail and other revenues of US$86.2 million. The increase of US$15.5 million in food, beverage and other revenues from the year ended December 31, 2011 to the year ended December 31, 2012 was primarily due to higher business volumes associated with an increase in visitation during the year and an improved yield of rental income at City of Dreams.

Operating costs and expenses

Total operating costs and expenses were US$3.57 billion for the year ended December 31, 2012, representing an increase of US$185.2 million, or 5.5%, from US$3.39 billion for the year ended December 31, 2011. The increase was primarily due to an increase in operating costs at City of Dreams, which was in line with the increased gaming volume and associated increase in revenues, as well as the increase in associated costs in connection with Studio City after our acquisition of a 60% interest in SCI, including amortization of land use rights and pre-opening costs.

Casino. Casino expenses increased by US$135.8 million, or 5.0%, to US$2.83 billion for the year ended December 31, 2012 from US$2.70 billion for the year ended December 31, 2011, primarily due to additional gaming tax and other levies and commission expenses of US$78.6 million; as well as other operating costs, such as payroll and promotional expenses of US$57.2 million, which increased as a result of increased gaming volume and associated increase in revenues.

Rooms. Room expenses, which represent the costs in operating the hotel facilities at Altira Macau and City of Dreams, decreased by 19.5% to US$14.7 million for the year ended December 31, 2012 from US$18.2 million for the year ended December 31, 2011, primarily due to a higher level of complimentary hotel rooms offered to gaming customers for which the associated costs are included as casino expenses, partially offset by an increase in the operating costs as a result of increased occupancy.

Food, beverage and others. Food, beverage and others expenses were US$90.3 million and US$92.6 million for the years ended December 31, 2012 and 2011, respectively.

General and administrative. General and administrative expenses increased by US$6.8 million, or 3.1%, to US$227.0 million for the year ended December 31, 2012 from US$220.2 million for the year ended December 31, 2011, primarily due to an increase in payroll expenses, utilities costs and repair and maintenance costs to support continuing and expanding operations.

Pre-opening costs. Pre-opening costs were US$5.8 million for the year ended December 31, 2012 as compared to those of US$2.7 million for the year ended December 31, 2011. Such costs relate primarily to personnel training, marketing, advertising and other administrative costs in connection with new or start-up operations. Pre-opening costs for the year ended December 31, 2012 related to the administrative costs in connection with Studio City after MCE's acquisition of a 60% interest in SCI on July 27, 2011, the opening of The Tasting Room, Signature Club Lounge and Jade Dragon at City of Dreams, and the introduction of Taboo at Club Cubic during 2012, while the pre-opening costs for the year ended December 31, 2011 related primarily to the opening of Club Cubic at City of Dreams in April 2011.

Development costs. Development costs for the year ended December 31, 2012 primarily included US$5.7 million excess payment between purchase consideration and direct transaction costs and share of net assets acquired upon completion of the acquisition of MCP in December 2012 and a total of US$5.4 million of professional and consultancy fee for City of Dreams Manila; as well as corporate business development. Development costs for the year ended December 31, 2011 were associated with the acquisition of a 60% equity interest in Studio City.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US$57.2 million for each of the years ended December 31, 2012 and 2011.

Amortization of land use rights. Amortization of land use rights expenses increased by US$25.5 million, or 74.2%, to US$59.9 million for the year ended December 31, 2012 from US$34.4 million for the year ended December 31, 2011, primarily due to the additional amortization of land use rights expenses associated with amended Studio City land concession contract in July 2012.

Depreciation and amortization. Depreciation and amortization expenses increased by US$2.2 million, or 0.9%, to US$261.4 million for the year ended December 31, 2012 from US$259.2 million for the year ended December 31, 2011, mainly due to depreciation of assets progressively added to City of Dreams since the third quarter of 2011; as well as depreciation of a newly acquired aircraft since July 2012, offset in part by fully depreciated assets at City of Dreams during the year ended December 31, 2012.

Property charges and others. Property charges and others generally include costs related to the remodeling and rebranding of a property which might include the retirement, disposal or write-off of assets. Property charges and others for the year ended December 31, 2012 were US$8.7 million, which primarily included a write-off of US$4.4 million for the excess payments in relation to a service contract at City of Dreams and US$2.4 million costs incurred for implementing our streamlined management structure in February 2012.

Non-operating expenses, net

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, amortization of deferred financing costs, loan commitment fees, foreign exchange gain (loss), net, costs associated with debt modification, loss on extinguishment of debt, reclassification of accumulated losses of interest rate swap agreements from accumulated other comprehensive losses, change in fair value of interest swap agreements, listing expenses and other non-operating income, net.

Interest income was US$11.0 million for the year ended December 31, 2012, as compared to US$4.1 million for the year ended December 31, 2011. The significant increase was primarily driven by effective cash management and improvements in our operating cash flows as a result of the improvements in operating performance during 2012.

Interest expenses were US$109.6 million, net of capitalized interest of US$10.4 million for the year ended December 31, 2012, compared to US$113.8 million, net of capitalized interest of US$3.2 million for the year ended December 31, 2011. The decrease in net interest expenses (net of interest capitalization) of US$4.2 million resulted from higher interest capitalization of US$7.2 million associated with the Studio City construction and development projects which resumed after our acquisition of a 60% interest in SCI on July 27, 2011, together with a decrease in interest charges of US$9.7 million and US$5.2 million, associated with the expiration of interest rate swaps agreements throughout the year, as well as a lower interest rate margin and lower outstanding balance on our 2011 Credit Facilities as a result of a repayment made during the year ended December 31, 2011, respectively, which were offset in part by a higher interest expenses of US$8.8 million due to a full year of interest charges incurred on the RMB Bonds and the Deposit-Linked Loan issued in May 2011 and US$5.8 million interest expenses for the Studio City Notes issued in November 2012.

Other finance costs for the year ended December 31, 2012 of US$14.6 million, included US$13.3 million of amortization of deferred financing costs and loan commitment fees of US$1.3 million. Other finance costs for the year ended December 31, 2011 of US$15.6 million included US$14.2 million of amortization of deferred financing costs and loan commitment fees of US$1.4 million. The decrease in amortization of deferred financing costs was primarily due to lower deferred costs incurred with the amendment of our City of Dreams Project Facility on June 30, 2011 as the 2011 Credit Facilities, which were offset in part by the recognition of a full year of amortization of additional costs capitalized as deferred financing costs relating to the RMB Bonds issued in May 2011.

The amendment of the City of Dreams Project Facility completed on June 30, 2011 was primarily accounted for as an extinguishment of debt resulting in a loss on extinguishment of US$25.2 million for the year ended December 31, 2011. There was no loss on extinguishment of debt for the year ended December 31, 2012.

The reclassification of US$4.3 million related to the accumulated losses of interest rate swap agreements from accumulated other comprehensive losses to consolidated statement of operations for the year ended December 31, 2011 was required as such swap agreements no longer qualified for hedge accounting immediately after the amendment of the City of Dreams Project Facility on June 30, 2011. There was no such reclassification for the year ended December 31, 2012.

Costs associated with debt modification of US$3.3 million for the year ended December 31, 2012 were primarily attributable to a consent solicitation fee related to the 2010 Senior Notes in October 2012. There were no costs associated with debt modification for the year ended December 31, 2011. See "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Indebtedness" for more information regarding the cash tender and consent solicitation in respect of the 2010 Senior Notes.

Listing expenses of US$9.0 million for the year ended December 31, 2011 related to the listing of our shares on the HKSE in December 2011. There was no listing expenses incurred for the year ended December 31, 2012.

Income tax credit (expense)

The effective tax rate for the year ended December 31, 2012 was a negative rate of 0.7%, as compared to a negative rate of 0.6% for the year ended December 31, 2011. Such rates for the years ended December 31, 2012 and 2011 differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of change in valuation allowance on the net deferred tax assets for the years ended December 31, 2012 and 2011, with the effect of a tax holiday of US$88.5 million and US$69.7 million on the net income of our Macau gaming operations during the year ended December 31, 2012 and 2011, respectively, due to our income tax exemption in Macau, which is set to expire in 2016. Our management does not anticipate recording an income tax benefit related to deferred tax assets generated by our Macau operations; however, to the extent that the financial results of our Macau operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance through earnings.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US$18.5 million for the year ended December 31, 2012, compared to US$5.8 million for the year ended December 31, 2011, was primarily due to the share of New Cotai Holdings, which owns a 40% interest in SCI, in expenses of the Studio City project, upon the completion of our acquisition of a 60% equity interest in SCI on July 27, 2011. The year-over-year increase was primarily attributable to interest expenses relating to the Studio City Notes incurred during the fourth quarter of 2012.

Net income attributable to Melco Crown Entertainment

As a result of the foregoing, we had net income of US$417.2 million for the year ended December 31, 2012, compared to that of US$294.7 million for the year ended December 31, 2011.

Adjusted Property EBITDA and Adjusted EBITDA

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, Corporate and Others expenses and other non-operating income and expenses, or adjusted property EBITDA were US$1,379.1 million, US$995.3 million and US$880.9 million for the years ended December 31, 2013, 2012 and 2011, respectively. Adjusted property EBITDA of Altira Macau, City of Dreams and Mocha Clubs were US$147.3 million, US$1,193.2 million and US$40.2 million, respectively, for the year ended December 31, 2013, US$154.7 million, US$805.7 million and US$36.1 million, respectively, for the year ended December 31, 2012 and US$246.3 million, US$594.4 million and US$40.5 million, respectively, for the year ended December 31, 2011.

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation and other non-operating income and expenses, or adjusted EBITDA, were US$1,287.8 million, US$920.2 million and US$809.4 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Our management uses adjusted property EBITDA to measure the operating performance of our Altira Macau, City of Dreams and Mocha Clubs businesses, and to compare the operating performance of our properties with those of our competitors. Adjusted EBITDA and adjusted property EBITDA are 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 property EBITDA and 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, in particular, U.S. GAAP or International Financial Reporting Standards.

However, Adjusted property EBITDA or adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our U.S. GAAP operating performance, other operating operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted property EBITDA and 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 U.S. GAAP financial statements and other information in this annual report, less reliance should be placed on adjusted property EBITDA or adjusted EBITDA as a measure in assessing our overall financial performance.

Reconciliation of Adjusted EBITDA and Adjusted Property EBITDA to Net Income Attributable to Melco Crown Entertainment

	Year Ended December 31,		
	2013	**2012**	**2011**
	(in thousands of US$)		
Adjusted property EBITDA	$ 1,379,111	$ 995,335	$ 880,915
Corporate and Others expenses	(91,299)	(75,135)	(71,494)
Adjusted EBITDA	1,287,812	920,200	809,421
Pre-opening costs	(17,014)	(5,785)	(2,690)
Development costs	(26,297)	(11,099)	(1,110)
Depreciation and amortization	(382,806)	(378,597)	(350,862)
Share-based compensation	(14,987)	(8,973)	(8,624)
Property charges and others	(6,884)	(8,654)	(1,025)
Interest and other non-operating expenses, net	(259,370)	(111,363)	(157,902)
Income tax (expense) credit	(2,441)	2,943	1,636
Net income	578,013	398,672	288,844
Net loss attributable to noncontrolling interests	59,450	18,531	5,812
Net income attributable to Melco Crown Entertainment	$ 637,463	$ 417,203	$ 294,656

B. LIQUIDITY AND CAPITAL RESOURCES

We have relied and intend to rely on our cash generated from our operations and our debt and equity financings to meet our financing needs and repay our indebtedness, as the case may be.

As of December 31, 2013, we held unrestricted cash and cash equivalents, bank deposits with original maturity over three months and restricted cash of approximately US$1,381.8 million, US$626.9 million and US$1,143.7 million, respectively, and HK$3.12 billion (approximately US$401.1 million) of the 2011 Credit Facilities remained available for future drawdown.

In addition, under our Studio City Project Facility, we have HK$10,855,880,000 (equivalent to approximately US$1.4 billion) comprising a five year HK$10,080,460,000 (equivalent to approximately US$1.3 billion) delayed draw term loan facility and a HK$775,420,000 (equivalent to approximately US$100 million) revolving credit facility. The entire Studio City Project Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

On December 19, 2013, MCE Leisure Philippines priced its PHP15 billion (equivalent to approximately US$340.0 million at date of pricing) aggregate principal amount of Philippine Notes, at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019. The issuance of the Philippine Notes was completed on January 24, 2014. We intend to use the net proceeds from the issuance of Philippine Notes for the development of City of Dreams Manila.

Since January 2013, one of our Taiwan branch office's deposit accounts has been presented as restricted cash because the funds in the account have been frozen pursuant to an investigation of certain of our Taiwan branch employees by the Taiwanese authorities. We are taking action to request the Taiwanese authorities to unfreeze the account. See "Item 8. Financial Information – A. Consolidated and Other Financial Information – Legal and Administrative Proceedings" for more information.

MCP's restricted cash represented cash in escrow account as required in the Provisional License issued by PAGCOR for the development of City of Dreams Manila. Under the Provisional License granted by PAGCOR, the Philippine Licensees are required to set-up an escrow account with an amount of US$100.0 million with a universal bank mutually agreed by PAGCOR and the Philippine Licensees. All funds for the development of the casino project shall pass through the escrow account and all drawdowns of funds from the escrow account must be applied to City of Dreams Manila. The escrow account should have a maintaining balance of US$50.0 million equivalent until City of Dreams Manila's completion. On March 21, 2013, MCE Leisure Philippines, as one of the Philippine Licensees, established a new escrow account replacing the existing escrow account and deposited US$50.0 million equivalent to the new escrow account. The escrow account will be closed at completion of City of Dreams Manila.

The Studio City cash and cash equivalents is comprised of net proceeds from offering of the Studio City Notes and the unspent cash from the capital injection for the Studio City project from our Company and SCI minority shareholder in accordance with our shareholder agreement, both of which were restricted only for payment of construction and development costs and other project costs of the Studio City project in accordance with Studio City Notes and Studio City Project Facility terms.

We have been able to meet our working capital needs, and we believe that our operating cash flow, existing cash balances, funds available under the 2011 Credit Facilities and Studio City Project Facility and additional equity or debt financings will be adequate to satisfy our current and anticipated operating, debt and capital commitments, including our development project plans, as described in "– Other Financing and Liquidity Matters" below. For any additional financing requirements, we cannot provide assurance that future borrowings will be available. See "Item 3. Key Information – D. Risk Factors – Risks Relating to Our Financing and Indebtedness" for more information. We have significant indebtedness and will continue to evaluate our capital structure and opportunities to enhance it in the normal course of our activities.

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year Ended December 31,		
	2013	2012	2011
	(in thousands of US$)		
Net cash provided by operating activities	$ 1,151,934	$ 950,233	$ 744,660
Net cash used in investing activities	(1,209,270)	(1,335,718)	(585,388)
Net cash (used in) provided by financing activities	(264,967)	934,735	557,910
Effect of foreign exchange on cash and cash equivalents	(5,149)	1,935	(1,081)
Net (decrease) increase in cash and cash equivalents	(327,452)	551,185	716,101
Cash and cash equivalents at beginning of year	1,709,209	1,158,024	441,923
Cash and cash equivalents at end of year	$ 1,381,757	$ 1,709,209	$ 1,158,024

Operating Activities

Operating cash flows are generally affected by changes in operating income and accounts receivable with VIP table games play and hotel operations conducted on a cash and credit basis and the remainder of the business including mass market table games play, gaming machine play, food and beverage, and entertainment are conducted primarily on a cash basis.

Net cash provided by operating activities was US$1,151.9 million for the year ended December 31, 2013, compared to US$950.2 million for the year ended December 31, 2012. The increase in net cash provided by operating activities was mainly attributable to strong growth in underlying operating performance as described in the foregoing section. Net cash provided by operating activities was US$950.2 million for the year ended December 31, 2012, compared to US$744.7 million for the year ended December 31, 2011. The increase in net cash provided in operating activities was mainly attributable to increased gaming volume and associated increase in revenues.

Investing Activities

Net cash used in investing activities was US$1,209.3 million for the year ended December 31, 2013, compared to net cash used in investing activities of US$1,335.7 million for the year ended December 31, 2012, primarily due to an increase in bank deposits with original maturity over three months of US$626.9 million, capital expenditure payment of US$575.2 million, advance payments for construction costs of US$161.6 million, the land use rights payment of US$64.3 million, payment for contract acquisition costs and security deposit of US$32.0 million and deposits for acquisition of property and equipment of US$17.2 million, which were offset in part by the decrease in restricted cash of US$268.4 million.

The net decrease of US$268.4 million in the amount of restricted cash for the year ended December 31, 2013 was primarily due to (i) the release of deposit of proceeds from the issuance of the RMB Bonds of US$368.2 million pledged for the Deposit-Linked Loan upon our early redemption in March 2013; (ii) a decrease in Studio City restricted cash of US$53.1 million primarily due to withdrawal and payment of Studio City project costs of US$682.0 million and payment of Studio City Notes interest of US$71.1 million, partially offset by the capital injection for the Studio City project from our Company and our SCI minority shareholder of US$700.0 million; (iii) the US$50.0 million deposited to an escrow account as required by PAGCOR in March 2013; and (iv) the restricted Taiwan branch office's deposit account of US$102.9 million.

Our total capital expenditure payments for the year ended December 31, 2013 were US$575.2 million. Such expenditures were mainly associated with enhancements to our integrated resort offerings and for the development of Studio City and City of Dreams Manila. We also paid US$44.7 million and US$17.1 million for the scheduled installment of Studio City's and City of Dreams' land premium payments, respectively, and US$2.5 million for the land use right payment for Altira Macau, during the year ended December 31, 2013.

As of December 31, 2013, we have placed bank deposits of US$626.9 million with their original maturity over three months for a better yield.

Net cash used in investing activities was US$1,335.7 million for the year ended December 31, 2012, compared to US$585.4 million for the year ended December 31, 2011, primarily due to an increase in restricted cash of US$1,047.0 million, capital expenditure payment of US$220.5 million and the land use rights payments of US$53.8 million.

For the year ended December 31, 2012, there was a net increase of US$1,047.0 million in the amount of restricted cash, primarily due to the deposit of net proceeds from the issuance of Studio City Notes of US$812.0 million and unspent cash from the capital injection for the Studio City project from our Company and our SCI minority shareholder, of US$235.0 million, both of which are restricted for Studio City's construction cost payment only in accordance with Studio City Notes and Studio City Project Facility terms. We also paid US$2.8 million for the acquisition of a majority interest in the issued share capital of MCP (net of cash and cash equivalents acquired of US$27.9 million) and US$2.5 million for the transaction costs for acquisition of Studio City in July 2011 during the year ended December 31, 2012.

Our total capital expenditure payments for the year ended December 31, 2012 were US$220.5 million. Such expenditures were mainly associated with enhancements to our integrated resort offerings and for the development of Studio City as well as an aircraft acquired for primarily by rolling chip players to enhance our competitive positioning in the higher-end rolling chip market. We also paid US$35.4 million and US$16.0 million for the scheduled installment of Studio City's and City of Dreams' land premium payment, respectively, during the year ended December 31, 2012.

We expect to incur significant capital expenditures for Studio City, City of Dreams Manila and the fifth hotel tower at City of Dreams in the future. See "– Other Financing and Liquidity Matters" below for more information.

The following table sets forth our capital expenditures incurred by segment on an accrual basis for the years ended December 31, 2013, 2012 and 2011.

	Year Ended December 31,		
	2013	2012	2011
	(in thousands of US$)		
Macau:			
Mocha Clubs	$ 6,515	$ 5,951	$ 23,558
Altira Macau	5,464	7,105	6,662
City of Dreams	97,654	99,416	39,774
Studio City	440,826	115,385	713,253
Sub-total	550,459	227,857	783,247
The Philippines:			
City of Dreams Manila	359,854	817	–
Corporate and Others	2,042	55,324	2,387
Total capital expenditures	$ 912,355	$ 283,998	$ 785,634

Our capital expenditures for the year ended December 31, 2013 increased significantly from that of the year ended December 31, 2012 primarily due to the development of Studio City and City of Dreams Manila. Our capital expenditures for the year ended December 31, 2012 decreased sharply from that of the year ended December 31, 2011 primarily due to the acquisition of Studio City completed during the year ended December 31, 2011, partially offset with the acquisition of the aircraft and development of City of Dreams and Studio City during the year ended December 31, 2012.

Advance payments for construction costs of US$161.6 million were incurred primarily for the development of Studio City for the year ended December 31, 2013. There was no such payment made for the year ended December 31, 2012.

Our payment for contract acquisition costs and security deposit for the year ended December 31, 2013 were US$27.7 million and US$4.3 million, respectively, both of which were paid to Belle Corporation, one of the Philippine Parties, in relation to the closing arrangement agreement as well as the lease agreement of City of Dreams Manila. There was no such payment made for the year ended December 31, 2012.

Financing Activities

Net cash used in financing activities amounted to US$265.0 million for the year ended December 31, 2013, primarily due to (i) the early redemption of 2010 Senior Notes of US$600.0 million and the associated redemption costs of US$102.5 million; (ii) the early redemption of RMB Bonds and Deposit-Linked Loan of US$721.5 million; (iii) the repayment of the drawn revolving credit facility under 2011 Credit Facilities of US$212.5 million; (iv) the scheduled repayments of the term loan under 2011 Credit

Facilities of US$128.4 million; (v) prepaid debt issuance costs of US$56.5 million associated with Studio City Project Facility; (vi) the payment of debt issuance costs associated with 2013 Senior Notes and Studio City Notes of US$19.6 million and US$7.0 million, respectively; (vii) the settlement of the scheduled Studio City acquisition cost installment of US$25.0 million; and (viii) the purchase of MCE shares of US$8.8 million under trust arrangement for further vesting of restricted shares. These were offset in part by (i) the proceeds of the issuance of 2013 Senior Notes of US$1.0 billion; (ii) net proceeds from the issuance of shares of MCP of US$338.5 million; and (iii) capital injection of US$280.0 million from SCI minority shareholder, in accordance with our shareholder agreement.

Net cash provided by financing activities amounted to US$934.7 million for the year ended December 31, 2012, primarily from the proceeds of the issuance of Studio City Notes totaling US$825.0 million in November 2012, the proceeds from the drawdown of Aircraft Term Loan totaling US$43.0 million in June 2012, capital injection of US$140.0 million from SCI minority shareholder in accordance with our shareholder agreement and proceeds from the exercise of share options totaling US$3.6 million. These were offset in part by the payment of debt issuance costs of US$30.3 million, primarily associated with Studio City Notes and consent solicitation fee for the 2010 Senior Notes, the settlement of the scheduled Studio City acquisition cost installment of US$25.0 million and prepaid debt issuance costs of US$18.8 million associated with Studio City Project Facility as well as repayment of the Aircraft Term Loan of US$2.8 million.

Net cash provided by financing activities amounted to US$557.9 million for the year ended December 31, 2011, primarily from the proceeds of the issuance of the RMB Bonds and drawdown of the Deposit-Linked Loan totaling US$706.6 million in May 2011 and proceeds from the exercise of share options totaling US$4.6 million, offset in part by the repayment of the City of Dreams Project Facility of US$117.1 million and payment of debt issuance costs primarily associated with the RMB Bonds, the Deposit-Linked Loan and the 2011 Credit Facilities of US$36.1 million.

Indebtedness

The following table presents a summary of our indebtedness as of December 31, 2013:

	As of December 31, 2013
	(in thousands of US$)
2013 Senior Notes	$ 1,000,000
Studio City Notes	825,000
2011 Credit Facilities	673,883
Aircraft Term Loan	34,577
	$ 2,533,460

Major changes in our indebtedness during the year ended and subsequent to December 31, 2013 are summarized below.

In January 2013, we commenced a cash tender offer of the 2010 Senior Notes and repurchased approximately US$599.1 million aggregate principal amount of the 2010 Senior Notes. On March 28, 2013, we redeemed all of the remaining 2010 Senior Notes, following which, the 2010 Senior Notes were cancelled in late March 2013. No 2010 Senior Notes are currently outstanding. A portion of the proceeds from the 2013 Senior Notes offering was used for the cash tender offer and redemption of the 2010 Senior Notes. Prior to such cash tender offer and full redemption, we had completed a consent solicitation process in connection with the 2010 Senior Notes in October 2012 and paid approximately US$15.0 million to the holders who had validly delivered the relevant consent.

On January 28, 2013, we entered into an agreement for the Studio City Project Facility, a senior secured project facility for a total sum of HK$10,855,880,000 (equivalent to approximately US$1.4 billion) comprising a five year HK$10,080,460,000 (equivalent to approximately US$1.3 billion) delayed draw term loan facility and a HK$775,420,000 (equivalent to approximately US$100 million) revolving credit facility. Borrowings under the Studio City Project Facility bear interest at HIBOR plus a margin of 4.50% per annum until the last day of the second full fiscal quarter after the opening date of the Studio City project. After that, interest will accrue at HIBOR plus a margin ranging from 3.75% to 4.50% per annum, depending on the total leverage ratio of Studio City Investments Limited, Studio City Company Limited and its subsidiaries.

On February 7, 2013, we issued US$1.0 billion aggregate principal amount of 2013 Senior Notes with an interest rate of 5.00% per annum and the maturity date of February 15, 2021. 2013 Senior Notes were priced at par and listed on the Official List of the Singapore Exchange Securities Trading Limited. The net proceeds were partly used to repurchase the 2010 Senior Notes in full.

In March 2013, we repaid in full the Deposit-Linked Loan with accrued interest and redeemed, in full, the RMB Bonds following which, the RMB Bonds were cancelled. No RMB Bonds are currently outstanding. The redemption was partly funded by the proceeds from the offering of 2013 Senior Notes.

In late March 2013, we repaid the drawn revolving credit facility under the 2011 Credit Facilities of HK$1.7 billion (equivalent to approximately US$212.5 million) in full.

On December 19, 2013, MCE Leisure Philippines priced its PHP15 billion (equivalent to approximately US$340.0 million at date of pricing) aggregate principal amount of Philippine Notes, at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019. The issuance of the Philippine Notes was completed on January 24, 2014. We intend to use the net proceeds from the issuance of Philippine Notes for the development of City of Dreams Manila.

Credit facility agreements relating to certain of our indebtedness contain change of control provisions, including in respect of our obligations relating to our control and/or ownership of certain of our subsidiaries and their assets. Under the terms of such credit facility agreements, the occurrence of certain change of control events, including a decline below certain thresholds in the aggregate direct or indirect shareholdings of Melco Crown Macau, MCE Finance, Studio City Investments Limited, MCE Cotai Investments Limited or certain of its subsidiaries held by us and/or Melco and Crown or certain of our subsidiaries (as the case may be) (and, in the case of the decline of the shareholding of Melco Crown Macau under the 2011 Credit Facilities, which is accompanied by a ratings decline) may result in an event of default and/or a requirement to prepay the credit facilities in relation to such indebtedness in full. Other applicable change of control events under the credit facility agreements include the Company ceasing to be publicly listed on certain designated stock exchanges or steps being taken in connection with the liquidation or dissolution of MCE Finance. The terms of the Studio City Notes, 2013 Senior Notes and Philippine Notes also contain change of control provisions whereby the occurrence of a relevant change of control event will require us to offer to repurchase the Studio City Notes, 2013 Senior Notes or Philippine Notes (as the case may be) at a price equal to 101% of their principal amount, plus accrued and unpaid interest and, if any, additional amounts and other amount specified under such indebtedness to the date of repurchase.

