C O V E R S H E E T

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

Company's Full Name

Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701

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

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

December 31
Fiscal Year Ended
(Month & Day)

AMENDED DEFINITIVE INFORMATION STATEMENT
SEC Form 20-IS
FORM TYPE

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LCU

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Cashier

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DTU

58648
SEC Reg. No.

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File No.

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Central Receiving Unit

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Document ID

NONE
EACH ACTIVE SECONDARY LICENSE TYPE AND FILE NUMBER
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MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

NOTICE AND AGENDA OF THE ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

Notice is hereby given that **MELCO CROWN (PHILIPPINES) RESORTS CORPORATION** (the "**Corporation**") will hold its Annual Stockholders' Meeting on May 18, 2015, 1:20 p.m. at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines, at which meeting the following matters shall be taken up:

1. Call to Order
2. Certification of the Existence of Quorum and the Sending of Notices
3. Approval of the Minutes of the Last Annual Stockholders' Meeting Held on May 19, 2014
4. Report of the Chairman and President
5. Approval of the Audited Financial Statements of the Corporation for the Year Ended December 31, 2014
6. Election of the Members of the Board of Directors
7. Appointment of External Auditor
8. Approval of the Further Amendment to the Amended Articles of Incorporation of the Corporation
9. Approval of the Amendment of the Share Incentive Plan of the Corporation
10. Ratification of Actions Taken by the Board of Directors and Officers since the Last Annual Stockholders' Meeting Held on May 19, 2014
11. Other Matters that May Properly Be Brought Before the Stockholders
12. Adjournment

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

The record date for the determination of stockholders entitled to notice of, and to vote at, the said meeting is fixed at the close of business hours on March 24, 2015.

All stockholders who will not attend the meeting in person, may prepare, date and sign a proxy, and submit the same to the Office of the Corporate Secretary at 9/F Mall of Asia Arena Annex Building (SM MAAX), Coral Way cor. J.W. Diokno Boulevard, Mall of Asia Complex, Pasay City 1300, Philippines not later than end of business hours on May 11, 2015. The proxies submitted shall be validated on the same day at the office of the Corporate Secretary.

Pasay City, Philippines, May 8, 2015.

Marissa T. Academia
Corporate Secretary

Annex "A"
Annual Stockholders' Meeting
Agenda Rationale

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

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

3. **Approval of the Minutes of the Last Annual Stockholders' Meeting Held on May 19, 2014** – The minutes of the last Annual Stockholders' Meeting of the Corporation shall serve as a record of the proceedings therein.

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

5. **Approval of the Audited Financial Statements of the Corporation for the Year Ended December 31, 2014** – The 2014 Audited Financial Statements of the Corporation, already incorporated in the Definitive Information Statement and submitted to the Securities and Exchange Commission and Bureau of Internal Revenue, shall be presented to the stockholders for their information and approval.

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

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

8. **Approval of the Further Amendment to the Amended Articles of Incorporation of the Corporation** – This amendment seeks to reflect the actual address of the Corporation.

9. **Approval of the Amendment of the Share Incentive Plan of the Corporation** - To remove references to, and provisions required by, Hong Kong laws and listing rules, among others, in connection with the proposed voluntary withdrawal of the listing of the shares of Melco Crown Entertainment Limited on the Main Board of The Stock Exchange of Hong Kong Limited.

10. **Ratification of Actions Taken by the Board of Directors and Officers since the Last Annual Stockholders' Meeting Held on May 19, 2014 –** All actions taken by the Board of Directors and Officers of the Corporation since the last Annual Stockholders' Meeting on May 19, 2014, as reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, Inc., and in the 2014 Annual Report and Report of the Chairman, shall be presented to the stockholders for their approval and ratification.

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

12. **Adjournment** – Upon consideration of all business, the Chairman shall declare the meeting adjourned, formally ending the 2015 Annual Stockholders' Meeting of the Corporation.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [✓] Definitive Information Statement

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

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

4. SEC Identification Number **58648**

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

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

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

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

   Date : May 18, 2015
   Time : 1:20 p.m.
   Place : City of Dreams Manila
   Asean Avenue cor. Roxas Boulevard
   Brgy. Tambo, Parañaque City
   1701 Philippines

9. Approximate date on which the Information Statement is first to be sent or given to security holders: April 24, 2015

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding As of May 7, 2015	Treasury Shares As of May 7, 2015	Outstanding Common Stock As of May 7, 2015
Common	4,948,287,466	NIL	4,948,287,466
Total	4,948,287,466	NIL	4,948,287,466

Outstanding debt:
PhP 15 billion note facility

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

Yes ___✓____ No _______

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

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

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

The Annual Stockholders' Meeting of Melco Crown (Philippines) Resorts Corporation (the "**Company**" or "**MCP**") will be held on May 18, 2015 at 1:20 p.m. at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines.

THE COMPANY HAS SET APRIL 24, 2015 AS THE APPROXIMATE DATE ON WHICH THE INFORMATION STATEMENT SHALL FIRST BE SENT OR GIVEN TO SECURITY HOLDERS.

Item 2. Dissenters' Right of Appraisal

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

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

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

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

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. Provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) The Company has a total of 4,928,973,460 common shares outstanding as of March 24, 2015 held by a total of 434 stockholders.

(b) Pursuant to the Resolution of the Board of Directors at a special meeting held on December 2, 2014, all stockholders at the close of business hours on March 24, 2015 shall be entitled to notice and to vote at the Annual Stockholders' Meeting scheduled on May 18, 2015. The stockholders will vote on matters scheduled to be taken up at the Annual Stockholders' Meeting with each share being entitled to cast one (1) vote.

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

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

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

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

As of March 31, 2015, the following are the shareholders who beneficially own in excess of 5% of the Company's common stock:

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent to Outstanding Shares
Common	MCE (Philippines) Investments Limited Jayla Place, Wickams Cay I, Road Town, British Virgin Islands Stockholder of Record	MCE (Philippines) Investments Limited[1]	British Virgin Islands ("**BVI**")	3,206,677,096*	65.06%
Common	PCD Nominee Corporation (Non-Filipino)	Various Stockholders	Various	1,251,430,438	25.39%
Common	PCD Nominee Corporation (Filipino)	Various Stockholders	Various	253,670,983	5.15%

[1] Clarence Yuk Man Chung is usually designated by MCE (Philippines) Investments Limited as its representative, with authority to vote its shares, at stockholders' meetings of the Company.

Common	MCE (Philippines) Investments No.2 Corporation Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701 Stockholder of Record	MCE (Philippines) Investments Limited Parent Company of MCE (Philippines) Investments No.2 Corporation	BVI	173,836,868	3.53%

*Includes the 485,177,000 shares lodged with the Philippine Depository and Trust Corporation.

b. Security Ownership of Management

The following are the securities owned and held by the Directors and Executive Officers of the Company as of March 31, 2015:

A. Directors

Title Common	Name of Director	Citizenship	Amount and Nature of Record/Beneficial Ownership[2]	Percent to Total Outstanding Shares
Common	Clarence Yuk Man Chung	Chinese	1,734,242	0.04%
Common	Jose F. Buenaventura	Filipino	28,125	0.00%
Common	Johann M. Albano	Filipino	3,000	0.00%
Common	William Todd Nisbet	American	1,300,706	0.03%
Common	James Andrew Charles MacKenzie	Australian	325,252	0.01%
Common	Alec Yiu Wa Tsui	British	325,252	0.01%
Common	J.Y. Teo Kean Yin	Singaporean	200	0.00%
Common	Maria Marcelina O. Cruzana	Filipino	100	0.00%
Common	Liberty A. Sambua	Filipino	100	0.00%

B. Executive Officers

Title Common	Name of Executive Officer	Citizenship	Amount and Nature of Record/Beneficial Ownership[3]	Percent to Total Outstanding Shares
Common	Clarence Yuk Man Chung	Chinese	1,734,242	0.04%
Common	Kevin Sim	Malaysian	294,735	0.01%
Common	Marissa T. Academia	Filipino	206,275	0.00%
Common	Adrian Hsen Bin Au	Australian	-	-

C. Voting Trust Holders of 5% or More

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

[2] (1) Clarence Yuk Man Chung and William Todd Nisbet are the direct and beneficial owners of the shares held by them except for the 100 shares each that they hold in trust and for the benefit of MCE (Philippines) Investments Limited. (2) Johann M. Albano holds the shares in trust and for the benefit of MCE (Philippines) Investments No.2 Corporation. (3) Jose F. Buenaventura is the direct and beneficial owner of the shares held by him. (4) J.Y. Teo Kean Yin, Maria Marcelina O. Cruzana and Liberty A. Sambua hold the shares in trust and for the benefit of MCE (Philippines) Investments No.2 Corporation.

[3] Clarence Yuk Man Chung is the direct and beneficial owner of the shares held by him except for the 100 shares that he holds in trust and for the benefit of MCE (Philippines) Investments Limited.

D. Changes in Control

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

Item 5. Directors and Executive Officers

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

Name And Position	Age	Citizenship	Term Of Office As A Director / Officer	Period Served As A Director / Officer
Clarence Yuk Man Chung *Chairman of the Board/President*	52	Chinese	1 year	Since Dec. 19, 2012
Jose F. Buenaventura *Director*	80	Filipino	1 year	Since Feb. 20, 2013
William Todd Nisbet *Director*	47	American	1 year	Since Dec. 19, 2012
James Andrew Charles MacKenzie *Independent Director*	61	Australian	1 year	Since Dec. 19, 2012
Alec Yiu Wa Tsui *Independent Director*	65	British	1 year	Since Dec. 19, 2012
J.Y. Teo Kean Yin *Director*	35	Singaporean	1 year	Since Mar. 13, 2014
Maria Marcelina O. Cruzana *Director*	56	Filipino	1 year	Since Mar. 13, 2014
Liberty A. Sambua *Director*	30	Filipino	1 year	Since Mar. 13, 2014
Johann M. Albano *Director*	38	Filipino	1 year	Since Apr. 11, 2014
Kevin Sim *Chief Operating Officer*	52	Malaysian	1 year	Since Apr. 29, 2013
Adrian Hsen Bin Au *Treasurer*	41	Australian	1 year	Since Mar. 13, 2014
Marissa T. Academia *Corporate Information Officer** *Corporate Secretary / Compliance Officer***	48	Filipino	1 year	*Since Jan. 22, 2014 **Since Mar. 13, 2014
Marie Grace A. Santos Alternate Corporate Information Officer* and Assistant Corporate Secretary**	33	Filipino	1 year	*Since Jan. 22, 2014 **Since Mar. 13, 2014

As of January 22, 2014, Marissa T. Academia replaced Frances Marie T. Yuyucheng as Corporate Information Officer, and Marie Grace A. Santos replaced Yvette P. Chua and Maria Tara A. Mercado as Alternate Corporate Information Officer. Marissa T. Academia also replaced Frances Marie T. Yuyucheng as Corporate Secretary and Compliance Officer and Marie Grace A. Santos replaced Maria Tara A. Mercado as Assistant Corporate Secretary as of March 13, 2014. Marissa T. Academia is the Company's Vice-President for Legal Affairs.

In addition, Adrian Hsen Bin Au also replaced Geoffrey Stuart Davis as Treasurer of the Company as of March 13, 2014. Adrian Hsen Bin Au is the Company's Vice-President, Finance and Treasurer.

J.Y. Teo Kean Yin, Maria Marcelina O. Cruzana and Liberty A. Sambua were elected as members of the Board of Directors on March 13, 2014, replacing Rena M. Rico-Pamfilo, Yvette P. Chua and Anna

Cristina Collantes-Garcia. Johann M. Albano was elected as a member of the Board of Directors on April 11, 2014, replacing Frances T. Yuyucheng.

DIRECTORS AND OFFICERS

The names of the incumbent Directors and Executive Officers of the Company and their respective current positions held, periods of service and business experience during the past five (5) years are as follows:

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

Mr. Chung was appointed as Chairman and President of the Company on December 19, 2012. Mr. Chung was appointed as Director of Melco Crown Entertainment Limited ("**MCE**") in November 2006 and has been an Executive Director of Melco International Development Limited since May 2006. Mr. Chung has been the Chairman and Chief Executive Officer of Entertainment Gaming Asia Inc., a NASDAQ listed company, since August 2008 and October 2008, respectively. Mr. Chung has more than twenty five (25) years of experience in the finance industry in various capacities as a chief financial officer, an investment banker and a merger and acquisition specialist. Mr. Chung obtained a master degree in business administration from the Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology, and a bachelor degree in business administration from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Jose F. Buenaventura – *Director*

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

William Todd Nisbet – *Director*

Mr. Nisbet, who was appointed as a director of the Company on December 19, 2012, joined the Crown Limited team (now Crown Resorts Limited) in October 2007. In his role as Executive Vice President – Strategy & Development, Mr. Nisbet is responsible for all project development and construction operations of Crown Resorts Limited. Mr. Nisbet is also a Director of MCE and Studio City International Holdings Limited. From August 2000 through to July 2007, Mr. Nisbet held the position of Executive Vice President – Project Director for Wynn Design and Development, a development subsidiary of Wynn Resorts Limited ("**Wynn**"). Prior to joining Wynn, Mr. Nisbet was the Vice President of Operations for Marnell Corrao Associates. During his fourteen (14) years at Marnell Corrao (1986 to 2000), Mr. Nisbet was responsible for managing various aspects of the construction of Las Vegas' most elaborate and industry-defining properties. Mr. Nisbet holds a Bachelor of Science degree in Finance from the University of Nevada, Las Vegas.

James Andrew Charles MacKenzie – *Independent Director*

Mr. MacKenzie was appointed as an independent non-executive director of the Company on December 19, 2012 and has been an independent non-executive director of MCE, our ultimate holding company, listed on the NASDAQ and Main Board of The Stock Exchange of Hong Kong Limited, since his appointment on April 24, 2008. He is the chairman of the Company's Audit Committee and a member of the Company's nominating and corporate governance committee and compensation committee. Mr. MacKenzie was appointed chairman of ShineWing Australia on February 1, 2015. He has extensive experience as a company director having held a number of directorships including director and co-vice chairman of Yancoal Australia Limited from June 2012 to April 2014, non-executive director and chairman of Mirvac Group from November 2005 to January 2014 and November 2005 to November 2013, respectively, and non-executive director and chairman of Pacific

Brands Limited from May 2008 to May 2013 and May 2008 to May 2012, respectively. He led the transformation of the Victorian Government's Personal Injury Schemes from 2000 to 2007. Prior to 2005, he held senior executive positions with ANZ Banking Group, Standard Chartered Bank and Norwich Union PLC and was a partner in both the Melbourne and Hong Kong offices of an international accounting firm now part of Deloitte. In 2001, Mr. MacKenzie was awarded the Australian Centenary Medal for services to public administration. He obtained a bachelor of business (accounting and quantitative methods) degree from the Swinburne University of Technology in 1974. Mr. MacKenzie has been a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors since 1974 and 1994, respectively.

Alec Yiu Wa Tsui – *Independent Director*

Mr. Tsui was appointed as an independent director of the Company on December 19, 2012, and as an independent non-executive director of MCE on December 18, 2006. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. Mr. Tsui graduated from the University of Tennessee with a bachelor's degree in industrial engineering in 1975 and a master of engineering degree in 1976. He completed a program for senior managers in government at the John F. Kennedy School of Government at Harvard University in 1993. He is the chairman of the Company's Nominating and Corporate Governance Committee and Compensation Committee.

J.Y. Teo Kean Yin – *Director*

Ms. Teo was appointed as a director of the Company on March 13, 2014. Ms. Teo has extensive gaming working experiences in South East Asia, including the Philippines, Singapore and Cambodia. She has a Diploma in Business specializing in Corporate Communication Marketing from Temasek Polytechnic (Singapore) and holds a Diploma Slot Management from The Slot Academy (Singapore) and a Bachelor of Business Communication from the University of Queensland (Brisbane, Australia).

Maria Marcelina O. Cruzana – *Director*

Ms. Cruzana was appointed as a director of the Company on March 13, 2014. Ms. Cruzana is a Licensed Certified Public Accountant with a total of twenty five (25) years of professional experience. She held various positions in finance and accounting functions as Finance Controller, Finance Manager as well as Finance and Administration Manager. She graduated Cum Laude from Polytechnic University of the Philippines ("**PUP**") with a bachelor degree in Science in Accountancy and holds a Master's Degree (Business Administration) from PUP Graduate School.

Liberty A. Sambua – *Director*

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

Johann M. Albano – *Director*

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

Kevin Sim – *Chief Operating Officer*

On March 26, 2013, the Company appointed Mr. Sim as Chief Operating Officer effective April 29, 2013. Mr. Sim previously served as Executive Vice President for Genting Malaysia Berhad, in charge of all aspects of operations including the casino, hotels and various other operating divisions. Prior to this role, he was Senior Vice President of Casino Operations, Vice President of Slots, and Vice

President of Finance. Mr. Sim was also instrumental in starting the Business Intelligence Unit at Genting Highlands Resort, where data mining is used extensively to drive various Customer Relationship Management initiatives. Prior to working at Genting Malaysia Berhad, Mr. Sim was the Vice President of Finance for Naga Resorts, a casino operator in Cambodia. Mr. Sim is a qualified Chartered Accountant and a Member of the Institute of Chartered Accountants in England and Wales. He graduated from the University of London with BSc (Hons) Mathematics and began his career as an auditor with various Chartered Accountant firms in England and later with Coopers & Lybrand in Malaysia.

Adrian Hsen Bin Au – *Treasurer*

On March 13, 2014, Mr. Au was appointed as the Treasurer of the Company. Mr. Au brings with him years of experience in credit and collection, finance, audit and compliance. He has worked for various major casinos in Macau and Australia. He was part of the pre-opening teams for four properties in Macau including Galaxy Macau and City of Dreams. He is also a qualified Chartered Accountant with extensive experience across gaming audit, casino accounting, casino credit and collections and AML compliance. Prior to joining the Company, he was previously the Assistant Vice-President for Finance for Galaxy Entertainment in Macau from April 2010 until February 2014, and the Director of Casino Control & Compliance for Melco Crown Macau from February 2007 to March 2010.

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

On January 22, 2014, Ms. Academia was appointed as the Corporate Information Officer of the Company. She was subsequently appointed as the Corporate Secretary and Compliance Officer on March 13, 2014. Ms. Academia is the Vice-President for Legal Affairs of the Company. She brings with her more than twenty (20) years of experience in corporate practice. Prior to joining the Company, she was the Chief Legal Counsel for Thunderbird Resorts, Inc. from 2009 to 2013 and was a Partner in Herrera Teehankee Cabrera Law Offices where she practiced law from 1994 to 2009. She obtained her Juris Doctor of Law degree from the Ateneo Law School and was admitted to the Philippine Bar in 1994.

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

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

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

Significant Employees

There is no individual (other than Executive Officers) who are expected by the Company to make significant contribution to the business.

Family Relationship

There are no family relationships up to the fourth (4^{th}) civil degree, either by consanguinity or affinity, among Directors, Executive Officers or persons nominated or chosen by the registrant to become Directors or Executive Officers.

Involvement of Directors and Officers in Certain Legal Proceedings

During the past five (5) years and until the date of distribution of this Information Statement, the members of the Board of Directors and the Executive Officers:

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

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

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

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

List of Candidates for Election as Members of the Board of Directors for 2015-2016

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

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

Certain Relationships and Related Transactions

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

Significant transactions with related parties for the year ended December 31, 2014 are included in Note 18 to the audited consolidated financial statements included in this Information Statement.

Disagreement with a Director

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

Item 6. Compensation of Directors and Executive Officers[4]

The aggregate compensation paid or accrued during the last two (2) fiscal years to the Company's (a) President and four (4) highest compensated officers, and (b) other officers and directors or key management personnel (as a group unnamed) are as follows:

Name and Position of (a) above for the year 2014

1. Mr. Clarence Yuk Man Chung (President / Chairman of the Board)
2. Mr. Kevin Sim (Chief Operating Officer)
3. Mr. Adrian Hsen Bin Au (Vice President, Finance and Treasurer)
4. Mr. Jarlath Lynch (Vice President, Hotels, Food and Beverage)

[4] In thousands of Philippine peso.

5. Ms. Lysa Michelle Evans (Vice President, Table Games)

Summary of Compensation Table

	(Estimated) Year Ending December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
(a) President and four (4) highest compensated officers and/or key management personnel:			
Basic salaries, allowances and benefits in kind	₱75,642	₱71,716	₱49,112
Performance bonuses (estimated)	35,044	15,723	15,939
Post-employment benefits	2,311	2,594	1,572
Share-based compensation	29,758	42,694	19,312
	₱142,755	₱132,727	₱85,935

	(Estimated) Year Ending December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
(b) All other officers, key management personnel and Directors as a group unnamed:			
Basic salaries, allowances and benefits in kind	₱88,105	₱77,605	₱32,048
Performance bonuses (estimated)	20,085	19,167	5,000
Post-employment benefits	517	143	91
Share-based compensation	31,062	57,058	16,197
	₱139,769	₱153,973	₱53,336

The Company cannot accurately estimate the aggregate remuneration to be paid to its key management personnel and senior executives as a group for the year ending December 31, 2015. At this point of time, the Company anticipates that the estimated aggregate compensation for the President, the four (4) highest compensated officers and/or key management personnel for FY2015 will be based on market rates for the hospitality, leisure, gaming and entertainment industries.

Compensation of Directors

The Company did not pay any compensation to the Directors for the years ended December 31, 2014 and 2013. The remunerations of the Directors of the Company were borne by MCE.

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

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

Warrants and Options Outstanding

Please refer to Item 8.

Item 7. Independent Public Accountants

1. External Audit Fees and Services

   For the year ended December 31, 2014, the fees for audit work and other services performed by SyCip Gorres Velayo & Co. ("**SGV**") for the Company and its subsidiaries were as follows:

	2014
In thousands of Philippine peso	
External audit fees and services	₱2,956
Other non-audit service fees	1,974
Tax fees	3,296
Out-of-pocket expenses	210

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

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

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

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

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

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

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

Item 8. Compensation Plans

Share Incentive Plan

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

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

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

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

Under the Share Incentive Plan, the Company may grant various share-based awards, including but not limited to, options to purchase the Company's shares, restricted shares, share appreciation rights and other types of awards. The term of such awards shall not exceed ten (10) years from the date of grant. The maximum aggregate number of shares which may be issued pursuant to all awards under the Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of the Company from time to time over ten (10) years. As of December 31, 2014, 57,075,917 shares remain available for the grant of various share-based awards under the Share Incentive Plan.

Warrants and Options Outstanding

The Company did not have any outstanding warrants as of December 31, 2014 and 2013. Please refer to Note 28 to the audited consolidated financial statements included in this Information Statement for the details of the Share Incentive Plan.

The details of outstanding restricted shares (the "**MCP Restricted Shares**") and share options (the "**MCP Share Options**") of the Company as at December 31, 2014 and 2013 are as follows:

Date of grant/award	**June 28, 2013**	**February 17, 2014**	**February 28, 2014**	**March 27, 2014**	**March 28, 2014**	**May 30, 2014**
Exercise Price	₱8.30	₱8.30	₱8.30	₱8.30	₱8.30	₱13.256
Market Price as of date of grant/award	₱8.30	₱13.48	₱13.00	₱12.76	₱12.96	₱13.00

	As of December 31, 2014		**As of December 31, 2013**	
Recipients	Total number of outstanding MCP Restricted Shares	Total number of outstanding MCP Share Options	Total number of outstanding MCP Restricted Shares	Total number of outstanding MCP Share Options
President	5,876,347	10,404,851	5,202,425	10,404,851
Chief Operating Officer	2,143,008	4,286,017	1,300,606	2,601,213
Treasurer	861,773	1,723,550	1,040,485*	2,080,970*
Corporate Secretary	969,559	1,939,118	-	-
All other officers, key management personnel and Directors as a group unnamed	15,157,551	27,046,585	11,965,578	23,931,155
Others	39,363,248	78,726,491	38,562,982	77,125,964
Total	**64,371,486**	**124,126,612**	**58,072,076**	**116,144,153**

* There has been a change in the Treasurer of the Company in 2014.

The exercise price for the stock options is the higher of (i) the closing price on Grant Date or (ii) the average closing price for the five (5) business days immediately preceding the Grant Date. The relevant dates for purposes of the computation of the exercise price are June 28, 2013 and May 30, 2014, the dates of grant and approval by the SEC of the issuance of shares under the Share Incentive Plan.

As a result of the proposed voluntary withdrawal of the listing of MCE's shares on the Main Board of SEHK, the stockholders will be asked, during the Annual Stockholders' Meeting on May 18, 2015, to approve the amended Share Incentive Plan including removing references to, and provisions required by, Hong Kong laws and HKLR, adding clarifications and modifying and updating certain provisions.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

Financial Statements

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

The unaudited condensed consolidated financial statements as of March 31, 2015 and for the three months ended March 31, 2015 and the audited consolidated balance sheet as of December 31, 2014 and the related notes to unaudited condensed consolidated financial statements of the Company and its subsidiaries are filed as part of this Information Statement as Appendix II.

Management's Discussion and Analysis of Financial Condition or Plan of Operations

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Attendance of Principal Accountants at the Annual Stockholders' Meeting

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

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following are included in the Agenda for the May 18, 2015 Annual Stockholders' Meeting for the approval of the stockholders of the Company:

1. Approval of the Minutes of the Last Annual Stockholders' Meeting Held on May 19, 2014

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

2. Approval of the Audited Financial Statements of the Company for the Year Ended December 31, 2014

   The 2014 Audited Financial Statements of the Company, already incorporated in the Information Statement and submitted to the SEC and Bureau of Internal Revenue, shall be presented to the stockholders for their information and approval.

3. Election of the Members of the Board of Directors

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

   Clarence Yuk Man Chung
   William Todd Nisbet
   Jose. F. Buenaventura
   J.Y. Teo Kean Yin
   Maria Marcelina O. Cruzana
   Liberty A. Sambua
   Johann M. Albano
   James Andrew Charles MacKenzie – Independent Director
   Alec Yiu Wa Tsui – Independent Director

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

4. Appointment of External Auditor

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

5. Approval of the Further Amendment to the Amended Articles of Incorporation of the Company

   The further amendment of the Third Article of the Amended Articles of Incorporation of the Company seeks to reflect the actual address of the Company.

6. Approval of the Amendment of the Share Incentive Plan of the Corporation

   To remove references to, and provisions required by, Hong Kong laws and listing rules, among others, in connection with the proposed voluntary withdrawal of the listing of the shares of Melco

Crown Entertainment Limited on the Main Board of The Stock Exchange of Hong Kong Limited.

7. Ratification of Actions Taken by the Board of Directors and Officers since the Annual Stockholders' Meeting Held on May 19, 2014

   All actions taken by the Board of Directors and Officers of the Company since the last Annual Stockholders' Meeting on May 19, 2014, as reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the SEC and the Philippine Stock Exchange ("**PSE**"), and in the 2014 Annual Report and Report of the Chairman, shall be presented to the stockholders for their approval and ratification.

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

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

Item 16. Matters Not Required to be Submitted

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

As a matter of corporate policy, Management seeks the approval and ratification by the Stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since May 19, 2014, the date of the last stockholders' meeting. These are reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the SEC and to the PSE, and in the 2014 Annual Report and Report of the Chairman.

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

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

Proposed Amendment	**Reason / General Effect**
To amend the Third Article of the Articles of Incorporation to: <u>Asean Avenue</u> cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701.	To reflect the actual address of the Company.

Item 18. Other Proposed Action

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

Item 19. Voting Procedures

The Chairman will announce each proposal to the floor, which shall be voted upon separately. In the absence of any objection from the floor, the Chairman shall instruct the Corporate Secretary to enter a unanimous vote of approval. If there is an objection, the Chairman will call for a division of the house. The votes of stockholders present in person or by Proxy shall be counted by hand, and the Chairman will announce the result of the voting, unless voting by ballots is called for. If voting by ballots is decided, ballots will be distributed to Stockholders present in person or by Proxy in the meeting. The ballots will be filled up by stockholders, and submitted to the Corporate Secretary or his duly authorized representatives. The valid ballots will be counted by the Corporate Secretary or a committee that the Board may organize for the purpose for the votes of the Stockholders. The Chairman will then announce the result after the counting.

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

A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the

Company multiplied by the total number of directors to be elected. Provided, however, that no delinquent stock shall be voted.

Vote Requirement

The following matters require the following votes:

Subject Matter	Votes Required
Approval of the Minutes of the Last Stockholders' Meeting held on May 19, 2014	Majority of the votes cast
Approval of the Audited Financial Statements of the Company for the Year Ended December 31, 2014	Majority of the votes cast
Election of the Members of the Board of Directors	The top nine (9) nominees with the most number of votes cast are elected
Appointment of External Auditor	Majority of the votes cast
Approval of the Further Amendment to the Amended Articles of Incorporation of the Company	Two-thirds (2/3) of outstanding capital stock
Approval of the Amendment of the Share Incentive Plan of the Corporation	Majority of the votes cast
Ratification of Actions Taken by the Board of Directors and Officers since the Last Annual Stockholders' Meeting held on May 19, 2014	Majority of the votes cast

MANAGEMENT REPORT

1. 2014 Consolidated Audited Financial Statements and Statement of Management's Responsibility

The 2014 Consolidated Financial Statements of the Company and the Statement of Management's Responsibility are filed as part of this Form 20-IS.

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

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

3. Management's Discussion and Analysis or Plan of Operation

The following management's discussion and analysis relate to the consolidated financial information and operating results of the Group and should be read in conjunction with the accompanying audited consolidated financial statements and related notes of the Group as of December 31, 2014 and 2013, and for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, and unaudited consolidated financial statements and related notes of the Group as of March 31, 2015 and for the three months ended March 31, 2015.

Overview and Plan of Operation

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

City of Dreams Manila opened its doors to the public in December 2014 and marked the formal entry of MCE into the fast-growing and dynamic tourism industry in the Philippines. City of Dreams Manila had its grand opening on February 2, 2015. This new integrated casino resort at Entertainment City, Manila Bay, Manila is solely operated and managed by MCE Leisure. The dynamic and innovative resort complex, located on an approximately 6.2 hectare site at the gateway to Entertainment City, includes entertainment, hotel, retail and dining and lifestyle experiences with aggregated gaming space, including VIP and mass market gaming facilities with up to approximately 380 gaming tables, 1,700 slot machines and 1,700 electronic table games. As of March 31, 2015, City of Dreams Manila has around 223 gaming tables, 1,561 slot machines and 168 electronic table games in operation. The integrated resort features three distinctive entertainment venues, namely: DreamPlay by Dreamworks, Manila's first branded Family Entertainment Center; CenterPlay, a live performance central lounge inside the casino; and Chaos and Pangaea Ultra-Lounge, two night clubs situated within the Fortune Egg, an architecturally-unique dome-like structure accented with creative exterior lighting, which is expected to become an iconic landmark of the Manila Bay area. DreamPlay was opened to the public on March 31, 2015 while Chaos opened its doors on February 14, 2015.

City of Dreams Manila also includes an approximately 260 room Crown Towers hotels, 360 room hotel managed by Hyatt International Corporation ("**Hyatt**"), and Asia's first Nobu Hotel with 321 rooms. The Crown Towers hotels at City of Dreams Manila is designed to cater to the premium end of the market in Manila and leverages the Crown Towers brand and service standards. Hyatt City of Dreams Manila is a modern and international full service hotel and leverages Hyatt's international experience and knowledge of the operation of full service hotels throughout the world. The Nobu Hotel offers a fusion of laid-back luxury and exclusive guestroom and spa services.

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

On December 9, 2014, PAGCOR issued a Notice to Commence Casino Operations to City of Dreams Manila effective on December 14, 2014. On January 30, 2015, MCE Leisure, on behalf of the Licensees, applied to PAGCOR for the issuance of a regular casino gaming license ("**Regular License**") for City of Dreams Manila, after the Licensees satisfied the investment commitment of US$1 billion under the terms of the Provisional License.

On May 4, 2015, PAGCOR issued in favor of MCE Leisure and its other co-licensees the Regular License for the operation of City of Dreams Manila.

Currently, the Group has a total manpower of 5,172 employees as of March 31, 2015, from 5,013 employees as of December 31, 2014, which represents a 3.2% increase in total manpower from the last quarter of 2014 to the first quarter of 2015. The Group has estimated that there could be a further increase in its manpower by 5.2%, or a total estimated manpower complement of 5,442 employees, by the end of 2015**.**

Change in structure and ownership of MCP

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

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

On March 20, 2013, MCP entered into the subscription and share sale agreement (the "**Subscription and Share Sale Agreement**") with MCE (Philippines) Investments Limited ("**MCE Investments**"), an indirect subsidiary of MCE, for the share subscription transaction (the "**Share Subscription Transaction**"), under which MCE Investments subscribed to 2,846,595,000 common shares of MCP with a par value of ₱1.00 per share at a total consideration of ₱2,846,595,000. The Share Subscription Transaction was completed on April 8, 2013.

On April 8, 2013, MCP sold all of its treasury shares, representing 150,435,404 common shares to third parties at ₱14.20 per share.

On April 24, 2013, MCP and MCE Investments completed the placing and subscription transaction (the "**Placing and Subscription Transaction**"), under which MCE Investments offered and sold in a private placement to various institutional investors 981,183,700 common shares of MCP with a par value of ₱1.00 per share, at the offer price of ₱14.00 per share (the "**Offer**"). In connection with the Offer, MCE Investments granted the over-allotment option (the "**Over-allotment Option**") of up to 117,075,000 common shares of MCP with a par value of ₱1.00 per share, at the offer price of ₱14.00 per share to the stabilizing agent (the "**Stabilizing Agent**").

On May 23, 2013, the Stabilizing Agent exercised the Over-allotment Option and subscribed to 36,024,600 common shares of MCP with a par value of ₱1.00 per share, at the offer price of ₱14.00 per share. MCE Investments then used the proceeds from the Offer and Over-allotment Option to subscribe to an equivalent number of common shares in MCP at a subscription price of ₱14.00 per share.

In March and April 2014, there were minor changes in the ownership of MCP by MCE and its subsidiaries. As a result of change in the directors of MCP, MCE (Philippines) Investments No.2 Corporation ("**MCE Investments No.2**"), an indirect subsidiary of MCE and a minority shareholder of MCP, acquired an 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 its parent company.

On June 24, 2014, MCP and MCE Investments completed another placing and subscription transaction (the "**2014 Placing and Subscription Transaction**") under which MCE Investments offered and sold in a private placement to various institutional investors 485,177,000 common shares of MCP with a par value of ₱1 per share, at an offer price of ₱11.30 per share (the "**2014 Offer**"). MCE Investments then used the proceeds from the 2014 Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of ₱11.30 per share. The issued common shares of MCP increased from 4,426,303,300 to 4,911,480,300 after the 2014 Placing and Subscription Transaction. The proceeds of the subscription transaction (after payment of fees and other expenses relating to the transaction) were used to fund the development of City of Dreams Manila, including payment for gaming equipment purchases, fit-out work and other various initial opening costs, such as pre-opening costs and working capital as well as for several corporate purposes.

After the series of transactions as above and as of December 31, 2014 and 2013, MCE Investments became the immediate holding company of MCP.

Subsidiaries of MCP and group reorganization

On March 20, 2013, pursuant to the terms of the Subscription and Share Sale Agreement, MCP entered into a deed of assignment with MCE Investments, whereby MCP acquired all equity interests of MCE Investments in MCE Holdings, consisting of 147,894,500 issued and outstanding common shares with a par value of ₱1.00 per share as of March 20, 2013, at a consideration of ₱7,198,590,000 (the "**Asset Acquisition Transaction**"). MCE Holdings holds 100% direct ownership interests in MCE Holdings No. 2, which in turn holds 100% direct ownership interests in MCE Leisure. As a result of the Asset Acquisition Transaction, the companies in the MCE Holdings Group are wholly-owned subsidiaries of MCP.

As of March 31, 2015 and December 31, 2014, MCP's wholly-owned subsidiaries include the MCE Holdings Group. MCE Holdings, MCE Holdings No. 2 and MCE Leisure were all incorporated in the Philippines and were registered with the SEC on August 13, 2012, August 22, 2012 and August 30, 2012, respectively. The primary purpose of MCE Holdings and MCE Holdings No. 2 is investment holding, while the primary purpose of MCE Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

Activities of MCE Holdings Group

On July 5, 2012, MCE, through its indirect subsidiary, MPEL Projects Limited, entered into a memorandum of agreement (the "**MOA**") with SMIC, SM Land, Inc., SM Hotels and Conventions Corporation, SM Commercial Properties, Inc., and SM Development Corporation (collectively, the "**SM Group**"), Belle, PLAI (collectively, together with the SM Group, the "**Philippine Parties**") for the development of City of Dreams Manila. Further to the MOA, on October 25, 2012, the MCE Holdings

Group entered into the cooperation agreement (the “**Cooperation Agreement**”) and other related arrangements with the Philippine Parties. MCE Leisure also entered into the lease agreement on October 25, 2012 with Belle for the lease of the land and buildings for City of Dreams Manila (the “**Lease Agreement**”).

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

On December 19, 2013, MCE Leisure priced its ₱15 billion aggregate principal amount of 5% senior notes at par, with a maturity date of January 24, 2019 (the “**Senior Notes**”). The issuance of the Senior Notes was completed on January 24, 2014. The net proceeds from the issuance of Senior Notes were used for the development of City of Dreams Manila.

Key Performance Indicators (KPIs)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

These performance indicators are not applicable as of December 31, 2014 and 2013 as the Company and the Group only commenced commercial operations in late December 2014.

<u>Results for the Year Ended December 31, 2014 Compared to the Year Ended December, 2013</u>

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

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

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

Revenue

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

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

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

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

Operating costs and expenses

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

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

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

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

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

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

Non-operating expenses, net

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

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

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

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

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

Net loss

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

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

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

Financial Condition and Balance Sheet

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

(i) The issuance of the Senior Notes by MCE Leisure on January 24, 2014, which was priced at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019.

(ii) The 2014 Placing and Subscription Transaction by MCE Investments, which offered and sold 485,177,000 common shares of MCP with a par value of ₱1 per share, at the offer price of ₱11.30 per share, on June 24, 2014.

(iii) On May 30, 2014, MCP has granted to certain employees and directors of MCE and MCP and other eligible participants under the MCP Share Incentive Plan (i) share options to subscribe for a total of 4,861,003 common shares with a par value of ₱1.00 each of MCP (the "**MCP Shares**") and (ii) restricted shares in respect of a total of 4,738,684 MCP Shares, pursuant to the MCP Share Incentive Plan.

(iv) City of Dreams Manila had its soft opening on December 14, 2014, resulting changes in working capital as of December 31, 2014 when compared to December 31, 2013.

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

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

Current assets

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

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

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

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

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

Noncurrent assets

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

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

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

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

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

Current liabilities

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

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

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

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

Noncurrent liabilities

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

Non-current portion of obligations under finance lease represented the building lease payments that are due more than one (1) year.

Deferred rent liability represented the difference between the amount of effective rent on leased land recognized in the consolidated statement of comprehensive income and actual payment made. The amount is not expected to be reversed within one (1) year.

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

Equity

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

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

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

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

On June 24, 2014, MCP and MCE Investments completed the 2014 Placing and Subscription Transaction, under which MCE Investments offered and sold in a private placement to various institutional investors 485,177,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱11.30 per share. 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 ₱11.30 per share. The aggregate net proceeds from aforementioned equity transactions, after deducting the underwriting commissions and other expenses of ₱106.6 million, was ₱5,375.9 million.

Pre-operating results for the Year Ended December 31, 2013 Compared to the Year Ended December, 2012

The following table shows a summary of the pre-operating results of the Group for the year ended December 31, 2013 and the period from August 13, 2012 to December 31, 2012 as derived from the accompanying consolidated financial statements:

(in thousands of Philippine peso, except per share and % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the year ended December 31,	Period from August 13, 2012 to December 31,2012	% to Revenues		% of Change from Prior Period	
	2013	2012	2013	2012	Inc / (Dec)	%
Net Operating Revenues						
Entertainment, retail and others	52,952	-	100%	N/A	52,952	N/A
Total net operating revenues	52,952	-	100%	N/A	52,952	N/A
Operating costs and expenses						
Employee benefit expenses	(460,965)	-	-871%	N/A	(460,965)	N/A
Depreciation and amortization	(51,520)	-	-97%	N/A	(51,520)	N/A
Other expenses	(644,861)	(49,471)	-1218%	N/A	(595,390)	1204%
Total operating costs and expenses	(1,157,346)	(49,471)	-2186%	N/A	(1,107,875)	2239%
Operating loss	(1,104,394)	(49,471)	-2086%	N/A	(1,054,923)	2132%
Non-operating income (expenses)						
Interest income	54,506	112	103%	N/A	54,394	48566%
Interest expenses, net of capitalized interest	(1,316,877)	-	-2487%	N/A	(1,316,877)	N/A
Foreign exchange loss, net	(112,195)	(427)	-211%	N/A	(111,768)	26175%
Other income	15,543	-	29%	N/A	15,543	N/A
Total non-operating expenses, net	(1,359,023)	(315)	-2566%	N/A	(1,358,708)	431336%
Net loss	(2,463,417)	(49,786)	-4652%	N/A	(2,413,631)	4848%
Other comprehensive income	-	-	0%	N/A	-	N/A
Total comprehensive loss	(2,463,417)	(49,786)	-4652%	N/A	(2,413,631)	4848%
Basic/diluted loss per share	(₱ 0.74)	(₱ 0.12)	0%	N/A	(₱ 0.62)	517%

The Company was in the development stage until only recently, and as a result, there was no revenue and cash provided by the Company's intended operations, except for a management fee income from MCE as discussed below. Accordingly, the activities reflected in the Company's consolidated statements of comprehensive income mainly relate to operating costs and expenses and non-operating income (expenses) including employee benefit expenses, depreciation and amortization, other expenses, interest income, interest expenses – net of capitalized interest, foreign exchange loss – net and other income. Consequently, as is typical for a development stage company, the Company incurred losses.