For further details of the above indebtedness, please refer to note 12 to the consolidated financial statements included elsewhere in this annual report, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the charge on our assets and the nature and extent of any restrictions on our ability, and the ability of our subsidiaries, to transfer funds as cash dividends, loans or advances. Please also refer to "Item 5. Operating and Financial Review and Prospects – F. Tabular Disclosure of Contractual Obligations" for details of the maturity profile of debt and "Item 11. Quantitative and Qualitative Disclosures about Market Risk" for further understanding of our hedging of interest rate risk and foreign exchange risk exposure.

Other Financing and Liquidity Matters

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

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

The timing of any future debt and equity financing activities will be dependent on our funding needs, our development and construction schedule, 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, sale-and-leaseback transactions or other similar activities.

We currently estimate the construction cost for Studio City will be approximately US$2.0 billion. However, this cost estimate may be revised depending on a number of variables, including receipt of all necessary governmental approvals, the final design and development plan, funding costs, the availability of financing on terms acceptable to us, and prevailing market conditions. As of December 31, 2013, we had incurred capital expenditure of approximately US$580.1 million for the development of Studio City since our acquisition of a 60% equity interest in SCI.

For the purpose of financing the Studio City project, we successfully offered the US$825.0 million Studio City Notes and obtained the HK$10.9 billion Studio City Project Facility, in November 2012 and January 2013, respectively. As of the date of this annual report, MCE and SCI minority shareholder have contributed US$1,050.0 million to the Studio City project in accordance with the shareholder agreement, including a completion guarantee support cash of US$225.0 million as required under the Studio City Project Facility.

The total budget for the City of Dreams Manila project up to the time of opening is estimated to be approximately US$680.0 million, consisting of funds primarily for capital expenditures, working capital for initial opening and other pre-opening expenses. However, this estimate may be revised depending on a range of variables, including the final design and development plans, funding costs, the availability of financing on terms acceptable to us, and prevailing market conditions.

MCP completed a top-up placement on the Philippine Stock Exchange raising approximately US$338.5 million in net proceeds, including the over-allotment option, in April 2013 and the issuance of the Philippine Notes in January 2014.

The Company is also moving forward with the development of the fifth hotel tower at City of Dreams and the development was commenced in 2013, targeting to open in early 2017.

The development of City of Dreams Manila, the fifth hotel tower at City of Dreams and next phase of Studio City may be subject to further financing and a number of other factors, many of which are beyond our control. Our investment plans are preliminary and subject to change based upon the execution of our business plan, the progress of our capital projections, market conditions and outlook on future business.

As of December 31, 2013, we had capital commitments contracted for, but not provided, totaling US$1,231.7 million mainly for the construction and acquisition of property and equipment for City of Dreams, Studio City and City of Dreams Manila. In addition, we have contingent liabilities arising in the ordinary course of business. For further details for our commitments and contingencies, please refer to note 22 to the consolidated financial statements included elsewhere in this annual report.

In January 2013, the Taiwanese authorities commenced investigating certain alleged violations of Taiwan banking laws by certain employees of our Taiwan branch office and froze one of the office's deposit accounts in Taiwan. The account had a balance of approximately New Taiwan dollar 2.98 billion (equivalent to approximately US$102.2 million) at the time the account was frozen and was treated as restricted cash. We are taking action to request the Taiwanese authorities to unfreeze the account. As of December 31, 2013, the investigations had no material impact on our financial position and results of operations. Investigation is on-going and no definitive information is available. Management is currently unable to determine the probability of the outcome of this matter, the extent of materiality, or the range of reasonably possible losses.

Melco Crown Macau has a rating of "BB" by Standard & Poor's and MCE Finance has a rating of "Ba3" by Moody's Investors Service. For future borrowings, any decrease in our corporate rating could result in an increase in borrowing costs.

Restrictions on Distributions

For discussion on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and the impact such restrictions have on our ability to meet our cash obligations, see "Item 4. Information on the Company – B. Business Overview – Dividend Distribution." See also "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – Dividend Policy" and note 20 to the consolidated financial statements included elsewhere in this annual report.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We believe our and our subsidiaries' primary exposure to market risk will be interest rate risk associated with our substantial indebtedness.

Interest Rate Risk

Our exposure to interest rate risk is associated with our substantial indebtedness bearing interest based on floating rates. As of December 31, 2013, we are subject to fluctuations in HIBOR and LIBOR as a result of our 2011 Credit Facilities and the Aircraft Term Loan.

We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and we may supplement by hedging activities in a manner we deem prudent. We cannot be sure that these risk management strategies have had the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

As of December 31, 2013 and 2012, approximately 72% and 67%, respectively, of our total indebtedness was based on fixed rates. The increase was primarily due to the issuance of 2013 Senior Notes, the repayment of the drawn revolving credit facility and scheduled repayment of the term loan both under 2011 Credit Facilities, partially offset the redemption of the 2010 Senior Notes and RMB Bonds and repayment of the Deposit-Linked Loan. Based on December 31, 2013 and 2012 indebtedness levels, an assumed 100 basis point change in HIBOR and LIBOR would cause our annual interest cost to change by approximately US$7.1 million and US$10.5 million, respectively.

Interests in security we provide to the lenders under our credit facilities, or other security or guarantees, are required by the counterparties to our hedging transactions, which could increase our aggregate secured indebtedness. We do not intend to engage in transactions in derivatives or other financial instruments for trading or speculative purposes and we expect the provisions of our existing and any future credit facilities to restrict or prohibit the use of derivatives and financial instruments for purposes other than hedging.

Foreign Exchange Risk

Our exposure to foreign exchange rate risk is associated with the currency of our operations and our indebtedness and as a result of the presentation of our financial statements in U.S. dollars. The majority of our revenues are denominated in H.K. dollars, given the H.K. dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau, while our expenses are denominated predominantly in Patacas. In addition, a significant portion of our indebtedness, as a result of the 2013 Senior Notes and Studio City Notes, and certain expenses, have been and are denominated in U.S. dollars, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollars. We also have a certain portion of our assets and liabilities, including the issuance of Philippine Notes in January 2014, denominated in Philippine Pesos.

The value of the H.K. dollar, Patacas and Philippine Peso against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. While the H.K. dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the H.K. dollar and the exchange rates between these currencies has remained relatively stable over the past several years, we cannot assure you that the current peg or linkages between the U.S. dollar, H.K. dollar and Pataca will not be broken or modified and subjected to fluctuation. Any significant fluctuations in the exchange rates between H.K. dollars, Patacas or Philippine Pesos to U.S. dollars may have a material adverse effect on our revenues and financial condition.

We accept foreign currencies from our customers and as of December 31, 2013, in addition to H.K. dollars and Patacas, we also hold other foreign currencies. However, any foreign exchange risk exposure associated with those currencies is minimal.

We have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations during the years ended December 31, 2013 and 2012. Instead, we maintain a certain amount of our operating funds in the same currencies in which we have obligations, thereby reducing our exposure to currency fluctuations. However, we occasionally enter into foreign exchange transactions as part of financing transactions and capital expenditure programs.

During the years ended December 31, 2012, we entered RMB forward exchange rate contracts for settlement of interest on the RMB Bonds to hedge our exchange rate exposure. The forward contracts are primarily cash flow hedging instruments, the hedged item being the forecasted cash flows in H.K. dollars associated with a portion of the first two Renminbi interest payments on the RMB Bonds payable in November 2011 and May 2012, respectively. As of December 31, 2012, all RMB forward exchange rate contracts had expired. We will consider our overall procedure for managing our foreign exchange risk from time to time.

See note 12 to the consolidated financial statements included elsewhere in this annual report for further details related to our indebtedness and foreign currency exposure as of December 31, 2013.

Major currencies in which our cash and bank balances (including bank deposits with original maturity over three months and restricted cash) held as of December 31, 2013 were U.S. dollars, H.K. dollars, New Taiwan dollars, Philippine Pesos and Patacas. Based on the cash and bank balances (excluding restricted cash balances from the RMB2.3 billion in proceeds from the RMB Bonds, for which currency fluctuations will be offset by the associated currency fluctuations of the RMB Bonds for 2012) as of December 31, 2013 and 2012, an assumed 1% change in the exchange rates between currencies other than U.S. dollars against the U.S. dollars would cause a maximum foreign transaction gain or loss of approximately US$21.6 million and US$18.3 million for the years ended December 31, 2013 and 2012, respectively.

Based on the balances of long-term indebtedness denominated in currencies other than U.S. dollars as of December 31, 2013, an assumed 1% change in the exchange rates between H.K. dollar against the U.S. dollar would cause a foreign transaction gain or loss of approximately US$6.7 million for the year ended December 31, 2013. Based on the balances of long-term indebtedness denominated in currencies other than U.S. dollars and restricted cash from the RMB2.3 billion in proceeds from the RMB Bonds as of December 31, 2012, an assumed 1% change in the exchange rates between H.K. dollar and Renminbi against the U.S. dollar would cause a foreign transaction gain or loss of approximately US$13.7 million for the year ended December 31, 2012.

2. The following is an extract of the management discussion and analysis of the results of Melco Crown Entertainment for the year ended 31 December 2014 from the 2014 annual report of Melco Crown Entertainment.

Summary of Financial Results

For the year ended December 31, 2014, our total net revenues were US$4.80 billion, a decrease of 5.6% from US$5.09 billion of net revenues for the year ended December 31, 2013. Net income attributable to Melco Crown Entertainment for the year ended December 31, 2014 was US$608.3 million, as compared to net income of US$637.5 million for the year ended December 31, 2013. The decline in profitability was primarily attributable to a decrease in group-wide rolling chip revenues, partially offset by improved group-wide mass market table games revenues.

	Year Ended December 31,		
	2014	**2013**	**2012**
	(in thousands of US$)		
Net revenues	$ 4,802,309	$ 5,087,178	$ 4,078,013
Total operating costs and expenses	(4,116,949)	(4,247,354)	(3,570,921)
Operating income	685,360	839,824	507,092
Net income attributable to Melco Crown Entertainment	$ 608,280	$ 637,463	$ 417,203

Our results of operations and financial position for the years presented are not fully comparable for the following reasons:

- On November 26, 2012, Studio City Finance issued the Studio City Notes
- On December 19, 2012, we completed the acquisition of a majority interest in the issued share capital of MCP
- On February 7, 2013, MCE Finance issued the 2013 Senior Notes
- On March 11, 2013, we completed the early redemption of the RMB Bonds in full
- On March 13, 2013, the cooperation agreement and the lease agreement between us and the Philippine Parties became effective
- On March 28, 2013, we completed the early redemption of our 2010 Senior Notes
- In April 2013, MCP completed the 2013 Top-up Placement, including the over-allotment option
- On January 24, 2014, MCE Leisure Philippines issued the Philippine Notes
- On June 24, 2014, MCP completed the 2014 Top-up Placement

- On July 28, 2014, we drew down the entire delayed draw term loan facility under the Studio City Project Facility

- On December 14, 2014, City of Dreams Manila started operations with its grand opening on February 2, 2015

Factors Affecting Our Current and Future Results

Our results of operations are and will be affected most significantly by:

- The current economic and operating environment that affects the gaming markets in Macau and the Philippines, including the impact of global and local economic conditions, changes in capital market conditions, the impact of the political, economic and regulatory environment, including changes to travel and visa policies, anti-smoking legislation as well as gaming table allocation policies in Macau, or any policies implemented by the PRC central and Macau governments and the general economic conditions in China and the Philippines, as discussed under "Item 4. Information on the Company – B. Business Overview – Market and Competition";

- The development of the gaming and leisure market in Macau and the Philippines, which is facilitated by a number of key drivers and initiatives including, among others, favorable population demographics and economic growth in major Asian tourism markets, substantial private capital investment in Macau and the Philippines, particularly in developing diversified destination resort properties, and the commitment and support of the PRC central and Macau governments to improve and develop infrastructure both within, and connecting to, Macau and the commitment and support of the Philippines government to develop infrastructure and promote the Philippines as an attractive tourist destination;

- The competitive landscape in Macau, which is expected to evolve as more gaming and nongaming facilities are developed in Macau, including the expected new supply of integrated resorts in the Cotai region of Macau, as well as the impact of recent or future expansion of gaming markets throughout Asia;

- The different mix of table and machine games at our casinos, such as the mix between rolling chip and mass market table game segments, and customer playing habits; as well as changes in the mix of rolling chip business sourced through gaming promoters or via our direct VIP relationships;

- Our relationships with gaming promoters, which contribute a significant portion of our casino revenues, expose us to credit risk (given the majority of these gaming promoters are provided with credit as part of the ordinary course of business) and to any change in the gaming promoter commission environment in Macau. For the years ended December 31, 2014, 2013 and 2012, approximately 40.1%, 49.8% and 53.4% of our casino revenues were derived from customers sourced through our rolling chip gaming promoters, respectively. For the year ended December 31, 2014, our top five customers and the largest customer were gaming promoters and accounted for approximately 20.4% and 7.0% of our casino revenues, respectively. We believe we have good relationships with our gaming promoters. Commissions paid to our rolling chip gaming promoters (net of amounts indirectly rebated to customers) amounted to US$284.8 million, US$391.9 million and US$308.6 million for the years ended December 31, 2014, 2013 and 2012, respectively;

- Our 2011 Credit Facilities, Aircraft Term Loan and Studio City Project Facility, which expose us to interest rate risk, as discussed under "Item 11 Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk"; and

- The currency of our operations, our indebtedness and presentation of our financial statements, which expose us to foreign exchange risk rate, as discussed under "Item 11 Quantitative and Qualitative Disclosures About Market Risk – Foreign Exchange Risk".

Our historical financial results may not be characteristic of our potential future results as we continue to expand and refine our service offerings at our properties and develop and open new properties.

Key Performance Indicators (KPIs)

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

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

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

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

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

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

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

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

In the rolling chip market segment, customers purchase identifiable chips known as non-negotiable chips, or rolling chips, from the casino cage, and there is no deposit into a gaming table's drop box of rolling chips purchased from the cage. Rolling chip volume and mass market table games drop are not equivalent. Rolling chip volume is a measure of amounts wagered and lost. Mass market table games drop measures buy in. Rolling chip volume is generally substantially higher than mass market table games drop. As these volumes are the denominator used in calculating win rate or hold percentage, with the same use of gaming win as the numerator, the win rate is generally lower in the rolling chip market segment than the hold percentage in the mass market table games segment.

Our combined expected rolling chip win rate (calculated before discounts and commissions) across our properties is in the range of 2.7% to 3.0%.

We use the following KPIs to evaluate our hotel operations:

- *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.

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

- *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.

Complimentary rooms are included in the calculation of the above room-related KPIs. The average daily rate of complimentary rooms is typically lower than the average daily rate for cash rooms. The occupancy rate and REVPAR would be lower if complimentary rooms were excluded from the calculation. As not all available rooms are occupied, average daily room rates are normally higher than revenue per available room.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenues

Our total net revenues for the year ended December 31, 2014 were US$4.80 billion, a decrease of US$284.9 million, or 5.6%, from US$5.09 billion for the year ended December 31, 2013. The decline in total net revenues was primarily attributable to lower group-wide rolling chip revenues primarily driven by deteriorating demand from Chinese players as well as restrictive policies including changes to travel and visa policies, partially offset by improved group-wide mass market table games revenues.

Our total net revenues for the year ended December 31, 2014 consisted of US$4.65 billion of casino revenues, representing 96.9% of our total net revenues, and US$148.1 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2013 comprised US$4.94 billion of casino revenues, representing 97.1% of our total net revenues, and US$145.7 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2014 were US$4.65 billion, representing a US$287.3 million, or 5.8%, decrease from casino revenues of US$4.94 billion for the year ended December 31, 2013, primarily due to a decrease in casino revenues at Altira Macau and City of Dreams of US$290.3 million, or 28.5%, and US$6.9 million, or 0.2%, respectively, partially offset by the casino revenue at City of Dreams Manila of US$6.7 million since it started operations on December 14, 2014. The overall decrease was primarily a result of decreased rolling chip volume and rolling chip win rate at both Altira Macau and City of Dreams, primarily driven by deteriorating demand from Chinese players as well as restrictive policies including changes to travel and visa policies, partially offset by improved blended mass market table games drop and blended mass table games hold percentage.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2014 was US$33.6 billion, representing a decrease of US$11.3 billion, or 25.2%, from US$44.9 billion for the year ended December 31, 2013. The rolling chip win rate (calculated before discounts and commissions) was 2.76% for the year ended December 31, 2014, within our expected level of 2.7% to 3.0%, while decreasing from 2.96% for the year ended December 31, 2013. In the mass market table games segment, mass market table games drop was US$756.7 million for the year ended December 31, 2014, representing an increase of 4.5% from US$724.0 million for the year ended December 31, 2013. The mass market table games hold percentage was 15.8% for the year ended December 31, 2014, a slight increase from 15.4% for the year ended December 31, 2013.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2014 of US$82.1 billion represented a decrease of US$14.9 billion, or 15.4%, from US$97.0 billion for the year ended December 31, 2013. The rolling chip win rate (calculated before discounts and commissions) was 2.83% for the year ended December 31, 2014, in line with our expected range of 2.7% to 3.0%, while decreasing from 2.95% for the year ended December 31, 2013. In the mass market table games segment, mass market table games drop was US$5.29 billion for the year ended December 31, 2014 which represented an increase of US$0.63 billion, or 13.5%, from US$4.66 billion for the year ended December 31, 2013. The mass market table games hold percentage was 37.5% in the year ended December 31, 2014, demonstrating an increase from 34.6% for the year ended December 31, 2013. Average net win per gaming machine per day was US$464 for the year ended December 31, 2014, an increase of US$103, or 28.5%, from US$361 for the year ended December 31, 2013.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2014 was US$303, an increase of approximately US$91, or 42.9%, from US$212 for the year ended December 31, 2013.

Rooms. Room revenues (including the retail value of promotional allowances) for the year ended December 31, 2014 were US$136.4 million, representing a US$8.8 million, or 6.9%, increase from room revenues (including the retail value of promotional allowances) of US$127.7 million for the year ended December 31, 2013. The increase was primarily due to improved occupancy and the positive impact from the increase in average daily rate. Altira Macau's average daily rate, occupancy rate and REVPAR were US$232, 99% and US$229, respectively, for the year ended December 31, 2014, as compared to US$230, 99% and US$227, respectively, for the year ended December 31, 2013. City of Dreams' average daily rate, occupancy rate and REVPAR were US$197, 99% and US$195, respectively, for the year ended December 31, 2014, as compared to US$189, 97% and US$183, respectively, for the year ended December 31, 2013.

Food, beverage and others. Other non-casino revenues (including the retail value of promotional allowances) for the year ended December 31, 2014 included food and beverage revenues of US$84.9 million and entertainment, retail and other revenues of US$108.4 million. Other non-casino revenues (including the retail value of promotional allowances) for the year ended December 31, 2013 included food and beverage revenues of US$78.9 million, and entertainment, retail and other revenues of US$103.7 million. The increase of US$10.7 million in food, beverage and other revenues from the year ended December 31, 2013 to the year ended December 31, 2014 was primarily due to higher business volumes and improved yield of rental income at City of Dreams.

Operating costs and expenses

Total operating costs and expenses were US$4.12 billion for the year ended December 31, 2014, representing a decrease of US$130.4 million, or 3.1%, from US$4.25 billion for the year ended December 31, 2013. The decrease in operating costs was primarily due to a decrease in operating costs at Altira Macau which were in-line with the decreased gaming volume and associated decrease in revenues, a decrease in development costs, the gain on disposal of assets held for sale, partially offset by increase in general and administrative expenses and pre-opening costs to support expanding operations.

Casino. Casino expenses decreased by US$206.3 million, or 6.0%, to US$3.25 billion for the year ended December 31, 2014 from US$3.45 billion for the year ended December 31, 2013 primarily due to decrease in gaming tax and other levies and commission expenses of US$308.6 million, which decreased as a result of decreased gaming volume and an associated decrease in revenues, partially offset by an increase in payroll and other operating costs as well as complimentaries to gaming customers of US$102.3 million.

Rooms. Room expenses, which mainly represent the costs of operating the hotel facilities at Altira Macau and City of Dreams, were US$12.7 million and US$12.5 million for the years ended December 31, 2014 and 2013, respectively. The slight increase was primarily due to an increase in payroll and other operating costs as a result of increased occupancy, partially offset by a higher level of complimentary hotel rooms offered to gaming customers for which the associated costs were included in casino expenses.

Food, beverage and others. Food, beverage and others expenses were US$85.6 million and US$93.3 million for the years ended December 31, 2014 and 2013, respectively. The decrease was primarily due to a higher level of complimentary food, beverage and others offered to gaming customers for which the associated costs were included in casino expenses, partially offset by an increase in payroll and other operating costs associated with the increase in revenues.

General and administrative. General and administrative expenses increased by US$55.9 million, or 21.9%, to US$311.7 million for the year ended December 31, 2014 from US$255.8 million for the year ended December 31, 2013, primarily due to an increase in payroll expenses, share-based compensation, rental expenses, marketing and advertising expenses, as well as professional fees to support continuing and expanding operations.

Pre-opening costs. Pre-opening costs were US$94.0 million for the year ended December 31, 2014 as compared to US$17.0 million for the year ended December 31, 2013. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. Pre-opening costs for the years ended December 31, 2014 and 2013 primarily related to the payroll expenses, rental and administrative costs in connection with City of Dreams Manila and Studio City. The increase was primarily due to the increase in payroll expenses and other administrative costs in City of Dreams Manila, mainly driven by the increase in headcount to cope with its opening on December 14, 2014.

Development costs. Development costs were US$10.7 million for the year ended December 31, 2014, which predominantly related to professional and consultancy fees as well as marketing and promotion costs for corporate business development. Development costs for the year ended December 31, 2013 of US$26.3 million primarily related to fees and costs associated with the corporate reorganization of MCP by the Company, as well as corporate business development.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US$57.2 million for each of the years ended December 31, 2014 and 2013.

Amortization of land use rights. Amortization of land use rights expenses remained stable at US$64.5 million and US$64.3 million for the years ended December 31, 2014 and 2013, respectively.

Depreciation and amortization. Depreciation and amortization expenses were US$246.7 million and US$261.3 million for the years ended December 31, 2014 and 2013, respectively. The decrease was primarily due to certain assets becoming fully depreciated at City of Dreams and Altira Macau during the year ended December 31, 2014, offset in part by depreciation of assets at City of Dreams Manila, which started operations on December 14, 2014.

Property charges and others. Property charges and others generally include costs related to the remodeling and rebranding of a property, which might include the retirement, disposal or write-off of assets. Property charges and others for the year ended December 31, 2014 were US$8.7 million, which primarily included assets write-off of US$3.5 million on furniture, fixtures and equipment damaged by the typhoon in the Philippines and assets write-off and impairments of US$3.2 million as a result of the remodel of non-gaming attractions at City of Dreams. Property charges and others for the year ended December 31, 2013 were US$6.9 million, which primarily included a write-off of US$3.0 million for the final payment in relation to a service contract at City of Dreams and assets write-off of US$1.6 million as a result of the remodel of non-gaming attractions at City of Dreams.

Gain on disposal of assets held for sale. Gain on disposal of assets held for sale of US$22.1 million for the year ended December 31, 2014 related to the disposal of five units located at Golden Dragon Centre in Macau.

Non-operating expenses, net

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, amortization of deferred financing costs, loan commitment and other finance fees, foreign exchange (loss) gain, net, change in fair value of interest rate swap agreements, loss on extinguishment of debt and costs associated with debt modification, as well as other non-operating income, net.

Interest income was US$20.0 million for the year ended December 31, 2014, as compared to US$7.7 million for the year ended December 31, 2013. The increase was primarily driven by higher level of deposits placed at banks to yield higher interest income during the year ended December 31, 2014.

Interest expenses were US$124.1 million (net of capitalized interest of US$96.9 million) for the year ended December 31, 2014, compared to US$152.7 million (net of capitalized interest of US$31.0 million) for the year ended December 31, 2013. The decrease in net interest expenses (net of interest capitalization) of US$28.6 million was primarily due to: (i) higher interest capitalization of US$65.9 million primarily associated with the Studio City and City of Dreams Manila construction and development projects; (ii) a lower interest charge of US$5.5 million as a result of the scheduled repayments of the term loan started from September 2013 and the repayment of the drawn revolving credit facility in late March 2013, both under the 2011 Credit Facilities; (iii) a lower interest charge of US$4.3 million upon our repayment and redemption on the Deposit-Linked Loan and RMB Bonds in March 2013; (iv) lower interest charges of US$1.1 million upon our redemption of our 2010 Senior Notes by our issuance of the lower interest rate 2013 Senior Notes in March 2013; partially offset by (v) US$26.3 million higher interest expenses upon our drawdown of the term loan under the Studio City Project Facility in July 2014; (vi) US$19.8 million higher interest expenses upon our issuance of the Philippine Notes in January 2014; and (vii) US$5.8 million higher interest expenses on capital lease obligation relating to MCP's building lease payments entered in March 2013.

Other finance costs for the year ended December 31, 2014 of US$47.0 million, included US$28.0 million of amortization of deferred financing costs and US$19.0 million of loan commitment and other finance fees. Other finance costs for the year ended December 31, 2013 of US$43.8 million, included US$18.2 million of amortization of deferred financing costs and US$25.6 million of loan commitment and other finance fees. The increase in amortization of deferred financing costs compared to the year ended December 31, 2013 was primarily due to the recognition of amortized deferred financing costs incurred for the 2013 Senior Notes issued in February 2013, the Philippine Notes issued in January 2014 and the term loan under the Studio City Project Facility drawn in July 2014, which were offset in part by the cessation of amortization of deferred financing costs relating to the RMB Bonds and 2010 Senior Notes upon our redemption. The decrease in loan commitment and other finance fees compared to the year ended December 31, 2013 was primarily associated with the drawdown of term loan under the Studio City Project Facility in July 2014.

There was no loss on extinguishment of debt or costs associated with debt modification for the year ended December 31, 2014. Loss on extinguishment of debt for the year ended December 31, 2013 was US$50.9 million, which mainly represented a portion of the 2010 Senior Notes redemption fees and unamortized deferred financing costs that are not eligible for capitalization.

Costs associated with debt modification for the year ended December 31, 2013 were US$10.5 million, which mainly represented a portion of underwriting fee, legal and professional fees incurred for refinancing 2010 Senior Notes with 2013 Senior Notes that are not eligible for capitalization.