Consolidated comprehensive loss for the year ended December 31, 2013 was ₱2,463.4 million, representing an increase of ₱2,413.6 million, or 4,848%, from ₱49.8 million for the period from August 13, 2012 to December 31, 2012, which is primarily related to employee benefit expenses, depreciation and amortization, other expenses, as well as the interest expenses (net of capitalized interest) as a result of continuous development of City of Dreams Manila.

Revenue

Revenue for the year ended December 31, 2013 amounted to ₱53.0 million, which primarily represents the reimbursement for the share based compensation costs for certain MCP directors recharged to MCE.

Operating costs and expenses

Total operating costs and expenses were ₱1,157.3 million for the year ended December 31, 2013, representing an increase of ₱1,107.9 million, from ₱49.5 million for the period from August 13, 2012 to December 31, 2012. The increase in operating costs was attributable to the continuous development of City of Dreams Manila.

Employee benefit expenses for the year ended December 31, 2013 amounted to ₱461.0 million, as compared to ₱Nil for the year ended December 31, 2012, which primarily consist of basic salaries, allowances and bonus, consultancy fee in consideration for share awards, share-based compensation expenses, retirement costs – defined contribution plans and other employee benefit expenses. The increase was in line with the increase in headcount during the year ended December 31, 2013.

Depreciation and amortization for the year ended December 31, 2013 of ₱51.5 million consist of depreciation for property and equipment of ₱8.1 million and amortization of contract acquisition costs of ₱43.4 million, respectively. There was no depreciation and amortization for the year ended December 31, 2012.

Other expenses for the year ended December 31, 2013 amounted to ₱644.9 million, as compared to ₱49.5 million for the year ended December 31, 2012, which is primarily consisted of rental expenses, project management fee expenses, repairs and maintenance, advertising and marketing expenses, travel and entertainment, legal and other professional fees, written off from contract acquisition costs, taxes and licenses and other operating expenses. The increase was in-line with the active development of City of Dreams Manila.

Non-operating expenses, net

Interest income of ₱54.5 million for the year ended December 31, 2013 represented the bank interest income mainly generated from net proceeds from the Placing and Subscription Transaction for the Offer and exercise of the Over-allotment Option. The increase was primarily driven by the increase in bank balances as a result of these funding activities and a full year interest income.

Interest expenses (net of capitalized interest) of ₱1,316.9 million for the year ended December 31, 2013 mainly represented the interest on obligation under finance lease in relation to a Lease Agreement of the building with Belle, effective from March 13, 2013.

Foreign exchange loss, net of ₱112.2 million for the year ended December 31, 2013, was mainly attributable to the translation of foreign currency denominated payables at the year-end closing rate. The increase of ₱111.8 million from ₱0.4 million for the period from August 13, 2012 to December 31, 2012, was primarily due to the depreciation of Philippine Peso against H.K. Dollar and U.S. Dollar and the increase in foreign currency denominated payables as at December 31, 2013 when compared to the balance as at December 31, 2012.

Net loss

As a result of the foregoing, the Group incurred net loss of ₱2,463.4 million for the year ended December 31, 2013, as compared to ₱49.8 million for the year ended December 31, 2012.

<u>Financial Condition and Balance Sheet</u>

There were certain significant changes in the consolidated balance sheet of the Group as of December 31, 2013 versus December 31, 2012:

(i) Upon the Lease Agreement becoming effective on March 13, 2013, the Group accounted for the lease of certain of the building structures as finance lease assets and obligation under finance lease (current and non-current) at a total amount of ₱11.8 billion. In addition, the Group also capitalized contract acquisition costs of ₱1.1 billion upon completion of the closing arrangement conditions as detailed in Note 10 to the consolidated financial statements for details.

(ii) Under the Provisional License granted by PAGCOR, it is a requirement that the Group should set up an escrow account with a maintaining balance of US$50.0 million until the completion of City of Dreams Manila. For details, please refer to Note 6 to the consolidated financial statements.

(iii) Reverse acquisition accounting upon completion of Asset Acquisition Transaction on March 20, 2013.

(iv) On April 8, 2013, MCP sold all of its treasury shares, representing 150,435,404 common shares to third parties at ₱14.20 per share.

(v) On April 24, 2013, MCP and MCE Investments completed the Placing and Subscription Transaction.

(vi) On May 23, 2013, the Stabilizing Agent exercised the Over-allotment Option and subscribed to 36,024,600 common shares of MCP with a par value of ₱1.00 per share, at the offer price of ₱14.00 per share.

(vii) On June 28, 2013, MCP granted to certain directors and employees of MCE and MCP and other eligible participants of the Share Incentive Plan of MCP (i) MCP Share Options to subscribe to a total of 120,826,336 common shares of ₱1.00 each of MCP Shares and (ii) MCP Restricted Shares in respect of a total of 60,413,167 MCP Shares pursuant to the Share Incentive Plan. The total number of underlying MCP shares related to the MCP Share Options and MCP Restricted Shares granted is 181,239,503 MCP shares. Please refer to Note 28 to the consolidated financial statements for details.

(viii) On July 31, 2013, MCE Leisure and Belle signed an addendum to the Lease Agreement to reduce the monthly rental payments with total discount for each twelve month rolling period, the first twelve month period beginning from March 1, 2013, shall be subject to a cap of the Philippine peso equivalent of US$1.0 million for each twelve month period.

The consolidated balance sheet of the Company as of December 31, 2013 with variance of plus or minus 5% against of December 31, 2012 (#) is discussed, as follows:

(in thousands of Philippine peso, except % change data)			VERTICAL		HORIZONTAL ANALYSIS	
	December 31		% to Total Assets		% of Change from Prior Period	
ASSETS	**2013**	2012	**2013**	2012	**Inc / (Dec)**	**2013**
Current assets						
Cash and cash equivalents	8,599,842	1,152,022	31%	92%	7,447,820	646%
Prepayments and other current assets	391,140	701	1%	0%	390,439	55697%
Amount due from a shareholder	5,425	-	0%	0%	5,425	N/A
Total current assets	8,996,407	1,152,723	32%	92%	7,843,684	680%
Noncurrent Assets						
Property and equipment	14,995,010	39,282	53%	3%	14,955,728	38073%
Contract acquisition costs	1,020,151	58,427	4%	5%	961,724	1646%
Other intangible assets	8,698	-	0%	0%	8,698	N/A
Other noncurrent assets	895,795	-	3%	0%	895,795	N/A
Restricted cash	2,226,674	-	8%	0%	2,226,674	N/A
Total noncurrent assets	19,146,328	97,709	68%	8%	19,048,619	19495%
Total assets	**28,142,735**	**1,250,432**	100%	100%	**26,892,303**	2151%
LIABILITIES AND EQUITY						
Current Liabilities						
Accrued expenses, other payables and other current liabilities	918,389	80,453	3%	6%	837,936	1042%
Current portion of obligations under finance lease	1,214,187	-	5%	0%	1,214,187	N/A
Amount due to ultimate holding company	107,787	90,434	0%	7%	17,353	19%
Amount due to immediate holding company	887,415	-	3%	0%	887,415	N/A
Amounts due to affiliated companies	353,591	21,903	1%	2%	331,688	1514%
Total current liabilities	3,481,369	192,790	12%	15%	3,288,579	1706%
Noncurrent Liabilities					-	
Noncurrent portion of obligations under finance lease	11,268,283	-	40%	0%	11,268,283	N/A
Deferred rent liability	59,392	-	0%	0%	59,392	N/A
Total noncurrent liabilities	11,327,675	-	40%	0%	11,327,675	N/A
Equity						
Capital stock	4,426,303	562,500	16%	45%	3,863,803	687%
Additional paid-in capital	14,756,430	92,679	53%	8%	14,663,751	15822%
Share-based compensation reserve	278,151	-	1%	0%	278,151	N/A
Equity reserve	(3,613,990)	740,763	-13%	59%	(4,354,753)	-588%
Accumulated deficits	(2,513,203)	(49,786)	-9%	-4%	(2,463,417)	4948%
Cost of treasury shares held	-	(288,514)	0%	-23%	288,514	-100%
Total equity	13,333,691	1,057,642	48%	85%	12,276,049	1161%
Total equity and liabilities	**28,142,735**	**1,250,432**	100%	100%	**26,892,303**	2151%

The financial information as of December 31, 2012 presented in the consolidated financial statements as of December 31, 2013 are retroactively adjusted to reflect the reverse acquisition accounting.

Current assets

Cash and cash equivalents increased by ₱7,447.8 million, which is the net result of the net proceeds from issuance of share capital (mainly the Placing and Subscription Transaction, Over-allotment Option and sales of 150,435,404 treasury shares), partially offset by the payments made for the capital and operating expenditures during the year presented.

Prepayments and other current assets increased by ₱390.4 million, which was primarily due to the increase in (i) input VAT mainly arising from the payments of constructions costs and rental expenses and (ii) current portion of prepaid rent.

Noncurrent assets

Property and equipment increased by ₱14,955.7 million, mainly due to the recognition of the leased building structures as finance lease assets of ₱11,820.4 million and additional capital expenditures mainly from construction in progress of ₱2,692.7 million incurred during the year ended December 31, 2013. The depreciation will commence when the assets are ready for their intended use.

Contract acquisition costs increased by ₱961.7 million net of amortization for the year ended December 31, 2013.

Other intangible assets represented the license fees incurred for right to use of certain trademarks for City of Dreams Manila.

Other noncurrent assets increased by ₱895.8 million primarily as a result of recognition of advance payment and deposit for property and equipment of ₱678.5 million, noncurrent portion of prepaid rent of ₱106.0 million and rental and security deposits of ₱90.3 million under the Lease Agreement.

Restricted cash increased by ₱2,226.7 million due to the escrow account as required under the Provisional License granted by PAGCOR.

Current liabilities

Accrued expenses, other payables and other current liabilities increased by ₱837.9 million which is mainly related to increase in accruals for fit-out construction costs by ₱701.1 million, increase in accruals for legal and other professional fees of ₱59.4 million as well as increase in accruals for staff costs of ₱44.0 million.

Current portion of obligations under finance lease comprised of the building lease portion as discussed above and the finance lease for information technology infrastructure service. It represented the lease payments that are due within one year.

Amounts due to affiliated companies, ultimate holding company and immediate holding company increased by ₱1,236.5 million, which primarily resulted from project management fee and payroll recharged from affiliates/holding companies as well as funds advance from MCE Investments during the year ended December 31, 2013. Please refer to Note 18 to the consolidated financial statements for nature and details of the related party transactions for the year ended December 31, 2013.

Noncurrent liabilities

Non-current portion of obligations under finance lease increased by ₱11,268.3 million. It represented the lease payments that are due more than one year.

Deferred rent liability represented the difference between the amount of effective rent on leased land recognized in the consolidated statement of comprehensive income and actual payment made during the year ended December 31, 2013. The amount is not expected to be reversed within one year.

Equity

Capital stock and additional paid-in capital increased by ₱3,863.8 million and ₱14,663.8 million, respectively, mainly in relation to the subscription of 2,846,595,000 shares by MCE Investments, sale of treasury shares, the completion of the Placing and Subscription Transaction of 981,183,700 common shares, followed by the exercise of the Over-allotment Option of 36,024,600 common shares.

Share-based compensation reserve increased by ₱278.2 million mainly due to the grant of Share Incentive Plan as mentioned in significant changes of financial condition above.

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

Accumulated deficits increased by ₱2,463.4 million to ₱2,513.2 million as of December 31, 2013 from ₱49.8 million as of December 31, 2012 which was solely due to the net loss recognized during the year.

Liquidity and Capital Resources

The table below shows the Group's consolidated cash flows for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012:

	For the Year Ended December 31, 2013	**For the Period from August 13, 2012 to December 31, 2012**	**% Change**
In thousands of Philippine peso, except % change data			
Net cash (used in)/provided by operating activities	**(771,474)**	1,472	-52510%
Cash used in investing activities	**(13,471,049)**	(1,664)	809458%
Net cash provided by financing activities	**21,689,092**	8,310	260900%
Effect of foreign exchange on cash and cash equivalents	**1,251**	39	3108%
Net increase in cash and cash equivalents	**7,447,820**	8,157	91206%
Cash and cash equivalents at beginning of year/period	**1,152,022**	1,143,865	1%
Cash and cash equivalents at end of year/period	**8,599,842**	1,152,022	646%

Cash and cash equivalents increased by 646% as of December 31, 2013 compared to December 31, 2012 mainly due to the net effect of the following:

- For the year ended December 31, 2013, the Group registered negative cash flow from operating activities of ₱771.5 million primarily due to a continuous development of City of Dreams Manila as discussed in the aforesaid sections.

- Cash used in investing activities amounted to ₱13,471.0 million for the year ended December 31, 2013 and which primarily includes: (i) cash used in reverse acquisition of ₱7,198.6 million as detailed in Notes 1(c) and 2 to the consolidated financial statements; (ii) increase in restricted cash of ₱2,226.7 million for escrow account as discussed in the foregoing; (iii) capital expenditure payments of ₱2,059.7 million; (iv) contract acquisition cost to Belle of ₱1,128.8 million as well; and (v) advance payment and deposit for acquisition of property and equipment of ₱678.7 million.

- Net cash provided by financing activities during the year mainly represented: (i) net proceeds from the issuance of share capital of ₱16,685.9 million; (ii) net proceeds from capital stock issuance of a legal subsidiary of ₱2,843.8 million; (iii) proceeds from the sale of treasury shares of ₱2,136.2 million; (iv) fund transfer from MCE Investments of ₱811.4 million; partially offset by (v) repayments of obligations under finance lease of ₱785.0 million.

The table below shows the Group's capital resources as of December 31, 2013 and 2012:

	As of December 31, 2013	**As of December 31, 2012**	**% Change**
In thousands of Philippine peso, except % change data			
Equity	**13,333,691**	1,057,642	1161%
Total Capital	**13,333,691**	1,057,642	1161%

Except for the obligations under finance lease, no other material noncurrent liability was incurred for the year ended December 31, 2013 and the period from August 13, 2012 to December 31, 2012. Total capital increased by 1,161% to ₱13,333.7 million as of December 31, 2013, from ₱1,057.6 million as of December 31, 2012. The increase was the result of (i) the increase in capital stock and additional paid-in capital of ₱18.8 billion upon the completion of the Share Subscription Transaction, the sales of treasury shares, the Placing and Subscription Transaction and the exercise of the Over-allotment Option as discussed above; (ii) recognition of share-based compensation of ₱278.2 million; partially offset by (iii) the net loss of ₱2,463.4 million during the year, and (iv) the net difference between the cost of MCP to acquire MCE Holdings Group and the legal capital of the latter at the date of the reverse acquisition plus the retained earnings of MCP as of December 19, 2012, the date when MCP was acquired by MCE.

Risks Related to Financial Instruments

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

The main risks arising from the Group's financial instruments as of and for year ended December 31, 2014 are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks. Refer to Note 25 to the consolidated financial statements for details.

Other Financing and Liquidity Matters

The Company 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 its operating cash flow to fund the further development of City of Dreams Manila. The Company is a growing company with significant financial needs. We expect to have significant capital expenditures in the future as we continue to develop City of Dreams Manila.

We have relied, and intend in the future to rely, on our operating cash 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 further development of City of Dreams Manila may be subject to further financing and a number of other factors, many of which are beyond our control. Our investment plans are 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, 2014, the Group have incurred construction and fixed asset costs of ₱33,253.0 million, including recognition of assets under the capital lease obligations. City of Dreams Manila's grand opening occurred on February 2, 2015.

As of December 31, 2014, we had capital commitments mainly for the fit-out construction costs of City of Dreams Manila totaling ₱3,367.3 million including advance payment for construction costs of ₱330.6 million. For further details on our commitments and contingencies, please refer to Note 24 to the audited consolidated financial statements included in this Information Statement.

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

Key Performance Indicators (KPIs)

For the three months ended March 31, 2015, we use the following KPIs to evaluate our casino operations, including table games and gaming machines:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

These performance indicators are not applicable for the three months ended March 31, 2014 when the Company and the Group had no commercial operations.

Operating Results for the Three Months Ended March 31, 2015 Compared to the Three Months ended March 31, 2014

(in thousands of Philippine peso, except % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	For the three months ended March 31,	For the three months ended March 31,	% to Revenues		% of Change from Prior Period	
	2015	2014	2015	2014	Inc / (Dec)	%
Net Operating Revenues						
Casino	1,951,520	-	83%	0%	1,951,520	N/A
Rooms	158,813	-	7%	0%	158,813	N/A
Food and beverage	165,371	-	7%	0%	165,371	N/A
Entertainment, retail and others	64,394	21,334	3%	100%	43,060	202%
Total net operating revenues	2,340,098	21,334	100%	100%	2,318,764	10869%
Operating costs and expenses						
Gaming tax and license fees	(578,998)	-	-25%	0%	(578,998)	N/A
Inventories consumed	(164,368)	-	-7%	0%	(164,368)	N/A
Employee benefit expenses	(1,107,022)	(278,267)	-47%	-1304%	(828,755)	298%
Depreciation and amortization	(951,792)	(20,071)	-41%	-94%	(931,721)	4642%
Other expenses	(1,809,473)	(153,977)	-77%	-722%	(1,655,496)	1075%
Payments to the Philippine Parties	(139,000)	-	-6%	0%	(139,000)	N/A
Total operating costs and expenses	(4,750,653)	(452,315)	-203%	-2120%	(4,298,338)	950%
Operating loss	(2,410,555)	(430,981)	-103%	-2020%	(1,979,574)	459%
Non-operating income (expenses)						
Interest income	4,169	16,543	0%	78%	(12,374)	-75%
Interest expenses, net of capitalized interest	(621,911)	(511,226)	-27%	-2396%	(110,685)	22%
Other finance costs	(11,958)	(8,854)	-1%	-42%	(3,104)	35%
Foreign exchange loss, net	(10,853)	(24,417)	0%	-113%	13,564	-56%
Amortization of deferred financing costs	(15,057)	(11,131)	-1%	-52%	(3,926)	35%
Total non-operating expenses, net	(655,610)	(539,085)	-28%	-2526%	(116,525)	22%
Net loss before income tax	(3,066,165)	(970,066)	-131%	-4547%	(2,096,099)	216%
Income tax expense	(23,729)	-	-1%	0%	(23,729)	N/A
Net loss	(3,089,894)	(970,066)	-132%	-4547%	(2,119,828)	219%
Other comprehensive income	-	-	0%	0%	-	N/A
Total comprehensive loss	(3,089,894)	(970,066)	-132%	-4547%	(2,119,828)	219%
Basic/diluted loss per share	(₱ 0.63)	(₱ 0.22)			(₱ 0.41)	186%

City of Dreams Manila had a soft opening on December 14, 2014 and a grand opening on February 2, 2015 and was in its development stage in the first quarter of 2014. As a result of the above, our financial data presented above may not be comparable period-to-period.

Consolidated comprehensive loss for the three months ended March 31, 2015 was ₱3,089.9 million, an increase of ₱2,119.8 million, or 219%, from ₱970.1 million for the three months ended March 31, 2014, which primarily related to gaming tax and license fees, inventories consumed, employee benefit expenses, depreciation and amortization, other expenses, payments to the Philippine Parties, as well as the interest expenses (net of capitalized interest), other finance costs, net foreign exchange loss and amortization of deferred financing cost as a result of continuous development of City of Dreams Manila, partially offset by operating revenues generated during the current quarter.

Revenues

Total net operating revenues were ₱2,340.1 million for the three months ended March 31, 2015, representing an increase of ₱2,318.8 million, from ₱21.3 million for the three months ended March 31, 2014. The increase in total net operating revenues was driven by the opening of the integrated casino resort in December 2014.

Total net operating revenues for the three months ended March 31, 2015 comprised of ₱1,951.5 million of casino revenues, representing 83% of total net operating revenues, and ₱388.6 million of non-casino revenues. Total net operating revenues for the three months ended March 31, 2014 of ₱21.3 million primarily represented the reimbursement for the share based compensation costs for certain MCP directors, based on the share incentive plan launched in June 2013, recharged to MCE.

Casino - Casino revenues for the three months ended March 31, 2015 were ₱1,951.5 million. Rolling chip volume for the three months ended March 31, 2015 was ₱8.2 billion. Rolling chip win rate (calculated before discounts and commissions) was negative 0.8%. In the mass market table games segment, mass market table games drop was ₱4.5 billion for the three months ended March 31, 2015. The mass market table games hold percentage was 25.2% for the three months ended March 31, 2015. Average number of table games and average number of gaming machines for the three months ended March 31, 2015 were 231 and 1,745, respectively. Average net win per table games per day and average net win per gaming machine per day for the three months ended March 31, 2015 were ₱55,123 and ₱6,448, respectively.

Rooms - Room revenues for the three months ended March 31, 2015 were ₱158.8 million, mainly from Crown Towers Hotel, Nobu Hotel and Hyatt City of Dreams Manila. City of Dreams Manila's average daily rate, occupancy rate and REVPAR were ₱10,063, 76.2% and ₱7,669, respectively.

Food, beverage and others - Other non-casino revenues for the three months ended March 31, 2015 included food and beverage revenues of ₱165.4 million and entertainment, retail and other revenues of ₱ 64.4 million. Prior period entertainment, retail and other revenues solely represented the reimbursement for the share based compensation costs for certain MCP directors recharged to MCE.

Operating costs and expenses

Total operating costs and expenses were ₱4,750.7 million for the three months ended March 31, 2015, representing an increase of ₱4,298.4 million, from ₱452.3 million for the three months ended March 31, 2014. The increase in operating costs was attributable to full quarter of resort operations since the opening in December 2014.

Gaming tax and license fees for the three months ended March 31, 2015 amounted to ₱579.0 million and represented a percentage of gross gaming revenues which are directly remitted to PAGCOR or the local government and the accrual of the tax true up which was not utilized.

Inventories consumed for the three months ended March 31, 2015 amounted to ₱164.4 million and represented the gaming playing cards and dice consumed, retail merchandise, food and beverage items and certain operating supplies consumed during the quarter.

Employee benefit expenses for the three months ended March 31, 2015 amounted to ₱1,107.0 million, as compared to ₱278.3 million for the three months ended March 31, 2014, which primarily consisted of basic salaries, allowances and bonus, consultancy fee in consideration for share awards, share-based compensation expenses, retirement costs – defined contribution plans and other employee benefit expenses. The increase was in line with the increase in headcount during the development stage towards the opening of the resort.

Depreciation and amortization for the three months ended March 31, 2015 of ₱951.8 million consisted of depreciation for property and equipment of ₱938.6 million, amortization of contract acquisition costs of ₱13.0 million, and amortization of license fees of ₱0.2 million, as compared to depreciation for property and equipment of ₱7.0 million and amortization of contract acquisition costs of ₱13.0 million, for the three months ended March 31, 2014. The increase was primarily due to more property and equipment being put into use upon opening in December 2014 and the grand opening in February 2015.

Other expenses for the three months ended March 31, 2015 amounted to ₱1,809.5 million, as compared to ₱154.0 million for the three months ended March 31, 2014, primarily consisted of rental expenses, management fee expenses, facilities expenses, supplies expenses, advertising, marketing, promotional and entertainment expenses, legal and other professional fees, taxes and licenses, other gaming operations expenses, office and administration expenses and other operating expenses. The increase was primarily attributable to (i) ₱145.1 million higher management fee expenses during the three months ended March 31, 2015 mainly as a result of a MCE payroll and operating expense recharges during the first quarter of 2015; (ii) ₱196.2 million higher facilities expenses mainly for normal maintenance costs and utilities expenses incurred for the resort operation; (iii) ₱100.4 million higher supplies expenses mainly for general supplies for the resort; (iv) ₱899.9 million higher advertising, marketing, promotional and entertainment expenses mainly due to a short film aired during this quarter as well as the grand openings events costs; (v) others of ₱313.9 million represents general operating costs which was in-line with the active development of City of Dreams Manila.

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

Non-operating expenses, net

Interest income of ₱4.2 million for the three months ended March 31, 2015, as compared to ₱16.5 million for the three months ended March 31, 2014, represented the bank interest income mainly generated from net proceeds from the short-term fixed deposits. The decrease was due to less deposits being placed at the bank during the period.

Interest expenses (net of capitalized interest), mainly represented the interest expenses on Senior Notes and obligations under finance lease in relation to the Lease Agreement of the building with Belle, amounted to ₱621.9 million for the three months ended March 31, 2015 as compared to ₱511.2 million for the three months ended March 31, 2014. The increase was primarily due to the full quarter recognition of interest expense on Senior Notes issued on January 24, 2014 when compared to the same quarter last period and a lower of interest capitalization of ₱69.6 million as compared to ₱110.4 million for the three months ended March 31, 2014 as the project is move to completion during the quarter.

Other finance costs amounted to ₱12.0 million and ₱8.9 million for the three months ended March 31, 2015 and 2014 respectively, representing the gross receipt tax in relation to the interest payment of Senior Notes issued in January 2014.

Foreign exchange loss – net of ₱10.9 million for the three months ended March 31, 2015 mainly due to the translation of foreign currency denominated bank balances and payables at the period end closing rate. Because Philippine Peso fluctuated against H.K. Dollar and U.S. Dollar during the three months ended March 31, 2015, foreign exchange loss decreased by ₱13.5 million from ₱24.4 million for the three months ended March 31, 2015 as a result of the foreign exchange revaluation on foreign currencies payables/USD denominated bank accounts during the period.

Amortization of deferred financing costs amounted to ₱15.1 million and ₱11.1 million for the three months ended March 31, 2015 and 2014, respectively, representing amortization of deferred financing costs capitalized for the Senior Notes which is effective from January 2014.

Income tax expense

The provision for current income tax for the three months ended March 31, 2015 represents tax expenses as result of reversal of previously recognized deferred tax assets for the period. Please refer to Note 18 to the unaudited condensed consolidated financial statements for the nature and details of the provision for income tax for the three months ended March 31, 2015.

Net loss

As a result of the foregoing, the Group incurred net loss of ₱3,089.9 million for the three months ended March 31, 2015, as compared to ₱970.1 million for the three months ended March 31, 2014.

Adjusted Property EBITDA

Adjusted Property EBITDA is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, pre-opening costs, share-based compensation expenses, corporate and other expenses and other non-operating income and expenses. Adjusted Property EBITDA were ₱125.0 million and ₱15.5 million for the three months ended March 31, 2015 and 2014, respectively.

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

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

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

Financial Condition and Balance Sheet

The consolidated balance sheet of the Group as of March 31, 2015 with variance of plus or minus 5% against of December 31, 2014 is discussed, as follows:

(in thousands of Philippine peso, except % change data)			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	
	March 31,	December 31,	% to Total Assets		% of Change from Prior Period	
ASSETS	**2015**	**2014**	**2015**	2014	**Inc / (Dec)**	**%**
Current assets						
Cash and cash equivalents	6,277,844	7,651,187	13%	16%	(1,373,343)	-18%
Restricted Cash	2,239,800	2,230,850	5%	5%	8,950	0%
Accounts receivable	147,237	24,719	0%	0%	122,518	496%
Inventories	219,436	194,609	0%	0%	24,827	13%
Prepayments and other current assets	215,625	184,957	0%	0%	30,668	17%
Amount due from a shareholder	5,425	5,425	0%	0%	-	0%
Total current assets	9,105,367	10,291,747	19%	22%	(1,186,380)	-12%
Noncurrent assets						
Property and equipment, net	35,172,181	32,830,332	74%	69%	2,341,849	7%
Contract acquisition costs, net	955,035	968,058	2%	2%	(13,023)	-1%
Other intangible assets, net	8,480	8,698	0%	0%	(218)	-3%
Other noncurrent assets	2,594,211	3,624,180	5%	8%	(1,029,969)	-28%
Deferred tax asset	349	23,729	0%	0%	(23,380)	-99%
Total noncurrent assets	38,730,256	37,454,997	81%	78%	1,275,259	3%
Total assets	**47,835,623**	**47,746,744**	100%	100%	88,879	0%
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	126,762	160,219	0%	0%	(33,457)	-21%
Accrued expenses, other payables and other current liabilities	6,833,374	4,631,506	14%	10%	2,201,868	48%
Current portion of obligations under finance lease	1,151,256	1,041,760	2%	2%	109,496	11%
Amount due to ultimate holding company	67,417	58,363	0%	0%	9,054	16%
Amount due to immediate holding company	-	889,239	0%	2%	(889,239)	-100%
Amounts due to affiliated companies	614,326	834,384	1%	2%	(220,058)	-26%
Income tax payable	4,231	3,882	0%	0%	349	9%
Total current liabilities	8,797,366	7,619,353	18%	16%	1,178,013	15%
Noncurrent liabilities						
Long-term debt, net	14,735,581	14,720,524	31%	31%	15,057	0%
Noncurrent portion of obligations under finance lease	12,447,764	12,378,968	26%	26%	68,796	1%
Amount due to immediate holding company	892,819	-	2%	0%	892,819	N/A
Amounts due to affiliated companies	915,253	-	2%	0%	915,253	N/A
Deferred rent liability	135,764	122,131	0%	0%	13,633	11%
Other non-current liabilities	47,288	18,357	0%	0%	28,931	158%
Total noncurrent liabilities	29,174,469	27,239,980	61%	57%	1,934,489	7%
Equity						
Capital stock	4,928,973	4,911,480	10%	10%	17,493	0%
Additional paid-in capital	19,774,857	19,647,157	41%	41%	127,700	1%
Share-based compensation reserve	680,326	759,248	1%	2%	(78,922)	-10%
Equity reserve	(3,613,990)	(3,613,990)	-8%	-8%	-	0%
Accumulated deficits	(11,906,378)	(8,816,484)	-25%	-18%	(3,089,894)	35%
Total equity	9,863,788	12,887,411	21%	27%	(3,023,623)	-23%
Total equity and liabilities	**47,835,623**	**47,746,744**	100%	100%	88,879	0%

Current assets

Cash and cash equivalents decreased by ₱1,373.3 million, which is the net result of the payments made for the capital and operating expenditures during the period presented. Please see below "Liquidity and Capital Resources" for cash flow analysis for the three months ended March 31, 2015.

Restricted cash – increased by ₱9.0 million, which resulted from the depreciation of the Philippine Peso against the U.S. Dollar. Therefore, there is a need to deposit additional Philippine Peso to fulfill the US$50 million minimum requirement on the escrow account as required under the Provisional License granted by PAGCOR.

Accounts receivable increased by ₱122.5 million, which is mainly attributable to casino, hotel and F&B receivables, which is in-line upon commencement of operations.

Inventories increased by ₱ 24.8 million, which mainly consisted of gaming inventories, retail merchandise, food and beverage items and certain operating supplies, which was in-line with the increased business volumes upon resort opening.

Prepayments and other current assets increased by ₱30.7 million, which was primarily due to (i) increase in prepaid general supplies and consumables of ₱21.7 million; (ii) rental receivable from retail and F&B tenants of ₱6.2 million; (iii) increase in refundable deposits of ₱2.7 million. The overall increase is in-line upon commencement of operations.

Noncurrent assets

Property and equipment increased by ₱ 2,341.9 million, mainly due to the additional capital expenditures in construction in progress of ₱1,364.2 million and recognition of operating equipment of ₱1,919.8 million incurred during the three months ended March 31, 2015, which were partially offset by the depreciation of ₱942.1 million for these operating equipment during the quarter. During the three months ended March 31, 2015, construction in progress of ₱4,931.8 million was transferred to operating equipment.

Contract acquisition costs decreased by ₱13.0 million, mainly due to the amortization for the three months ended March 31, 2015.

Other intangible assets represent the license fees incurred for the right to the use of certain third party trademarks for City of Dreams Manila. The balance slightly decreased by ₱0.2 million during the quarter as a result of amortization on a straight line basis over the license term of 5 years from February 14, 2015, the opening date of the attraction.

Other noncurrent assets decreased by ₱1,030.0 million primarily due to (i) the decrease of advance payment and deposit for property and equipment of ₱1,279.5 million as a result of capitalization of those costs to property and equipment during the quarter; partially offset by (ii) further recognition of input VAT of ₱190.4 million during the three months ended March 31, 2015 and (iii) increase in security and rental deposits and other non-current assets and deposits as well as noncurrent portion of prepaid rent of ₱59.1 million.

Current liabilities

Accounts payable of ₱126.8 million represented the payables to suppliers with products and services such as playing cards and marketing.

Accrued expenses, other payables and other current liabilities increased by ₱2,201.9 million, which is mainly related to increase in (i) accruals for fit-out construction costs by ₱341.4 million; (ii) advertising, marketing, promotional and entertainment events expenses of ₱142.7 million; (iii) restricted cash refundable to the Philippine Parties of ₱1,104.0 million; (iv) customer deposits of ₱196.4 million; (v) accruals for staff costs of ₱111.2 million; (vi) gaming tax and license fees of ₱317.4 million; (vii) withholding tax payable of ₱13.7 million; (viii) payments to the Philippine Parties of ₱45.6 million, as well as a (ix) net increase in others of ₱117.0 million, which was partially offset by (x) the decrease in interest expenses payable of ₱187.5 million as a result of semi-annual interest payments made on the Senior Notes in February 2015.

Current portion of obligations under finance lease comprised of the building lease portion. It represented the lease payments that are due within one (1) year. The increase during the period was mainly due to (i) the finance lease charges of ₱388.4 million recognized during the quarter, partially offset by (ii) the lease payments made amounting to ₱278.9 million during the quarter.

Amounts due to affiliated companies, ultimate holding company and immediate holding company decreased by ₱1,100.2 million, which primarily resulted from the share based compensation costs of ₱17.5 million for MCP directors recharged to MCE for the current quarter and the reclassification of ₱1,808.1 million from current to non-current portion; which was partially offset by the management fee/payroll/expenses recharged from affiliates/holding companies, net with settlements, of ₱725.4 million during the three months ended March 2015. Please refer to Note 16 to the unaudited condensed consolidated financial statements for the nature and details of the related party transactions for the three months ended March 31, 2015.

Noncurrent liabilities

Long-term debt of ₱14.7 billion represent the Senior Notes which will mature in 2019 and priced at par of 100% of the principal amount of ₱15.0 billion, net with ₱264.4 million unamortized deferred financing costs, and offered to certain primary institutional lenders as noteholders through a private placement in the Philippines, issued on January 24, 2014. The increase during the quarter solely represented the amortization of deferred financing costs of ₱15.1 million for the period.

Non-current portion of obligations under finance lease increased by ₱68.8 million. It represented the lease payments that are due more than one (1) year.

Deferred rent liability represented the difference between the amount of effective rent on leased land recognized in the consolidated statement of comprehensive income and actual payment made. The amount is not expected to be reversed within one (1) year.

Amounts due to immediate holding company and affiliated companies increased by ₱1,808.1 million, which primarily resulted from the reclassification of ₱1,808.1 million from current to non-current portion as mentioned above.

Other non-current liability represented the retail tenants' deposits and other payables which are due more than one (1) year.

Equity

Capital stock and additional paid-in capital increased by ₱17.5 million and ₱127.7 million, respectively, as of March 31, 2015 as compared to December 31, 2014, which was mainly due to 17,493,160 number of restricted shares vested in March 2015.

Share-based compensation reserve decreased by ₱78.9 million mainly due to the transfer of ₱145.2 million to capital stock/additional paid-in capital as a result of 17,493,160 number of restricted shared vested mentioned above; partially offset by the recognition of share-based payments of ₱66.3 million during the three months ended March 31, 2015.

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

Deficit increased by ₱3,089.9 million to ₱11,906.4 million as of March 31, 2015, from ₱8,816.5 million as of December 31, 2014, which was solely due to the net loss recognized during the three months ended March 31, 2015.

Liquidity and Capital Resources

The table below shows the Group's consolidated cash flows for the three months ended March 31, 2015 and for the three months ended March 31, 2014:

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014	% Change
In thousands of Philippine peso, except % change data			
Net cash provided by (used in) operating activities	**35,980**	(491,365)	-107%
Net cash used in investing activities	**(587,918)**	(2,307,303)	-75%
Net cash (used in) provided by financing activities	**(828,435)**	14,441,948	-106%
Effect of foreign exchange on cash and cash equivalents	**7,030**	(47,441)	-115%
Net (decrease) increase in cash and cash equivalents	**(1,373,343)**	11,595,839	-112%
Cash and cash equivalents at beginning of period	**7,651,187**	8,599,842	-11%
Cash and cash equivalents at end of period	**6,277,844**	20,195,681	-69%

Cash and cash equivalents decreased by 18% as of March 31, 2015 compared to December 31, 2014 mainly due to the net effect of the following:

- For the three months ended March 31, 2015, the Group recorded cash flow from operating activities of ₱36.0 million primarily attributable to the full quarter of operating performance at City of Dreams Manila as discussed in the aforesaid sections.

- Net cash used in investing activities amounted to ₱587.9 million for the three months ended March 31, 2015, which primarily includes: (i) capital expenditure payments of ₱1,612.1 million; (ii) advance payment and deposit for acquisition of property and equipment of ₱4.3 million; (iii) increase in restricted cash of ₱9.0 million as discussed in the foregoing; partially offset by (iv) share of restricted cash by the Philippine Parties of ₱1,103.9 million in accordance with the cooperation agreement, which allowed MCP to withdraw US$25 million from the escrow account for its free use.

- Net cash provided used in financing activities for the three months ended March 31, 2015 mainly represented: (i) repayments of obligations under the finance lease of ₱335.8 million and (ii) interest and other finance fee payments for the Senior Notes of ₱492.7 million.

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

	As of March 31, 2015	As of December 31, 2014	% Change
In thousands of Philippine peso, except % change data			
Long-term debt	14,735,581	14,720,524	**0.1%**
Equity	9,863,788	12,887,411	**-23%**
	24,599,369	27,607,935	**-11%**

Total long-term debt and equity decreased by 11% to ₱24,599.4 million as of March 31, 2015, from ₱27,607.9 million as of December 31, 2014. The decrease was mainly due to (i) the net loss of ₱3,089.9 million during the three months ended March 31, 2015; partially offset by (ii) the recognition of share-based compensation reserve of ₱66.3 million and (iii) the amortization of deferred financing costs of ₱15.1 million.

<u>Risks Related to Financial Instruments</u>

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

The main risks arising from the Group's financial instruments as of and for three months ended March 31, 2015 are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks. Refer to Note 23 to the unaudited condensed consolidated financial statements for details.

Other Financing and Liquidity Matters

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

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

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

As of March 31, 2015, MCP has incurred construction and fixed asset costs of ₱36,378.0 million, including recognition of assets under the capital lease obligations. City of Dreams Manila's grand opening occurred on February 2, 2015.

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

As of March 31, 2015, we had capital commitments contracted for, but not provided, mainly for the fit-out construction costs of City of Dreams Manila totaling ₱1,658.1 million, including advance payments for construction costs of ₱91.4 million. For further details of our commitments and contingencies, please refer to Note 22 to the unaudited condensed consolidated financial statements included in this quarterly report.

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

4. Business Development and Corporate History

The Company was incorporated and registered as Interphil Laboratories, Inc. with the SEC on November 6, 1974.

The name of Interphil Laboratories, Inc. was changed to Manchester International Holdings Unlimited Corporation on July 10, 2008, and approved by the SEC on November 21, 2008.

On December 7, 2012, MCE, through its wholly-owned indirect subsidiaries, MCE Investments and MCE Investments No.2 entered into an acquisition agreement (the "**Acquisition Agreement**") with the then major shareholders of MCP, Interpharma Holdings & Management Corporation ("**Interpharma**") and Pharma Industries Holdings Limited ("**PIHL**") (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 "**Acquisition**").

Simultaneously with the execution of the Acquisition Agreement on December 7, 2012, MCP entered into i) a deed of assignment with Interpharma in respect of the sale of its ownership interest in its then wholly-owned subsidiary, Interphil and ii) a deed of assignment with Mercator Holdings and Management Corporation, in respect of the sale of its ownership interest in its then wholly-owned subsidiary, Lancashire.