Income tax (expense) credit

Income tax expense for the year ended December 31, 2014 was primarily attributable to a lump sum tax payable of US$2.8 million in lieu of Macau Complementary Tax otherwise due by Melco Crown Macau's shareholders on dividends distributable to them by Melco Crown Macau, Macau Complementary Tax of US$2.8 million arising mainly due to a gain on disposal of assets held for sale, and Hong Kong Profits Tax of US$1.2 million, partially offset by a deferred tax credit of US$4.5 million. No provision for income tax for certain subsidiaries of the Company in the Philippines for the years ended December 31, 2014 and 2013 and no provision for income tax in the United States of America for the year ended December 31, 2013 were provided as the subsidiaries incurred tax losses. The effective tax rate for the year ended December 31, 2014 was 0.6%, as compared to 0.4% for the year ended December 31, 2013. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of a tax exemption on profits generated by Macau gaming operations of US$109.2 million and US$125.7 million during the years ended December 31, 2014 and 2013, respectively, which is set to expire in 2016, the effect of change in valuation allowance, the effect of different tax rates of subsidiaries operating in other jurisdictions, and the effect of expenses for which no income tax benefit is receivable. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippines operations; however, to the extent that the financial results of our Macau and Philippines operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance through earnings.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US$80.9 million for the year ended December 31, 2014, which compared to that of US$59.5 million for the year ended December 31, 2013, was primarily due to the share of the Studio City expenses of US$ 40.0 million and MCP expenses of US$40.9 million, respectively, by the respective minority shareholders for the year ended December 31, 2014. The year- over-year increase was primarily attributable to the noncontrolling interests' share of MCP's pre-operating expenses and financing costs during the year ended December 31, 2014 and the increase in the share of Studio City's pre-operating expenses, partially offset by the decrease in share of Studio City's financing costs mainly due to higher interest capitalization offset with the increase in interest expenses on the Studio City Project Facility, which was drawn in July 2014.

Net income attributable to Melco Crown Entertainment

As a result of the foregoing, we had net income of US$608.3 million for the year ended December 31, 2014, compared to US$637.5 million for the year ended December 31, 2013.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues

Our total net revenues for the year ended December 31, 2013 were US$5.09 billion, an increase of US$1.01 billion, or 24.7%, from US$4.08 billion for the year ended December 31, 2012. The increase in total net revenues was driven by substantially improved mass table games volumes and blended hold percentages, as well as increased volumes in the rolling chip and gaming machines segments.

Our total net revenues for the year ended December 31, 2013 consisted of US$4.94 billion of casino revenues, representing 97.1% of our total net revenues, and US$145.7 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2012 comprised US$3.93 billion of casino revenues, representing 96.5% of our total net revenues, and US$143.3 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2013 were US$4.94 billion, representing a US$1.01 billion, or 25.6%, increase from casino revenues of US$3.93 billion for the year ended December 31, 2012, primarily due to an increase in casino revenues at City of Dreams and Altira Macau of US$935.2 million, or 33.5%, and US$65.5 million, or 6.9%, respectively. This increase was primarily a result of increased rolling chip volume and mass market table games drop at both City of Dreams and Altira Macau, as well as an improved blended mass market table games hold percentage and rolling chip win rate. Mass market table games revenues benefited from the success of a range of gaming floor efficiency initiatives and improved casino visitation and casino marketing initiatives, together with a strong overall market growth environment in the segment.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2013 was US$44.9 billion, representing an increase of US$0.9 billion, or 2.2%, from US$44.0 billion for the year ended December 31, 2012. The rolling chip win rate (calculated before discounts and commissions) was 2.96% for the year ended December 31, 2013, within our expected level of 2.7% to 3.0%, and increased slightly from 2.89% for the year ended December 31, 2012. In the mass market table games segment, mass market table games drop was US$724.0 million for the year ended December 31, 2013, representing an increase of 20.4% from US$601.4 million for the year ended December 31, 2012. The mass market table games hold percentage was 15.4% for the year ended December 31, 2013, representing a decrease from 16.7% for the year ended December 31, 2012.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2013 of US$97.0 billion represented an increase of US$15.7 billion, or 19.3%, from US$81.3 billion for the year ended December 31, 2012. The rolling chip win rate (calculated before discounts and commissions) was 2.95% for the year ended December 31, 2013, in line with our expected range of 2.7% to 3.0%, and reflected a slight increase from 2.92% for the year ended December 31, 2012. In the mass market table games segment, mass market table games drop was US$4.66 billion for the year ended December 31, 2013 which represented an increase of US$1.07 billion, or 30.0%, from US$3.59 billion for the year ended December 31, 2012. The mass market table games hold percentage was 34.6% in the year ended December 31, 2013, demonstrating a large increase from 29.1% for the year ended December 31, 2012. Average net win per gaming machine per day was US$361 for the year ended December 31, 2013, an increase of US$48, or 15.2%, from US$313 for the year ended December 31, 2012.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2013 was US$212, an increase of approximately US$26, or 13.9%, from US$186 for the year ended December 31, 2012.

Rooms. Room revenues (including the retail value of promotional allowances) for the year ended December 31, 2013 were US$127.7 million, representing a US$9.6 million, or 8.1%, increase from room revenues (including the retail value of promotional allowances) of US$118.1 million for the year ended December 31, 2012. The increase was primarily due to improved occupancy and the positive impact from the increase in average daily rate. Altira Macau's average daily rate, occupancy rate and REVPAR were US$230, 99% and US$227, respectively, for the year ended December 31, 2013, as compared to US$221, 98% and US$216, respectively, for the year ended December 31, 2012. City of Dreams' average daily rate, occupancy rate and REVPAR were US$189, 97% and US$183, respectively, for the year ended December 31, 2013, as compared to US$185, 93% and US$171, respectively, for the year ended December 31, 2012.

Food, beverage and others. Other non-casino revenues (including the retail value of promotional allowances) for the year ended December 31, 2013 included food and beverage revenues of US$78.9 million and entertainment, retail and other revenues of US$103.7 million. Other non-casino revenues (including the retail value of promotional allowances) for the year ended December 31, 2012 included food and beverage revenues of US$72.7 million, and entertainment, retail and other revenues of US$90.8 million. The increase of US$19.1 million in food, beverage and other revenues from the year ended December 31, 2012 to the year ended December 31, 2013 was primarily due to higher business volumes associated with an increase in visitation during the year, as well as the improved yield of rental income at City of Dreams.

Operating costs and expenses

Total operating costs and expenses were US$4.25 billion for the year ended December 31, 2013, representing an increase of US$676.4 million, or 18.9%, from US$3.57 billion for the year ended December 31, 2012. The increase in operating costs was primarily due to an increase in operating costs at City of Dreams and Altira Macau which were in line with the increased gaming volume and associated increase in revenues, as well as the increase in associated costs in connection with MCP after our acquisition of a majority interest in MCP, including fees and costs associated with the corporate reorganization of MCP.

Casino. Casino expenses increased by US$618.0 million, or 21.8%, to US$3.45 billion for the year ended December 31, 2013 from US$2.83 billion for the year ended December 31, 2012 primarily due to additional gaming tax and other levies and commission expenses of US$531.0 million, as well as other operating costs, such as payroll and promotional expenses of US$87.0 million, which increased as a result of increased gaming volume and an associated increase in revenues.

Rooms. Room expenses, which represent the costs of operating the hotel facilities at Altira Macau and City of Dreams, decreased by 14.9% to US$12.5 million for the year ended December 31, 2013 from US$14.7 million for the year ended December 31, 2012, primarily due to a higher level of complimentary hotel rooms offered to gaming customers for which the associated costs are included as casino expenses, partially offset by an increase in the operating costs as a result of increased occupancy.

Food, beverage and others. Food, beverage and others expenses were US$93.3 million and US$90.3 million for the years ended December 31, 2013 and 2012, respectively.

General and administrative. General and administrative expenses increased by US$28.8 million, or 12.7%, to US$255.8 million for the year ended December 31, 2013 from US$227.0 million for the year ended December 31, 2012, primarily due to an increase in payroll expenses, share-based compensation, marketing and advertising expenses, as well as professional fees to support continuing and expanding operations.

Pre-opening costs. Pre-opening costs were US$17.0 million for the year ended December 31, 2013 as compared to US$5.8 million for the year ended December 31, 2012. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. Pre-opening costs for the year ended December 31, 2013 primarily related to the payroll expenses, rental and administrative costs in connection with City of Dreams Manila and Studio City. The pre-opening costs for the year ended December 31, 2012 related to the administrative costs in connection with Studio City, the opening of The Tasting Room, Signature Club Lounge and Jade Dragon at City of Dreams, and the introduction of Taboo at Club Cubic.

Development costs. Development costs were US$26.3 million for the year ended December 31, 2013, which predominantly related to fees and costs associated with the corporate reorganization of MCP as well as corporate business development. Development costs for the year ended December 31, 2012 primarily included US$5.7 million excess payment between purchase consideration and direct transaction costs and share of net assets acquired upon completion of the acquisition of MCP in December 2012 and a total of US$5.4 million of professional and consultancy fee for City of Dreams Manila, as well as corporate business development.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US$57.2 million for each of the years ended December 31, 2013 and 2012.

Amortization of land use rights. The increase in amortization of land use rights expenses to US$64.3 million for the year ended December 31, 2013 from US$59.9 million for the year ended December 31, 2012 was primarily due to the additional amortization of land use rights expenses associated with the amended Studio City land concession contract in July 2012.

Depreciation and amortization. Depreciation and amortization expenses were US$261.3 million and US$261.4 million for the years ended December 31, 2013 and 2012, respectively. The slight decrease was primarily due to fully depreciated assets at City of Dreams and Altira Macau during the year ended December 31, 2013, offset in part by depreciation of assets progressively added to City of Dreams.

Property charges and others. Property charges and others generally include costs related to the remodeling and rebranding of a property which might include the retirement, disposal or write-off of assets. Property charges and others for the year ended December 31, 2013 were US$6.9 million, which primarily included a write-off of US$3.0 million for the final payment in relation to a service contract at City of Dreams and assets write-off of US$1.6 million as a result of the remodel of non-gaming attractions at City of Dreams. Property charges and others for the year ended December 31, 2012 were US$8.7 million, which mainly related to the write-off of US$4.4 million for excess payments in relation to a service contract at City of Dreams and US$2.4 million of costs incurred for implementing our streamlined management structure in February 2012.

Non-operating expenses, net

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, amortization of deferred financing costs, loan commitment fees, foreign exchange (loss) gain, net, change in fair value of interest rate swap agreements, loss on extinguishment of debt and costs associated with debt modification, as well as other non-operating income, net.

Interest income was US$7.7 million for the year ended December 31, 2013, as compared to US$11.0 million for the year ended December 31, 2012. The decrease was primarily driven by lower interest income from the RMB Bonds proceeds deposit upon the early redemption of the RMB Bonds in March 2013.

Interest expenses were US$152.7 million, net of capitalized interest of US$31.0 million for the year ended December 31, 2013, compared to US$109.6 million, net of capitalized interest of US$10.4 million for the year ended December 31, 2012. The increase in net interest expenses (net of interest capitalization) of US$43.1 million was primarily due to: (i) US$65.3 million higher interest expenses upon our issuance of Studio City Notes in November 2012; (ii) US$34.0 million interest on a capital lease obligation relating to MCP's building lease payments incurred during the year ended December 31, 2013; partially offset by (iii) lower interest charges of US$10.5 million upon our redemption of our 2010 Senior Notes by our issuance of the lower interest rate 2013 Senior Notes in March 2013 and US$19.5 million upon our repayment and redemption on the Deposit-Linked Loan and RMB Bonds; (iv) a lower interest charge of US$5.0 million as a result of the scheduled repayments of the term loan started from September 2013 and repayment of the drawn revolving credit facility, both under 2011 Credit Facilities; and (v) higher interest capitalization of US$20.6 million, primarily associated with Studio City construction and development projects.

Other finance costs for the year ended December 31, 2013 of US$43.8 million, included US$18.2 million of amortization of deferred financing costs and loan commitment fees of US$25.6 million. Other finance costs for the year ended December 31, 2012 of US$14.6 million, included US$13.3 million of amortization of deferred financing costs and loan commitment fees of US$1.3 million. The increase in amortization of deferred financing costs compared to the year ended December 31, 2012 was primarily due to the recognition of amortized deferred financing costs incurred for the Studio City Notes issued in November 2012 and the 2013 Senior Notes issued in February 2013, which were offset in part by the cessation of amortization of deferred financing costs relating to the RMB Bonds and 2010 Senior Notes upon our redemption. The increase in loan commitment fees compared to the year ended December 31, 2012 was primarily associated with the Studio City Project Facility, which became effective from January 28, 2013.

Loss on extinguishment of debt for the year ended December 31, 2013 was US$50.9 million, which mainly represented a portion of the 2010 Senior Notes redemption fees and unamortized deferred financing costs that are not eligible for capitalization. There was no loss on extinguishment of debt for the year ended December 31, 2012. See "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Indebtedness" for more information.

Costs associated with debt modification for the year ended December 31, 2013 were US$10.5 million, which mainly represented a portion of underwriting fee, legal and professional fees incurred for refinancing 2010 Senior Notes with 2013 Senior Notes that are not eligible for capitalization. Cost associated with debt modification for the year ended December 31, 2012 were US$3.3 million, which were primarily attributable to a consent solicitation fee in relation to the 2010 Senior Notes in October 2012. See "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Indebtedness" for more information.

Income tax (expense) credit

Income tax expense for the year ended December 31, 2013 was primarily attributable to a lump sum tax payable in lieu of Macau Complementary Tax otherwise due by Melco Crown Macau's shareholders on dividends distributable to them by Melco Crown Macau. The effective tax rate for the year ended December 31, 2013 was 0.4%, as compared to a negative rate of 0.7% for the year ended December 31, 2012. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of a tax exemption on profits generated by Macau gaming operations of US$125.7 million and US$88.5 million during the years ended December 31, 2013 and 2012, respectively, which is set to expire in 2016, the effect of change in valuation allowance, and the effect of expenses for which no income tax benefit is receivable. Our management does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippines operations; however, to the extent that the financial results of our Macau and Philippines operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance through earnings.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US$59.5 million for the year ended December 31, 2013, which compared to that of US$18.5 million for the year ended December 31, 2012, was primarily due to the share of Studio City expenses of US$48.0 million and MCP expenses of US$11.5 million, respectively, by the respective minority shareholders for the year ended December 31, 2013. The year-over-year increase was primarily attributable to the noncontrolling interests' share of Studio City's financing costs and City of Dreams Manila's pre-operating expenses during the year ended December 31, 2013.

Net income attributable to Melco Crown Entertainment

As a result of the foregoing, we had net income of US$637.5 million for the year ended December 31, 2013, compared to US$417.2 million for the year ended December 31, 2012.

Adjusted Property EBITDA and Adjusted EBITDA

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, gain on disposal of assets held for sale, Corporate and Others expenses and other non-operating income and expenses, or Adjusted property EBITDA were US$1,285.5 million, US$1,379.1 million and US$995.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. Adjusted property EBITDA of Altira Macau, City of Dreams and Mocha Clubs were US$84.8 million, US$1,165.6 million and US$36.3 million, respectively, for the year ended December 31, 2014, US$147.3 million, US$1,193.2 million and US$40.2 million, respectively, for the year ended December 31, 2013 and US$154.7 million, US$805.7 million and US$36.1 million, respectively, for the year ended December 31, 2012.

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, gain on disposal of assets held for sale and other non-operating income and expenses, or Adjusted EBITDA, were US$1,166.5 million, US$1,287.8 million and US$920.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Our management uses Adjusted property EBITDA to measure the operating performance of our Altira Macau, City of Dreams, City of Dreams Manila and Mocha Clubs businesses, and to compare the operating performance of our properties with those of our competitors. Adjusted EBITDA and Adjusted property EBITDA are 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 property EBITDA and 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, in particular, U.S. GAAP or International Financial Reporting Standards.

However, Adjusted property EBITDA or Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our U.S. GAAP operating performance, other operating operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted property EBITDA and 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 U.S. GAAP financial statements and other information in this annual report, less reliance should be placed on Adjusted property EBITDA or Adjusted EBITDA as a measure in assessing our overall financial performance.

Reconciliation of Adjusted EBITDA and Adjusted Property EBITDA to Net Income Attributable to Melco Crown Entertainment

	Year Ended December 31,		
	2014	**2013**	**2012**
	(in thousands of US$)		
Adjusted property EBITDA	$ 1,285,474	$ 1,379,111	$ 995,335
Corporate and Others expenses	(118,971)	(91,299)	(75,135)
Adjusted EBITDA	1,166,503	1,287,812	920,200
Payments to the Philippine Parties	(870)	–	–
Land rent to Belle Corporation	(3,562)	(3,045)	–
Pre-opening costs	(90,556)	(13,969)	(5,785)
Development costs	(10,734)	(26,297)	(11,099)
Depreciation and amortization	(368,394)	(382,806)	(378,597)
Share-based compensation	(20,401)	(14,987)	(8,973)
Property charges and others	(8,698)	(6,884)	(8,654)
Gain on disposal of assets held for sale	22,072	–	–
Interest and other non-operating expenses, net	(154,938)	(259,370)	(111,363)
Income tax (expense) credit	(3,036)	(2,441)	2,943
Net income	527,386	578,013	398,672
Net loss attributable to noncontrolling interests	80,894	59,450	18,531
Net income attributable to Melco Crown Entertainment	$ 608,280	$ 637,463	$ 417,203

B. LIQUIDITY AND CAPITAL RESOURCES

We have relied and intend to rely on our cash generated from our operations and our debt and equity financings to meet our financing needs and repay our indebtedness, as the case may be.

As of December 31, 2014, we held unrestricted cash and cash equivalents, bank deposits with original maturity over three months and restricted cash of approximately US$1,597.7 million, US$110.6 million and US$1,816.6 million, respectively, and HK$3.12 billion (approximately US$401.1 million) of the 2011 Credit Facilities remains available for future drawdown.

In addition, under the Studio City Project Facility, we have HK$10,855,880,000 (equivalent to approximately US$1.4 billion) comprising a five year HK$10,080,460,000 (equivalent to approximately US$1.3 billion) delayed draw term loan facility and a HK$775,420,000 (equivalent to approximately US$100 million) revolving credit facility. On July 28, 2014, we drew down the term loan under the Studio City Project Facility, while the revolving credit facility under the Studio City Project Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

On January 24, 2014, MCE Leisure Philippines issued its PHP15 billion (equivalent to approximately US$340.0 million at date of pricing) aggregate principal amount of Philippine Notes, at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019. The Philippine Notes includes a tax gross up provision requiring MCE Leisure Philippines to pay without any deduction or withholding for or on account of tax. The net proceeds from the issuance of Philippine Notes were used for the development of City of Dreams Manila.

On June 24, 2014, MCP completed the 2014 Top-up Placement on the Philippine Stock Exchange raising net proceeds of approximately US$122.2 million.

An indictment from the Taipei District Prosecutors Office against our Taiwan branch office of a subsidiary and certain of its employees for alleged violations of certain Taiwan banking and foreign exchange laws was received in August 2014. In January 2013, the same Prosecutors Office froze one of such Taiwan branch office's deposit accounts, which had a balance of approximately New Taiwan dollar 2.98 billion (equivalent to US$102.2 million) at the time the account was frozen, in connection with the investigation related to this indictment. Therefore, we have presented the balance of such deposit account as restricted cash in our financial statements. See "Item 8. Financial Information – A. Consolidated and Other Financial Information – Legal and Administrative Proceedings" for more details.

MCP's restricted cash represented cash in escrow account as required in the Provisional License issued by PAGCOR for the development of City of Dreams Manila. Under the Provisional License granted by PAGCOR, the Philippine Licensees are required to set-up an escrow account with an amount of US$100.0 million with a universal bank mutually agreed by PAGCOR and the Philippine Licensees. All funds for the development of the casino project shall pass through the escrow account and all drawdowns of funds from the escrow account must be applied to City of Dreams Manila. The escrow account should have a maintaining balance of US$50.0 million equivalent until City of Dreams Manila's completion. On March 21, 2013, MCE Leisure Philippines, as one of the Philippine Licensees, established a new escrow account replacing the existing escrow account and deposited US$50.0 million equivalent to the new escrow account. The escrow account funds are expected to be released in the coming twelve months from December 31, 2014.

The Studio City cash and cash equivalents is mainly comprised of unspent proceeds from offering of the Studio City Notes, and drawdown of the term loan under the Studio City Project Facility, all of which were restricted only for payment of construction and development costs and other project costs of the Studio City project in accordance with Studio City Notes and Studio City Project Facility terms.

We have been able to meet our working capital needs, and we believe that our operating cash flow, existing cash balances, funds available under the 2011 Credit Facilities and Studio City Project Facility and additional equity or debt financings will be adequate to satisfy our current and anticipated operating, debt and capital commitments, including our development project plans, as described in "– Other Financing and Liquidity Matters" below. For any additional financing requirements, we cannot provide assurance that future borrowings will be available. See "Item 3. Key Information – D. Risk Factors – Risks Relating to Our Financing and Indebtedness" for more information. We have significant indebtedness and will continue to evaluate our capital structure and opportunities to enhance it in the normal course of our activities.

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year Ended December 31,		
	2014	**2013**	**2012**
	(in thousands of US$)		
Net cash provided by operating activities	$ 894,614	$ 1,151,934	$ 950,233
Net cash used in investing activities	(1,605,269)	(1,209,270)	(1,335,718)
Net cash provided by (used in) financing activities	926,950	(264,967)	934,735
Effect of foreign exchange on cash and cash equivalents	(397)	(5,149)	1,935
Net increase (decrease) in cash and cash equivalents	215,898	(327,452)	551,185
Cash and cash equivalents at beginning of year	1,381,757	1,709,209	1,158,024
Cash and cash equivalents at end of year	$ 1,597,655	$ 1,381,757	$ 1,709,209

Operating Activities

Operating cash flows are generally affected by changes in operating income and accounts receivable with VIP table games play and hotel operations conducted on a cash and credit basis and the remainder of the business including mass market table games play, gaming machine play, food and beverage, and entertainment are conducted primarily on a cash basis.

Net cash provided by operating activities was US$894.6 million for the year ended December 31, 2014, compared to US$1,151.9 million for the year ended December 31, 2013. The decrease in net cash provided by operating activities was mainly due to decline in underlying operating performance as described in the foregoing section and increased working capital for the operations. Net cash provided by operating activities was US$1,151.9 million for the year ended December 31, 2013, compared to US$950.2 million for the year ended December 31, 2012. The increase in net cash provided in operating activities was mainly attributable to strong growth in underlying operating performance.

Investing Activities

Net cash used in investing activities was US$1,605.3 million for the year ended December 31, 2014, compared to net cash used in investing activities of US$1,209.3 million for the year ended December 31, 2013. The increase was primarily due to increased capital expenditures payments in 2014 related to Studio City and City of Dreams Manila. Net cash used in investing activities for the year ended December 31, 2014 included capital expenditure payment of US$1,214.9 million, an increase in restricted cash of US$678.2 million, advance payments for construction costs of US$107.6 million, deposits for acquisition of property and equipment of US$99.4 million and the land use rights payment of US$50.5 million, which were offset in part by a net decrease in bank deposits with original maturity over three months of US$516.3 million and net proceeds from sale of assets held for sale of US$29.3 million.

The net increase of US$678.2 million in the amount of restricted cash for the year ended December 31, 2014 was primarily due to the drawdown of the term loan under the Studio City Project Facility of US$1,295.7 million and capital injection for the Studio City project from our Company and our SCI minority shareholder of US$230.0 million, partially offset the withdrawal and payment of Studio City project costs and interest of US$847.5 million.

The decrease of US$516.3 million in the amount of bank deposits with original maturity over three months was due to maturity of deposits partially offset by new deposits placed during the year. As of December 31, 2014, we have placed bank deposits of US$110.6 million with their original maturity over three months for a better yield (December 31, 2013: US$626.9 million).

Net proceeds of US$29.3 million was received from the sale of assets held for sale, which completed during the year ended December 31, 2014 with a gain of US$22.1 million being recognized.

Our total capital expenditure payments for the year ended December 31, 2014 were US$1,214.9 million. Such expenditures were mainly associated with enhancements to our integrated resort offerings and for the development of Studio City and City of Dreams Manila. Deposits for acquisition of property and equipment were US$99.4 million for the year ended December 31, 2014 mainly associated with Studio City and City of Dreams Manila. We also paid US$47.0 million and US$3.5 million for the scheduled installment of Studio City's and City of Dreams' land premium payments during the year ended December 31, 2014.

Net cash used in investing activities was US$1,209.3 million for the year ended December 31, 2013, compared to net cash used in investing activities of US$1,335.7 million for the year ended December 31, 2012. Net cash used in investing activities for the year ended December 31, 2013 included bank deposits with original maturity over three months of US$626.9 million, capital expenditure payment of US$575.2 million, advance payments for construction costs of US$161.6 million, the land use rights payment of US$64.3 million, payment for contract acquisition costs and security deposit of US$32.0 million and deposits for acquisition of property and equipment of US$17.2 million, which were offset in part by the decrease in restricted cash of US$268.4 million.

The net decrease of US$268.4 million in the amount of restricted cash for the year ended December 31, 2013 was primarily due to (i) the release of deposit of proceeds from the issuance of the RMB Bonds of US$368.2 million pledged for the Deposit-Linked Loan upon our early redemption in March 2013; (ii) a decrease in Studio City restricted cash of US$53.1 million primarily due to withdrawal and payment of Studio City project costs of US$682.0 million and payment of Studio City Notes interest of US$71.1 million, partially offset by the capital injection for the Studio City project from our Company and our SCI minority shareholder of US$700.0 million; (iii) the US$50.0 million deposited to an escrow account as required by PAGCOR in March 2013; and (iv) the restricted Taiwan branch office's deposit account of US$102.9 million.

Our total capital expenditure payments for the year ended December 31, 2013 were US$575.2 million. Such expenditures were mainly associated with enhancements to our integrated resort offerings and for the development of Studio City and City of Dreams Manila. We also paid US$44.7 million and US$17.1 million for the scheduled installment of Studio City's and City of Dreams' land premium payments, respectively, and US$2.5 million for the land use right payment for Altira Macau, during the year ended December 31, 2013.

As of December 31, 2013, we have placed bank deposits of US$626.9 million with their original maturity over three months for a better yield.

We expect to incur significant capital expenditures for Studio City, City of Dreams Manila, the retail precinct and the fifth hotel tower at City of Dreams in the future. See "– Other Financing and Liquidity Matters" below for more information.

The following table sets forth our capital expenditures incurred by segment on an accrual basis for the years ended December 31, 2014, 2013 and 2012.

	Year Ended December 31,		
	2014	2013	2012
	(in thousands of US$)		
Macau:			
Mocha Clubs	$ 13,116	$ 6,515	$ 5,951
Altira Macau	21,984	5,464	7,105
City of Dreams	264,922	97,654	99,416
Studio City	907,455	440,826	115,385
Sub-total	1,207,477	550,459	227,857
The Philippines:			
City of Dreams Manila	405,196	359,854	817
Corporate and Others	24,632	2,042	55,324
Total capital expenditures	$ 1,637,305	$ 912,355	$ 283,998

Our capital expenditures for the year ended December 31, 2014 increased significantly from that of the year ended December 31, 2013 primarily due to the development of Studio City, City of Dreams Manila and various projects at City of Dreams, including the fifth hotel tower. Our capital expenditures for the year ended December 31, 2013 increased significantly from that of the year ended December 31, 2012 primarily due to the development of Studio City and City of Dreams Manila.