The Acquisition was completed on December 19, 2012, MCE, through MCE Investments No.2 and MCE Investments, acquired 255,270,156 Class A shares (61.95%) and 128,211,204 Class B shares (31.11%) in MCP, respectively, in aggregate representing 93.06% equity shares of MCP from the Selling Shareholders (the "**Acquisition Transaction**").

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

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

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

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

On April 24, 2013, MCP and MCE Investments completed a Placing and Subscription Transaction for the Offer, under which MCE Investments offered and sold in a private placement to various institutional investors 981,183,700 common shares of MCP with a par value of ₱1.00 per share, at the offer price of ₱14.00 per share with an Over-allotment Option of up to 117,075,000 common shares of MCP with a par value of ₱1.00 per share, at the offer price of ₱14.00 per share granted to a Stabilizing Agent.

On May 23, 2013, the Stabilizing Agent exercised the Over-allotment Option and subscribed to 36,024,600 common shares of MCP. MCE Investments then used the proceeds from the Offer and Over-allotment Option to subscribe to an equivalent number of common shares in MCP at the subscription price of ₱14.00 per share.

On June 27, 2013, the Board of Directors of MCP approved the subscription of 40,000,000 common shares of the unissued capital stock of its wholly-owned subsidiary, MCE Holdings, with a par value of ₱1.00 per share, at a total subscription price of ₱9.5 billion.

On June 24, 2014, MCP and MCE Investments completed the 2014 Placing and Subscription Transaction, whereby MCE Investments sold 485,177,000 shares of MCP with a par value of ₱1.00 per share, for the 2014 Offer, in a private placement to various institutional investors.

As of December 31, 2014, MCE, through MCE Investments and MCE Investments No.2, held an indirect ownership in MCP of 68.83%.

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

Bankruptcy, Receivership or Similar Proceedings

None for any of the companies above.

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

None for any of the companies above.

Basis of Preparation of Financial and Non-financial Information

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

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

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

Market Information. All of the Company's issued shares are listed and traded in the PSE. The following table indicates the high and low trading prices of the Company's shares in the PSE for the fiscal year 2013, 2014 and first quarter of 2015.

		HIGH	LOW
2015			
	First Quarter	13.40	8.70
		HIGH	**LOW**
2014			
	First Quarter	14.46	12.30
	Second Quarter	13.90	10.94
	Third Quarter	13.30	11.02
	Fourth Quarter	15.20	12.20
2013			
	First Quarter	18.00	12.00
	Second Quarter	17.00	7.60
	Third Quarter	11.94	7.50
	Fourth Quarter	14.46	9.90

Shareholders. The Company has a single class of common shares. As of March 31, 2015:

(a) the percentage ownership of stockholders of record of the total outstanding shares of the Company was 6.03% Filipino and 93.97% Foreign;

(b) the number of shares outstanding of the Company is 4,928,973,460; and

(c) the number of shareholders of the Company is 434.

The following are the Company's top 20 shareholders as of March 31, 2015:

	NAME	NO. OF SHARES HELD	% TO TOTAL OUTSTANDING SHARES
1	MCE (Philippines) Investments Limited	2,721,500,096*	55.21%
2	PCD Nominee Corporation (Non-Filipino)	1,736,607,438	35.23%
3	PCD Nominee Corporation (Filipino)	253,670,983	05.15%
4	MCE (Philippines) Investments No.2 Corporation	173,836,868	03.53%
5	F. Yap Securities, Inc.	36,000,000	00.73%
6	MCP SIP – Various Employees	2,601,213	00.05%
7	Jose Cuisia	187,500	00.00%
8	Victor Sy	187,500	00.00%
9	Lumen Tiaoqui	150,000	00.00%
10	Leonardo Chua Lian	150,000	00.00%
11	Josephine T. Willer	118,750	00.00%
12	Alexander S. Araneta	116,250	00.00%
13	Jose Marcel Enriquez Panlilio	112,500	00.00%
14	Bernard Ong and/or Conchita Ong	100,000	00.00%
15	Elena B. Alikpala	82,500	00.00%
16	Rosa T. Cabrera	75,000	00.00%
17	Wilson Lim and/or Jusy Lim	75,000	00.00%
18	Rafael Uyguanco	75,000	00.00%
19	Ramon Cojuangco, Jr.	71,250	00.00%
20	Mario C. Tan	67,500	00.00%
	TOTAL	**4,925,785,348**	**99.93%**

*Does not include the 485,177,000 shares lodged with the Philippine Depository and Trust Corporation.

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

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

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

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

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

On June 21, 2013, MCP's shareholders approved the amendment of the Share Incentive Plan made in order to comply with the relevant provisions of HKLR since MCE, an affiliate of the Company, is listed on SEHK. The amendments include, but not limited to, additional provisions for compliance with HKLR requirements (i) when awards are granted to "connected persons" (as such term is defined under HKLR); and (ii) on restriction on timing of grant of awards. On June 24, 2013, additional 44,214,138 common shares were granted exemption from registration by the SEC under Section 10.2 of the SRC.

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

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

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

6. Discussion on Compliance with Leading Practice on Corporate Governance

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

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

7. Undertaking to Provide Annual Report

The Company undertakes to provide each stockholder, without charge, with a copy of its Annual Report upon written request to the Company addressed to the attention of Marissa Tomacruz-Academia, Corporate Secretary, 9/F Mall of Asia Arena Annex Building (SM MAAX), Coral Way cor. J.W. Diokno Boulevard, Mall of Asia Complex, Pasay City 1300.

PART II

PROXY

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

(CORPORATE STOCKHOLDERS)

______________________________ (the "**Principal**") hereby nominates, constitutes, and appoints ______________________________ (the "**Proxy**") as proxy to represent the Principal and vote _____________ common shares of the capital stock of MELCO CROWN (PHILIPPINES) RESORTS CORPORATION (the "**Corporation**") at the Annual Stockholders' Meeting on May 18, 2015 at 1:20 pm at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines, at which meeting the following matters shall be taken up:

1. Call to Order
2. Certification of the Existence of Quorum and the Sending of Notices
3. Approval of the Minutes of the Last Annual Stockholders' Meeting Held on May 19, 2014
4. Report of the Chairman and President
5. Approval of the Audited Financial Statements of the Corporation for the Year Ended December 31, 2014
6. Election of the Members of the Board of Directors
7. Appointment of External Auditor
8. Approval of the Further Amendment to the Amended Articles of Incorporation of the Corporation
9. Approval of the Amendment of the Share Incentive Plan of the Corporation
10. Ratification of Actions Taken by the Board of Directors and Officers since the Last Annual Stockholders' Meeting Held on May 19, 2014
11. Other Matters that May Properly be Brought Before the Stockholders
12. Adjournment

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

____
NAME OF CORPORATE STOCKHOLDER

By: ____________________________________
Name:
Position:

PROXY

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

(INDIVIDUAL STOCKHOLDER)

I, ____________________________, of legal age, and with address at ____, being a stockholder of ________________ common shares (the "**Shares**") of the capital stock of MELCO CROWN (PHILIPPINES) RESORTS CORPORATION (the "**Corporation**"), do hereby name and appoint ____________________________ as my proxy for the Shares, to represent me at the Annual Stockholders' Meeting on May 18, 2015 at 1:20 pm at City of Dreams Manila, Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City, 1701 Philippines, at which meeting the following matters shall be taken up:

1. Call to Order
2. Certification of the Existence of Quorum and the Sending of Notices
3. Approval of the Minutes of the Last Annual Stockholders' Meeting Held on May 19, 2014
4. Report of the Chairman and President
5. Approval of the Audited Financial Statements of the Corporation for the Year Ended December 31, 2014
6. Election of the Members of the Board of Directors
7. Appointment of External Auditor
8. Approval of the Further Amendment to the Amended Articles of Incorporation of the Corporation
9. Approval of the Amendment of the Share Incentive Plan of the Corporation
10. Ratification of Actions Taken by the Board of Directors and Officers since the Last Annual Stockholders' Meeting Held on May 19, 2014
11. Other Matters that May Properly be Brought Before the Stockholders
12. Adjournment

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

Signed on ______________.

____
SIGNATURE OF STOCKHOLDER
OVER PRINTED NAME

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasay City on May 8, 2015.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

By:

MARISSA T. ACADEMIA
Corporate Secretary

APPENDIX I

Melco Crown (Philippines) Resorts Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and For The Years Ended December 31, 2014 and 2013
and For the Period from August 13, 2012 to December 31, 2012

and

Independent Auditors' Report

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

5 8 6 4 8

Company Name

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

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

ASEANA BOULEVARD COR. ROXAS BOULEVARD, BRGY. TAMBO, PARAÑAQUE CITY 1701

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	866-9888	

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

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marissa T. Academia	**aissatacademia@cod-manila.com**	**866-8819**	**(0917) 808-4270**

Contact Person's Address

9/F, Mall of Asia Annex Arena Bldg., (SM MAAX), Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Pasay City 1300

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The management of Melco Crown (Philippines) Resorts Corporation is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2014. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, Management is responsible for all the information and representations contained in all the other tax returns filed for the reporting period including, but not limited to, the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns and any and all other tax returns.

In this regard, Management affirms that the attached audited financial statements for the year ended December 31, 2014 and the accompanying Annual Income Tax Return are in accordance with the books and records of Melco Crown (Philippines) Resorts Corporation, and are complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of the financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 08-2007 and other relevant issuances;

(c) Melco Crown (Philippines) Resorts Corporation has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

CLARENCE YUK MAN CHUNG
President & Chairman

ADRIAN HSEN BIN AU
Treasurer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 10 2015 SDS
RECEIVED
ELMER B. TANAY

Signed this 8th day of April 2015

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing and, in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

CLARENCE YUK MAN CHUNG
President & Chairman

ADRIAN HSEN BIN AU
Treasurer

Signed this 8th day of April 2015

Subscribed and Sworn to before me this APR 10 2015
Affiant exhibit to me his/her CTC No. ______
Issued on / at ______

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 10 2015 SDS
RECEIVED
ELMER R. TAMAY

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BOOK NO.
SERIES OF 2015

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
COMMISSION EXPIRES DEC. 31, 2015
PTR NO. 0560688 1/05/2015, Q.C.
ROLL OF ATTORNEY NO. 25103

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Melco Crown (Philippines) Resorts Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Melco Crown (Philippines) Resorts Corporation and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-1 (Group A),
March 4, 2014, valid until March 3, 2017
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2014,
January 22, 2014, valid until January 21, 2017
PTR No. 4751294, January 5, 2015, Makati City

April 8, 2015

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(In thousands of Philippine peso, except share and per share data)

	December 31, 2014 (Note 2)	December 31, 2013 (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 25 and 26)	**₱7,651,187**	₱8,599,842
Restricted cash (Notes 6, 25 and 26)	**2,230,850**	–
Accounts receivable (Notes 7, 25 and 26)	**24,719**	–
Inventories	**194,609**	–
Prepayments and other current assets (Note 8)	**184,957**	391,140
Amount due from a shareholder (Notes 18, 25 and 26)	**5,425**	5,425
Total Current Assets	**10,291,747**	8,996,407
Noncurrent Assets		
Property and equipment (Note 9)	**32,830,332**	14,995,010
Contract acquisition costs (Note 10)	**968,058**	1,020,151
Other intangible assets (Note 11)	**8,698**	8,698
Other noncurrent assets (Note 12)	**3,624,180**	895,795
Restricted cash (Notes 6, 25 and 26)	**–**	2,226,674
Deferred tax asset (Note 20)	**23,729**	–
Total Noncurrent Assets	**37,454,997**	19,146,328
	₱47,746,744	₱28,142,735
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (Notes 25 and 26)	**₱160,219**	₱–
Accrued expenses, other payables and other current liabilities (Notes 13, 25 and 26)	**4,631,506**	918,389
Current portion of obligations under finance lease (Notes 21, 25 and 26)	**1,041,760**	1,214,187
Amount due to ultimate holding company (Notes 18, 25 and 26)	**58,363**	107,787
Amount due to immediate holding company (Notes 18, 25 and 26)	**889,239**	887,415
Amounts due to affiliated companies (Notes 18, 25 and 26)	**834,384**	353,591
Income tax payable (Note 20)	**3,882**	–
Total Current Liabilities	**7,619,353**	3,481,369
Noncurrent Liabilities		
Long-term debt (Notes 22, 25 and 26)	**14,720,524**	–
Noncurrent portion of obligations under finance lease (Notes 21, 25 and 26)	**12,378,968**	11,268,283
Deferred rent liability	**122,131**	59,392
Other noncurrent liabilities	**18,357**	–
Total Noncurrent Liabilities	**27,239,980**	11,327,675
Equity		
Capital stock (Note 14)	**4,911,480**	4,426,303
Additional paid-in capital	**19,647,157**	14,756,430
Share-based compensation reserve	**759,248**	278,151
Equity reserve (Notes 2 and 14)	**(3,613,990)**	(3,613,990)
Accumulated deficits	**(8,816,484)**	(2,513,203)
Total Equity	**12,887,411**	13,333,691
	₱47,746,744	₱28,142,735

See accompanying Notes to Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 AND
FOR THE PERIOD FROM AUGUST 13, 2012 TO DECEMBER 31, 2012
(In thousands of Philippine peso, except share and per share data)

	Year Ended December 31, 2014 (Note 2)	Year Ended December 31, 2013 (Note 2)	Period from August 13, 2012 to December 31, 2012 (Note 2)
NET OPERATING REVENUES			
Casino	**₱299,991**	₱–	₱–
Rooms	**7,317**	–	–
Food and beverage	**26,154**	–	–
Entertainment, retail and others	**96,756**	52,952	–
Total Net Operating Revenues	**430,218**	52,952	–
OPERATING COSTS AND EXPENSES			
Gaming tax and license fees	**(64,077)**	–	–
Inventories consumed	**(27,918)**	–	–
Employee benefit expenses (Note 15)	**(2,796,583)**	(460,965)	–
Depreciation and amortization	**(285,731)**	(51,520)	–
Other expenses (Note 16)	**(1,448,147)**	(644,861)	(49,471)
Payments to the Philippine Parties	**(38,809)**	–	–
Total Operating Costs and Expenses (Note 17)	**(4,661,265)**	(1,157,346)	(49,471)
OPERATING LOSS	**(4,231,047)**	(1,104,394)	(49,471)
NON-OPERATING INCOME (EXPENSES)			
Interest income	**42,887**	54,506	112
Interest expenses, net of capitalized interest	**(1,915,097)**	(1,316,877)	–
Other finance fees	**(44,776)**	–	–
Foreign exchange loss, net	**(101,013)**	(112,195)	(427)
Amortization of deferred financing costs	**(54,235)**	–	–
Other income	**–**	15,543	–
Total Non-operating Expenses, Net	**(2,072,234)**	(1,359,023)	(315)
NET LOSS	**(6,303,281)**	(2,463,417)	(49,786)
OTHER COMPREHENSIVE INCOME	**–**	–	–
TOTAL COMPREHENSIVE LOSS	**(₱6,303,281)**	(₱2,463,417)	(₱49,786)
Basic/Diluted Loss Per Share (Note 19)	**(₱1.35)**	(₱0.74)	(₱0.12)

See accompanying Notes to Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 AND
FOR THE PERIOD FROM AUGUST 13, 2012 TO DECEMBER 31, 2012
(In thousands of Philippine peso, except share and per share data)

	Capital Stock (Note 14)								**Cost of Treasury Shares**	
	Class A	**Class B**	**Common Stock**	**Subtotal Capital Stock**	**Additional Paid-in Capital**	**Share-based Compensation Reserve**	**Equity Reserve** (Note 14)	**Accumulated Deficits**	**Held** (Note 14)	**Total**
Balance as of January 1, 2014	**₱–**	**₱–**	**₱4,426,303**	**₱4,426,303**	**₱14,756,430**	**₱278,151**	**(₱3,613,990)**	**(₱2,513,203)**	**₱–**	**₱13,333,691**
Net loss	–	–	–	–	–	–	–	**(6,303,281)**	–	**(6,303,281)**
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	**(6,303,281)**	–	**(6,303,281)**
Shares issued, net of offering expenses (Note 14)	–	–	**485,177**	**485,177**	**4,890,727**	–	–	–	–	**5,375,904**
Share-based compensation (Note 28)	–	–	–	–	–	**481,097**	–	–	–	**481,097**
Balance as of December 31, 2014	**₱–**	**₱–**	**₱4,911,480**	**₱4,911,480**	**₱19,647,157**	**₱759,248**	**(₱3,613,990)**	**(₱8,816,484)**	**₱–**	**₱12,887,411**
Balance as of January 1, 2013	₱337,500	₱225,000	₱–	₱562,500	₱92,679	₱–	₱740,763	(₱49,786)	(₱288,514)	₱1,057,642
Net loss	–	–	–	–	–	–	–	(2,463,417)	–	(2,463,417)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	(2,463,417)	–	(2,463,417)
Declassification of Class A shares and Class B shares (Note 14)	(337,500)	(225,000)	562,500	–	–	–	–	–	–	–
Shares issued, net of offering expenses (Note 14)	–	–	3,863,803	3,863,803	12,816,082	–	–	–	–	16,679,885
Sale of treasury shares (Note 14)	–	–	–	–	1,847,669	–	–	–	288,514	2,136,183
Share-based compensation (Note 28)	–	–	–	–	–	278,151	–	–	–	278,151
Movement of equity reserve (Note 2)	–	–	–	–	–	–	(4,354,753)	–	–	(4,354,753)
Balance as of December 31, 2013	₱–	₱–	₱4,426,303	₱4,426,303	₱14,756,430	₱278,151	(₱3,613,990)	(₱2,513,203)	₱–	₱13,333,691

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY – continued
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 AND
FOR THE PERIOD FROM AUGUST 13, 2012 TO DECEMBER 31, 2012
(In thousands of Philippine peso, except share and per share data)

	Capital Stock (Note 14)									
	Class A	Class B	Common Stock	Subtotal Capital Stock	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 14)	Accumulated Deficits	Cost of Treasury Shares Held (Note 14)	Total
Balance as of August 13, 2012	₱337,500	₱225,000	₱–	₱562,500	₱92,679	₱–	₱–	₱–	(₱288,514)	₱366,665
Net loss	–	–	–	–	–	–	–	(49,786)	–	(49,786)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	(49,786)	–	(49,786)
Movement of equity reserve (Note 2)	–	–	–	–	–	–	740,763	–	–	740,763
Balance as of December 31, 2012	₱337,500	₱225,000	₱–	₱562,500	₱92,679	₱–	₱740,763	(₱49,786)	(₱288,514)	₱1,057,642

See accompanying Notes to Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 AND
FOR THE PERIOD FROM AUGUST 13, 2012 TO DECEMBER 31, 2012
(In thousands of Philippine peso, except share and per share data)

	Year Ended December 31, 2014 (Note 2)	Year Ended December 31, 2013 (Note 2)	Period from August 13, 2012 to December 31, 2012 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	**(₱6,303,281)**	(₱2,463,417)	(₱49,786)
Adjustments for:			
Interest income	**(42,887)**	(54,506)	(112)
Interest expenses, net of capitalized interest	**1,915,097**	1,316,877	–
Depreciation and amortization	**285,731**	51,520	–
Consultancy fee in consideration for share awards (Note 28)	**274,302**	182,215	–
Share-based compensation expenses (Note 28)	**206,795**	95,936	–
Property and equipment written off to property charges and others	**155,193**	–	–
Unrealized foreign exchange loss (gain), net	**132,495**	105,941	(106)
Amortization of deferred financing costs	**54,235**	–	–
Other finance fees	**44,776**	–	–
Amortization of prepaid rent	**5,288**	4,407	–
Contract acquisition costs written off to development costs (Note 16)	**–**	64,721	–
Operating loss before working capital changes	**(3,272,256)**	(696,306)	(50,004)
Changes in assets and liabilities:			
Increase in other noncurrent assets	**(2,038,788)**	(27,784)	–
Increase in inventories	**(194,609)**	–	–
(Decrease) increase in amount due to ultimate holding company	**(49,986)**	6,929	21,956
Increase in accounts receivables	**(24,719)**	–	–
Increase in accrued expenses, other payables and other current liabilities	**799,864**	98,212	29,580
Decrease (increase) in prepayments and other current assets	**201,349**	(373,696)	(172)
Increase in accounts payable	**160,608**	–	–
Increase in amounts due to affiliated companies	**147,558**	120,164	–
Increase in deferred rent liability	**62,739**	59,392	–
Increase in other noncurrent liabilities	**18,357**	–	–
Increase in amount due from a shareholder	**–**	(5,425)	–
Net cash (used in) generated from operations	**(4,189,883)**	(818,514)	1,360
Income tax paid (Note 20)	**(8,603)**	–	–
Interest received	**44,242**	47,040	112
Net cash (used in) provided by operating activities	**(₱4,154,244)**	(₱771,474)	₱1,472

CONSOLIDATED STATEMENTS OF CASH FLOWS – continued
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 AND FOR THE PERIOD FROM AUGUST 13, 2012 TO DECEMBER 31, 2012
(In thousands of Philippine peso, except share and per share data)

	Year Ended December 31, 2014 (Note 2)	Year Ended December 31, 2013 (Note 2)	Period from August 13, 2012 to December 31, 2012 (Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property and equipment	**(₱11,669,108)**	(₱2,059,683)	(₱1,664)
Advance payments and deposit for acquisition of property and equipment	**(3,800,548)**	(678,661)	–
Increase in restricted cash	**(4,176)**	(2,226,674)	–
Payment for acquisition of other intangible assets	**(1,317)**	(3,074)	–
Payment for other noncurrent assets	**(1,000)**	–	–
Cash used in reverse acquisition (Notes 1(c) and 2)	**–**	(7,198,590)	–
Payment for contract acquisition costs	**–**	(1,128,768)	–
Payment for security deposit	**–**	(175,599)	–
Cash used in investing activities	**(15,476,149)**	(13,471,049)	(1,664)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt (Note 22)	**15,000,000**	–	–
Net proceeds from issuance of capital stock (Note 14)	**5,369,846**	16,685,943	–
Increase in amount due to immediate holding company	**154**	811,405	–
Repayments of obligations under finance lease	**(737,458)**	(785,003)	–
Interest paid	**(468,750)**	–	–
Payment for deferred financing costs	**(328,243)**	–	–
Other finance fees paid	**(23,916)**	–	–
Net proceeds from capital stock issuance of legal subsidiary (Note 14)	**–**	2,843,837	8,310
Proceeds from sale of treasury shares (Note 14)	**–**	2,136,183	–
Prepayment of other noncurrent assets	**–**	(3,273)	–
Net cash provided by financing activities	**18,811,633**	21,689,092	8,310
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	**(129,895)**	1,251	39
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(948,655)**	7,447,820	8,157
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	**8,599,842**	1,152,022	1,143,865
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	**₱7,651,187**	₱8,599,842	₱1,152,022

See accompanying Notes to Consolidated Financial Statements.