Advance payments for construction costs for the year ended December 31, 2014 were US$107.6 million, compared to US$161.6 million for the year ended December 31, 2013, which were incurred primarily for the development of Studio City, City of Dreams Manila and various projects at City of Dreams, including the fifth hotel tower. There was no such payment made for the year ended December 31, 2012.

Our payment for contract acquisition costs and security deposit for the year ended December 31, 2013 were US$27.7 million and US$4.3 million, respectively, both of which were paid to Belle Corporation, one of the Philippine Parties, in relation to the closing arrangement agreement as well as the lease agreement of City of Dreams Manila. There was no such payment made for the years ended December 31, 2014 and 2012.

Financing Activities

Net cash provided by financing activities amounted to US$927.0 million for the year ended December 31, 2014, primarily due to (i) the proceeds of the drawdown of the term loan under the Studio City Project Facility of US$1,295.7 million; (ii) the proceeds of the issuance of the Philippine Notes of US$336.8 million; (iii) net proceeds from the issuance of shares of MCP of US$122.2 million; and (iv) the capital injection of US$92.0 million from the SCI minority shareholder, in accordance with our shareholder agreement, which were offset in part by (v) dividend payments of US$342.7 million; (vi) repurchase of shares of US$300.5 million (including commission costs); (vii) the scheduled repayments of the term loan under 2011 Credit Facilities of US$256.7 million; and (viii) the payment of debt issuance cost primarily associated with the Philippine Notes and Studio City Project Facility of US$12.7 million.

Net cash used in financing activities amounted to US$265.0 million for the year ended December 31, 2013, primarily due to (i) the early redemption of 2010 Senior Notes of US$600.0 million and the associated redemption costs of US$102.5 million; (ii) the early redemption of the RMB Bonds and Deposit-Linked Loan of US$721.5 million; (iii) the repayment of the revolving credit facility under the 2011 Credit Facilities of US$212.5 million; (iv) the scheduled repayments of the term loan under the 2011 Credit Facilities of US$128.4 million; (v) prepaid debt issuance costs of US$56.5 million associated with the Studio City Project Facility; (vi) the payment of debt issuance costs associated with the 2013 Senior Notes and Studio City Notes of US$19.6 million and US$7.0 million, respectively; (vii) the settlement of the scheduled Studio City acquisition cost installment of US$25.0 million; and (viii) the purchase of MCE shares of US$8.8 million under trust arrangement for further vesting of restricted shares. These were offset in part by (i) the proceeds of the issuance of the 2013 Senior Notes of US$1.0 billion; (ii) net proceeds from the issuance of shares of MCP of US$338.5 million; and (iii) capital injection of US$280.0 million from the SCI minority shareholder, in accordance with our shareholder agreement.

Net cash provided by financing activities amounted to US$934.7 million for the year ended December 31, 2012, primarily from the proceeds of the issuance of the Studio City Notes totaling US$825.0 million in November 2012, the proceeds from the drawdown of the Aircraft Term Loan totaling US$43.0 million in June 2012, capital injection of US$140.0 million from the SCI minority shareholder in accordance with our shareholder agreement and proceeds from the exercise of share options totaling US$3.6 million. These were offset in part by the payment of debt issuance costs of US$30.3 million, primarily associated with the Studio City Notes and consent solicitation fee for the 2010 Senior Notes, the settlement of the scheduled Studio City acquisition cost installment of US$25.0 million and prepaid debt issuance costs of US$18.8 million associated with the Studio City Project Facility, as well as repayment of the Aircraft Term Loan of US$2.8 million.

Indebtedness

The following table presents a summary of our indebtedness as of December 31, 2014:

	As of December 31, 2014
	(in thousands of US$)
Studio City Project Facility	$ 1,295,689
2013 Senior Notes	1,000,000
Studio City Notes	825,000
2011 Credit Facilities	417,166
Philippine Notes	336,195
Aircraft Term Loan	28,731
	$ 3,902,781

Major changes in our indebtedness during the year ended and subsequent to December 31, 2014 are summarized below.

On January 24, 2014, MCE Leisure Philippines issued its PHP15 billion (equivalent to approximately US$340.0 million at date of pricing) aggregate principal amount of Philippine Notes, at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019. The Philippine Notes includes a tax gross up provision requiring MCE Leisure Philippines to pay without any deduction or withholding for or on account of tax. The net proceeds from the issuance of Philippine Notes were used for the development of City of Dreams Manila.

On July 28, 2014, we drew down the term loan of HK$10,080,460,000 (equivalent to approximately US$1.3 billion) under the Studio City Project Facility, with the revolving credit facility of HK$775,420,000 (equivalent to approximately US$100 million) under the Studio City Project Facility available for future drawdown, subject to satisfaction of certain conditions precedent.

Credit facility agreements relating to certain of our indebtedness contain change of control provisions, including in respect of our obligations relating to our control and/or ownership of certain of our subsidiaries and their assets. Under the terms of such credit facility agreements, the occurrence of certain change of control events, including a decline below certain thresholds in the aggregate direct or indirect shareholdings of Melco Crown Macau, MCE Finance, Studio City Investments Limited, MCE Cotai Investments Limited or certain of its subsidiaries held by us and/or Melco and Crown or certain of our subsidiaries (as the case may be) (and, in the case of the decline of the shareholding of Melco Crown Macau under the 2011 Credit Facilities, which is accompanied by a ratings decline) may result in an event of default and/or a requirement to prepay the credit facilities in relation to such indebtedness in full. Other applicable change of control events under the credit facility agreements include the Company ceasing to be publicly listed on certain designated stock exchanges or steps being taken in connection with the liquidation or dissolution of MCE Finance. The terms of the Studio City Notes, 2013 Senior Notes and Philippine Notes also contain change of control provisions whereby the occurrence of a relevant change of control event will require us to offer to repurchase the Studio City Notes, 2013 Senior Notes or Philippine Notes (as the case may be) at a price equal to 101% of their principal amount, plus accrued and unpaid interest and, if any, additional amounts and other amount specified under such indebtedness to the date of repurchase.

For further details of the above indebtedness, please refer to note 12 to the consolidated financial statements included elsewhere in this annual report, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the charge on our assets and the nature and extent of any restrictions on our ability, and the ability of our subsidiaries, to transfer funds as cash dividends, loans or advances. Please also refer to "Item 5. Operating and Financial Review and Prospects – F. Tabular Disclosure of Contractual Obligations" for details of the maturity profile of debt and "Item 11. Quantitative and Qualitative Disclosures about Market Risk" for further understanding of our hedging of interest rate risk and foreign exchange risk exposure.

Other Financing and Liquidity Matters

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

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

The timing of any future debt and equity financing activities will be dependent on our funding needs, our development and construction schedule, 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, sale-and-leaseback transactions or other similar activities.

The construction budget for the first phase of Studio City is approximately US$2.3 billion. However, this cost estimate may be revised depending on a number of variables, including receipt of all necessary governmental approvals, the final design and development plan, funding costs, the availability of financing on terms acceptable to us, an prevailing market conditions. As of December 31, 2014, we had incurred expenditure for construction in progress of approximately US$1,450.5 million for the development of Studio City since our acquisition of a 60% equity interest in SCI.

For the purpose of financing the first phase of Studio City, we offered the US$825.0 million Studio City Notes and drew down the term loan of HK$10,080,460,000 (equivalent to approximately US$1.3 billion) under the Studio City Project Facility, in November 2012 and July 2014, respectively. As of the date of this annual report, MCE and the SCI minority shareholder have contributed US$1,250.0 million to the first phase of Studio City in accordance with the shareholder agreement, including a completion guarantee support cash of US$225.0 million as required under the Studio City Project Facility.

In 2013, MCP completed the 2013 Top-up Placement, including the over-allotment option on the Philippine Stock Exchange raising approximately US$338.5 million in net proceeds. In 2014, MCP completed the issuance of the Philippine Notes in January 2014 and the 2014 Top-up Placement on the Philippine Stock Exchange raising approximately US$122.2 million net proceeds in June 2014.

As of December 31, 2014, MCP has incurred construction and fixed asset costs of US$765.9 million, including recognition of assets under the capital lease obligations. City of Dreams Manila's grand opening occurred on February 2, 2015.

In August 2014, our board approved the implementation of a US$500 million stock repurchase program which, together with the Company's dividend policy, provides us with an another mechanism to return surplus capital efficiently while retaining flexibility to fund our current operations and future development pipeline. During the year ended December 31, 2014, we repurchased 36,649,344 ordinary shares for US$300.5 million (including commission costs) under this program of which 32,931,528 ordinary shares had been cancelled. Subsequent to December 31, 2014, we cancelled 3,717,816 ordinary shares.

The Company commenced expansion of its retail precinct at City of Dreams, which is expected to open in the first half of 2016. The Company has also commenced the development of the fifth hotel tower at City of Dreams although its development plan and schedule is currently under review and may be subject to change after taking into account a range of factors, including the current and expected future operating environment in Macau and other potential uses of cash and future cash flow. For prevailing Macau market condition, see "Item 4. Information on the Company – B. Business Overview – Market and Competition".

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, 2014, we had capital commitments contracted for but not provided mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams Manila and City of Dreams totaling US$1,065.8 million including advance payments for construction costs of US$107.6 million. In addition, we have contingent liabilities arising in the ordinary course of business. For further details for our commitments and contingencies, please refer to note 23 to the consolidated financial statements included elsewhere in this annual report.

An indictment from the Taipei District Prosecutors Office against our Taiwan branch office and certain of its employees for alleged violations of certain Taiwan banking and foreign exchange laws was received in August 2014. In January 2013, the same Prosecutors Office froze one of our Taiwan branch office's deposit accounts in connection with the investigation related to this indictment. The frozen deposit account had a balance of approximately New Taiwan dollar 2.98 billion (equivalent to approximately US$102.2 million) at the time the account was frozen. We have presented the balance of such deposit account as non-current restricted cash in our financial statements. We will vigorously defend any allegations against us, as based on Taiwan legal advice received, we believe our operations in Taiwan are in compliance with Taiwan laws. As at the date of this annual report, the indictment and the legal proceedings would have no immediate material impact on our business operations or financial position. We are monitoring this case closely and will re-assess the right and accessibility to the funds if there is any development in the case. We will account for the funds and provide relevant disclosure as and when appropriate as this case develops.

Each of Melco Crown Macau and Studio City Company Limited has a corporate rating of "BB" and "BB-" by Standard & Poor's, respectively, and each of MCE Finance and Studio City Finance has a corporate rating of "Ba3" and "B2" by Moody's Investors Service, respectively. For future borrowings, any decrease in our corporate rating could result in an increase in borrowing costs.

Restrictions on Distributions

For discussion on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and the impact such restrictions have on our ability to meet our cash obligations, see "Item 4. Information on the Company – B. Business Overview – Dividend Distribution." See also "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – Dividend Policy" and note 20 to the consolidated financial statements included elsewhere in this annual report.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We believe our and our subsidiaries' primary exposure to market risk will be interest rate risk associated with our substantial indebtedness.

Interest Rate Risk

Our exposure to interest rate risk is associated with our substantial indebtedness bearing interest based on floating rates. As of December 31, 2014, we are subject to fluctuations in HIBOR and LIBOR as a result of our 2011 Credit Facilities, Aircraft Term Loan and Studio City Project Facility. In addition, we entered into interest rate swaps in connection with portion of our drawdown under our Studio City Project Facility in accordance with our lenders' requirements at such time under the Studio City Project Facility. As of December 31, 2014, we had five interest rate swap agreements with total nominal amount of HK$1,867,199,900 (equivalent to approximately US$240.0 million) that expired in March 2015. In March 2015, we entered another five interest rate swap agreements with total nominal amount of HK$1,867,199,800 (equivalent to approximately US$240.0 million) that will be expired in September 2015.

We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and we may supplement by hedging activities in a manner we deem prudent. We cannot be sure that these risk management strategies have had the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

As of December 31, 2014 and 2013, approximately 55% and 72%, respectively, of our total indebtedness was based on fixed rates. The decrease was primarily due to the drawdown of the term loan under Studio City Project Facility in July 2014, partially offset by the issuance of the Philippine Notes in January 2014 and the scheduled repayment of the term loan under 2011 Credit Facilities. Based on December 31, 2014 and 2013 indebtedness and interest rate swap levels, an assumed 100 basis point change in HIBOR and LIBOR would cause our annual interest cost to change by approximately US$15.0 million and US$7.1 million, respectively.

Interests in security we provide to the lenders under our credit facilities, or other security or guarantees, are required by the counterparties to our hedging transactions, which could increase our aggregate secured indebtedness. We do not intend to engage in transactions in derivatives or other financial instruments for trading or speculative purposes and we expect the provisions of our existing and any future credit facilities to restrict or prohibit the use of derivatives and financial instruments for purposes other than hedging.

Foreign Exchange Risk

Our exposure to foreign exchange rate risk is associated with the currency of our operations and our indebtedness and as a result of the presentation of our financial statements in U.S. dollars. The majority of our revenues are denominated in H.K. dollars, given the H.K. dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau, while our expenses are denominated predominantly in Patacas, H.K. dollars and Philippine pesos. In addition, a significant portion of our indebtedness, as a result of the 2013 Senior Notes and Studio City Notes, and certain expenses, have been and are denominated in U.S. dollars, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollars. We also have a certain portion of our assets and liabilities, including the issuance of Philippine Notes in January 2014, denominated in Philippine pesos.

The value of the H.K. dollar, Pataca and Philippine peso against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. While the H.K. dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the H.K. dollar and the exchange rates between these currencies has remained relatively stable over the past several years, we cannot assure you that the current peg or linkages between the U.S. dollar, H.K. dollar and Pataca will not be broken or modified and subjected to fluctuation. Any significant fluctuations in the exchange rates between H.K. dollars, Patacas or Philippine pesos to U.S. dollars may have a material adverse effect on our revenues and financial condition.

We accept foreign currencies from our customers and as of December 31, 2014, in addition to H.K. dollars, Patacas and Philippine pesos, we also hold other foreign currencies. However, any foreign exchange risk exposure associated with those currencies is minimal.

We have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations during the years ended December 31, 2014 and 2013. Instead, we maintain a certain amount of our operating funds in the same currencies in which we have obligations, thereby reducing our exposure to currency fluctuations. However, we occasionally enter into foreign exchange transactions as part of financing transactions and capital expenditure programs.

See note 12 to the consolidated financial statements included elsewhere in this annual report for further details related to our indebtedness as of December 31, 2014.

Major currencies in which our cash and bank balances (including bank deposits with original maturity over three months and restricted cash) held as of December 31, 2014 were U.S. dollars, H.K. dollars, New Taiwan dollars, Philippine pesos and Patacas. Based on the cash and bank balances as of December 31, 2014 and 2013, an assumed 1% change in the exchange rates between currencies other than U.S. dollars against the U.S. dollar would cause a maximum foreign transaction gain or loss of approximately US$31.1 million and US$21.6 million for the years ended December 31, 2014 and 2013, respectively.

Based on the balances of indebtedness denominated in currencies other than U.S. dollars as of December 31, 2014 and 2013, an assumed 1% change in the exchange rates between currencies other than U.S dollars against the U.S. dollar would cause a foreign transaction gain or loss of approximately US$20.5 million and US$6.7 million for the years ended December 31, 2014 and 2013, respectively.

3. The following is an extract of the management discussion and analysis of the results of Melco Crown Entertainment for the year ended 31 December 2015 from the 2015 annual report of Melco Crown Entertainment.

Summary of Financial Results

For the year ended December 31, 2015, our total net revenues were US$3.97 billion, a decrease of 17.2% from US$4.80 billion of net revenues for the year ended December 31, 2014. Net income attributable to Melco Crown Entertainment for the year ended December 31, 2015 was US$105.7 million, as compared to net income of US$608.3 million for the year ended December 31, 2014. The decline in profitability was primarily attributable to lower rolling chip revenues and mass market table games revenues in City of Dreams and Altira Macau, partially offset by the net revenues generated by Studio City and City of Dreams Manila, which started operations in October 2015 and December 2014, respectively.

	Year Ended December 31,		
	2015	**2014**	**2013**
	(in thousands of US$)		
Net revenues	$ 3,974,800	$ 4,802,309	$ 5,087,178
Total operating costs and expenses	(3,876,385)	(4,116,949)	(4,247,354)
Operating income	98,415	685,360	839,824
Net income attributable to Melco Crown Entertainment	$ 105,747	$ 608,280	$ 637,463

Our results of operations and financial position for the years presented are not fully comparable for the following reasons:

- On February 7, 2013, MCE Finance issued the 2013 Senior Notes
- On March 11, 2013, we completed the early redemption of the RMB Bonds in full
- On March 13, 2013, the cooperation agreement and the lease agreement between us and the Philippine Parties became effective
- On March 28, 2013, we completed the early redemption of our 2010 Senior Notes
- In April 2013, MCP completed the 2013 Top-up Placement, including the over-allotment option
- On January 24, 2014, MCE Leisure Philippines issued the Philippine Notes

- On June 24, 2014, MCP completed the 2014 Top-up Placement
- On July 28, 2014, we drew down the entire delayed draw term loan facility under the Studio City Project Facility
- On December 14, 2014, City of Dreams Manila started operations with its grand opening on February 2, 2015
- In June 2015, we completed an amendment to the 2011 Credit Facilities, known as the 2015 Credit Facilities, drew down the entire term loan facility under the 2015 Credit Facilities and repaid the entire outstanding balance of the 2011 Credit Facilities
- On October 27, 2015, Studio City started operations with its grand opening on the same date
- On November 18, 2015, we completed an amendment to the Studio City Project Facility
- On November 23, 2015, MCP completed the 2015 Private Placement

Key Performance Indicators (KPIs)

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

- *Rolling chip volume:* the amount of non-negotiable chips wagered and lost by the rolling chip market segment.
- *Rolling chip win rate:* rolling chip table games win (calculated before discounts and commissions) as a percentage of rolling chip volume.
- *Mass market table games drop:* the amount of table games drop in the mass market table games segment.
- *Mass market table games hold percentage:* mass market table games win as a percentage of mass market table games drop.
- *Table games win:* the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.
- *Gaming machine handle:* the total amount wagered in gaming machines.
- *Gaming machine win rate:* gaming machine win expressed as a percentage of gaming machine handle.

In the rolling chip market segment, customers purchase identifiable chips known as non-negotiable chips, or rolling chips, from the casino cage, and there is no deposit into a gaming table's drop box for rolling chips purchased from the cage. Rolling chip volume and mass market table games drop are not equivalent. Rolling chip volume is a measure of amounts wagered and lost. Mass market table games drop measures buy in. Rolling chip volume is generally substantially higher than mass market table games drop. As these volumes are the denominator used in calculating win rate or hold percentage, with the same use of gaming win as the numerator, the win rate is generally lower in the rolling chip market segment than the hold percentage in the mass market table games segment.

Our combined expected rolling chip win rate (calculated before discounts and commissions) across our properties is in the range of 2.7% to 3.0%.

We use the following KPIs to evaluate our hotel operations:

- *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.

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

- *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.

Complimentary rooms are included in the calculation of the above room-related KPIs. The average daily rate of complimentary rooms is typically lower than the average daily rate for cash rooms. The occupancy rate and REVPAR would be lower if complimentary rooms were excluded from the calculation. As not all available rooms are occupied, average daily room rates are normally higher than revenue per available room.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenues

Our total net revenues for the year ended December 31, 2015 were US$3.97 billion, a decrease of US$0.83 billion, or 17.2%, from US$4.80 billion for the year ended December 31, 2014. The decline in total net revenues was primarily attributable to lower rolling chip revenues and mass market table games revenues in City of Dreams and Altira Macau primarily driven by deteriorating demand from Chinese players as well as restrictive policies, partially offset by the net revenues generated by Studio City and City of Dreams Manila, which started operations in October 2015 and December 2014, respectively.

Our total net revenues for the year ended December 31, 2015 consisted of US$3.77 billion of casino revenues, representing 94.8% of our total net revenues, and US$207.5 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2014 comprised US$4.65 billion of casino revenues, representing 96.9% of our total net revenues, and US$148.1 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2015 were US$3.77 billion, representing a US$0.89 billion, or 19.1%, decrease from casino revenues of US$4.65 billion for the year ended December 31, 2014, primarily due to a decrease in casino revenues at City of Dreams and Altira Macau of US$1,049.1 million, or 28.2%, and US$165.9 million, or 22.8%, respectively, primarily driven by deteriorating demand from Chinese players as well as restrictive policies, partially offset by an increase in casino revenues at City of Dreams Manila of US$254.2 million since it started operations on December 14, 2014 and the casino revenues at Studio City of US$94.4 million since it started operations on October 27, 2015.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2015 was US$23.8 billion, representing a decrease of US$9.8 billion, or 29.2%, from US$33.6 billion for the year ended December 31, 2014. The rolling chip win rate (calculated before discounts and commissions) was 2.83% for the year ended December 31, 2015, within our expected level of 2.7% to 3.0%, and increased from 2.76% for the year ended December 31, 2014. In the mass market table games segment, mass market table games drop was US$616.1 million for the year ended December 31, 2015, representing a decrease of 18.6% from US$756.7 million for the year ended December 31, 2014. The mass market table games hold percentage was 17.9% for the year ended December 31, 2015, demonstrating an increase from 15.8% for the year ended December 31, 2014. Average net win per gaming machine per day was US$98 for the year ended December 31, 2015.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2015 of US$44.0 billion represented a decrease of US$38.1 billion, or 46.4%, from US$82.1 billion for the year ended December 31, 2014. The rolling chip win rate (calculated before discounts and commissions) was 2.91% for the year ended December 31, 2015, in line with our expected range of 2.7% to 3.0%, and increased from 2.83% for the year ended December 31, 2014. In the mass market table games segment, mass market table games drop was US$4.71 billion for the year ended December 31, 2015 which represented a decrease of US$0.58 billion, or 11.0%, from US$5.29 billion for the year ended December 31, 2014. The mass market table games hold percentage was 35.1% in the year ended December 31, 2015, while decreasing from 37.5% for the year ended December 31, 2014. Average net win per gaming machine per day was US$404 for the year ended December 31, 2015, a decrease of US$60, or 12.9%, from US$464 for the year ended December 31, 2014.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day remained stable at US$303 for both years ended December 31, 2015 and 2014.

Studio City. Studio City started operations on October 27, 2015. Mass market table games drop was US$365.3 million and the mass market table games hold percentage was 22.4% for the year ended December 31, 2015. Average net win per gaming machine per day was US$168 for the year ended December 31, 2015.

City of Dreams Manila. City of Dreams Manila started operations on December 14, 2014. City of Dreams Manila's rolling chip volume for the year ended December 31, 2015 was US$3.3 billion. The rolling chip win rate (calculated before discounts and commissions) was 2.30% for the year ended December 31, 2015. Our expected range was 2.7% to 3.0%. In the mass market table games segment, mass market table games drop was US$441.4 million and the mass market table games hold percentage was 26.3% for the year ended December 31, 2015. Average net win per gaming machine per day was US$170 for the year ended December 31, 2015.

Rooms. Room revenues (including the retail value of promotional allowances) for the year ended December 31, 2015 were US$199.7 million, representing a US$63.3 million, or 46.4%, increase from room revenues (including the retail value of promotional allowances) of US$136.4 million for the year ended December 31, 2014. The increase was primarily due to the room revenues at City of Dreams Manila and Studio City since they started operations on December 14, 2014 and October 27, 2015, respectively. City of Dreams Manila has three hotels comprising Crown Towers hotel, Nobu Hotel and Hyatt City of Dreams Manila, which offer approximately 950 rooms in aggregate. Studio City consists of Celebrity Tower and the all-suite Star Tower, which offers approximately 1,600 guest rooms in total.

The average daily rate, occupancy rate and REVPAR of each property are as follows:

	Year Ended December 31,					
	2015	2014	2015	2014	2015	2014
	Average daily rate (US$)		Occupancy rate		REVPAR (US$)	
Altira Macau	212	232	98%	99%	209	229
City of Dreams	201	197	99%	99%	198	195
Studio City	136	–	98%	–	133	–
City of Dreams Manila	191	207	86%	63%	164	130

Food, beverage and others. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2015 included food and beverage revenues of US$126.8 million and entertainment, retail and other revenues of US$117.5 million. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2014 included food and beverage revenues of US$84.9 million and entertainment, retail and other revenues of US$108.4 million. The increase of US$51.1 million in food, beverage and other revenues from the year ended December 31, 2014 to the year ended December 31, 2015 was primarily from a full year operation of City of Dreams Manila which features entertainment venues including DreamPlay by DreamWorks, Centerplay and two night clubs, and newly-opened Studio City with its attractions including Golden Reel, Batman Dark Flight, The House of Magic, as well as a vast array of food and beverage outlets. The increase was offset in part by the decrease in food, beverage and other revenues at City of Dreams mainly due to lower yield of rental income, lower food and beverage revenues and the decrease in ticket sales mainly from the decrease in visitation on certain non-gaming attractions and the temporary closure of TABOO show during the year ended December 31, 2015.

Operating costs and expenses

Total operating costs and expenses were US$3.88 billion for the year ended December 31, 2015, representing a decrease of US$240.6 million, or 5.8%, from US$4.12 billion for the year ended December 31, 2014. The decrease in operating costs was in-line with the declined gaming volume and associated lower revenues at City of Dreams and Altira Macau, partially offset by operating costs from City of Dreams Manila and newly-opened Studio City and the provision of input value-added tax as well as no gain on disposal of assets held for sale for the year ended December 31, 2015.

Casino. Casino expenses decreased by US$591.6 million, or 18.2%, to US$2.65 billion for the year ended December 31, 2015 from US$3.25 billion for the year ended December 31, 2014 primarily due to decrease in gaming tax and other levies and commission expenses at City of Dreams and Altira Macau, which decreased as a result of decreased gaming volume and an associated lower revenues, partially offset by the casino expenses at City of Dreams Manila and Studio City.

Rooms. Room expenses, which represent the costs of operating the hotel facilities were US$23.4 million and US$12.7 million for the years ended December 31, 2015 and 2014, respectively. The increase was primarily from the hotel operations in City of Dreams Manila and Studio City.

Food, beverage and others. Food, beverage and other expenses were US$120.8 million and US$85.6 million for the years ended December 31, 2015 and 2014, respectively. The increase was primarily due to the payroll, performers' fee and other operating costs associated with City of Dreams Manila and Studio City, partially offset by the decrease in operating costs for the non-gaming attractions at City of Dreams, which was in- line with the decrease in business volumes.

General and administrative. General and administrative expenses increased by US$72.2 million, or 23.2%, to US$383.9 million for the year ended December 31, 2015 from US$311.7 million for the year ended December 31, 2014, primarily due to the general and administrative expenses for City of Dreams Manila and Studio City since their openings.

Payments to the Philippine Parties. Payments to the Philippine Parties increased to US$16.5 million for the year ended December 31, 2015 from US$0.9 million for the year ended December 31, 2014, due to the full year operations of City of Dreams Manila in 2015.

Pre-opening costs. Pre-opening costs were US$168.2 million for the year ended December 31, 2015 as compared to US$94.0 million for the year ended December 31, 2014. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. Pre-opening costs for the years ended December 31, 2015 and 2014 primarily related to the payroll expenses, rental, marketing, advertising and administrative costs in connection with Studio City and City of Dreams Manila. The increase was primarily due to the production cost for the short film "The Audition" and the increase in payroll expenses, marketing, advertising and other administrative costs associated with Studio City to cope with its opening on October 27, 2015, partially offset by the decrease in pre-opening costs in City of Dreams Manila, which started operations in December 2014 with the grand opening on February 2, 2015.

Development costs. Development costs were US$0.1 million and US$10.7 million for the years ended December 31, 2015 and 2014, respectively, which were predominantly for corporate business development.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US$57.2 million for each of the years ended December 31, 2015 and 2014.

Amortization of land use rights. Amortization of land use rights expenses were US$54.1 million and US$64.5 million for the years ended December 31, 2015 and 2014, respectively. The decrease was primarily due to the extension of the estimated lease term of the land use rights in Macau since October 2015.

Depreciation and amortization. Depreciation and amortization expenses were US$359.3 million and US$246.7 million for the years ended December 31, 2015 and 2014, respectively. The increase was primarily due to the full year depreciation of assets at City of Dreams Manila and approximately two months of depreciation of assets at Studio City, partially offset by the decrease due to certain assets becoming fully depreciated at City of Dreams during the year ended December 31, 2015 and the extension of estimated useful life of building structures of Altira Macau and City of Dreams since October 2015.

Property charges and others. Property charges and others generally include costs related to the remodeling and rebranding of a property, which might include the retirement, disposal or write-off of assets. Property charges and others for the year ended December 31, 2015 were US$38.1 million, which primarily included US$30.3 million provision of input value-added tax primarily pertaining to certain construction of City of Dreams Manila, which is expected to be non-recoverable and US$5.5 million termination costs as a result of departmental restructuring. Property charges and others for the year ended December 31, 2014 were US$8.7 million, which primarily included assets write-off of US$3.5 million on furniture, fixtures and equipment damaged by the typhoon in the Philippines and assets write-off and impairments of US$3.2 million as a result of the remodel of non-gaming attractions at City of Dreams.

Non-operating expenses, net

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, amortization of deferred financing costs, loan commitment and other finance fees, foreign exchange gain (loss), net, loss on extinguishment of debt and costs associated with debt modification, as well as other non-operating income, net.

Interest income was US$13.9 million for the year ended December 31, 2015, as compared to US$20.0 million for the year ended December 31, 2014. The decrease was primarily due to lower level of deposits placed at banks during the year ended December 31, 2015.

Interest expenses were US$118.3 million (net of capitalized interest of US$134.8 million) for the year ended December 31, 2015, compared to US$124.1 million (net of capitalized interest of US$96.9 million) for the year ended December 31, 2014. The decrease in net interest expenses (net of interest capitalization) of US$5.8 million was primarily due to: (i) higher interest capitalization of US$37.9 million primarily associated with the Studio City and City of Dreams construction and development projects; (ii) lower interest charge of US$2.5 million arisen from the refinancing of the 2011 Credit Facilities with 2015 Credit Facilities in late June 2015; partially offset by (iii) US$35.0 million higher interest expenses on the term loan under the Studio City Project Facility drew in July 2014.

Other finance costs for the year ended December 31, 2015 of US$45.8 million, included US$38.5 million of amortization of deferred financing costs (net of capitalization of US$5.5 million) and US$7.3 million of loan commitment and other finance fees. Other finance costs for the year ended December 31, 2014 of US$47.0 million, included US$28.0 million of amortization of deferred financing costs (nil capitalization) and US$19.0 million of loan commitment and other finance fees. The increase in amortization of deferred financing costs compared to the year ended December 31, 2014 was primarily due to the recognition of amortized deferred financing costs incurred for the term loan under the Studio City Project Facility drawn in July 2014, which were offset in part by the capitalization of amortization of deferred financing costs for the year. The decrease in loan commitment and other finance fees compared to the year ended December 31, 2014 was primarily associated with the drawdown of term loan under the Studio City Project Facility in July 2014.

Loss on extinguishment of debt for the year ended December 31, 2015 was US$0.5 million, which mainly represented the unamortized deferred financing costs of the 2011 Credit Facilities that are not eligible for capitalization. There was no loss on extinguishment of debt for the year ended December 31, 2014.

Costs associated with debt modification for the year ended December 31, 2015 were US$7.6 million, which mainly represented legal and professional fees incurred for the loan documentation amendment of Studio City Project Facility and refinancing the 2011 Credit Facilities with 2015 Credit Facilities that are not eligible for capitalization. There were no costs associated with debt modification for the year ended December 31, 2014.

Income tax expense

Income tax expense for the year ended December 31, 2015 was primarily attributable to a lump sum tax payable of US$2.8 million in lieu of Macau Complementary Tax otherwise due by Melco Crown Macau's shareholders on dividends distributable to them by Melco Crown Macau and Hong Kong Profits Tax of US$0.8 million, partially offset by a deferred tax credit of US$2.8 million. The effective tax rate for the year ended December 31, 2015 was a negative rate of 1.7%, as compared to a positive rate of 0.6% for the year ended December 31, 2014. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax of US$64.4 million and US$109.2 million during the years ended December 31, 2015 and 2014, respectively, which is set to expire in 2016, the effect of change in valuation allowance, the effect of different tax rates of subsidiaries operating in other jurisdictions, and the effect of expenses for which no income tax benefit is receivable for the years ended December 31, 2015 and 2014. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippines operations; however, to the extent that the financial results of our Macau and Philippines operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance through earnings.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US$166.6 million for the year ended December 31, 2015, which compared to that of US$80.9 million for the year ended December 31, 2014, was primarily due to the share of the Studio City expenses of US$104.3 million and City of Dreams Manila expenses of US$62.3 million, respectively, by the respective minority shareholders for the year ended December 31, 2015. The year-over-year increase was primarily attributable to the increase in noncontrolling interests' share of Studio City's pre-opening costs, depreciation and amortization and other operating costs as well as the share of City of Dreams Manila's operating costs and financing costs mainly due to lower interest capitalization, partially offset by the share of net revenues generated by Studio City and City of Dreams Manila.

Net income attributable to Melco Crown Entertainment

As a result of the foregoing, we had net income of US$105.7 million for the year ended December 31, 2015, compared to US$608.3 million for the year ended December 31, 2014.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenues

Our total net revenues for the year ended December 31, 2014 were US$4.80 billion, a decrease of US$284.9 million, or 5.6%, from US$5.09 billion for the year ended December 31, 2013. The decline in total net revenues was primarily attributable to lower group-wide rolling chip revenues primarily driven by deteriorating demand from Chinese players as well as restrictive policies including changes to travel and visa policies, partially offset by improved group-wide mass market table games revenues.

Our total net revenues for the year ended December 31, 2014 consisted of US$4.65 billion of casino revenues, representing 96.9% of our total net revenues, and US$148.1 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2013 comprised US$4.94 billion of casino revenues, representing 97.1% of our total net revenues, and US$145.7 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2014 were US$4.65 billion, representing a US$287.3 million, or 5.8%, decrease from casino revenues of US$4.94 billion for the year ended December 31, 2013, primarily due to a decrease in casino revenues at Altira Macau and City of Dreams of US$290.3 million, or 28.5%, and US$6.9 million, or 0.2%, respectively, partially offset by the casino revenue at City of Dreams Manila of US$6.7 million since it started operations on December 14, 2014. The overall decrease was primarily a result of decreased rolling chip volume and rolling chip win rate at both Altira Macau and City of Dreams, primarily driven by deteriorating demand from Chinese players as well as restrictive policies including changes to travel and visa policies, partially offset by improved blended mass market table games drop and blended mass table games hold percentage.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2014 was US$33.6 billion, representing a decrease of US$11.3 billion, or 25.2%, from US$44.9 billion for the year ended December 31, 2013. The rolling chip win rate (calculated before discounts and commissions) was 2.76% for the year ended December 31, 2014, within our expected level of 2.7% to 3.0%, while decreasing from 2.96% for the year ended December 31, 2013. In the mass market table games segment, mass market table games drop was US$756.7 million for the year ended December 31, 2014, representing an increase of 4.5% from US$724.0 million for the year ended December 31, 2013. The mass market table games hold percentage was 15.8% for the year ended December 31, 2014, a slight increase from 15.4% for the year ended December 31, 2013.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2014 of US$82.1 billion represented a decrease of US$14.9 billion, or 15.4%, from US$97.0 billion for the year ended December 31, 2013. The rolling chip win rate (calculated before discounts and commissions) was 2.83% for the year ended December 31, 2014, in line with our expected range of 2.7% to 3.0%, while decreasing from 2.95% for the year ended December 31, 2013. In the mass market table games segment, mass market table games drop was US$5.29 billion for the year ended December 31, 2014 which represented an increase of US$0.63 billion, or 13.5%, from US$4.66 billion for the year ended December 31, 2013. The mass market table games hold percentage was 37.5% in the year ended December 31, 2014, demonstrating an increase from 34.6% for the year ended December 31, 2013. Average net win per gaming machine per day was US$464 for the year ended December 31, 2014, an increase of US$103, or 28.5%, from US$361 for the year ended December 31, 2013.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2014 was US$303, an increase of approximately US$91, or 42.9%, from US$212 for the year ended December 31, 2013.

Rooms. Room revenues (including the retail value of promotional allowances) for the year ended December 31, 2014 were US$136.4 million, representing a US$8.8 million, or 6.9%, increase from room revenues (including the retail value of promotional allowances) of US$127.7 million for the year ended December 31, 2013. The increase was primarily due to improved occupancy and the positive impact from the increase in average daily rate. Altira Macau's average daily rate, occupancy rate and REVPAR were US$232, 99% and US$229, respectively, for the year ended December 31, 2014, as compared to US$230, 99% and US$227, respectively, for the year ended December 31, 2013. City of Dreams' average daily rate, occupancy rate and REVPAR were US$197, 99% and US$195, respectively, for the year ended December 31, 2014, as compared to US$189, 97% and US$183, respectively, for the year ended December 31, 2013.

Food, beverage and others. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2014 included food and beverage revenues of US$84.9 million and entertainment, retail and other revenues of US$108.4 million. Food, beverage and other revenues (including the retail value of promotional allowances) for the year ended December 31, 2013 included food and beverage revenues of US$78.9 million, and entertainment, retail and other revenues of US$103.7 million. The increase of US$10.7 million in food, beverage and other revenues from the year ended December 31, 2013 to the year ended December 31, 2014 was primarily due to higher business volumes and improved yield of rental income at City of Dreams.

Operating costs and expenses

Total operating costs and expenses were US$4.12 billion for the year ended December 31, 2014, representing a decrease of US$130.4 million, or 3.1%, from US$4.25 billion for the year ended December 31, 2013. The decrease in operating costs was primarily due to a decrease in operating costs at Altira Macau, which were in-line with the decreased gaming volume and associated decrease in revenues, a decrease in development costs, the gain on disposal of assets held for sale, partially offset by increase in general and administrative expenses and pre-opening costs to support expanding operations.

Casino. Casino expenses decreased by US$206.3 million, or 6.0%, to US$3.25 billion for the year ended December 31, 2014 from US$3.45 billion for the year ended December 31, 2013 primarily due to decrease in gaming tax and other levies and commission expenses of US$308.6 million, which decreased as a result of decreased gaming volume and an associated decrease in revenues, partially offset by an increase in payroll and other operating costs as well as complimentaries to gaming customers of US$102.3 million.

Rooms. Room expenses, which mainly represent the costs of operating the hotel facilities at Altira Macau and City of Dreams were US$12.7 million and US$12.5 million for the years ended December 31, 2014 and 2013, respectively. The slight increase was primarily due to an increase in payroll and other operating costs as a result of increased occupancy, partially offset by a higher level of complimentary hotel rooms offered to gaming customers for which the associated costs were included in casino expenses.

Food, beverage and others. Food, beverage and other expenses were US$85.6 million and US$93.3 million for the years ended December 31, 2014 and 2013, respectively. The decrease was primarily due to a higher level of complimentary food, beverage and others offered to gaming customers for which the associated costs were included in casino expenses, partially offset by an increase in payroll and other operating costs associated with the increase in revenues.

General and administrative. General and administrative expenses increased by US$55.9 million, or 21.9%, to US$311.7 million for the year ended December 31, 2014 from US$255.8 million for the year ended December 31, 2013, primarily due to an increase in payroll expenses, share-based compensation, rental expenses, marketing and advertising expenses, as well as professional fees to support continuing and expanding operations.

Pre-opening costs. Pre-opening costs were US$94.0 million for the year ended December 31, 2014 as compared to US$17.0 million for the year ended December 31, 2013. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. Pre-opening costs for the years ended December 31, 2014 and 2013 primarily related to the payroll expenses, rental and administrative costs in connection with City of Dreams Manila and Studio City. The increase was primarily due to the increase in payroll expenses and other administrative costs in City of Dreams Manila, mainly driven by the increase in headcount to cope with its opening on December 14, 2014.

Development costs. Development costs were US$10.7 million for the year ended December 31, 2014, which predominantly related to professional and consultancy fees as well as marketing and promotion costs for corporate business development. Development costs for the year ended December 31, 2013 of US$26.3 million primarily related to fees and costs associated with the corporate reorganization of MCP by the Company, as well as corporate business development.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US$57.2 million for each of the years ended December 31, 2014 and 2013.

Amortization of land use rights. Amortization of land use rights expenses remained stable at US$64.5 million and US$64.3 million for the years ended December 31, 2014 and 2013, respectively.

Depreciation and amortization. Depreciation and amortization expenses were US$246.7 million and US$261.3 million for the years ended December 31, 2014 and 2013, respectively. The decrease was primarily due to certain assets becoming fully depreciated at City of Dreams and Altira Macau during the year ended December 31, 2014, offset in part by depreciation of assets at City of Dreams Manila, which started operations on December 14, 2014.

Property charges and others. Property charges and others generally include costs related to the remodeling and rebranding of a property, which might include the retirement, disposal or write-off of assets. Property charges and others for the year ended December 31, 2014 were US$8.7 million, which primarily included assets write-off of US$3.5 million on furniture, fixtures and equipment damaged by the typhoon in the Philippines and assets write-off and impairments of US$3.2 million as a result of the remodel of non-gaming attractions at City of Dreams. Property charges and others for the year ended December 31, 2013 were US$6.9 million, which primarily included a write-off of US$3.0 million for the final payment in relation to a service contract at City of Dreams and assets write-off of US$1.6 million as a result of the remodel of non-gaming attractions at City of Dreams.

Gain on disposal of assets held for sale. Gain on disposal of assets held for sale of US$22.1 million for the year ended December 31, 2014 related to the disposal of five units located at Golden Dragon Centre in Macau.

Non-operating expenses, net

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, amortization of deferred financing costs, loan commitment and other finance fees, foreign exchange (loss) gain, net, change in fair value of interest rate swap agreements, loss on extinguishment of debt and costs associated with debt modification, as well as other non-operating income, net.

Interest income was US$20.0 million for the year ended December 31, 2014, as compared to US$7.7 million for the year ended December 31, 2013. The increase was primarily driven by higher level of deposits placed at banks to yield higher interest income during the year ended December 31, 2014.

Interest expenses were US$124.1 million (net of capitalized interest of US$96.9 million) for the year ended December 31, 2014, compared to US$152.7 million (net of capitalized interest of US$31.0 million) for the year ended December 31, 2013. The decrease in net interest expenses (net of interest capitalization) of US$28.6 million was primarily due to: (i) higher interest capitalization of US$65.9 million primarily associated with the Studio City and City of Dreams Manila construction and development projects; (ii) a lower interest charge of US$5.5 million as a result of the scheduled repayments of the term loan started from September 2013 and the repayment of the drawn revolving credit facility in late March 2013, both under the 2011 Credit Facilities; (iii) a lower interest charge of US$4.3 million upon our repayment and redemption on the Deposit-Linked Loan and RMB Bonds in March 2013; (iv) lower interest charges of US$1.1 million upon our redemption of our 2010 Senior Notes by our issuance of the lower interest rate 2013 Senior Notes in March 2013; partially offset by (v) US$26.3 million higher interest expenses upon our drawdown of the term loan under the Studio City Project Facility in July 2014; (vi) US$19.8 million higher interest expenses upon our issuance of the Philippine Notes in January 2014; and (vii) US$5.8 million higher interest expenses on capital lease obligation relating to MCP's building lease payments entered in March 2013.

Other finance costs for the year ended December 31, 2014 of US$47.0 million, included US$28.0 million of amortization of deferred financing costs and US$19.0 million of loan commitment and other finance fees. Other finance costs for the year ended December 31, 2013 of US$43.8 million, included US$18.2 million of amortization of deferred financing costs and US$25.6 million of loan commitment and other finance fees. The increase in amortization of deferred financing costs compared to the year ended December 31, 2013 was primarily due to the recognition of amortized deferred financing costs incurred for the 2013 Senior Notes issued in February 2013, the Philippine Notes issued in January 2014 and the term loan under the Studio City Project Facility drawn in July 2014, which were offset in part by the cessation of amortization of deferred financing costs relating to the RMB Bonds and 2010 Senior Notes upon our redemption. The decrease in loan commitment and other finance fees compared to the year ended December 31, 2013 was primarily associated with the drawdown of term loan under the Studio City Project Facility in July 2014.

There was no loss on extinguishment of debt or costs associated with debt modification for the year ended December 31, 2014. Loss on extinguishment of debt for the year ended December 31, 2013 was US$50.9 million, which mainly represented a portion of the 2010 Senior Notes redemption fees and unamortized deferred financing costs that are not eligible for capitalization.

Costs associated with debt modification for the year ended December 31, 2013 were US$10.5 million, which mainly represented a portion of underwriting fee, legal and professional fees incurred for refinancing 2010 Senior Notes with 2013 Senior Notes that are not eligible for capitalization.

Income tax expense

Income tax expense for the year ended December 31, 2014 was primarily attributable to a lump sum tax payable of US$2.8 million in lieu of Macau Complementary Tax otherwise due by Melco Crown Macau's shareholders on dividends distributable to them by Melco Crown Macau, Macau Complementary Tax of US$2.8 million arising mainly due to a gain on disposal of assets held for sale and Hong Kong Profits Tax of US$1.2 million, partially offset by a deferred tax credit of US$4.5 million. No provision for income tax for certain subsidiaries of the Company in the Philippines for the years ended December 31, 2014 and 2013 and no provision for income tax in the United States of America for the year ended December 31, 2013 were provided as the subsidiaries incurred tax losses. The effective tax rate for the year ended December 31, 2014 was 0.6%, as compared to 0.4% for the year ended December 31, 2013. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax of US$109.2 million and US$125.7 million during the years ended December 31, 2014 and 2013, respectively, which is set to expire in 2016, the effect of change in valuation allowance, the effect of different tax rates of subsidiaries operating in other jurisdictions, and the effect of expenses for which no income tax benefit is receivable for the years ended December 31, 2014 and 2013. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippines operations; however, to the extent that the financial results of our Macau and Philippines operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance through earnings.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US$80.9 million for the year ended December 31, 2014, which compared to that of US$59.5 million for the year ended December 31, 2013, was primarily due to the share of the Studio City expenses of US$40.0 million and City of Dreams Manila expenses of US$40.9 million, respectively, by the respective minority shareholders for the year ended December 31, 2014. The year-over-year increase was primarily attributable to the noncontrolling interests' share of City of Dreams Manila's pre-operating expenses and financing costs during the year ended December 31, 2014 and the increase in the share of Studio City's pre-operating expenses, partially offset by the decrease in share of Studio City's financing costs mainly due to higher interest capitalization offset with the increase in interest expenses on the Studio City Project Facility, which was drawn in July 2014.

Net income attributable to Melco Crown Entertainment

As a result of the foregoing, we had net income of US$608.3 million for the year ended December 31, 2014, compared to US$637.5 million for the year ended December 31, 2013.

Adjusted Property EBITDA and Adjusted EBITDA

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, gain on disposal of assets held for sale, Corporate and Others expenses and other non-operating income and expenses, or Adjusted property EBITDA were US$932.0 million, US$1,285.5 million and US$1,379.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. Adjusted property EBITDA of Altira Macau, City of Dreams and Mocha Clubs were US$36.3 million, US$798.5 million and US$30.3 million, respectively, for the year ended December 31, 2015, US$84.8 million, US$1,165.6 million and US$36.3 million, respectively, for the year ended December 31, 2014 and US$147.3 million, US$1,193.2 million and US$40.2 million, respectively, for the year ended December 31, 2013. Studio City and City of Dreams Manila started operations on October 27, 2015 and December 14, 2014, respectively and recorded Adjusted property EBITDA of US$11.6 million and US$55.4 million, respectively, for the year ended December 31, 2015, negative US$1.3 million and US$6 thousand, respectively, for the year ended December 31, 2014, negative US$1.1 million and negative US$0.6 million, respectively, for the year ended December 31, 2013.

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, gain on disposal of assets held for sale and other non-operating income and expenses, or Adjusted EBITDA, were US$816.2 million, US$1,166.5 million and US$1,287.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Our management uses Adjusted property EBITDA to measure the operating performance of our Altira Macau, City of Dreams, Studio City, City of Dreams Manila and Mocha Clubs businesses, and to compare the operating performance of our properties with those of our competitors. Adjusted EBITDA and Adjusted property EBITDA are 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 property EBITDA and 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, in particular, U.S. GAAP or International Financial Reporting Standards.

However, Adjusted property EBITDA or Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our U.S. GAAP operating performance, other operating operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted property EBITDA and 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 U.S. GAAP financial statements and other information in this annual report, less reliance should be placed on Adjusted property EBITDA or Adjusted EBITDA as a measure in assessing our overall financial performance.

Reconciliation of Adjusted EBITDA and Adjusted Property EBITDA to Net Income Attributable to Melco Crown Entertainment

	Year Ended December 31,		
	2015	2014	2013
	(in thousands of US$)		
Adjusted property EBITDA	$ 931,984	$ 1,285,474	$ 1,379,111
Corporate and Others expenses	(115,735)	(118,971)	(91,299)
Adjusted EBITDA	816,249	1,166,503	1,287,812
Payments to the Philippine Parties	(16,547)	(870)	–
Land rent to Belle Corporation	(3,476)	(3,562)	(3,045)
Pre-opening costs	(168,172)	(90,556)	(13,969)
Development costs	(110)	(10,734)	(26,297)
Depreciation and amortization	(470,634)	(368,394)	(382,806)
Share-based compensation	(20,827)	(20,401)	(14,987)
Property charges and others	(38,068)	(8,698)	(6,884)
Gain on disposal of assets held for sale	–	22,072	–
Interest and other non-operating expenses, net	(158,192)	(154,938)	(259,370)
Income tax expense	(1,031)	(3,036)	(2,441)
Net (loss) income	(60,808)	527,386	578,013
Net loss attributable to noncontrolling interests	166,555	80,894	59,450
Net income attributable to Melco Crown Entertainment	$ 105,747	$ 608,280	$ 637,463

B. LIQUIDITY AND CAPITAL RESOURCES

We have relied and intend to rely on our cash generated from our operations and our debt and equity financings to meet our financing needs and repay our indebtedness, as the case may be.

As of December 31, 2015, we held unrestricted cash and cash equivalents, bank deposits with original maturity over three months and restricted cash of approximately US$1,611.0 million, US$724.7 million and US$317.1 million, respectively.

In June 2015, Melco Crown Macau completed an amendment to the 2011 Credit Facilities, known as the 2015 Credit Facilities, which reduced and removed certain restrictions on our business that were imposed by the covenants of the 2011 Credit Facilities and extended the repayment maturity date of the loans made under the 2011 Credit Facilities. The 2015 Credit Facilities comprise a Hong Kong dollar term loan facility of HK$3.90 billion (equivalent to approximately US$501.3 million) with a term of 6 years and a multicurrency revolving credit facility of HK$9.75 billion (equivalent to approximately US$1.25 billion) with a term of 5 years. The 2015 Credit Facilities was used to refinance the outstanding balance of the 2011 Credit Facilities, with the remaining proceeds available for general corporate purposes. Under the 2015 Credit Facilities, we drew down the entire term loan and repaid the entire outstanding balance of the 2011 Credit Facilities, while the revolving credit facility under the 2015 Credit Facilities remains available for future drawdown, subject to satisfaction of certain conditions precedent. Further, the 2015 Credit Facilities introduced an incremental facility of up to US$1.3 billion to be made available, upon further agreement with the existing lenders under the 2015 Credit Facilities or other entities.

In addition, under the Studio City Project Facility (as amended from time to time), we have HK$10,855,880,000 (equivalent to approximately US$1.4 billion) comprising a five year HK$10,080,460,000 (equivalent to approximately US$1.3 billion) delayed draw term loan facility and a HK$775,420,000 (equivalent to approximately US$100.0 million) revolving credit facility. On July 28, 2014, we drew down the term loan under the Studio City Project Facility, while the revolving credit facility under the Studio City Project Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

On October 14, 2015, MCP entered a PHP2.35 billion (equivalent to approximately US$50.0 million) Philippine Credit Facility with the availability up to August 31, 2016, which remains available for future drawdown, subject to satisfaction of certain conditions precedent. None of the Philippine Credit Facility has been drawn as of December 31, 2015.

In August 2014, we received an indictment from the Taipei District Prosecutor's Office against the Taiwan branch office of one of our subsidiaries and certain of its employees for alleged violations of certain Taiwan banking and foreign exchange laws. In January 2013, the same Prosecutor's Office froze one of such Taiwan branch office's deposit accounts, which had a balance of approximately New Taiwan dollar 2.98 billion (equivalent to approximately US$102.2 million) at the time the account was frozen, in connection with the investigation related to this indictment. In October 2015, the Taipei District Court rendered a not guilty verdict in favor of the defendants, on all charges alleging violation of Taiwan banking and foreign exchange laws. The Taipei District Court also lifted the freeze order over such deposit account in October 2015. Such deposit was released from restricted cash in our financial statements upon lifting of the freeze order. The case is now under appeal at the Taipei High Court. See "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – Legal and Administrative Proceedings" for more details.

Under the Regular License granted by PAGCOR, the Philippine Licensees are required to set-up an escrow account with an amount of US$100.0 million with a universal bank mutually agreed by PAGCOR and the Philippine Licensees. All funds for the development of the casino project shall pass through the escrow account and all drawdowns of funds from the escrow account must be applied to City of Dreams Manila. The escrow account should have a maintaining balance of US$50.0 million equivalent until City of Dreams Manila's completion. On March 21, 2013, MCE Leisure Philippines, as one of the Philippine Licensees, established a new escrow account replacing the existing escrow account and deposited US$50.0 million equivalent to the new escrow account. The escrow account funds were released from restricted cash during the year ended December 31, 2015.

The unspent cash proceeds from the offering of the Studio City Notes, and drawdown of the term loan under the Studio City Project Facility, are restricted only for payment of construction and development costs and other project costs of the Studio City project in accordance with Studio City Notes and Studio City Project Facility terms.