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

1. **Organization and Business**

(a) Corporate Information

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

The Parent Company is principally engaged in acquiring investments and securities and was further authorized to provide financing to its group companies, as approved by the SEC on July 25, 2013.

The Parent Company's principal place of business is the Philippines. On March 5, 2013, the SEC approved the amendments to the articles of incorporation of the Parent Company for change of its corporate name from Manchester International Holdings Unlimited Corporation to Melco Crown (Philippines) Resorts Corporation and its registered office address from Canlubang Industrial Estate, Bo. Pittland, Cabuyao, Laguna to 10th Floor, Liberty Center, 104 H.V. dela Costa St., Salcedo Village, Makati City, which were approved by the stockholders of MCP on February 19, 2013. The Parent Company's registered office address was further changed to Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701, which was approved by the stockholders of MCP and SEC on June 21, 2013 and July 25, 2013, respectively.

As of December 31, 2014 and 2013, the ultimate holding company of the Parent Company is Melco Crown Entertainment Limited (referred to as "MCE"), a company incorporated in the Cayman Islands with its American depository shares are traded on the NASDAQ Global Select Market in the United States of America and its ordinary shares are traded on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE") in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). On January 2, 2015, MCE submitted an application to HKSE for the voluntary withdrawal of the listing of its ordinary shares on the Main Board of HKSE, which is expected to take effect at 4:00 p.m. on Friday, July 3, 2015, subject to fulfillment of certain conditions.

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors on April 8, 2015.

(b) Change in Capital Structure and Ownership of MCP

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

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

1. **Organization and Business** – continued

(b) Change in Capital Structure and Ownership of MCP – continued

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

On April 8, 2013, MCP sold all of its treasury shares, representing 150,435,404 common shares to third parties at ₱14.2 per share.

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 with par value of ₱1 per share, at the offer price of ₱14 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 with par value of ₱1 per share, at the offer price of ₱14 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 ₱14 per share.

On May 23, 2013, the Stabilizing Agent exercised the Over-allotment Option and subscribed for 36,024,600 common shares of MCP with par value of ₱1 per share, at the offer price of ₱14 per share. MCE Investments then used the proceeds from the Over-allotment Option to subscribe to an equivalent number of common shares in MCP at the subscription price of ₱14 per share.

In March and April 2014, there are minor changes in ownership of MCP by MCE and its subsidiaries. As a result of change in directors for MCP, MCE (Philippines) Investments No.2 Corporation ("MCE Investments No.2"), an indirect subsidiary of MCE and 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 the Parent Company.

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 with par value of ₱1 per share, at the offer price of ₱11.30 per share (the "2014 Offer"). MCE Investments then used the proceeds from the 2014 Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of ₱11.30 per share.

After the series of transactions as above and as of December 31, 2014 and 2013, MCE Investments became the immediate holding company of MCP.

1. **Organization and Business** – continued

(c) Subsidiaries of MCP and Group Reorganization

On March 20, 2013, pursuant to the terms of the Subscription and Share Sale Agreement, MCP entered into a deed of assignment with MCE Investments, in which MCP acquired all equity interests of MCE Investments in MCE Holdings (Philippines) Corporation (herein referred to as "MCE Holdings"), consisting of 147,894,500 issued and outstanding common shares with par value of ₱1 per share as of March 20, 2013, at a consideration of ₱7,198,590 (the "Asset Acquisition Transaction"). MCE Holdings holds 100% direct ownership interests in MCE Holdings No. 2 (Philippines) Corporation (herein referred to as "MCE Holdings No. 2") which, in turn, holds 100% direct ownership interests in MCE Leisure (Philippines) Corporation (herein referred to as "MCE Leisure") (collectively referred to as "MCE Holdings Group"). As a result of the Asset Acquisition Transaction, MCE Holdings Group became wholly owned subsidiaries of MCP.

As of December 31, 2014 and 2013, MCP's wholly owned subsidiaries included MCE Holdings, MCE Holdings No. 2 and MCE Leisure (together with MCP collectively referred to as the "Group"). MCE Holdings, MCE Holdings No. 2 and MCE Leisure were all incorporated in the Philippines and were registered with the SEC on August 13, 2012, August 22, 2012 and August 30, 2012, respectively. The primary purpose of MCE Holdings and MCE Holdings No. 2 is investment holding and the primary purpose of MCE Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components and to engage in casino gaming activities.

(d) Activities of MCE Holdings Group

On July 5, 2012, MCE, through its indirect subsidiary, MPEL Projects Limited, entered into a memorandum of agreement (the "MOA") with SM Investments Corporation and certain of its subsidiaries (collectively, the "SM Group"), Belle Corporation ("Belle") and PremiumLeisure and Amusement, Inc. ("PLAI") (collectively, the "Philippine Parties") for the development of an integrated resort project located within Entertainment City, Manila comprising a casino, hotel, retail and entertainment complex, which was subsequently branded "City of Dreams Manila" upon the execution of a trademark licensing agreement (the "Trademark Licensing Agreement") signed between MCP and MCE (IP) Holdings Limited ("MCE (IP) Holdings"), a subsidiary of MCE, on October 9, 2013. Further to the MOA, on October 25, 2012, MCE Holdings Group entered into a cooperation agreement (the "Cooperation Agreement") and other related arrangements with the Philippine Parties; and MCE Leisure entered into a lease agreement (the "Lease Agreement") with Belle, for City of Dreams Manila. On March 13, 2013, the Cooperation Agreement and the Lease Agreement became effective upon completion of the closing arrangement conditions, with minor changes to the original terms (except for certain provisions of the Cooperation Agreement which were effective on signing). In addition, MCE Holdings Group and the Philippine Parties entered into an operating agreement (the "Operating Agreement") on March 13, 2013, pursuant to which MCE Leisure has been granted the exclusive right to manage, operate and control City of Dreams Manila. The Cooperation Agreement, the Lease Agreement and the Operating Agreement ends on the date of expiry of the Provisional License as mentioned in Note 1(e) below, currently expected to be on July 11, 2033 unless terminated earlier in accordance with the respective terms of the individual agreements. Details of these agreements are further discussed in Note 23.

1. **Organization and Business** – continued

(e) Provisional License

On October 25, 2012, further to the Cooperation Agreement as mentioned above, the Philippine Amusement and Gaming Corporation ("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 under a provisional license (the "Provisional License") in their dealings with PAGCOR. As a result, MCE Holdings Group and the Philippine Parties together became co-licensees (the "Licensees") under the Provisional License granted by PAGCOR for the establishment and operation of City of Dreams Manila. 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 (the "PAGCOR Charter"), will expire on July 11, 2033. Further details of the terms and commitments under the Provisional License are included in Note 24(c).

(f) Status of Operations for City of Dreams Manila

The Group has been cooperating with the Philippine Parties to develop City of Dreams Manila. The cooperation in development involves the provision of the land and building structures by Belle and the fitting out of the buildings by MCE Leisure. MCE Leisure solely manages and operates City of Dreams Manila. MCE Leisure is required to pay rent for the land and building structures to Belle pursuant to the Lease Agreement, and is also responsible under the cooperation arrangement to pay monthly payments, based on the performance of gaming operations of City of Dreams Manila, to the Philippine Parties. MCE Leisure shall be entitled to retain all revenues from non-gaming operations of City of Dreams Manila.

City of Dreams Manila is located on an approximately 6.2-hectare site in Entertainment City. The Group received the notice to commence casino operations from the PAGCOR on December 9, 2014 and City of Dreams Manila commenced operations on December 14, 2014, with a grand opening of the integrated resort on February 2, 2015.

2. **Summary of Significant Accounting Policies**

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

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

Basis of Preparation – continued
On March 20, 2013, MCP completed the Asset Acquisition Transaction for acquiring 100% ownership interests in the MCE Holdings Group with net assets value of ₱2,609,589 from MCE Investments for a consideration of ₱7,198,590 (see Note 1(c)). Because MCP did not meet the definition of a business, the MCE Holdings Group was deemed to be the accounting acquirer for accounting purposes. The acquisition was accounted for similar to a reverse acquisition following the guidance provided by the standard under Philippine Financial Reporting Standards ("PFRS"). In a reverse acquisition, the legal parent, MCP is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary, MCE Holdings Group is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of MCP have been prepared as a continuation of the financial statements of the MCE Holdings Group. The MCE Holdings Group has accounted for the acquisition of MCP on December 19, 2012, which was the date when MCE through MCE Investments and MCE Investments No.2 acquired control of MCP.

Reverse acquisition applies only to the consolidated financial statements of MCP. The Parent Company financial statements will continue to represent MCP as a stand-alone entity as of December 31, 2014 and 2013.

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

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

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

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

Restricted Cash
Restricted cash represents cash in escrow account as required in the Provisional License issued by PAGCOR for the development of City of Dreams Manila.

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

Accounts Receivable and Credit Risk

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.

Financial Assets and Liabilities

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

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

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date. The Group has no financial assets or liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets as of December 31, 2014 and 2013.

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

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

Financial Assets and Liabilities – continued

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

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

This category includes cash and cash equivalents (see Note 5), restricted cash (see Note 6), accounts receivable (see Note 7), other deposits and receivables included under prepayments and other current assets (see Note 8) and other noncurrent assets (see Note 12), amount due from a shareholder (see Note 18) and security deposit included under other noncurrent assets (see Note 12). The carrying values and fair values of loans and receivables are disclosed in Note 26.

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

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

This category includes accounts payable, accrued expenses, other payables and other current liabilities (see Note 13), current and noncurrent portion of obligations under finance lease (see Note 21), amount due to ultimate holding company (see Note 18), amount due to immediate holding company (see Note 18), amounts due to affiliated companies (see Note 18), long-term debt (see Note 22) and other noncurrent liabilities. The carrying values and fair values of other financial liabilities are disclosed in Note 26.

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

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

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

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

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

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

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

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

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

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements and the related assets and liabilities are presented at gross amounts in the consolidated balance sheets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capitalization of Interest and Amortization of Deferred Financing Costs
Interest and amortization of deferred financing costs incurred on funds used to construct the Group's casino gaming and entertainment resort facilities during the active construction period is capitalized. The capitalization of interest and amortization of deferred financing costs ceases once a project is substantially completed or development activity is suspended for more than a brief period.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. If an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

For the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, total interest expenses incurred amounted to ₱2,649,230, ₱1,464,430 and nil, of which ₱734,133, ₱147,553 and nil were capitalized, respectively. No amortization of deferred financing costs was capitalized for the year ended December 31, 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following specific recognition criteria must also be met before revenue is recognized:

Casino Revenues. Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers' possession.

Rooms, Food and Beverage, Entertainment, Retail and Other Revenues. Rooms, food and beverage, entertainment, retail and other revenues are recognized when services are performed or the retail goods are sold. Advance deposits on rooms are recorded as customer deposits until services are provided to the customer. Minimum operating and right to use fee, adjusted for contractual base fee and operating fee escalation, 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 and points earned in customer loyalty programs.

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

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

	Year Ended December 31, 2014
Rooms	**₱17,477**
Food and beverage	**20,423**
	₱37,900

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

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

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

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

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

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

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

Property Charges and Others
Property charges and others consist primarily of one-off activities related to written off of certain equipment damaged by typhoon. Property charges and others of ₱157,693 were recognized for the year ended December 31, 2014 and nil for both periods for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012, respectively.

Deferred Financing Costs
Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are capitalized and amortized over the terms of the related debt agreements using the effective interest method. Deferred financing cost amortization of ₱54,235, nil and nil, were recognized for the year ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, respectively.

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

Certain employees employed by the Group are eligible to participate in voluntary defined contribution schemes (the "Macau Schemes") operated by the subsidiaries of MCE in the Macau Special Administrative Region of the People's Republic of China ("Macau"). The Group 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 MCE's subsidiaries in Macau and the Group by independent trustees in Macau.

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

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

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

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

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

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

Further information on the Group's share-based compensation arrangement for the years ended December 31, 2014 and 2013 for restricted shares and share options granted under its share incentive plan is included in Note 28.

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

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

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

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

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

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

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

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

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

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

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

Income Tax – continued
Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

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

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

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

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

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

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

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

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

Income Tax – continued
Value-added Tax ("VAT"). Revenue, expenses and assets are recognized net of the amount of VAT, except:

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

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

The net amount of VAT recoverable from the tax authority is included under other noncurrent assets as of December 31, 2014 and under prepayment and other current assets as of December 31, 2013 in the consolidated balance sheets.

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

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

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

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

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

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

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
Weighted average number of common shares outstanding used in the calculation of basic net loss per share	**4,680,190,442**	3,312,053,436	412,064,596
Incremental weighted average number of common shares from assumed vesting of restricted shares and exercise of share options	**–**	–	–
Weighted average number of common shares outstanding used in the calculation of diluted net loss per share	**4,680,190,442**	3,312,053,436	412,064,596

For the year ended December 31, 2014, 124,126,612 outstanding share options and 64,371,486 outstanding restricted shares as of December 31, 2014 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive. For the year ended December 31, 2013, 116,144,153 outstanding share options and 58,072,076 outstanding restricted shares as of December 31, 2013 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive. For the period from August 13, 2012 to December 31, 2012, there were no potential dilutive common shares that would have a dilutive effect on basic loss per share.

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

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

City of Dreams Manila operates in one geographical area for the year ended December 31, 2014 where it derives its revenue. Comparative financial information has been presented for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012. Segment information is presented in Note 29.

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

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

Subsequent Events
Post year-end events that provide additional information about the Group's financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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

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

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year/period except for adoption of the following new and amended PAS, PFRS and Philippine Interpretations as of January 1, 2014. The adoption of these new and amended PAS, PFRS and Philippine Interpretations had no significant impact on the consolidated financial statements:

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PAS 36, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
- PAS 39, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements*)
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
- Annual Improvements to PFRS 13, *Fair Value Measurement* (2010 – 2012 Cycle)
- Annual Improvements to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* (2011 – 2013 Cycle)

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

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

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

  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at fair value through profit or loss using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

Standards Issued But Not Yet Effective – continued

- **PFRS 9, *Financial Instruments*** – continued

  PFRS 9 is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the FRSC. Such adoption, however, is still for approval by the Board of Accountancy.

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

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

- **PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)**

  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015.

- **Annual Improvements to PFRSs (2010 – 2012 Cycle)**

  These improvements are effective from January 1, 2015. They include:

  - **PFRS 2, *Share-based Payment***

    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

    - a performance condition must contain a service condition;
    - a performance target must be met while the counterparty is rendering service;
    - a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
    - a performance condition may be a market or non-market condition; and
    - if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

Standards Issued But Not Yet Effective – continued

- **Annual Improvements to PFRSs (2010 – 2012 Cycle)** – continued

  - **PFRS 3, *Business Combinations***

    The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of PFRS 9 (or PAS 39, as applicable).

  - **PFRS 8, *Operating Segments***

    The amendments are applied retrospectively and clarifies that:

    - an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of PFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar"; and
    - the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  - **PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets***

    The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

  - **PAS 24, *Related Party Disclosures***

    The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

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

Standards Issued But Not Yet Effective – continued

- **Annual Improvements to PFRSs (2011 – 2013 Cycle)**

  These improvements are effective from January 1, 2015. They include:

  - **PFRS 3, *Business Combinations***

    The amendment is applied prospectively and clarifies for the scope exceptions within PFRS 3 that:

    - joint arrangements, not just joint ventures, are outside the scope of PFRS 3; and
    - this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - **PFRS 13, *Fair Value Measurement***

    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PFRS 9 (or PAS 39, as applicable).

  - **PAS 40, *Investment Property***

    The description of ancillary services in PAS 40 differentiates between investment property and owner occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

- **PFRS 11, *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* (Amendments)**

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

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

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

Standards Issued But Not Yet Effective – continued

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

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

- **PAS 16 and PAS 41, *Agriculture: Bearer Plants* (Amendments)**

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

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

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

- **PFRS 10 and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (Amendments)**

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

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

Standards Issued But Not Yet Effective – continued

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

  These improvements are effective from January 1, 2016. They include:

  - **PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal***

    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - **PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements***

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

    On the applicability of the amendments to PFRS 7 to Condensed Interim Financial Statements, this amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - **PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate***

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

  - **PAS 34, *Disclosure of Information "Elsewhere in the Interim Financial Report"***

    The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

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

Standards Issued But Not Yet Effective – continued

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

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted.

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

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

Judgments

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

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

Evaluating Lease Agreement. The Group has entered into the Lease Agreement with Belle for City of Dreams Manila which became effective on March 13, 2013. The determination of whether a lease agreement has to be accounted for as operating or finance lease requires significant judgment. The result of this determination can be significant to the Group's financial position or performance as the classification of the amounts of property and equipment and lease obligation depends on this assessment.

The Group, at inception of the Lease Agreement on March 13, 2013, has determined based on an evaluation of the terms and conditions of the arrangements, that the lessor transfers substantially all the risks and benefits incidental to ownership of the building to the Group. The present value of the minimum lease payments is significantly higher than the fair value of the building at the lease inception date. Management considered this factor as key in assessing whether the risks and rewards of incidental to ownership of the building had effectively been transferred to the Group. Meanwhile, the lease on the land is considered as operating lease because Belle retains all the significant risks and rewards of ownership on the land at the end of the lease term and does not provide the Group with a bargain purchase option over the leased asset (see Note 23(c)).

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

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

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

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

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

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

There were no provision for inventory obsolescences for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012. Inventories at cost amounted to ₱194,609 and nil as of December 31, 2014 and 2013, respectively.

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

Estimates and Assumptions – continued

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

There were no changes made in the estimated useful lives of the Group's property and equipment. The carrying values of property and equipment amounted to ₱32,830,332 and ₱14,995,010 as of December 31, 2014 and 2013, respectively (see Note 9).

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

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

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

No impairment losses were recognized for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012. The carrying values of property and equipment amounted to ₱32,830,332 and ₱14,995,010 as of December 31, 2014 and 2013, respectively (see Note 9); the carrying values of contract acquisition costs amounted to ₱968,058 and ₱1,020,151 as of December 31, 2014 and 2013, respectively (see Note 10); and the carrying values of other intangible assets amounted to ₱8,698 and ₱8,698 as of December 31, 2014 and 2013, respectively (see Note 11).

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

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

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

Deferred tax assets on deferred rent under PAS 17 amounting to ₱260,936 and ₱44,265 were recognized as of December 31, 2014 and 2013, respectively, to the extent of the amount of the reversing deductible temporary difference arising from capitalized interest expense.