We have been able to meet our working capital needs, and we believe that our operating cash flow, existing cash balances, funds available under the 2015 Credit Facilities, Studio City Project Facility and Philippine Credit Facility and additional equity or debt financings will be adequate to satisfy our current and anticipated operating, debt and capital commitments, including our development project plans, as described in "– Other Financing and Liquidity Matters" below. For any additional financing requirements, we cannot provide assurance that future borrowings will be available. See "Item 3. Key Information – D. Risk Factors – Risks Relating to Our Financing and Indebtedness" for more information. We have significant indebtedness and will continue to evaluate our capital structure and opportunities to enhance it in the normal course of our activities.

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands of US$)		
Net cash provided by operating activities	$ 522,026	$ 894,614	$ 1,151,934
Net cash used in investing activities	(469,656)	(1,605,269)	(1,209,270)
Net cash (used in) provided by financing activities	(29,688)	926,950	(264,967)
Effect of foreign exchange on cash and cash equivalents	(9,311)	(397)	(5,149)
Net increase (decrease) in cash and cash equivalents	13,371	215,898	(327,452)
Cash and cash equivalents at beginning of year	1,597,655	1,381,757	1,709,209
Cash and cash equivalents at end of year	$ 1,611,026	$ 1,597,655	$ 1,381,757

Operating Activities

Operating cash flows are generally affected by changes in operating income and accounts receivable with VIP table games play and hotel operations conducted on a cash and credit basis and the remainder of the business including mass market table games play, gaming machine play, food and beverage, and entertainment are conducted primarily on a cash basis.

Net cash provided by operating activities was US$522.0 million for the year ended December 31, 2015, compared to US$894.6 million for the year ended December 31, 2014. The decrease in net cash provided by operating activities was mainly due to decline in underlying operating performance as described in the foregoing section net with decreased working capital for the operations. Net cash provided by operating activities was US$894.6 million for the year ended December 31, 2014, compared to US$1,151.9 million for the year ended December 31, 2013. The decrease in net cash provided by operating activities was mainly due to decline in underlying operating performance, as described in the foregoing section, and increased working capital for the operations.

Investing Activities

Net cash used in investing activities was US$469.7 million for the year ended December 31, 2015, compared to net cash used in investing activities of US$1,605.3 million for the year ended December 31, 2014. The decrease was primarily due to a decrease in restricted cash, advance payments for construction costs and deposits for acquisition of property and equipment, partially offset by an increase in net placement of bank deposits with original maturity over three months and capital expenditure payments. Net cash used in investing activities for the year ended December 31, 2015 included capital expenditure payments of US$1,291.4 million, net increase of bank deposits with original maturity over three months of US$614.1 million, land use rights payment of US$31.7 million, deposits for acquisition of property and equipment of US$28.8 million and advance payments for construction costs of US$19.7 million, which were offset in part by a decrease in restricted cash of US$1,495.6 million during the year ended December 31, 2015 and the escrow funds refundable to the Philippine Parties of US$24.6 million.

The net decrease of US$1,495.6 million in the amount of restricted cash for the year ended December 31, 2015 was primarily due to the withdrawal and payment of Studio City project costs and interest of US$1,130.9 million, the release of US$225.0 million completion guarantee support cash from restricted cash upon the amendment of Studio City Project Facility, the release of Taiwan branch office's deposit of US$90.7 million upon lifting of the freeze order and the release of US$50.0 million escrow account funds upon the completion of City of Dreams Manila.

The increase of US$614.1 million in the amount of bank deposits with original maturity over three months was due to new deposits placed during the year, partially offset by the withdrawal upon maturity of the deposits. As of December 31, 2015, we have placed bank deposits of US$724.7 million with their original maturity over three months for a better yield (December 31, 2014: US$110.6 million).

Our total capital expenditure payments for the year ended December 31, 2015 were US$1,291.4 million. Such expenditures were associated with our development and construction projects as well as enhancements to our integrated resort offerings of our properties. Deposits for acquisition of property and equipment were US$28.8 million for the year ended December 31, 2015 mainly associated with Studio City. We also paid US$24.4 million and US$7.3 million for the scheduled installment of Studio City's and City of Dreams' land premium payments during the year ended December 31, 2015.

Net cash used in investing activities was US$1,605.3 million for the year ended December 31, 2014, compared to net cash used in investing activities of US$1,209.3 million for the year ended December 31, 2013. The increase was primarily due to increased capital expenditure payments in 2014 related to Studio City and City of Dreams Manila. Net cash used in investing activities for the year ended December 31, 2014 included capital expenditure payment of US$1,214.9 million, an increase in restricted cash of US$678.2 million, advance payments for construction costs of US$107.6 million, deposits for acquisition of property and equipment of US$99.4 million and the land use rights payment of US$50.5 million, which were offset in part by a net decrease in bank deposits with original maturity over three months of US$516.3 million and net proceeds from sale of assets held for sale of US$29.3 million.

The net increase of US$678.2 million in the amount of restricted cash for the year ended December 31, 2014 was primarily due to the drawdown of the term loan under the Studio City Project Facility of US$1,295.7 million and capital injection for the Studio City project from our Company and our SCI minority shareholder of US$230.0 million, partially offset the withdrawal and payment of Studio City project costs and interest of US$847.5 million.

The decrease of US$516.3 million in the amount of bank deposits with original maturity over three months was due to maturity of deposits partially offset by new deposits placed during the year. As of December 31, 2014, we have placed bank deposits of US$110.6 million with their original maturity over three months for a better yield (December 31, 2013: US$626.9 million).

Net proceeds of US$29.3 million was received from the sale of assets held for sale, which completed during the year ended December 31, 2014 with a gain of US$22.1 million being recognized.

Our total capital expenditure payments for the year ended December 31, 2014 were US$1,214.9 million. Such expenditures were mainly associated with enhancements to our integrated resort offerings and for the development of Studio City and City of Dreams Manila. Deposits for acquisition of property and equipment were US$99.4 million for the year ended December 31, 2014 mainly associated with Studio City and City of Dreams Manila. We also paid US$47.0 million and US$3.5 million for the scheduled installment of Studio City's and City of Dreams' land premium payments during the year ended December 31, 2014.

We expect to incur significant capital expenditures for the development of the fifth hotel tower at City of Dreams in Cotai, Macau and the future development of the remaining undeveloped land at Studio City. See "– Other Financing and Liquidity Matters" below for more information.

The following table sets forth our capital expenditures incurred by segment on an accrual basis for the years ended December 31, 2015, 2014 and 2013.

	Year Ended December 31,		
	2015	2014	2013
	(in thousands of US$)		
Macau:			
Mocha Clubs	$ 6,446	$ 13,116	$ 6,515
Altira Macau	18,404	21,984	5,464
City of Dreams	331,503	264,922	97,654
Studio City	968,696	907,455	440,826
Sub-total	1,325,049	1,207,477	550,459
The Philippines:			
City of Dreams Manila	98,884	405,196	359,854
Corporate and Others	31,909	24,632	2,042
Total capital expenditures	$ 1,455,842	$ 1,637,305	$ 912,355

Our capital expenditures for the year ended December 31, 2015 decreased from that of the year ended December 31, 2014 primarily due to the completion of City of Dreams Manila, net with the increase for the development of Studio City and various projects at City of Dreams, including the fifth hotel tower. Our capital expenditures for the year ended December 31, 2014 increased significantly from that of the year ended December 31, 2013 primarily due to the development of Studio City, City of Dreams Manila and various projects at City of Dreams, including the fifth hotel tower.

Advance payments for construction costs for the year ended December 31, 2015 were US$19.7 million, compared to US$107.6 million for the year ended December 31, 2014, which were incurred primarily for the development of various projects at City of Dreams, including the fifth hotel tower. Advance payments for construction costs for the year ended December 31, 2014 were US$107.6 million, compared to US$161.6 million for the year ended December 31, 2013, which were incurred primarily for the development of Studio City, City of Dreams Manila and various projects at City of Dreams, including the fifth hotel tower.

Financing Activities

Net cash used in financing activities amounted to US$29.7 million for the year ended December 31, 2015, primarily due to (i) the scheduled repayment of the term loan under 2011 Credit Facilities of US$64.2 million; (ii) dividend payments of US$62.9 million; (iii) the payment of debt issuance cost primarily associated with the 2015 Credit Facilities of US$49.9 million, which were offset in part by (iv) net proceeds from the refinancing of 2011 Credit Facilities with 2015 Credit Facilities of US$148.3 million.

Net cash provided by financing activities amounted to US$927.0 million for the year ended December 31, 2014, primarily due to (i) the proceeds of the drawdown of the term loan under the Studio City Project Facility of US$1,295.7 million; (ii) the proceeds of the issuance of the Philippine Notes of US$336.8 million; (iii) net proceeds from the issuance of shares of MCP of US$122.2 million; and (iv) the capital injection of US$92.0 million from the SCI minority shareholder, in accordance with our shareholder agreement, which were offset in part by (v) dividend payments of US$342.7 million; (vi) repurchase of shares of US$300.5 million (including commission costs); (vii) the scheduled repayments of the term loan under 2011 Credit Facilities of US$256.7 million; and (viii) the payment of debt issuance cost primarily associated with the Philippine Notes and Studio City Project Facility of US$12.7 million.

Net cash used in financing activities amounted to US$265.0 million for the year ended December 31, 2013, primarily due to (i) the early redemption of 2010 Senior Notes of US$600.0 million and the associated redemption costs of US$102.5 million; (ii) the early redemption of the RMB Bonds and Deposit-Linked Loan of US$721.5 million which was partly funded by the proceeds from the offering of the 2013 Senior Notes and the proceeds from the issuance of the RMB Bonds pledged for the Deposit-Linked Loan; (iii) the repayment of the revolving credit facility under the 2011 Credit Facilities of US$212.5 million; (iv) the scheduled repayments of the term loan under the 2011 Credit Facilities of US$128.4 million; (v) prepaid debt issuance costs of US$56.5 million associated with the Studio City Project Facility; (vi) the payment of debt issuance costs associated with the 2013 Senior Notes and Studio City Notes of US$19.6 million and US$7.0 million, respectively; (vii) the settlement of the scheduled Studio City acquisition cost installment of US$25.0 million; and (viii) the purchase of MCE shares of US$8.8 million under trust arrangement for further vesting of restricted shares. These were offset in part by (i) the proceeds of the issuance of the 2013 Senior Notes of US$1.0 billion; (ii) net proceeds from the issuance of shares of MCP of US$338.5 million; and (iii) capital injection of US$280.0 million from the SCI minority shareholder, in accordance with our shareholder agreement.

Indebtedness

The following table presents a summary of our indebtedness as of December 31, 2015:

		As of December 31, 2015
		(in thousands of US$)
Studio City Project Facility	$	1,295,689
2013 Senior Notes		1,000,000
Studio City Notes		825,000
2015 Credit Facilities		501,285
Philippine Notes		318,026
Aircraft Term Loan		22,705
	$	3,962,705

Major changes in our indebtedness during the year ended and subsequent to December 31, 2015 are summarized below.

In June 2015, Melco Crown Macau completed an amendment to the 2011 Credit Facilities, known as the 2015 Credit Facilities, which reduced and removed certain restrictions on our business that were imposed by the covenants of the 2011 Credit Facilities and extended the repayment maturity date of the loans made under the 2011 Credit Facilities. The 2015 Credit Facilities comprise a Hong Kong dollar term loan facility of HK$3.90 billion (equivalent to approximately US$501.3 million) with a term of 6 years and a multicurrency revolving credit facility of HK$9.75 billion (equivalent to approximately US$1.25 billion) with a term of 5 years. Under the 2015 Credit Facilities, we drew down the entire term loan and repaid the entire outstanding balance of the 2011 Credit Facilities, while the revolving credit facility under the 2015 Credit Facilities remains available for future drawdown, subject to satisfaction of certain conditions precedent. In addition, the 2015 Credit Facilities introduced an incremental facility of up to US$1.3 billion to be made available, upon further agreement with either any of the existing lenders under the 2015 Credit Facilities or other entities.

On October 14, 2015, MCP entered a PHP2.35 billion (equivalent to approximately US$50.0 million) Philippine Credit Facility with the availability up to August 31, 2016, which remains available for future drawdown, subject to satisfaction of certain conditions precedent. None of the Philippine Credit Facility has been drawn as of December 31, 2015.

In November 2015, Studio City Company Limited, as the borrower under the Studio City Project Facility, completed an amendment to the Studio City Project Facility, which included changing the Studio City project opening date condition from 400 to 250 tables, consequential adjustments to the financial covenants, and rescheduling the commencement of financial covenant testing to March 31, 2017. The amendment also included the creation of a new secured liquidity account held in the name of the borrower, which is freely used for Studio City operation, and credited with the US$225.0 million completion support funds previously provided by SCI as cash collateral in favor of the security agent for the facility. The opening date conditions under the Studio City Project Facility were met on February 1, 2016.

Credit facility agreements relating to certain of our indebtedness contain change of control provisions, including in respect of our obligations relating to our control and/or ownership of certain of our subsidiaries and their assets. Under the terms of such credit facility agreements, the occurrence of certain change of control events, including a decline below certain thresholds in the aggregate direct or indirect shareholdings of Melco Crown Macau, MCE Finance, Studio City Investments Limited, MCE Cotai Investments Limited or certain of its subsidiaries held by us and/or Melco and Crown or certain of our subsidiaries (as the case may be) may result in an event of default and/or a requirement to prepay the credit facilities in relation to such indebtedness in full. Other applicable change of control events under the credit facility agreements include the Company ceasing to be publicly listed on certain designated stock exchanges or steps being taken in connection with the liquidation or dissolution of MCE Finance. The terms of the Studio City Notes, 2013 Senior Notes and Philippine Notes also contain change of control provisions whereby the occurrence of a relevant change of control event will require us to offer to repurchase the Studio City Notes, 2013 Senior Notes or Philippine Notes (as the case may be) (and, in the case of a decline of the shareholding of Melco Crown Macau under the 2013 Senior Notes, which is accompanied by a ratings decline) at a price equal to 101% of their principal amount, plus accrued and unpaid interest and, if any, additional amounts and other amount specified under such indebtedness to the date of repurchase.

For further details of the above indebtedness, see note 11 to the consolidated financial statements included elsewhere in this annual report, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the charge on our assets and the nature and extent of any restrictions on our ability, and the ability of our subsidiaries, to transfer funds as cash dividends, loans or advances. See also "Item 5. Operating and Financial Review and Prospects – F. Tabular Disclosure of Contractual Obligations" for details of the maturity profile of debt and "Item 11. Quantitative and Qualitative Disclosures about Market Risk" for further understanding of our hedging of interest rate risk and foreign exchange risk exposure.

Other Financing and Liquidity Matters

We may obtain financing in the form of, among other things, equity or debt, including additional bank loans or high yield, mezzanine or other debt, or rely on our operating cash flow to fund the development of our projects. We are a growing company with significant financial needs. We expect to have significant capital expenditures in the future as we continue to develop our properties, in particular, the fifth hotel tower at City of Dreams in Cotai, Macau and the remaining undeveloped land at Studio City.

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

The timing of any future debt and equity financing activities will be dependent on our funding needs, our development and construction schedule, 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, sale-and-leaseback transactions or other similar activities.

For the purpose of financing the first phase of Studio City, we offered the US$825.0 million Studio City Notes and drew down the term loan of HK$10,080,460,000 (equivalent to approximately US$1.3 billion) under the Studio City Project Facility, in November 2012 and July 2014, respectively. As of the date of this annual report, MCE and the SCI minority shareholder have contributed US$1,250.0 million to the first phase of Studio City in accordance with the shareholder agreement. The first phase of Studio City's grand opening occurred on October 27, 2015 and the opening date conditions under the Studio City Project Facility were met on February 1, 2016.

On May 20, 2015, our board approved the implementation of a US$500 million stock repurchase program which, together with the Company's dividend policy, provides us with an another mechanism to return surplus capital efficiently while retaining flexibility to fund our current operations and future development pipeline. For our dividend policy, see "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – Dividend Policy." During the year ended December 31, 2015, no ordinary shares were repurchased under this program.

The Company commenced expansion of its retail precinct at City of Dreams, which is expected to open in mid-2016. We are also developing the fifth hotel tower at City of Dreams.

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

As of December 31, 2015, we had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams Manila and City of Dreams totaling US$254.7 million including advance payments for construction costs of US$26.5 million. In addition, we have contingent liabilities arising in the ordinary course of business. For further details for our commitments and contingencies, see note 22 to the consolidated financial statements included elsewhere in this annual report.

Each of Melco Crown Macau and Studio City Company Limited has a corporate rating of "BB" and "BB-" by Standard & Poor's, respectively, and each of MCE Finance and Studio City Finance has a corporate rating of "Ba3" and "B2" by Moody's Investors Service, respectively. For future borrowings, any decrease in our corporate rating could result in an increase in borrowing costs.

Restrictions on Distributions

For discussion on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and the impact such restrictions have on our ability to meet our cash obligations, see "Item 4. Information on the Company – B. Business Overview – Restrictions on Distribution of Profits." See also "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – Dividend Policy" and note 19 to the consolidated financial statements included elsewhere in this annual report.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We believe our and our subsidiaries' primary exposure to market risk will be interest rate risk associated with our substantial indebtedness.

Interest Rate Risk

Our exposure to interest rate risk is associated with our substantial indebtedness bearing interest based on floating rates. As of December 31, 2015, we are subject to fluctuations in HIBOR and LIBOR as a result of our 2015 Credit Facilities, Aircraft Term Loan and Studio City Project Facility. In addition, we entered into interest rate swaps in connection with portion of our drawdown under our Studio City Project Facility in accordance with our lenders' requirements at such time under the Studio City Project Facility. As of December 31, 2015, we had two interest rate swap agreements with total nominal amount of HK$1,867,199,900 (equivalent to approximately US$240.0 million) that expired in March 2016. In March 2016, we entered into another two interest rate swap agreements with a total nominal amount of HK$1,867,199,900 (equivalent to approximately US$240.0 million) that will expire in September 2016.

We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and we may supplement by hedging activities in a manner we deem prudent. We cannot be sure that these risk management strategies have had the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

As of December 31, 2015 and 2014, approximately 54% and 55%, respectively, of our total indebtedness was based on fixed rates. Based on December 31, 2015 and 2014 indebtedness and interest rate swap levels, an assumed 100 basis point change in HIBOR and LIBOR would cause our annual interest cost to change by approximately US$15.8 million and US$15.0 million, respectively.

Interests in the security we provide to the lenders under our credit facilities, or other security or guarantees, are required by the counterparties to our hedging transactions, which could increase our aggregate secured indebtedness. We do not intend to engage in transactions in derivatives or other financial instruments for trading or speculative purposes and we expect the provisions of our existing and any future credit facilities to restrict or prohibit the use of derivatives and financial instruments for purposes other than hedging.

Foreign Exchange Risk

Our exposure to foreign exchange rate risk is associated with the currency of our operations and our indebtedness and as a result of the presentation of our financial statements in U.S. dollar. The majority of our revenues are denominated in H.K. dollar, given the H.K. dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau, while our expenses are denominated predominantly in Pataca, H.K. dollar and Philippine peso. In addition, a significant portion of our indebtedness, as a result of the 2013 Senior Notes and Studio City Notes, and certain expenses, have been and are denominated in U.S. dollar, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollar. We also have a certain portion of our assets and liabilities, including the issuance of Philippine Notes in January 2014, denominated in Philippine peso.

The value of the H.K. dollar, Pataca and Philippine peso against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. While the H.K. dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the H.K. dollar, and the exchange rates between these currencies has remained relatively stable over the past several years, we cannot assure you that the current peg or linkages between the U.S. dollar, H.K. dollar and Pataca will not be broken or modified and subjected to fluctuation. Any significant fluctuations in the exchange rates between H.K. dollar, Pataca or Philippine peso to U.S. dollar may have a material adverse effect on our revenues and financial condition.

We accept foreign currencies from our customers and as of December 31, 2015, in addition to H.K. dollar, Pataca and Philippine peso, we also hold other foreign currencies. However, any foreign exchange risk exposure associated with those currencies is minimal.

We have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations during the years ended December 31, 2015 and 2014. Instead, we maintain a certain amount of our operating funds in the same currencies in which we have obligations, thereby reducing our exposure to currency fluctuations. However, we occasionally enter into foreign exchange transactions as part of financing transactions and capital expenditure programs.

See note 11 to the consolidated financial statements included elsewhere in this annual report for further details related to our indebtedness as of December 31, 2015.

Major currencies in which our cash and bank balances (including bank deposits with original maturity over three months and restricted cash) held as of December 31, 2015 were U.S. dollar, H.K. dollar, New Taiwan dollar, Philippine peso and Pataca. Based on the cash and bank balances as of December 31, 2015 and 2014, an assumed 1% change in the exchange rates between currencies other than U.S. dollar against the U.S. dollar would cause a maximum foreign transaction gain or loss of approximately US$23.3 million and US$31.1 million for the years ended December 31, 2015 and 2014, respectively.

Based on the balances of indebtedness denominated in currencies other than U.S. dollar as of December 31, 2015 and 2014, an assumed 1% change in the exchange rates between currencies other than U.S dollar against the U.S. dollar would cause a foreign transaction gain or loss of approximately US$21.2 million and US$20.5 million for the years ended December 31, 2015 and 2014, respectively.

4. The following is an extract of the management discussion and analysis of the results of Melco Crown Entertainment for the nine months ended 30 September 2016 from the report of Melco Crown Entertainment on Form 6-K and the exhibits thereto furnished to the SEC on 14 December 2016.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

The following table sets forth a summary of our consolidated results of operations for the nine months ended September 30, 2015 and 2016. This information should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included as Exhibit 99.1 to this report on Form 6-K.

	Nine Months Ended September 30,	
	2016	**2015**
	(in thousands of US$)	
Net revenues	$ 3,326,518	$ 2,916,770
Total operating costs and expenses	(3,079,370)	(2,800,522)
Total non-operating expenses, net	(192,725)	(98,310)
Income tax expense	(4,016)	(765)
Net loss attributable to noncontrolling interests	82,223	100,913
Net income attributable to Melco Crown Entertainment	$ 132,630	$ 118,086

Revenues

Our total net revenues for the nine months ended September 30, 2016 were US$3.33 billion, an increase of US$0.41 billion, or 14.0%, from US$2.92 billion for the nine months ended September 30, 2015. The increase in total net revenues was primarily attributable to the net revenues generated by Studio City, which started operations in October 2015, and the increase in casino revenues at City of Dreams Manila, partially offset by lower casino revenues at City of Dreams in Macau and Altira Macau.

Our total net revenues for the nine months ended September 30, 2016 consisted of US$3.08 billion of casino revenues, representing 92.5% of our total net revenues, and US$249.7 million of net non-casino revenues (after deduction of promotional allowances). Our total net revenues for the nine months ended September 30, 2015 comprised US$2.79 billion of casino revenues, representing 95.5% of our total net revenues, and US$130.6 million of net non- casino revenues.

Casino. Casino revenues for the nine months ended September 30, 2016 were US$3.08 billion, representing a US$0.29 billion, or 10.4%, increase from casino revenues of US$2.79 billion for the nine months ended September 30, 2015, primarily due to the casino revenues at Studio City of US$481.7 million, which started operations on October 27, 2015, and an increase in casino revenues at City of Dreams Manila of US$122.3 million, which commenced junket operations in mid-2015, partially offset by a decrease in casino revenues at City of Dreams and Altira Macau of US$204.0 million, or 10.0%, and US$94.5 million, or 22.3%, respectively.

Altira Macau. Altira Macau's rolling chip volume for the nine months ended September 30, 2016 was US$13.3 billion, representing a decrease of US$5.7 billion, or 30.0%, from US$19.0 billion for the nine months ended September 30, 2015. The rolling chip win rate (calculated before discounts and commissions) was 2.89% for the nine months ended September 30, 2016 and was within our expected level of 2.7% to 3.0%, but represented an increase from 2.70% for the nine months ended September 30, 2015. In the mass market table games segment, mass market table games drop was US$382.0 million for the nine months ended September 30, 2016, representing a decrease of 20.9% from US$482.7 million for the nine months ended September 30, 2015. The mass market table games hold percentage was 18.4% for the nine months ended September 30, 2016, demonstrating an increase from 17.4% for the nine months ended September 30, 2015. Average net win per gaming machine per day was US$93 for the nine months ended September 30, 2016, a decrease of US$8, or 7.9%, from US$101 for the nine months ended September 30, 2015.

City of Dreams. City of Dreams' rolling chip volume for the nine months ended September 30, 2016 of US$30.3 billion represented a decrease of US$3.6 billion, or 10.6%, from US$33.9 billion for the nine months ended September 30, 2015. The rolling chip win rate (calculated before discounts and commissions) was 2.93% for the nine months ended September 30, 2016 and was in line with our expected range of 2.7% to 3.0%, but decreased slightly from 2.94% for the nine months ended September 30, 2015. In the mass market table games segment, mass market table games drop was US$3.20 billion for the nine months ended September 30, 2016 which represented a decrease of US$0.39 billion, or 10.9%, from US$3.59 billion for the nine months ended September 30, 2015. The mass market table games hold percentage was 35.6% for the nine months ended September 30, 2016, demonstrating an increase from 34.5% for the nine months ended September 30, 2015. Average net win per gaming machine per day was US$355 for the nine months ended September 30, 2016, a decrease of US$62, or 14.9%, from US$417 for the nine months ended September 30, 2015.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the nine months ended September 30, 2016 was US$262, a decrease of US$49, or 15.8%, from US$311 for the nine months ended September 30, 2015.

Studio City. Studio City started operations on October 27, 2015. Mass market table games drop was US$1.8 billion for the nine months ended September 30, 2016 and the mass market table games hold percentage was 23.8% for the nine months ended September 30, 2016. Average net win per gaming machine per day was US$186 for the nine months ended September 30, 2016.

City of Dreams Manila. City of Dreams Manila's rolling chip volume for the nine months ended September 30, 2016 was US$4.8 billion, representing an increase of US$2.9 billion, or 152.6%, from US$1.9 billion for the nine months ended September 30, 2015. The rolling chip win rate (calculated before discounts and commissions) was 3.38% for the nine months ended September 30, 2016, and increased from 2.44% for the nine months ended September 30, 2015. In the mass market table games segment, mass market table games drop was US$401.5 million for the nine months ended September 30, 2016, representing an increase of 19.8% from US$335.1 million for the nine months ended September 30, 2015. The mass market table games hold percentage was 28.1% for the nine months ended September 30, 2016, demonstrating an increase from 25.9% for the nine months ended September 30, 2015. Average net win per gaming machine per day was US$204 for the nine months ended September 30, 2016, an increase of US$33, or 19.3%, from US$171 for the nine months ended September 30, 2015.

Rooms. Room revenues (including the retail value of promotional allowances) for the nine months ended September 30, 2016 were US$196.0 million, representing a US$57.4 million, or 41.4%, increase from room revenues (including the retail value of promotional allowances) of US$138.6 million for the nine months ended September 30, 2015. The increase was primarily due to the room revenues at Studio City, which started operations on October 27, 2015. Studio City consists of Celebrity Tower and the all-suite Star Tower, which offers approximately 1,600 guest rooms in total. The increase was offset in part by the decrease in room revenues at City of Dreams and Altira Macau due to the declined occupancy and decrease in average daily rate.

The average daily rate, occupancy rate and the revenue per available room ("REVPAR") of each property are as follows:

	Nine Months Ended September 30,					
	2016	2015	2016	2015	2016	2015
	Average daily rate (US$)		Occupancy rate		REVPAR (US$)	
Altira Macau	204	212	94%	99%	192	209
City of Dreams	198	200	95%	99%	189	198
Studio City(1)	135	–	97%	–	131	–
City of Dreams Manila	161	200	90%	85%	144	170

(1) Studio City commenced operations on October 27, 2015

Food, beverage and others. Food, beverage and other revenues (including the retail value of promotional allowances) for the nine months ended September 30, 2016 included food and beverage revenues of US$129.6 million and entertainment, retail and other revenues of US$145.1 million. Food, beverage and other revenues (including the retail value of promotional allowances) for the nine months ended September 30, 2015 included food and beverage revenues of US$89.2 million and entertainment, retail and other revenues of US$76.1 million. The increase of US$109.5 million in food, beverage and other revenues from the nine months ended September 30, 2015 to the nine months ended September 30, 2016 was primarily from Studio City with its attractions including Golden Reel, Batman Dark Flight and The House of Magic, as well as its food and beverage outlets.

Operating costs and expenses

Total operating costs and expenses were US$3.08 billion for the nine months ended September 30, 2016, representing an increase of US$278.8 million, or 10.0%, from US$2.80 billion for the nine months ended September 30, 2015. The increase in operating costs was primarily due to the operating costs at Studio City, which started operations on October 27, 2015, and City of Dreams Manila, partially offset by a decrease in operating costs at City of Dreams and Altira Macau, which was in-line with the decline in gaming volumes and associated lower revenues.

Casino. Casino expenses increased by US$191.9 million, or 9.8%, to US$2.15 billion for the nine months ended September 30, 2016 from US$1.96 billion for the nine months ended September 30, 2015 primarily due to the casino expenses at Studio City and City of Dreams Manila, partially offset by the decrease in gaming tax and other levies and commission expenses at City of Dreams and Altira Macau, which decreased as a result of decreased gaming volumes and associated lower revenues.

Rooms. Room expenses, which represent the costs of operating the hotel facilities were US$25.0 million and US$15.3 million for the nine months ended September 30, 2016 and 2015, respectively. The increase was primarily from the hotel operations in Studio City, which started operations on October 27, 2015.

Food, beverage and others. Food, beverage and other expenses were US$130.1 million and US$75.6 million for the nine months ended September 30, 2016 and 2015, respectively. The increase was primarily due to payroll, performers' fee and other operating costs associated with Studio City.

General and administrative. General and administrative expenses increased by US$52.3 million, or 19.1%, to US$326.1 million for the nine months ended September 30, 2016 from US$273.7 million for the nine months ended September 30, 2015, primarily due to the general and administrative expenses for Studio City, which opened in October 2015, partially offset by the decrease in general and administrative expenses in other properties as a result of our continuous commitment to control costs.

Payments to the Philippine Parties. Payments to the Philippine parties under the cooperative arrangement (the "Philippine Parties") increased to US$24.5 million for the nine months ended September 30, 2016 from US$12.0 million for the nine months ended September 30, 2015, due to the improvement in gaming operations in City of Dreams Manila.

Pre-opening costs. Pre-opening costs were US$2.2 million for the nine months ended September 30, 2016 as compared to US$115.7 million for the nine months ended September 30, 2015. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. The pre-opening costs were higher in the nine months ended September 30, 2015 due to the commencement of operations of Studio City in October 2015 and the grand opening of City of Dreams Manila in February 2015.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis of US$42.9 million for each of the nine months ended September 30, 2016 and 2015.

Amortization of land use rights. Amortization of land use rights expenses were US$17.1 million and US$48.4 million for the nine months ended September 30, 2016 and 2015, respectively. The decrease was primarily due to the extension of the estimated terms of the land use rights in Macau which went into effect in October 2015.

Depreciation and amortization. Depreciation and amortization expenses were US$354.7 million and US$249.4 million for the nine months ended September 30, 2016 and 2015, respectively. The increase was primarily due to depreciation of assets at Studio City, which started operations on October 27, 2015, partially offset by a decrease in depreciation resulting from the extension of the estimated useful lives of building structures of Altira Macau and City of Dreams which went into effect in October 2015.

Property charges and others. Property charges and others for the nine months ended September 30, 2016 were US$2.8 million, which primarily included the legal and professional fees for assisting in evaluating the capital structure of Studio City and termination costs as a result of departmental restructuring. Property charges and others for the nine months ended September 30, 2015 were US$5.3 million, which primarily included the termination costs as a result of departmental restructuring.

Non-operating expenses, net

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, amortization of deferred financing costs, loan commitment and other finance fees, foreign exchange gain (loss), net, loss on extinguishment of debt and costs associated with debt modification, as well as other non-operating income, net.

Interest income was US$4.2 million for the nine months ended September 30, 2016, as compared to US$10.8 million for the nine months ended September 30, 2015. The decrease was primarily due to lower level of deposits placed at banks during the nine months ended September 30, 2016.

Interest expenses were US$167.4 million (net of capitalized interest of US$21.3 million) for the nine months ended September 30, 2016, compared to US$74.2 million (net of capitalized interest of US$115.6 million) for the nine months ended September 30, 2015. The increase in interest expenses (net of interest capitalization) of US$93.2 million was primarily due to lower interest capitalization of US$94.3 million primarily associated with the cessation of interest capitalization for Studio City since its opening in October 2015.

Other finance costs for the nine months ended September 30, 2016 amounted to US$42.5 million and included US$36.7 million of amortization of deferred financing costs (nil capitalization) and US$5.7 million of loan commitment and other finance fees. Other finance costs for the nine months ended September 30, 2015 amounted to US$31.8 million and included US$26.9 million of amortization of deferred financing costs (net of capitalization of US$5.5 million) and US$5.0 million of loan commitment and other finance fees. The increase in amortization of deferred financing costs compared to the nine months ended September 30, 2015 was primarily due to the cessation of capitalization of amortization of deferred financing costs associated with the opening of Studio City in October 2015 and the increase in amortization of deferred financing costs arising from the refinancing of the credit facilities entered into pursuant to an amendment agreement dated June 22, 2011, comprising a term loan facility and a revolving credit facility, for a total amount of HK$9.36 billion (the "2011 Credit Facilities") with the credit facilities entered into pursuant to an amendment and restated agreement dated June 19, 2015, in a total amount of HK$13.65 billion (the "2015 Credit Facilities") in late June 2015. The increase in loan commitment and other finance fees compared to the nine months ended September 30, 2015 was primarily associated with the undrawn revolving credit facility under the 2015 Credit Facilities.

Loss on extinguishment of debt for the nine months ended September 30, 2015 was US$0.5 million, which mainly represented the unamortized deferred financing costs of the 2011 Credit Facilities that were not eligible for capitalization. There was no loss on extinguishment of debt for the nine months ended September 30, 2016.

Costs associated with debt modification for the nine months ended September 30, 2015 were US$0.6 million, which mainly represented legal and professional fees incurred for refinancing the 2011 Credit Facilities with the 2015 Credit Facilities that were not eligible for capitalization. There were no costs associated with debt modification for the nine months ended September 30, 2016.

Income tax expense

Income tax expense for the nine months ended September 30, 2016 was primarily attributable to a lump sum tax payable of US$2.1 million in lieu of Macau Complementary Tax otherwise due by Melco Crown Macau's shareholders on dividends distributable to them by Melco Crown Macau, Macau Complementary Tax of US$1.7 million and Hong Kong Profits Tax of US$0.8 million, partially offset by a net deferred tax credit of US$0.7 million. The effective tax rate for the nine months ended September 30, 2016 was 7.4%, as compared to 4.3% for the nine months ended September 30, 2015. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of profits generated by gaming operations exempted from Macau Complementary Tax, the effect of changes in valuation allowance, the effect of different tax rates of subsidiaries operating in other jurisdictions and the effect of expenses for which no income tax benefit is receivable for the nine months ended September 30, 2016 and 2015. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippines operations. However, to the extent that the financial results of our Macau and Philippines operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance related to the net operating losses and other deferred tax assets.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US$82.2 million for the nine months ended September 30, 2016, compared to that of US$100.9 million for the nine months ended September 30, 2015, represented the share of the Studio City's expenses of US$72.8 million and City of Dreams Manila's expenses of US$9.4 million, respectively, by the respective minority shareholders for the nine months ended September 30, 2016. The period-over- period decrease was primarily attributable to the share of net revenues generated by Studio City and City of Dreams Manila and the decrease in noncontrolling interests' share of pre-opening costs, partially offset by the increase in the share of Studio City's operating costs and financing costs as well as the share of City of Dreams Manila's operating costs during the nine months ended September 30, 2016.

Net income attributable to Melco Crown Entertainment

As a result of the foregoing, we had net income of US$132.6 million for the nine months ended September 30, 2016, compared to US$118.1 million for the nine months ended September 30, 2015.

Adjusted Property EBITDA and Adjusted EBITDA

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, net gain on disposal of property and equipment to Belle Corporation, Corporate and Others expenses and other non-operating income and expenses, or Adjusted property EBITDA were US$783.3 million and US$695.6 million for the nine months ended September 30, 2016 and 2015, respectively. Adjusted property EBITDA of Altira Macau, City of Dreams, Mocha Clubs and City of Dreams Manila were US$1.8 million, US$553.6 million, US$18.4 million and US$110.1 million, respectively, for the nine months ended September 30, 2016 and US$26.6 million, US$606.3 million US$23.9 million and US$39.9 million, respectively, for the nine months ended September 30, 2015. Studio City started operations on October 27, 2015 and recorded Adjusted property EBITDA of US$99.3 million for the nine months ended September 30, 2016 and negative US$1.0 million for the nine months ended September 30, 2015.

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, net gain on disposal of property and equipment to Belle Corporation and other non-operating income and expenses, or Adjusted EBITDA, were US$700.5 million and US$608.2 million for the nine months ended September 30, 2016 and 2015, respectively.

Our management uses Adjusted property EBITDA to measure the operating performance of our Altira Macau, City of Dreams, Studio City, City of Dreams Manila and Mocha Clubs businesses, and to compare the operating performance of our properties with those of our competitors. Adjusted EBITDA and Adjusted property EBITDA are 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 property EBITDA and 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, in particular, U.S. GAAP or International Financial Reporting Standards.

However, Adjusted property EBITDA or Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our U.S. GAAP operating performance, other operating operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted property EBITDA and Adjusted EBITDA presented in this report on Form 6-K 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 U.S. GAAP financial statements and other information in this report on Form 6-K, less reliance should be placed on Adjusted property EBITDA or Adjusted EBITDA as a measure in assessing our overall financial performance.

Reconciliation of Adjusted EBITDA and Adjusted Property EBITDA to Net Income Attributable to Melco Crown Entertainment

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	(in thousands of US$)	
Adjusted property EBITDA	$ 783,264	$ 695,558
Corporate and Others expenses	(82,731)	(87,310)
Adjusted EBITDA	700,533	608,248
Payments to the Philippine Parties	(24,475)	(11,994)
Land rent to Belle Corporation	(2,524)	(2,634)
Net gain on disposal of property and equipment to Belle Corporation	8,134	–
Pre-opening costs	(2,212)	(115,671)
Development costs	(7)	(57)
Depreciation and amortization	(414,744)	(340,681)
Share-based compensation	(14,748)	(15,624)
Property charges and others	(2,809)	(5,339)
Total non-operating expenses, net	(192,725)	(98,310)
Income tax expense	(4,016)	(765)
Net income	50,407	17,173
Net loss attributable to noncontrolling interests	82,223	100,913
Net income attributable to Melco Crown Entertainment	$ 132,630	$ 118,086

LIQUIDITY AND CAPITAL RESOURCES

We have relied and intend to rely on our cash generated from our operations and our debt and equity financings to meet our financing needs and repay our indebtedness, as the case may be.

As of September 30, 2016, we held cash and cash equivalents, bank deposits with original maturity over three months and restricted cash of approximately US$1,631.4 million, US$92.8 million and US$202.6 million, respectively, and the HK$9.75 billion (equivalent to approximately US$1.25 billion) revolving credit facility under the 2015 Credit Facilities remains available for future drawdown, subject to satisfaction of certain conditions precedent. Further, the 2015 Credit Facilities includes an incremental facility of up to US$1.3 billion to be made available upon further agreement with any of the existing lenders under the 2015 Credit Facilities or with other entities.

In addition, under the senior secured project facility dated January 28, 2013 (the "Studio City Project Facility") (as amended from time to time), we have HK$10,855,880,000 (equivalent to approximately US$1.4 billion) comprising a five year HK$10,080,460,000 (equivalent to approximately US$1.3 billion) delayed draw term loan facility and a HK$775,420,000 (equivalent to approximately US$100.0 million) revolving credit facility. On July 28, 2014, we drew down the term loan facility under the Studio City Project Facility. During the nine months ended September 30, 2016, we repaid HK$302,413,800 (equivalent to approximately US$38.9 million) of the term loan facility under the Studio City Project Facility according to the quarterly amortization schedule, while the entire revolving credit facility under the Studio City Project Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent. On November 30, 2016 (December 1, 2016 Hong Kong Time), Studio City Company Limited ("SCC"), a subsidiary of the Company, repaid the Studio City Project Facility in full (other than HK$1 million rolled over into a term loan facility under the 2021 Senior Secured Credit Facilities (as defined below)) from the net proceeds amounting to US$1,188 million raised through an offering of the US$350 million 5.875% senior notes due 2019 (the "2019 Notes") and US$850 million 7.250% senior secured notes due 2021 (the "2021 Notes" and together with the 2019 Notes, the "New Studio City Notes"), together with cash on hand. On November 23, 2016, SCC entered into an amendment and restatement agreement with, among others, a lender to, upon the satisfaction of certain conditions precedent, amend, restate and extend the Studio City Project Facility to provide for senior secured credit facilities (the "2021 Senior Secured Credit Facilities") in an aggregate amount of HK$234 million which consist of (i) a HK$233 million revolving credit facility and (ii) a HK$1 million term loan facility. The 2021 Senior Secured Credit Facilities became effective on November 30, 2016 New York Time (December 1, 2016 Hong Kong Time). See "Indebtedness" for more information on our changes in our indebtedness during the period ended and subsequent to September 30, 2016.

In August 2014, we received an indictment from the Taipei District Prosecutor's Office against the Taiwan branch office of one of our subsidiaries and certain of its employees for alleged violations of certain Taiwan banking and foreign exchange laws. In January 2013, the same Prosecutor's Office froze one of such Taiwan branch office's deposit accounts, which had a balance of approximately New Taiwan dollar 2.98 billion (equivalent to approximately US$102.2 million) at the time the account was frozen, in connection with the investigation related to this indictment. In October 2015, the Taipei District Court rendered a not guilty verdict in favor of the defendants, on all charges alleging violation of Taiwan banking and foreign exchange laws. The Taipei District Court also lifted the freeze order over such deposit account in October 2015. Such deposit was released from restricted cash in our financial statements upon lifting of the freeze order. In October 2015, the prosecutor appealed the Taipei District Court's not guilty judgment. In mid-June 2016, the Taiwan High Court dismissed the prosecutor's appeal, and affirmed the not guilty verdict in favor of the Taiwan branch office and its employees. Following the Taiwan High Court's decision, the prosecutor has not filed a further appeal, and we understand that the deadline for such appeal has since lapsed under the relevant local statute.

As of September 30, 2016, restricted cash primarily represented (1) the unspent cash proceeds from the offering of the US$825.0 million aggregate principal amount of 8.50% senior notes due 2020 issued by Studio City Finance (the "Studio City Notes") and unspent drawdown of the term loan under the Studio City Project Facility, all of which were restricted only for payment of construction and development costs and other project costs of the Studio City project in accordance with the terms under the Studio City Notes and Studio City Project Facility; and (2) certain bank account balances required to be maintained in accordance with the Studio City Project Facility and Studio City Notes to serve the interest and principal repayments obligations.

We have been able to meet our working capital needs, and we believe that our operating cash flow, existing cash balances, funds available under our various credit facilities and any additional equity or debt financings will be adequate to satisfy our current and anticipated operating, debt and capital commitments, including our development project plans, as described in "– Other Financing and Liquidity Matters" below. For any additional financing requirements, we cannot provide assurance that future borrowings will be available. We have significant indebtedness and will continue to evaluate our capital structure and opportunities to enhance it in the normal course of our activities.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Nine Months Ended September 30,	
	2016	**2015**
	(in thousands of US$)	
Net cash provided by operating activities	$ 904,741	$ 373,671
Net cash provided by (used in) investing activities	352,482	(805,831)
Net cash used in financing activities	(1,234,890)	(15,327)
Effect of foreign exchange on cash and cash equivalents	(1,912)	(8,484)
Net increase (decrease) in cash and cash equivalents	20,421	(455,971)
Cash and cash equivalents at beginning of period	1,611,026	1,597,655
Cash and cash equivalents at end of period	$ 1,631,447	$ 1,141,684

Operating Activities

Operating cash flows are generally affected by changes in operating income and accounts receivable with VIP table games play and hotel operations conducted on a cash and credit basis and the remainder of the business including mass market table games play, gaming machine play, food and beverage, and entertainment are conducted primarily on a cash basis.

Net cash provided by operating activities was US$904.7 million for the period ended September 30, 2016, compared to US$373.7 million for the period ended September 30, 2015. The increase in net cash provided by operating activities was primarily contributed from an improvement in underlying operating performance as described in the foregoing section and decreased working capital for operations.

Investing Activities

Net cash provided by investing activities was US$352.5 million for the period ended September 30, 2016, compared to net cash used in investing activities of US$805.8 million for the period ended September 30, 2015. The change was primarily due to the net withdrawals of bank deposits with original maturity over three months and the decrease in capital expenditure payments upon Studio City opening in October 2015, partially offset by a smaller decrease in restricted cash in the period ended September 30, 2016. Net cash provided by investing activities for the period ended September 30, 2016 mainly included the net withdrawal of bank deposits with original maturity over three months of US$631.9 million, a decrease in restricted cash of US$114.4 million and proceeds from sale of property and equipment of US$26.2 million, which were offset in part by capital expenditure payments of US$412.5 million, land use rights payment of US$3.8 million and deposits for acquisition of property and equipment of US$3.6 million.

The decrease of US$114.4 million in the amount of restricted cash for the period ended September 30, 2016 was primarily due to the withdrawal and payment of Studio City project costs from bank accounts that are restricted for Studio City project costs in accordance with the terms of the Studio City Notes and the Studio City Project Facility.

The decrease of US$631.9 million in the amount of bank deposits with original maturity over three months was due to the withdrawal upon maturity of the deposits, partially offset by new deposits placed during the period. As of September 30, 2016, we have placed US$92.8 million in bank deposits with original maturity over three months (December 31, 2015: US$724.7 million).

Our total capital expenditure payments for the period ended September 30, 2016 were US$412.5 million. Such expenditures were mainly associated with our development projects, including Morpheus, which is the fifth hotel tower at City of Dreams, as well as enhancements to our integrated resort offerings. We also paid US$3.8 million for the scheduled installment of City of Dreams' land premium payments during the period ended September 30, 2016,

Net cash used in investing activities for the period ended September 30, 2015 mainly included capital expenditure payments of US$1,017.7 million, net placement of bank deposits with original maturity over three months of US$597.1 million, land use rights payments of US$31.7 million, deposits for acquisition of property and equipment of US$28.6 million and advance payments for construction costs of US$8.6 million, which were offset in part by a decrease in restricted cash of US$857.2 million and the escrow funds refundable to the Philippine Parties of US$24.6 million.

The net decrease of US$857.2 million in the amount of restricted cash for the period ended September 30, 2015 was primarily due to the withdrawal and payment of Studio City project costs from bank accounts that are restricted for Studio City project costs in accordance with the terms of the Studio City Notes and the Studio City Project Facility and the release of US$50.0 million escrow account funds upon the completion of City of Dreams Manila.

The increase of US$597.1 million in the amount of bank deposits with original maturity over three months was due to new deposits placed during the period, partially offset by withdrawals upon maturity of the deposits. As of September 30, 2015, we placed bank deposits of US$707.7 million with original maturity over three months (December 31, 2014: US$110.6 million).

Our total capital expenditure payments for the period ended September 30, 2015 were US$1,017.7 million. Such expenditures were mainly associated with enhancements to our integrated resort offerings and for the development of Studio City and City of Dreams Manila. Deposits for acquisition of property and equipment were US$28.6 million for the period ended September 30, 2015, mainly associated with Studio City. We also paid US$24.4 million and US$7.3 million, respectively, for the scheduled installment of Studio City's and City of Dreams' land premium payments during the period ended September 30, 2015.

We expect to incur significant capital expenditures for the development of Morpheus at City of Dreams in Cotai, Macau and the future development of the remaining undeveloped land at Studio City. See "– Other Financing and Liquidity Matters" below for more information.

The following table sets forth our capital expenditures incurred by segment on an accrual basis for the periods ended September 30, 2016 and 2015.

	Nine Months Ended September 30,	
	2016	**2015**
	(in thousands of US$)	
Macau:		
Mocha Clubs	$ 5,559	$ 2,133
Altira Macau	2,446	16,701
City of Dreams	285,627	235,596
Studio City	60,666	875,514
Sub-total	354,298	1,129,944
The Philippines:		
City of Dreams Manila	3,305	101,685
Corporate and Others	1,361	25,978
Total capital expenditures	$ 358,964	$ 1,257,607

Our capital expenditures for the period ended September 30, 2016 decreased from that of the period ended September 30, 2015 primarily due to the completion of Studio City and City of Dreams Manila, net with the increase for the development of various projects at City of Dreams, including Morpheus.

Financing Activities

Net cash used in financing activities amounted to US$1,234.9 million for the period ended September 30, 2016, primarily due to (i) the repurchase of shares for retirement of US$803.1 million; (ii) dividend payments of US$367.1 million; (iii) scheduled repayments of the term loan under the 2015 Credit Facilities of US$11.3 million and the Studio City Project Facility of US$38.9 million and (iv) the payment of legal and professional fees of US$7.7 million primarily incurred for amending the loan documentation for the Studio City Project Facility.

Net cash used in financing activities amounted to US$15.3 million for the period ended September 30, 2015, primarily due to (i) the scheduled repayment of the term loan under the 2011 Credit Facilities of US$64.2 million; (ii) dividend payments of US$53.0 million and; (iii) the payment of debt issuance cost primarily associated with the 2015 Credit Facilities of US$46.8 million, which were offset in part by the net proceeds from the refinancing of the 2011 Credit Facilities with the 2015 Credit Facilities of US$148.3 million.

Indebtedness

The following table presents a summary of our gross indebtedness, before the reduction of debt issuance costs as of September 30, 2016:

	As of September 30, 2016
	(in thousands of US$)
Studio City Project Facility	$ 1,256,819
2013 Senior Notes	1,000,000
Studio City Notes	825,000
2015 Credit Facilities	490,006
Philippine Notes	310,836
Aircraft Term Loan	18,092
	$ 3,900,753

Major changes in our indebtedness during the period ended and subsequent to September 30, 2016 are summarized below.

On November 30, 2016, SCC issued the New Studio City Notes priced at 100%. The New Studio City Notes were listed on the Official List of the Singapore Exchange Securities Trading Limited on December 1, 2016. The New Studio City Notes are senior secured obligations of SCC, rank equally in right of payment with all of SCC's existing and future senior indebtedness (although any liabilities in respect of obligations under the 2021 Senior Secured Credit Facilities that are secured by common collateral securing the New Studio City Notes will have priority over the New Studio City Notes with respect to any proceeds received upon any enforcement action of such common collateral) and rank senior in right of payment to any existing and future subordinated indebtedness of SCC and effectively subordinated to SCC's existing and future secured indebtedness that is secured by assets that do not secure the New Studio City Notes, to the extent of the assets securing such indebtedness. The New Studio City Notes are guaranteed by Studio City Investments Limited ("SCI") and all of its subsidiaries (other than SCC) on a senior basis. The common collateral (shared with the 2021 Senior Secured Credit Facilities) includes a first priority mortgage over any rights under land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. The 2019 Notes and 2021 Notes mature on November 30, 2019 and November 30, 2021, respectively, and bear interest at a rate of 5.875% and 7.250% per annum, respectively, payable semi-annually in arrears on May 30 and November 30 of each year, commencing on May 30, 2017.

The New Studio City Notes include limitations on the ability of SCC, the guarantors of the notes and their respective restricted subsidiaries to, among other things, incur or guarantee additional indebtedness and issue certain preferred stock, make specified restricted payments (including dividends and distribution with respect to shares of SCC) and investments, prepay or redeem subordinated debt or equity, issue or sell capital stock, sell assets, create liens, impair security interests in the collateral, enter into transactions with shareholders or affiliates, and effect a consolidation or merger.

On November 30, 2016 (December 1, 2016 Hong Kong Time), SCC used the net proceeds of US$1,188 million from the offering of the New Studio City Notes, together with cash on hand, to fund the repayment in full of the Studio City Project Facility (other than the HK$1 million rolled over into the term loan facility of the 2021 Senior Secured Credit Facilities as described below).

On November 23, 2016, SCC entered into an amendment and restatement agreement with, among others, a lender to, upon the satisfaction of certain conditions precedent, amend, restate and extend the Studio City Project Facility to provide for the 2021 Senior Secured Credit Facilities in an aggregate amount of HK$234 million which consist of (i) a HK$233 million revolving credit facility (the "2021 Revolving Facility") and (ii) a HK$1 million term loan facility (the "2016 Term Loan Facility"). The 2021 Senior Secured Credit Facilities became effective on November 30, 2016 (December 1, 2016 Hong Kong Time). The 2021 Senior Secured Credit Facilities mature on the date which is five years after the effective date of the definitive documentation of the 2021 Senior Secured Credit Facilities. The 2016 Term Loan Facility has to be repaid at maturity with no interim amortization payments. The 2016 Term Loan Facility is collateralized by cash collateral equal to HK$1,012,500 (representing the principal amount of the 2016 Term Loan Facility plus expected interest expense in respect of the 2016 Term Loan Facility for one financial quarter). Borrowings under the 2021 Senior Secured Credit Facilities bear interest at HIBOR plus a margin of 4% per annum. The indebtedness under the 2021 Senior Secured Credit Facilities is guaranteed by SCI and its subsidiaries (other than SCC). Security for the 2021 Senior Secured Credit Facilities includes a first priority mortgage over any rights under land concession contract of Studio City and an assignment of certain leases or rights to use agreements; as well as other customary security. The 2021 Senior Secured Credit Facilities contain certain affirmative and negative covenants customary for such financings, as well as affirmative, negative and financial covenants equivalent to those contained in the New Studio City Notes.

Other Financing and Liquidity Matters

We may obtain financing in the form of, among other things, equity or debt, including additional bank loans or high yield, mezzanine or other debt, or rely on our operating cash flow to fund the development of our projects. We are a growing company with significant financial needs. We expect to have significant capital expenditures in the future as we continue to develop our properties, in particular, Morpheus at City of Dreams in Cotai, Macau and the remaining undeveloped land at Studio City.