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

Unrecognized deferred tax assets amounted to ₱2,650,089 and ₱770,504 as of December 31, 2014 and 2013, respectively (see Note 20).

5. **Cash and Cash Equivalents**

This account consists of:

	December 31, 2014	December 31, 2013
Cash on hand	**₱1,128,060**	₱687
Cash in banks	**6,523,127**	8,599,155
	₱7,651,187	₱8,599,842

Cash in banks earn interest at the respective bank deposit rates. Interest income from bank deposits amounted to ₱39,475, ₱51,807 and ₱112 for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, respectively.

6. **Restricted Cash**

Under the Provisional License granted by PAGCOR, it is a requirement that the Licensees set-up an escrow account with an amount of US$100 million with a universal bank mutually agreed by PAGCOR and the Licensees. All funds for the development of the casino project shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to City of Dreams Manila. The escrow account should have a maintaining balance of US$50 million until the completion of City of Dreams Manila. As of December 31, 2014 and 2013, MCE Leisure, as one of the Licensees maintained a balance of ₱2,230,850 and ₱2,226,674, respectively, in the escrow account for US$ equivalent of US$50 million in each of those periods based on prevailing exchange rates. The escrow account will be closed as the City of Dreams Manila project is complete and funds held in the escrow account will be released to MCE Leisure (see Note 24(c)).

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

7. Accounts Receivable

Components of accounts receivable are as follows:

	December 31, 2014	December 31, 2013
Casino	**₱6,812**	₱–
Rooms	**12,042**	–
Others	**5,865**	–
	₱24,719	₱–

For the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, no allowance for doubtful debts was made and no accounts receivable were directly written off. All accounts receivable as of December 31, 2014 were current.

8. Prepayments and Other Current Assets

This account consists of:

	December 31, 2014	December 31, 2013
Prepaid advertising, marketing, promotional and entertainment expenses	**₱87,018**	₱–
Prepaid employee benefit expenses	**34,181**	–
Refundable deposits (Notes 25 and 26)	**16,855**	5,262
Deposit for acquisition of inventory	**16,012**	–
Prepaid facilities expenses	**13,541**	68
Current portion of prepaid rent (Note 12)	**7,106**	14,314
Prepaid supplies expenses	**2,970**	–
Creditable withholding tax	**483**	6,944
Input VAT, net	**–**	351,458
Interest receivables (Notes 25 and 26)	**–**	4,767
Other prepaid expenses	**6,791**	8,327
	₱184,957	₱391,140

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

9. Property and Equipment

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

	December 31, 2013						
	Building under Finance Lease	Leasehold Improvements	Motor Vehicles	Furniture, Fixtures and Equipment	Plant and Gaming Machinery	Construction in Progress	Total
Costs:							
Balance at beginning of year	₱–	₱–	₱–	₱423	₱–	₱38,859	₱39,282
Additions	11,820,440	186,536	14,293	257,866	–	2,684,703	14,963,838
Capitalization of depreciation and amortization	–	–	–	–	–	7,996	7,996
Balance at end of year	11,820,440	186,536	14,293	258,289	–	2,731,558	15,011,116
Accumulated Depreciation and Amortization:							
Balance at beginning of year	–	–	–	–	–	–	–
Depreciation and amortization	–	(109)	(1,620)	(14,377)	–	–	(16,106)
Balance at end of year	–	(109)	(1,620)	(14,377)	–	–	(16,106)
Net Book Value	₱11,820,440	₱186,427	₱12,673	₱243,912	₱–	₱2,731,558	₱14,995,010

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

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

9. **Property and Equipment** – continued

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

Furniture, fixtures and equipment with net book value amounted to nil and ₱44,382 were held under finance lease as of December 31, 2014 and 2013, respectively.

Construction in progress represents the design and development cost for fit-out of City of Dreams Manila which included direct incidental costs capitalized (representing travelling expenses, salaries and wages, intercompany management fee incurred, depreciation of equipment and applicable interest cost). As of December 31, 2014 and 2013, construction in progress included interest paid or payable on the obligations under finance lease which amounted to ₱256,739 and ₱147,553, respectively.

10. **Contract Acquisition Costs**

This account consists of:

	December 31, 2014	December 31, 2013
Costs:		
Balance at beginning of year	**₱1,063,561**	₱58,427
Additions	**–**	1,134,576
Capitalized in building under finance lease (Note 9)	**–**	(64,721)
Written off to development costs (Note 16)	**–**	(64,721)
Balance at end of year	**1,063,561**	1,063,561
Accumulated Amortization:		
Balance at beginning of year	**(43,410)**	–
Amortization	**(52,093)**	(43,410)
Balance at end of year	**(95,503)**	(43,410)
Net Book Value	**₱968,058**	₱1,020,151

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

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

11. Other Intangible Assets

The other intangible assets represent the license fees of ₱8,698 incurred by MCE Leisure for the year ended December 31, 2013 for right to use of trademarks for certain entertainment business for City of Dreams Manila and are amortized on a straight-line basis over the term of the license agreement which expires in 5 years from the grand opening of City of Dreams Manila on February 2, 2015. Amortization was nil for the period from December 14, 2014 (commencement of operations of City of Dreams Manila) to December 31, 2014.

12. Other Noncurrent Assets

This account consists of:

	December 31, 2014	December 31, 2013
Input VAT, net	**₱1,955,932**	₱–
Advance payments and deposit for acquisition of property and equipment	**1,401,059**	678,472
Noncurrent portion of prepaid rent	**99,838**	106,044
Security and rental deposits (Notes 25 and 26)	**98,686**	90,342
Other noncurrent assets and deposits	**68,665**	–
Prepayment of deferred financing costs	–	20,937
	₱3,624,180	₱895,795

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

Upon the Lease Agreement becoming effective on March 13, 2013, a security deposit of ₱175,599 was paid to Belle. As of December 31, 2014, part of prepaid rent amounting to ₱92,809 represented the noncurrent portion of excess of principal amount of the security deposit paid pursuant to the Lease Agreement over its fair value at inception, and is amortized on a straight-line basis over the lease term while part of the current portion of prepaid rent of ₱5,289 is included in prepayments and other current assets (Note 8).

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

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

This account consists of:

	December 31, 2014	December 31, 2013
Accruals for:		
Fit-out construction costs	**₱3,188,421**	₱706,686
Employee benefit expenses	**376,620**	43,971
Facilities expenses	**108,241**	8,522
Gaming tax and license fees	**64,077**	–
Unpaid portion of obligations under finance lease	**60,865**	1,949
Rental expenses	**44,853**	9,685
Legal and other professional fees	**25,279**	87,671
Gaming related activities	**10,790**	–
Taxes and licenses	**1,917**	7,225
Operating expenses and others	**170,881**	22,260
Interest expenses payable	**327,083**	–
Withholding tax payable	**168,795**	26,668
Payments to the Philippine Parties	**38,809**	–
Other finance fees payable	**20,443**	–
Outstanding gaming chips and tokens	**4,123**	–
Other payables and liabilities	**20,309**	3,752
	₱4,631,506	₱918,389

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

14. **Equity**

Authorized Capital Stock

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

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

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

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

14. **Equity** – continued

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

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

Issued Capital Stock
As of December 31, 2014 and 2013, the Parent Company's issued capital stock consists of 4,911,480,300 and 4,426,303,300 common shares with par value of ₱1 per share, respectively.

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

On April 24, 2013, MCP and MCE Investments completed 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 with par value of ₱1 per share, at the offer price of ₱14 per share. 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 ₱14 per share.

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

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

On June 24, 2014, MCP and MCE Investments completed the 2014 Placing and Subscription Transaction, under which MCE Investments offered and sold in a private placement to various institutional investors of 485,177,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱11.30 per share. 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 ₱11.30 per share. The net proceeds from the 2014 Offer, after deducting the underwriting commissions and other expenses of ₱106,596, was ₱5,375,904.

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

14. **Equity** – continued

Treasury Shares
As of December 31, 2012, the total number of treasury shares held by MCP was 150,435,404 shares, representing 64,803,449 Class A shares and 85,631,955 Class B shares, and the total cost of treasury shares in aggregate was ₱288,514. The declassification of Class A and Class B treasury shares to a single class of common stock treasury share were approved by the SEC on March 5, 2013. On April 8, 2013, MCP sold all of its treasury shares, representing 150,435,404 common shares to third parties at ₱14.2 per share. As of December 31, 2014 and 2013, MCP does not have any remaining treasury shares.

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

The equity reserve is accounted for as follows:

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

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

As of December 31, 2014 and 2013, the Parent Company has 437 and 436 stockholders, respectively.

15. **Employee Benefit Expenses**

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
Basic salaries, allowances and bonuses	**₱1,995,582**	₱158,374	₱–
Consultancy fee in consideration for share awards (Note 28)	**274,302**	182,215	–
Share-based compensation expenses (Note 28)	**206,795**	95,936	–
Annual leave and other paid leave expenses	**76,095**	4,961	–
Meals and other amenities expenses	**55,759**	50	–
Retirement costs – defined contribution plans	**40,233**	2,415	–
Staff insurance expenses	**33,345**	472	
Other employee benefit expenses	**114,472**	16,542	–
	₱2,796,583	₱460,965	₱–

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

15. **Employee Benefit Expenses** – continued

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

16. **Other Expenses**

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
Rental expenses (Note 24(b))	**₱315,077**	₱164,921	₱–
Management fee expenses (Note 18)	**187,576**	172,567	–
Facilities expenses	**185,382**	8,586	–
Written off of property and equipment	**155,193**	–	–
Supplies expenses	**144,702**	1,004	79
Legal and other professional fees	**131,462**	145,047	48,684
Advertising, marketing, promotional and entertainment expenses	**122,335**	6,546	–
Office and administrative expenses	**96,719**	25,631	–
Taxes and licenses	**51,846**	48,660	708
Written off from contract acquisition costs	**–**	64,721	–
Operating expenses and others	**57,855**	7,178	–
	₱1,448,147	₱644,861	₱49,471

For the years ended December 31, 2014 and 2013, rental expenses of ₱299,312 and ₱156,712 and management fee expenses of ₱176,000 and ₱164,814, respectively, were included as pre-opening costs under total operating costs and expenses as disclosed in Note 17.

For the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, written off from contract acquisition costs of nil, ₱64,721 and nil and legal and other professional fees of nil, ₱25,984 and ₱45,841, respectively, were included as development costs under total operation costs and expenses as disclosed in Note 17.

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

17. Total Operating Costs and Expenses

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
Casino	**₱177,895**	₱–	₱–
Rooms	**8,694**	–	–
Food and beverage	**38,036**	–	–
Entertainment, retail and others	**8,506**	–	–
Payments to the Philippine Parties	**38,809**	–	–
General and administrative expenses	**198,635**	152,954	3,551
Pre-opening costs	**3,747,266**	857,782	–
Development costs	**–**	95,090	45,920
Depreciation and amortization	**285,731**	51,520	–
Property charges and others	**157,693**	–	–
	₱4,661,265	₱1,157,346	₱49,471

18. Related Party Transactions

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

In addition to those transactions disclosed in Notes 1(b), 1(c), 1(d), 14, 27(a), 27(c), 27(g) and 27(i), the Group entered into the following significant related party transactions:

Category	Amount of Transactions for the Year/Period	Outstanding Balance	Terms	Conditions
Amount due from a shareholder				
MCE Investments No.2				
Balance as of January 1, 2014 and December 31, 2014		**₱5,425**	**Repayable on demand; non-interest bearing**	**Unsecured, no impairment**
Balance as of January 1, 2013		₱–	Repayable on demand; non-interest bearing	Unsecured, no impairment
Settlement of payables on behalf of a shareholder	₱5,425	5,425		
Balance as of December 31, 2013		₱5,425		
Balance as of August 13, 2012 and December 31, 2012		₱–		

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

18. **Related Party Transactions** – continued

Category	Amount of Transactions for the Year/Period	Outstanding Balance	Terms	Conditions
Amount due to ultimate holding company				
MCE				
Balance as of January 1, 2014		**₱107,787**	**Repayable on demand; non-interest bearing**	**Unsecured**
Management fee expenses recognized as other expenses	**₱42,759**	**42,759**		
Management fee income[1]	**(92,745)**	**(92,745)**		
Revaluation of outstanding balance		**562**		
Balance as of December 31, 2014		**₱58,363**		
Balance as of January 1, 2013		₱90,434	Repayable on demand; non-interest bearing	Unsecured
Management fee expenses recognized as other expenses	₱58,559	58,559		
Settlement of payables on behalf of the Group	10,809	10,809		
Management fee income[1]	(52,952)	(52,952)		
Revaluation of outstanding balance		10,424		
Settlement of outstanding balance		(9,487)		
Balance as of December 31, 2013		₱107,787		
Balance as of August 13, 2012		₱–	Repayable on demand; non-interest bearing	Unsecured
Settlement of payables on behalf of the Group	₱90,434	90,434		
Balance as of December 31, 2012		₱90,434		

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

18. **Related Party Transactions** – continued

Category	Amount of Transactions for the Year/Period	Outstanding Balance	Terms	Conditions
Amount due to immediate holding company				
MCE Investments				
Balance as of January 1, 2014		**₱887,415**	**Repayable on demand; non-interest bearing**	**Unsecured**
Funds advance to the Group	**₱154**	**154**		
Revaluation of outstanding balance		**1,670**		
Balance as of December 31, 2014		**₱889,239**		
Balance as of January 1, 2013		₱–	Repayable on demand; non-interest bearing	Unsecured
Acquisition costs related to Asset Acquisition Transaction	₱7,198,590	7,198,590		
Funds advance to the Group	811,660	811,660		
Settlement of payables on behalf of immediate holding company	(255)	(255)		
Revaluation of outstanding balance		76,010		
Settlement of outstanding balance		(7,198,590)		
Balance as of December 31, 2013		₱887,415		
Balance as of August 13, 2012 and December 31, 2012		₱–		

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

18. **Related Party Transactions** – continued

Category	Amount of Transactions for the Year/Period	Outstanding Balance	Terms	Conditions
Amounts due to affiliated companies				
MCE's subsidiaries				
Balance as of January 1, 2014		**₱345,449**	**Repayable on demand; non-interest bearing**	**Unsecured**
Management fee expenses capitalized in construction in progress	**₱204,669**	**204,669**		
Management fee expenses capitalized in deferred financing costs	**622**	**622**		
Management fee expenses recognized as other expenses	**144,817**	**144,817**		
Settlement of payables on behalf of the Group	**3,677**	**3,677**		
Revaluation of outstanding balance		**2,676**		
Balance as of December 31, 2014		**₱701,910**		
Balance as of January 1, 2013		₱21,903	Repayable on demand; non-interest bearing	Unsecured
Management fee expenses capitalized in construction in progress	₱152,735	152,735		
Management fee expenses capitalized in other noncurrent assets	1,572	1,572		
Management fee expenses recognized as other expenses	114,008	114,008		
Settlement of payables on behalf of the Group	49,207	49,207		
Revaluation of outstanding balance		18,152		
Settlement of outstanding balance		(12,128)		
Balance as of December 31, 2013		₱345,449		

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

18. **Related Party Transactions** – continued

Category	Amount of Transactions for the Year/Period	Outstanding Balance	Terms	Conditions
Amounts due to affiliated companies – continued				
MCE's subsidiaries – continued				
Balance as of August 13, 2012		₱–	Repayable on demand; non-interest bearing	Unsecured
Management fee expenses capitalized in construction in progress	₱22,253	22,253		
Settlement of payables on behalf of the Group	560	560		
Settlement of outstanding balance		(910)		
Balance as of December 31, 2012		₱21,903		
A subsidiary of Crown Resorts Limited ("Crown")(2)				
Balance as of January 1, 2014		**₱5,874**	**Repayable on demand; non-interest bearing**	**Unsecured**
Acquisition of property and equipment	**₱37,000**	**37,000**		
Consultancy fee expenses recognized as other expenses	**3,711**	**3,711**		
Settlement of payables on behalf of the Group	**386**	**386**		
Settlement of outstanding balance		**(3,544)**		
Balance as of December 31, 2014		**₱43,427**		
Balance as of January 1, 2013		₱–	Repayable on demand; non-interest bearing	Unsecured
Acquisition of property and equipment	₱5,874	5,874		
Balance as of December 31, 2013		₱5,874		
Balance as of August 13, 2012 and December 31, 2012		₱–		

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

18. **Related Party Transactions** – continued

Category	Amount of Transactions for the Year/Period	Outstanding Balance	Terms	Conditions
Amounts due to affiliated companies – continued				
Melco International Developments Limited ("Melco")(2) and its subsidiaries				
Balance as of January 1, 2014		**₱2,268**	**Repayable on demand; non-interest bearing**	**Unsecured**
Deposit for acquisition of property and equipment	**₱60,224**	**60,224**		
Acquisition of property and equipment	**96,660**	**96,660**		
Settlement of payables on behalf of the Group	**3,528**	**3,528**		
Revaluation of outstanding balance		**(60)**		
Settlement of outstanding balance		**(73,573)**		
Balance as of December 31, 2014		**₱89,047**		
Balance as of January 1, 2013		₱–	Repayable on demand; non-interest bearing	Unsecured
Settlement of payables on behalf of the Group	₱5,827	5,827		
Revaluation of outstanding balance		61		
Settlement of outstanding balance		(3,620)		
Balance as of December 31, 2013		₱2,268		
Balance as of August 13, 2012		₱–	Repayable on demand; non-interest bearing	Unsecured
Settlement of payables on behalf of the Group	₱912	912		
Settlement of outstanding balance		(912)		
Balance as of December 31, 2012		₱–		

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

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

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

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

18. **Related Party Transactions** – continued

Directors' Remuneration

For the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, the remuneration of directors of the Group were borne by MCE.

Compensation of Key Management Personnel

The compensation of key management personnel of the Group for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012 is as follows:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
Basic salaries, allowances and benefits in kind	**₱149,321**	₱81,160	₱–
Performance bonuses	**34,890**	20,939	–
Retirement costs – defined contribution plans	**2,737**	1,663	–
Share-based compensation expenses	**99,752**	35,509	–
	₱286,700	₱139,271	₱–

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

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
Net loss (a)	**(₱6,303,281)**	(₱2,463,417)	(₱49,786)
Weighted average number of common shares outstanding of legal parent (b)	**4,680,190,442**	3,312,053,436	412,064,596
Basic/Diluted loss per share (a)/(b)*1,000	**(₱1.35)**	(₱0.74)	(₱0.12)

For the year ended December 31, 2014, 124,126,612 outstanding share options and 64,371,486 outstanding restricted shares as of December 31, 2014 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive. For the year ended December 31, 2013, 116,144,153 outstanding share options and 58,072,076 outstanding restricted shares as of December 31, 2013 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive. For the period from August 13, 2012 to December 31, 2012, there were no potential dilutive common shares that would have a dilutive effect on basic loss per share.

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

20. **Income Tax**

The provision for income tax for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012 consisted of:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
Provision for current income tax	**₱23,729**	₱–	₱–
Benefit from deferred income tax	**(23,729)**	–	–
	₱–	₱–	₱–

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

The components of the Group's net deferred tax assets as of December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
Deferred tax assets:		
Deferred rent under PAS 17	**₱260,936**	₱44,265
Share-based compensation expenses	**23,729**	–
	284,665	44,265
Deferred tax liability:		
Capitalized interest expenses	**(260,936)**	(44,265)
	₱23,729	₱–

The Group has the following temporary differences for which no deferred tax assets have been recognized since management believes that the Group may not be able to realize the benefits from these deferred tax assets in the future.

	December 31, 2014	December 31, 2013
NOLCO	**₱1,859,305**	₱468,301
Deferred rent under PAS 17	**314,455**	178,446
Share-based compensation expenses	**204,045**	83,445
Interest expenses	**122,656**	–
Unrealized foreign exchange loss, net	**71,531**	31,782
Others	**78,097**	8,530
	₱2,650,089	₱770,504

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

20. **Income Tax** – continued

As of December 31, 2014, the Group's NOLCO which can be carried forward and claimed as deduction from regular taxable income in future years are as follows:

Year Incurred	Expiry Year	Amount
2012	2015	**₱48,224**
2013	2016	**1,440,046**
2014	2017	**4,709,413**
		₱6,197,683

NOLCO incurred in 2013, 2012 and 2011 amounting to ₱8,742, ₱3,210 and ₱1,264, respectively have been utilized for the year ended December 31, 2014. The amounts utilized included the NOLCO of ₱1,264 and ₱1,429 incurred by former business of MCP in 2011 and 2012, respectively. NOLCO incurred by former business of MCP in 2010 amounting to ₱1,365 expired in 2013.