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

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

We commenced expansion of our retail precinct at City of Dreams, the initial phase of which opened in mid-2016 and the remaining phases are expected to open by the end of 2016. We are also developing Morpheus at City of Dreams.

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 September 30, 2016, we had capital commitments contracted for but not incurred mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams Manila and City of Dreams totaling US$112.4 million, including advance payments for construction costs of US$8.4 million. In addition, we have contingent liabilities arising in the ordinary course of business. For further details for our commitments and contingencies, see note 12 to the unaudited condensed consolidated financial statements included as Exhibit 99.1 to this report on Form 6-K.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma consolidated statement of financial position of the Enlarged Group (the "**Statement**") has been prepared to illustrate the effect of the purchase by Melco Sub of an additional 13.4% interest in Melco Crown Entertainment, assuming the transaction had been completed as at 30 June 2016, might have affected the financial information of the Enlarged Group.

The Statement is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 as extracted from the interim report of the Group for the six months ended 30 June 2016 after making a pro forma adjustment resulting from the Share Purchase.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Share Purchase actually occurred on 30 June 2016 or any future dates following the Share Purchase. Furthermore, the Statement does not purport to predict the Enlarged Group's future financial position.

The Statement should be read in conjunction with the historical financial information of the Group as set out in the financial information of Melco Crown Entertainment as set out in Appendix II to this circular and other financial information included elsewhere in the circular.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	Condensed consolidated statement of financial position of the Group as at 30 June 2016	Pro forma adjustment	Proforma adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)			
	Note (a)	*Note (b)*	*Note (c)*	
Non-current assets				
Property, plant and equipment	46,550,857	–	–	46,550,857
Investment properties	178,305	–	–	178,305
Land use rights	5,969,054	–	–	5,969,054
Gaming license and subconcession	8,578,084	–	–	8,578,084
Goodwill	10,929,479	–	–	10,929,479
Trademarks	16,043,099	–	–	16,043,099
Other intangible assets	12,998	–	–	12,998
Interests in joint ventures	245	–	–	245
Interests in associates	18,182	–	–	18,182
Available-for-sale investments	37,298	–	–	37,298
Amount due from an associate	53,562	–	–	53,562
Prepayments, deposits and other receivables	1,246,369	–	–	1,246,369
Deferred tax assets	2,683	–	–	2,683
Structured notes	50,000	–	–	50,000
	89,670,215	–	–	89,670,215
Current assets				
Inventories	260,879	–	–	260,879
Trade receivables	1,766,812	–	–	1,766,812
Prepayments, deposits and other receivables	644,367	–	–	644,367
Held-for-trading investments	31	–	–	31
Structured notes	50,050	–	–	50,050
Amount due from related companies	53	–	–	53
Pledged bank deposits	947	–	–	947
Restricted cash	1,649,197	–	–	1,649,197
Bank deposits with original maturity over three months	2,614,248	–	–	2,614,248
Bank balances and cash	10,725,211	–	(3,128,288)	7,596,923
	17,711,795	–	(3,128,288)	14,583,507

	Condensed consolidated statement of financial position of the Group as at 30 June 2016	Pro forma adjustment	Proforma adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)			
	Note (a)	*Note (b)*	*Note (c)*	
Current liabilities				
Trade payables	142,723	–	–	142,723
Accrued expenses and other payables	7,477,079	8,531,206	–	16,008,285
Dividend payable	31,899	–	–	31,899
Taxation payable	61,187	–	–	61,187
Borrowings – due within one year	1,570,512	–	–	1,570,512
Obligations under finance leases – due within one year	242,868	–	–	242,868
	9,526,268	8,531,206	–	18,057,474
Net current assets (liabilities)	8,185,527	(8,531,206)	(3,128,288)	(3,473,967)
Total assets less current liabilities	97,855,742	(8,531,206)	(3,128,288)	86,196,248
Non-current liabilities				
Borrowings – due after one year	29,639,406	–	–	29,639,406
Deferred tax liabilities	2,104,193	–	–	2,104,193
Accrued expenses and other payables	790,765	–	–	790,765
Obligations under finance leases – due after one year	2,137,927	–	–	2,137,927
	34,672,291	–	–	34,672,291
	63,183,451	(8,531,206)	(3,128,288)	51,523,957
Capital and reserves				
Share capital	5,436,556	–	–	5,436,556
Reserves	16,953,722	(3,595,304)	–	13,358,418
Equity attributable to equity holders of the Company	22,390,278	(3,595,304)	–	18,794,974
Non-controlling interests	40,793,173	(4,935,902)	(3,128,288)	32,728,983
	63,183,451	(8,531,206)	(3,128,288)	51,523,957

Note a:

For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the amounts are extracted from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 as set out in the 2016 interim report of the Company.

Note b:

The adjustment represents the proposed acquisition of an approximately 13.4% additional interest of the issued share capital of Melco Crown Entertainment pursuant to the stock purchase agreement dated 14 December 2016 (the "Share Purchase") which was completed on 16 February 2017. The actual consideration of US$1,100,800,800 (equivalent to approximately HK$8,531,206,200) was reduced from the initial amount of US$1,188,000,000 (equivalent to approximately HK$9,207,000,000) by the special dividend paid in respect of the Sales Shares of US$87,199,200 (equivalent to approximately HK$675,793,800) pursuant to the relevant terms in the aforesaid stock purchase agreement. The movement in the reserves of HK$3,595,304,000 represents the difference between the actual consideration for the Share Purchase of HK$8,531,206,200 and the identifiable net assets of Melco Crown Entertainment and its subsidiaries (the "Melco Crown Entertainment Group") attributable to owners of its parent as at 30 June 2016 in respect of the Sales Shares of HK$4,935,902,000 as if the Share Purchase had taken place on 30 June 2016.

The identifiable net assets of Melco Crown Entertainment Group attributable to owners of its parent as at 30 June 2016 in respect of the Sales Shares were derived from the proportional share in respect of the Sales Shares of the calculated amount below:

(i) the provisional fair value of identifiable net assets of Melco Crown Entertainment Group as at 9 May 2016 (i.e. the date the Group obtained control of Melco Crown Entertainment) of approximately HK$50,628,711,000 as extracted from the interim report of the Group for the six months ended 30 June 2016;

(ii) minus the provisional fair value of identifiable net assets of Melco Crown Entertainment's non-wholly owned subsidiaries attributable to their non-controlling shareholders as at 9 May 2016;

(iii) plus the post-acquisition results of Melco Crown Entertainment Group attributable to owners of its parent for the period from 9 May 2016 to 30 June 2016; and

(iv) minus the special dividend paid by Melco Crown Entertainment of US$650,000,000 (equivalent to approximately HK$5,037,500,000).

The conversion of the consideration denominated in US$ into HK$ is based on the exchange rate of US$1.00 to HK$7.75 for the purpose of illustration only. Such conversion shall not be construed as representation that amount in United States Dollars has been, or could have been or could be converted into Hong Kong Dollars, or vice versa, at such rate or any other exchange rates on such date or any other dates.

Note c:

As Melco Crown Entertainment paid a special dividend to its shareholders which is an adjustment clause to the purchase price pursuant to the stock purchase agreement dated 14 December 2016, the adjustment reflects the relevant special dividend distributed to approximately 62.1% non-controlling shareholders of Melco Crown Entertainment by reduction in the bank balances and cash and non-controlling interests of the Group.

Note d:

Other than that set out in Note c above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2016.

Note e:

The Group has obtained bank borrowings to finance the Share Purchase as of the date of this Circular.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from Deloitte Touche Tohmatsu, for inclusion in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Melco International Development Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Melco International Development Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2016 and related notes as set out on pages 388 to 391 of Appendix III to the circular issued by the Company dated 20 February 2017 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 388 to 391 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Acquisition on the Group's financial position as at 30 June 2016 as if the transaction had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's interim report for the six months ended 30 June 2016, on which a review conclusion has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

20 February 2017

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short position of each Director and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register(s) maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(I) Long positions in the shares and underlying shares of the Company

(a) Ordinary shares of the Company

	Number of ordinary shares held				
Name of Director	Personal interests[(2)]	Corporate interests[(3)]	Other interests[(4)]	Total	Approximate % of total issued shares[(1)]
Mr. Ho, Lawrence Yau Lung	30,769,132	473,521,077[(5)]	306,382,187[(6)]	810,672,396	52.51%
Mr. Tsui Che Yin, Frank	4,629,660	–	–	4,629,660	0.30%
Mr. Chung Yuk Man, Clarence	3,260,440	–	–	3,260,440	0.21%
Mr. Ng Ching Wo	82,000	–	–	82,000	0.01%
Mr. Chow Kwong Fai, Edward	2,000	–	–	2,000	0.00%
Mr. Sham Sui Leung, Daniel	81,000	–	–	81,000	0.01%
Dr. Tyen Kan Hee, Anthony	9,000	–	–	9,000	0.00%

(b) Share options and awarded shares granted by the Company

Name of Director	Number of underlying shares held pursuant to share options(2)	Number of awarded shares held(2)	Total	Approximate % of total issued shares(1)
Mr. Ho, Lawrence Yau Lung	1,500,000	1,970,000	3,470,000	0.22%
Mr. Evan Andrew Winkler	2,968,000	1,698,000	4,666,000	0.30%
Mr. Tsui Che Yin, Frank	3,450,000	118,000	3,568,000	0.23%
Mr. Chung Yuk Man, Clarence	2,719,000	176,000	2,895,000	0.19%
Mr. Ng Ching Wo	1,157,000	13,000	1,170,000	0.08%
Mr. Chow Kwong Fai, Edward	14,000	6,000	20,000	0.00%
Mr. Sham Sui Leung, Daniel	1,152,000	11,000	1,163,000	0.08%
Dr. Tyen Kan Hee, Anthony	952,000	12,000	964,000	0.06%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of the Company was 1,543,784,555.

2. This represents interests held by the relevant Director as beneficial owner.

3. This represents interests held by the relevant Director through his controlled corporations.

4. This represents interests held by the relevant Director through a discretionary trust of which the relevant Director is one of the beneficiaries.

5. The 473,521,077 shares relate to the 294,527,606 shares, 119,303,024 shares, 50,830,447 shares, 7,294,000 shares and 1,566,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited, The L3G Capital Trust and Maple Peak Investments Inc. respectively, representing approximately 19.08%, 7.73%, 3.29%, 0.47% and 0.10% of the issued shares of the Company. All of such companies/trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by the aforesaid companies and trust.

6. In addition to the deemed interests as stated in Note 5 above, Mr. Ho, Lawrence Yau Lung is also taken to have interests in the 306,382,187 shares held by Great Respect Limited, representing approximately 19.85% of the issued shares of the Company, by virtue of him being one of the beneficiaries of a discretionary family trust for the purpose of the SFO. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members.

(II) Long positions in the shares, underlying shares and debentures of associated corporations of the Company

(A) Melco Crown Entertainment

(a) Ordinary shares of Melco Crown Entertainment

	Number of ordinary shares held				
Name of Director	**Personal interests**[2]	**Corporate interests**[3]	**Other interests**	**Total**	**Approximate % of total issued shares of Melco Crown Entertainment**[1]
Mr. Ho, Lawrence Yau Lung	4,122,944	675,233,244[4]	81,995,799[5]	761,351,987	51.58%
Mr. Chung Yuk Man, Clarence	46,594	–	–	46,594	0.00%

(b) Stock options and restricted shares granted by Melco Crown Entertainment

Name of Director	**Number of underlying shares held pursuant to stock options**[2]	**Number of restricted shares held**[2]	**Total**	**Approximate % of total issued shares of Melco Crown Entertainment**[1]
Mr. Ho, Lawrence Yau Lung	8,250,813	939,595	9,190,408	0.62%
Mr. Chung Yuk Man, Clarence	194,664	35,094	229,758	0.02%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of Melco Crown Entertainment was 1,475,924,523.

2. This represents interests held by the relevant Director as beneficial owner.

3. This represents interests held by the relevant Director through his controlled corporations.

4. On 14 December 2016, Melco Sub and Crown Sub entered into the Stock Purchase Agreement, pursuant to which Melco Sub's interest in Melco Crown Entertainment increased from approximately 37.9% to approximately 51.3%.

   By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in 675,233,244 shares of Melco Crown Entertainment which are being held by Melco Sub, as a result of his interest in approximately 52.51% of the issued shares of the Company.

5. On 15 December 2016, Melco Sub entered into the Stock Loan Agreements with the Borrowers.

Pursuant to the Stock Loan Agreements, the Stock Loans require the return of an equivalent number of ADSs to Melco Sub at the end of the seven months loan period. In the meantime, Melco Sub will continue to receive all distributions in respect of an equivalent number of ADSs and will have the right to exercise voting rights in respect of an equivalent number of ADSs held by Crown Sub. Accordingly, performance of the Stock Loan Agreements will not affect the Company's economic interest in, or voting rights in respect of, Melco Crown Entertainment.

By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in the Stock Loans in respect of 81,995,799 shares of Melco Crown Entertainment, as a result of his interest in approximately 52.51% of the issued shares of the Company.

(B) Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines")

(a) Common shares of Melco Crown Philippines

Name of Director	Number of common shares held(2)	Approximate % of total issued shares of Melco Crown Philippines(1)
Mr. Ho, Lawrence Yau Lung	7,803,638	0.14%
Mr. Chung Yuk Man, Clarence	6,238,396	0.11%

(b) Share options and restricted shares granted by Melco Crown Philippines

Name of Director	Number of restricted shares held(2)	Approximate % of total issued shares of Melco Crown Philippines(1)
Mr. Ho, Lawrence Yau Lung	5,462,546	0.10%
Mr. Chung Yuk Man, Clarence	5,626,415	0.10%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of Melco Crown Philippines was 5,662,897,278.

2. This represents interests held by the relevant Director as beneficial owner.

(C) MelcoLot Limited ("MelcoLot")

(a) Ordinary shares of MelcoLot

	Number of ordinary shares held				
Name of Director	Personal Interests	Corporate interests[3]	Other Interests	Total	Approximate % of total issued shares of MelcoLot[1]
Mr. Ho, Lawrence Yau Lang	–	1,282,244,329[4]	–	1,282,244,329	40.76%

(b) Share options granted by MelcoLot

Name of Director	Number of underlying shares held pursuant to share options[2]	Approximate % of total issued shares of MelcoLot[1]
Mr. Ho, Lawrence Yau Lung	18,137,871	0.58%
Mr. Tsui Che Yin, Frank	20,881,400	0.66%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of MelcoLot was 3,145,656,900.

2. This represents interests held by the relevant Director as beneficial owner.

3. This represents interests held by the relevant Director through his controlled corporations.

4. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to have interests in 1,278,714,329 shares of MelcoLot held by Melco LottVentures Holdings Limited, a wholly-owned subsidiary of the Company, as a result of his interest in approximately 52.51% of the issued shares of the Company, and 3,530,000 shares of MelcoLot held by Maple Peak Investments Inc., a company held by Mr. Ho as to approximately 54.25%, which, in turn, holds in aggregate of approximately 40.76% of the issued shares of MelcoLot.

(D) Entertainment Gaming Asia Inc. ("EGT")

(a) Shares of EGT

	Number of shares held				
Name of Director	Personal interests(2)	Corporate interests(3)	Other interests	Total	Approximate % of total issued shares of EGT(1)
Mr. Ho, Lawrence Yau Lung	–	9,378,074(4)	–	9,378,074	64.84%
Mr. Chung Yuk Man, Clarence	590,266	–	–	590,266	4.08%
Dr. Tyen Kan Hee, Anthony	7,500	–	–	7,500	0.05%

(b) Stock options granted by EGT

Name of Director	Number of underlying shares held pursuant to share options(2)	Approximate % of total issued shares of EGT(1)
Mr. Chung Yuk Man, Clarence	288,750	2.00%
Mr. Sham Sui Leung, Daniel	9,375	0.06%
Dr. Tyen Kan Hee, Anthony	34,375	0.24%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of EGT was 14,464,220.

2. This represents interests held by the relevant Director as beneficial owner.

3. This represents interests held by the relevant Director through his controlled corporations.

4. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to have interests in the 9,378,074 shares of EGT held by EGT Entertainment Holding Limited, a wholly-owned subsidiary of the Company, as a result of his interest in approximately 52.51% of the issued shares of the Company, which, in turn, holds approximately 64.84% of the issued shares of EGT.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company and their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register(s) required to be kept under Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, save as disclosed below, none of the Directors was a director or an employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Names of companies which had such discloseable interest or short position	Position within such companies
Mr. Ho, Lawrence Yau Lung	Better Joy Overseas Ltd.	director
	Lasting Legend Ltd.	director

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of Directors had entered or proposed to enter into, with any member of the Group, a service contract which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

5. COMPETING INTERESTS

Mr. Ho, Lawrence Yau Lung has effective beneficial interests in Shun Tak Holdings Limited ("**STHL**"), Sociedade de Turismo e Diversões de Macau, S.A. ("**STDM**") and SJM Holdings Limited ("**SJM**") of not more than 3%. These effective beneficial interests are held through a number of intermediary companies in which Mr. Ho has interest. STHL, STDM and SJM are involved in hotel and casino business, which competes with the business of the Company's accounting subsidiary, Melco Crown Entertainment, in Macau. Mr. Ho is not a director of STHL, STDM and SJM and has no involvement with, and does not exercise any control or influence on, management and operation of STHL, STDM and SJM.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in the business, which competed or was likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder).

6. MATERIAL INTERESTS IN CONTRACTS OR ARRANGEMENTS

As disclosed in the Company's announcement dated 7 October 2016, on 7 October 2016, MPEL Services Limited (a wholly-owned subsidiary of Melco Crown Entertainment) and Shun Tak-China Travel Ship Management Limited ("**STCTSML**") (an indirect non-wholly-owned Subsidiary of Shun Tak Holdings Limited) entered into a ferry ticket sales framework agreement (the "**Framework Agreement**") relating to the purchase and sale of ferry tickets to and from Macau. Shun Tak Holdings Limited is a majority-controlled company of certain family members of Mr. Ho, and STCTSML is an associate of Mr. Ho and a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date, which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

7. MATERIAL CONTRACT

The following contracts, not being contracts in the ordinary course of business, were entered into by the Company or its Subsidiaries within the two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the amendment and restatement agreement dated 19 June 2015 in respect of the credit facilities entered into, among others, Melco Crown (Macau) Limited, Deutsche Bank AG, Hong Kong Branch as agent and DB Trustees (Hong Kong) Limited as security agent, in a total amount of HK$13.65 billion (equivalent to approximately US$1.76 billion) comprising a HK$3.90 billion (equivalent to approximately US$503 million) term loan facility and a HK$9.75 billion (equivalent to approximately US$1.25 billion) revolving credit facility;

(b) the amendment to Studio City Land Concession as published in the Macau Official Gazette no. 38, Series II dated 23 September 2015;

(c) the amendments, waivers and consent request letter dated 26 October 2015 in connection with certain amendments (including, but not limited to the change of the Studio City project opening date condition, consequential adjustments to the financial covenants, and rescheduling the commencement of financial covenant testing) to the senior term loan and revolving facilities Agreement dated 28 January 2013 issued by Studio City Investments Limited and Studio City Company Limited to Deutsche Bank AG, Hong Kong Branch as facility agent;

(d) the supplemental amendments, waivers and consent request letter dated 16 November 2015 in connection with certain amendments to the senior term loan and revolving facilities agreement dated 28 January 2013 issued by Studio City Investments Limited and Studio City Company Limited to Deutsche Bank AG, Hong Kong Branch as facility agent;

(e) the subscription agreement dated 19 November 2015 entered into between MCE (Philippines) Investments Limited, a wholly-owned subsidiary of Melco Crown Entertainment and Melco Crown (Philippines) Resorts Corporation ("**MCP**"), pursuant to which 693,500,000 common shares of MCP were placed to MCE (Philippines) Investments Limited at subscription price of PHP3.90 per MCP share, which increased Melco Crown Entertainment's equity interest in MCP from the then 68.3% to 72.2%;

(f) the share repurchase agreement dated 4 May 2016 between Melco Crown Entertainment and Crown Sub, pursuant to which Melco Crown Entertainment had repurchased 155,000,000 ordinary shares (equivalent to 51,666,666 ADSs) from Crown Sub for a total consideration of US$800,838,500 (equivalent to approximately HK$6,206,498,375), which represented a per share price of US$5.1667 (equivalent to approximately US$15.50 per ADS);

(g) the agreement entered into by a subsidiary of EGT on 6 July 2016 in relation to the sale of 670 electronic gaming machines located at the NagaWorld Casino in Cambodia for US$2,500,000 (equivalent to approximately HK$19,500,000), and the agreement entered into by a subsidiary of EGT on 4 July 2016 in relation to the sale of 154 electronic gaming machines located at the Leisure World VIP Slot Club in the Philippines for US$750,000 (equivalent to approximately HK$5,850,000), as described in the Company's announcement dated 6 July 2016;

(h) the first supplemental indenture dated 22 July 2016 relating to MCE Finance Limited's 5.00% Senior Notes due 2021;

(i) the purchase agreement dated 22 November 2016 among Studio City Company Limited, as issuer, Studio City Investments Limited as parent guarantor, and subsidiary guarantors as specified therein regarding the 5.875% Senior Secured Notes due 2019 and the 7.250% Senior Secured Notes due 2021;

(j) the amended and restated credit agreement dated 23 November 2016 entered into amongst Studio City Company Limited and Bank of China Limited, Macau Branch, relating to Studio City Company Limited's HK$233 million revolving credit facility and HK$1 million term loan facility;

(k) the indenture dated 30 November 2016 among Studio City Company Limited, as issuer, Studio City Investments Limited, as parent guarantor, the subsidiary guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the US$350 million aggregate principal amount of 5.875% Senior Secured Notes due 2019 (the "**2019 Notes Indenture**")

(l) the supplemental indenture dated 30 November 2016 among Studio City Company Limited, Industrial and Commercial Bank of China (Macau) Limited, as the security agent, DB Trustees (Hong Kong) Limited, as the intercreditor agent and Deutsche Bank Trust Company Americas, as trustee, relating to the US$350 million aggregate principal amount of 5.875% Senior Secured Notes due 2019, pursuant to which the security agent and the intercreditor agent had acceded to the 2019 Notes Indenture in their respective capacities as such;

(m) the indenture dated 30 November 2016 among Studio City Company Limited, as issuer, Studio City Investments Limited, as parent guarantor, the subsidiary guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the US$850 million aggregate principal amount of 7.250% Senior Secured Notes due 2021 (the "**2021 Notes Indenture**");

(n) the supplemental indenture dated 30 November 2016 among Studio City Company Limited, Industrial and Commercial Bank of China (Macau) Limited, as the security agent, DB Trustees (Hong Kong) Limited, as the intercreditor agent and Deutsche Bank Trust Company Americas, as the trustee, relating to 7.250% Senior Secured Notes due 2021, pursuant to which the security agent and the intercreditor agent had acceded to the 2021 Notes Indenture in their respective capacities as such;

(o) the intercreditor agreement dated 1 December 2016 among Studio City Company Limited, the guarantors of the 5.875% Senior Secured Notes due 2019 and 7.250% Senior Secured Notes due 2021, the lenders and agent for Studio City Company Limited's HK$233 million revolving credit facility and HK$1 million term loan facility, the security agent and intercreditor agent named therein, among others;

(p) the Stock Purchase Agreement;

(q) the Stock Loan Agreements;

(r) the amended and restated shareholders' deed dated 14 December 2016 entered into between the Company, Melco Sub, Crown, Crown Sub and Melco Crown Entertainment, pursuant to which, among other things, the number of directors of Melco Crown Entertainment nominated by Melco Sub shall increase from three (3) to four (4) and the number of directors of Melco Crown Entertainment nominated by Crown Sub shall decrease from two (2) to one (1). The number of independent non-executive directors of Melco Crown Entertainment will remain at four (4);

(s) the underwriting agreement dated 15 December 2016 entered into among Melco Crown Entertainment, Crown Sub, Deutsche Bank Securities Inc., UBS Securities LLC and Morgan Stanley & Co. LLC as underwriters and the dealers named therein in respect of the underwritten, secondary public offering of 40,925,499 ordinary shares of Melco Crown Entertainment in the form of 13,641,833 ADSs by Crown Sub;

(t) the credit facility agreement dated 8 February 2017 in respect of the credit facilities entered into amongst, among others, Melco Investment Resources Limited as borrower, Melco Sub and the Company as guarantors, Industrial and Commercial Bank of China (Asia) Limited ("**ICBC Asia**") and Industrial and Commercial Bank of China (Macau) Limited ("**ICBC Macau**") as lenders and arrangers, ICBC Macau as facility agent, ICBC Asia as security agent, in a total amount of US$1,000 million (equivalent to approximately HK$7,750 million) comprising a US$700 million (equivalent to approximately HK$5,425 million) term loan facility and a US$300 million (equivalent to approximately HK$2,325 million) revolving credit facility;

(u) the agreement dated 9 February 2017 entered into between Melco Investment Resources Limited and ICBC Asia as security agent in respect of pledging over certain onshore accounts of Melco Investment Resources Limited maintained with ICBC Macau in favour of ICBC Asia as security for the facilities referred to in (t) above; and

(v) the equitable mortgage dated 9 February 2017 entered into between Melco Sub as chargor and ICBC Asia as security agent in respect of 444,049,734 shares of Melco Crown Entertainment in favour of ICBC Asia as security for the facilities referred to in (t) above.

8. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2015, being the date on which the latest published audited financial statements of the Group were made up.

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letters and references to its name in the form and context in which they respectively appear.

9. MISCELLANEOUS

(a) The registered office of the Company is at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

(b) The company secretary of the Company is Mr. Leung Hoi Wai, Vincent. Mr. Leung is a qualified solicitor in Hong Kong and England and Wales with over 18 years' experience in legal and regulatory compliance matters. He holds a postgraduate certificate in laws and a bachelor of laws degree, both from The University of Hong Kong.

(e) The share registrar and transfer office of the Company in Hong Kong is Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, on any weekday (except public holidays) up to and including 6 March 2017:

(a) the articles of association of the Company;

(b) the letter from the Board, the text of which is set out in "*Letter from the Board*";

(c) the annual reports of the Company for each of the three financial years ended 31 December 2013, 2014 and 2015 and the interim report of the Company for the period from 1 January 2016 to 30 June 2016;

(d) the audited financial information of Melco Crown Entertainment for each of the financial years ended 31 December 2013, 2014 and 2015 and the unaudited financial information of Melco Crown Entertainment for the nine months ended 30 September 2016 prepared under U.S. GAAP as set out in Appendix II to this circular;

(e) the unaudited adjusted consolidated income statements and the unaudited adjusted consolidated statements of financial position of Melco Crown Entertainment under the Company's accounting policies as set out in Appendix II to this circular;

(f) the review report from Deloitte Touche Tohmatsu in respect of the condensed consolidated financial information of Melco Crown Entertainment as of and for the nine months period ended 30 September 2016 as set out in Appendix II to this circular;

(g) the report from Deloitte Touche Tohmatsu in relation to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(h) the written consent of Deloitte Touche Tohmatsu referred to in the section headed "*Expert's Qualification and Consent*" above in this Appendix;

(i) the material contracts referred to in the section headed "*Material Contracts*" above in this Appendix; and

(j) this circular.

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