As of December 31, 2014 and 2013, the Group has income tax payable as follows:

	December 31, 2014	December 31, 2013
Balance at beginning of year	**₱–**	₱–
Provision for current income tax	**23,729**	–
Under provision for income tax for prior year	**1,722**	–
Less: Utilization of creditable withholding tax	**(11,244)**	–
Less: Utilization of tax credit from MCIT	**(1,722)**	–
Less: Income tax paid	**(8,603)**	–
Balance at end of year	**₱3,882**	₱–

MCIT tax credit incurred for the prior year amounting to ₱1,722 has been utilized for the year ended December 31, 2014.

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

20. **Income Tax** – continued

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

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
Income tax benefit computed at statutory income tax rate	**(₱1,890,984)**	(₱739,025)	(₱14,936)
Income tax effects of:			
Change in unrecognized deferred tax assets	**1,883,550**	754,285	16,219
Change in unrecognized deferred tax asset in prior year	**12,527**	–	–
Expenses not deductible for tax	**11,739**	682	–
Utilization of tax loss previously not recognized	**(3,965)**	–	–
Expired NOLCO	**–**	410	–
Interest income subject to final tax	**(11,843)**	(15,542)	(33)
Interest income not taxable	**(1,024)**	(810)	–
Others	**–**	–	(1,250)
	₱–	₱–	₱–

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

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

20. **Income Tax** – continued

To address the additional exposure to corporate income tax brought by BIR RMC No. 33-2013, in May 2014, PAGCOR temporarily reduced the license fees by 10% to 5% and 15% of gross gaming revenues effective from April 1, 2014. The license fee reduction is required to be used for the payment of corporate income taxes and any portion not used for such payment must be repaid to PAGCOR in quarterly and annual true-up payments (as defined), further details please refer to Note 24(c)(v).

On August 23, 2013, MCE Leisure was issued a certificate of registration by Philippine Economic Zone Authority ("PEZA") as a tourism economic zone enterprise ("Tourism Economic Zone Enterprise") for the development and operation of tourist facilities, particularly: (a) hotels, including facilities relating thereto, such as spas, fitness centers, restaurants, etc; (b) retail areas; (c) theme amusement and entertainment complexes; (d) ballroom, function room, and conference facilities; and (e) food and beverage outlets, at the Belle Grande Manila Bay (now rebranded as City of Dreams Manila), pursuant to the terms and conditions of a registration agreement signed between PEZA and MCE Leisure on August 22, 2013. As a Tourism Economic Zone Enterprise, MCE Leisure was granted the following fiscal incentives: (a) tax and duty free importation of certain eligible capital equipment to be used as part of the registered activity; and (b) VAT zero rating on local purchase of certain eligible capital equipment in accordance with the PEZA rules and regulations.

21. **Obligations Under Finance Lease**

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

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

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

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

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

As of December 31, 2014, after subsequent changes to the terms of the Lease Agreement from time to time during the year ended December 31, 2014, the interest rate underlying the obligations under finance lease was revised to 13.35% per annum.

As of December 31, 2014 and 2013, the minimum lease payments and present value of minimum lease payments on obligations under finance lease of the Group on the Lease Agreement were as follows:

	December 31, 2014		December 31, 2013	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under finance lease:				
Within one year	**₱1,120,108**	**₱1,041,760**	₱1,305,472	₱1,206,198
In more than one year and not more than five years	**6,821,344**	**4,540,675**	6,490,353	4,170,746
In more than five years	**33,693,577**	**7,838,293**	36,160,760	7,059,327
	41,635,029	**13,420,728**	43,956,585	12,436,271
Less: Finance charges	**(28,214,301)**	–	(31,520,314)	–
Present value of lease obligations	**₱13,420,728**	**13,420,728**	₱12,436,271	12,436,271
Less: Current portion of obligations under finance lease		**(1,041,760)**		(1,206,198)
Noncurrent portion of obligations under finance lease		**₱12,378,968**		₱11,230,073

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

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

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

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

As of December 31, 2014, the Group had no obligation under finance lease for the IT Equipment. As of December 31, 2013, the minimum lease payments and present value of minimum lease payments on obligations under finance lease for the IT Equipment were as follows:

	December 31, 2013	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under finance lease:		
Within one year	₱11,396	₱7,989
In more than one year and not more than five years	44,635	38,210
	56,031	46,199
Less: Finance charges	(9,832)	–
Present value of lease obligations	₱46,199	46,199
Less: Current portion of obligations under finance lease		(7,989)
Noncurrent portion of obligations under finance lease		₱38,210

22. **Long-term Debt**

This account consists of:

	December 31, 2014	December 31, 2013
Senior Notes	**₱15,000,000**	₱–
Less: Deferred financing costs, net	**(279,476)**	–
	14,720,524	–
Current portion of long-term debt	**–**	–
	₱14,720,524	₱–

(a) Senior Notes

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

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

22. **Long-term Debt** – continued

(a) Senior Notes – continued

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

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

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

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

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

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

22. **Long-term Debt** – continued

(b) Shareholder Loan Facility

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

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

As of December 31, 2014 and 2013, the Shareholder Loan Facility has not been drawn.

(c) Deferred Financing Costs, Net

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

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

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

22. **Long-term Debt** – continued

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

23. **Cooperation Agreement, Operating Agreement and Lease Agreement**

(a) Cooperation Agreement

On October 25, 2012, MCE Holdings Group and the Philippine Parties entered into the Cooperation Agreement which became effective upon completion of the closing arrangement conditions on March 13, 2013, with minor changes to the original terms (except for certain provisions which were effective on signing). The Cooperation Agreement governs the relationship and the rights and obligations of the Licensees. Under the Cooperation Agreement, MCE Leisure has been designated as the operator to operate City of Dreams Manila and appointed as the sole and exclusive representative of the Licensees in connection with the 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.

The Cooperation Agreement includes terms as follows, which:

i) prohibit against assignment of rights and interests in the Provisional License by the Licensees except in certain circumstances, to an affiliate of that Licensees unless with prior written consent from other Licensees and prior written approval of PAGCOR;

ii) set out the Licensees' contributions to the investment commitment required by PAGCOR, details were disclosed in Note 24(c)(i);

iii) set out the right of first refusal and non-compete as agreed between the Licensees during the period commencing October 25, 2012 and ending on the date five years after the date of termination of the Cooperation Agreement, be involved in a similar business to City of Dreams Manila, including any integrated resort comprising gaming or casino operations, a hotel and entertainment venue in the Philippines;

iv) none of the Licensees (other than, or with the consent of, MCE Leisure), may on behalf of any or all of the Licensees enter into any arrangement, agreement, make any commitment, or incur any obligation or liability to any person (including to any Government authority) in connection with the Provisional License;

v) Belle will not, without the prior written consent of the MCE Holdings Group, sell, assign, transfer or convey any part of the land, building structures or land leased to MCE Leisure or terminate, novate or amend the lease agreement between Belle and the Government's Social Security System (the "SSS Lease Contract") as disclosed in Note 23(c);

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

(a) Cooperation Agreement – continued

vi) if any of City of Dreams Manila's land or building structures are or are proposed to be levied upon, garnished, foreclosed or attached by any Government authority, MCE Leisure may advance any sum or make any payment to prevent such action and charge the Philippine Parties for such payment plus a fee of 25% of the amount advanced, plus 15% interest per year of the aggregate amount paid by MCE Leisure;

vii) Registration with PEZA and/or Philippine Tourism Infrastructure and Enterprise Zone must be maintained by Belle and MCE Leisure at all times;

viii) restriction on change of control of the Licensees;

ix) respective parties contribution in relation to City of Dreams Manila, including MCE Leisure's responsibility for the fit-out, operation and management of City of Dreams Manila, and the Philippine Parties' responsibility for the design and construction of the buildings for City of Dreams Manila (through Belle); and

x) the indemnity of the Licensees, details were disclosed in Note 24(c).

(b) Operating Agreement

On March 13, 2013, the Licensees entered into the Operating Agreement which governs the operation and management of City of Dreams Manila by MCE Leisure. The Operating Agreement was effective 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.

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

(c) Lease Agreement

On October 25, 2012, MCE Leisure and Belle entered into the Lease Agreement (see Notes 9 and 21), which Belle agreed to lease to MCE Leisure the land and certain of the building structures for City of Dreams Manila. Part of the land leased by Belle to MCE Leisure is leased by Belle from the Government's Social Security System under the SSS Lease Contract.

The Lease Agreement, which was subsequently amended from time to time, became effective on March 13, 2013 upon completion of closing arrangement conditions and with minor changes from the original terms. The lease continues until termination of the Operating Agreement, currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms. The leased property is used by MCE Leisure and any of its affiliates exclusively as a hotel, casino, and resort complex, with retail, entertainment, convention, exhibition, food and beverages services as well as other activities ancillary, related or incidental to the operation of any of the preceding uses.

On July 31, 2013, MCE Leisure and Belle signed an addendum to the Lease Agreement to reduce the monthly rental payments with effective from July 1, 2013 with total discount for each twelve month rolling period with a cap of the Philippine peso equivalent of US$1,000,000, with the first twelve month period beginning from March 1, 2013.

24. **Commitments and Contingencies**

(a) Capital Commitments

As of December 31, 2014, the Group had capital commitments contracted for but not provided mainly for the fit-out construction costs of City of Dreams Manila totaling ₱3,367,294 including advance payments for construction costs of ₱330,560 as disclosed in Note 12.

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

24. **Commitments and Contingencies** – continued

(b) Lease Commitments

Operating Leases – As a Lessee

The Group leased a portion of land under the Lease Agreement for City of Dreams Manila and certain office spaces, warehouses, staff quarter and various equipment under non-cancellable operating lease agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by the Group and its lessors. For the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, the Group incurred rental expenses amounting to ₱342,988, ₱172,468 and nil, of which ₱315,077, ₱164,921 and nil were recognized as other expenses (Note 16) and ₱27,911, ₱7,547 and nil were capitalized in construction in progress, respectively. Minimum lease payments amounting to ₱342,947, ₱172,468 and nil and contingent fees amounting to ₱41, nil and nil were recognized for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, respectively.

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

	December 31, 2014
Year ending December 31,	
2015	**₱210,818**
2016	**197,324**
2017	**191,469**
2018	**163,019**
2019	**149,144**
Over 2019	**2,435,012**
	₱3,346,786

Operating Leases – As a Lessor

The Group entered into non-cancellable operating agreements mainly for mall spaces in City of Dreams Manila with various retailers that expire at various dates through October 2019. Certain of the operating agreements include minimum base fee with escalated contingent fee clauses. No contingent fees were recognized for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012.

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

24. **Commitments and Contingencies** – continued

(b) Lease Commitments – continued

Operating Leases – As a Lessor – continued

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

	December 31, 2014
Year ending December 31,	
2015	**₱21,872**
2016	**26,082**
2017	**21,255**
2018	**11,277**
2019	**9,379**
	₱89,865

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

(c) Other Commitments

Provisional License

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

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

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

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

24. **Commitments and Contingencies** – continued

(c) Other Commitments – continued

Provisional License – continued

(ii) Within 30 days from getting approval by PAGCOR of the project implementation plan, to submit a bank guarantee, letter of credit or surety bond in the amount of ₱100 million to guarantee the Licensees' completion of City of Dreams Manila and is subject to forfeiture in case of delay in construction which delay exceeds 50% of the schedule, of which SM Group had submitted a surety bond of ₱100 million to PAGCOR on February 17, 2012. The surety bond was subsequently released on March 31, 2015.

(iii) Seven days prior to commencement of operation of the casino, to secure a surety bond in favor of PAGCOR in the amount of ₱ 100 million to ensure prompt and punctual remittance/payment of all license fees, of which MCE Leisure had secured a surety bond of ₱100 million in December 2014.

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

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

For taxable periods prior to April 1, 2014, under Article IV, Section 20 of the 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 BIR RMC No. 33-2013 as disclosed in Note 20. The 10% license fee adjustment is a temporary measure to address the unilateral BIR action and is not intended to modify, amend or revise the 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.

24. **Commitments and Contingencies** – continued

(c) Other Commitments – continued

Provisional License – continued

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

(vii) PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% fee except for rental income received from retail concessionaires.

(viii) 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 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, 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, further details please refer to Note 25 under capital risk management.

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 Licensees 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.

Lease Agreement

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

24. **Commitments and Contingencies** – continued

(d) Guarantees

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

(ii) MCE Leisure has issued a corporate guarantee of ₱100 million to a bank in respect of surety bond issued to PAGCOR as disclosed in Note 24(c)(iii).

(e) Litigation

As of December 31, 2014, the Group is a party to certain 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.

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

The Group's principal financial instruments consist mainly of cash and cash equivalents and restricted cash which are for development and operation for City of Dreams Manila. The Group has other financial assets and liabilities such as accounts receivable, security deposit, other deposits and receivables, amount due from a shareholder, accounts payable, accrued expenses, other payables and other current liabilities, amount due to ultimate holding company, amount due to immediate holding company, amounts due to affiliated companies and other noncurrent liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks and they are summarized below.

<u>Interest Rate Risk</u>
Other than the bank balances which carry interest at market rates and the Senior Notes which carries interest at fixed rate, the Group has no other significant interest-bearing assets and liabilities and its operating cash flows are substantially independent of changes in market interest rates. Accordingly, management is of the opinion that the Group does not have significant interest rate risk.

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

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

Credit Risk – continued
The Group trades only with recognized and creditworthy third parties. It is the policy of the Group that all third parties who wish to trade on credit terms are subjected to credit verification procedures. Other current and noncurrent assets are monitored on an on-going basis with the result that the exposure of the Group to bad debts is not significant. The Group does not offer credit terms to third parties, without the specific approval of management.

With respect to credit risk from the financial assets of the Group, which are composed of cash and cash equivalents, restricted cash, accounts receivable, security deposit, other deposits and receivables and amount due from a shareholder, the exposure of the Group to credit risk arises from the default of bank where the Group's cash and cash equivalents and restricted cash were deposited, the default of the counterparty of which the accounts receivable, security deposit and other deposits and receivables were held and the default of repayment from a shareholder, with a maximum exposure equal to the carrying amount of these instruments. There is no significant concentration of credit risk in the Group.

Credit Risk Exposures. The carrying values of the Group's financial assets represent the maximum exposure to credit risk since the financial assets have no collateral or credit enhancements as of December 31, 2014 and 2013.

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

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

Credit Risk – continued
Credit Quality per Class of Financial Assets. Cash and cash equivalents and restricted cash are considered as high grade and include deposits made to reputable banks in the Philippines. Accounts receivable, other deposits and receivables and amount due from a shareholder are considered as high grade as the Group only trades with recognized and creditworthy third parties and MCE will provide financial support to the shareholder of the Parent Company to meet in full its financial obligations as they fall due. Security deposit is also classified as high grade since the security deposit in relation to the Lease Agreement is placed with Belle, a company listed in the PSE with positive financial performance.

	December 31, 2014				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Total
Financial Assets					
Cash and cash equivalents	**₱7,651,187**	**₱–**	**₱–**	**₱–**	**₱7,651,187**
Accounts receivable	**24,719**	**–**	**–**	**–**	**24,719**
Deposits and receivables	**169,243**	**–**	**–**	**–**	**169,243**
Amount due from a shareholder	**5,425**	**–**	**–**	**–**	**5,425**
Restricted cash	**2,230,850**	**–**	**–**	**–**	**2,230,850**
	₱10,081,424	**₱–**	**₱–**	**₱–**	**₱10,081,424**

	December 31, 2013				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Total
Financial Assets					
Cash and cash equivalents	₱8,599,842	₱–	₱–	₱–	₱8,599,842
Deposits and receivables	100,371	–	–	–	100,371
Amount due from a shareholder	5,425	–	–	–	5,425
Restricted cash	2,226,674	–	–	–	2,226,674
	₱10,932,312	₱–	₱–	₱–	₱10,932,312

Liquidity Risk
Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain adequate funding or is the risk that the Group will not be able to meet its obligations associated with financial difficulties.

The Group obtains funding from ultimate holding company and immediate holding company and manages its liquid funds through cash planning on a monthly basis. The Group uses historical data and forecasts from its collection and disbursement to ensure it has sufficient cash to meet capital expenditure and operational needs. The forecast takes into consideration of the Group's issuance of new shares and debt financing plans and covenant compliance requirements.

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

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

Liquidity Risk – continued

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and financial liabilities as of December 31, 2014 and 2013 based on undiscounted contractual cash flows.

	December 31, 2014				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	**₱7,651,187**	**₱–**	**₱–**	**₱–**	**₱7,651,187**
Accounts receivable	**24,719**	–	–	–	**24,719**
Deposits and receivables	**17,678**	**37,964**	**7,029**	**208,309**	**270,980**
Amount due from a shareholder	**5,425**	–	–	–	**5,425**
Restricted cash	**2,230,850**	–	–	–	**2,230,850**
Financial Liabilities					
Accounts payable	**₱160,219**	**₱–**	**₱–**	**₱–**	**₱160,219**
Accrued expenses, other payables and other current liabilities	**4,378,846**	–	–	–	**4,378,846**
Amount due to ultimate holding company	**58,363**	–	–	–	**58,363**
Amount due to immediate holding company	**889,239**	–	–	–	**889,239**
Amounts due to affiliated companies	**834,384**	–	–	–	**834,384**
Current portion of obligations under finance lease	**1,120,108**	–	–	–	**1,120,108**
Noncurrent portion of obligations under finance lease	–	**3,104,953**	**3,716,391**	**33,693,577**	**40,514,921**
Long-term debt	–	–	**15,000,000**	–	**15,000,000**
Interest expenses payable on long-term debt (including withholding tax)	**937,500**	**1,875,000**	**997,396**	–	**3,809,896**
Other finance fees payable on long-term debt (including gross up withholding tax)	**47,832**	**95,663**	**50,888**	–	**194,383**
Other noncurrent liabilities	–	**6,298**	**10,968**	**1,091**	**18,357**

	December 31, 2013				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	₱8,599,842	₱–	₱–	₱–	₱8,599,842
Deposits and receivables	10,029	12,808	7,029	175,599	205,465
Amount due from a shareholder	5,425	–	–	–	5,425
Restricted cash	–	2,226,674	–	–	2,226,674
Financial Liabilities					
Accrued expenses, other payables and other current liabilities	₱884,496	₱–	₱–	₱–	₱884,496
Amount due to ultimate holding company	107,787	–	–	–	107,787
Amount due to immediate holding company	887,415	–	–	–	887,415
Amounts due to affiliated companies	353,591	–	–	–	353,591
Current portion of obligations under finance lease	1,316,868	–	–	–	1,316,868
Noncurrent portion of obligations under finance lease	–	2,986,078	3,548,910	36,160,760	42,695,748

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

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

Foreign Exchange Risk
Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group has transactional currency exposures arising from transactions denominated in foreign currencies, mainly Hong Kong dollars, United States dollars, Macau Patacas, Australian dollars, Renminbi and Singapore dollars. Foreign exchange risks of the Group are regularly reviewed by the management and appropriate processes are in place to monitor and mitigate the said risks by maintaining a certain amount of operating funds in the same currencies in which the Group has obligations to pay from time to time. Management decides not to hedge the currency exposures considering the cost of hedging being higher than the currency exposure.

The following table shows the Group's foreign currency-denominated monetary assets and liabilities and their peso equivalents:

	December 31, 2014		December 31, 2013	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Financial Asset				
Cash and cash equivalents:				
Hong Kong dollar ("HK$")	**HK$20,072,620**	**115,113**	–	–
United States dollar ("US$")	**US$45,659,517**	**2,037,191**	US$502,697	22,387
Foreign Currency-denominated Financial Asset		**2,152,304**		22,387

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

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

Foreign Exchange Risk – continued

	December 31, 2014		December 31, 2013	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Financial Liabilities				
Accounts payable:				
HK$	**HK$71,080**	**408**	–	–
		408		–
Accrued expenses, other payables and other current liabilities:				
HK$	**HK$167,688**	**962**	HK$3,823,272	21,885
Renminbi ("RMB")	**RMB22,500**	**161**	–	–
Singapore dollar ("SGD")	**SGD8,000**	**269**	–	–
US$	**US$357,645**	**15,957**	US$1,061,348	47,266
		17,349		69,151
Amount due to ultimate holding company:				
HK$	**HK$2,634,522**	**15,109**	HK$2,634,522	15,080
Macau Patacas ("MOP")	**MOP18,841,429**	**104,905**	MOP11,114,897	61,770
US$	**US$1,879,012**	**83,836**	US$1,879,012	83,679
		203,850		160,529
Amount due to immediate holding company:				
HK$	**HK$155,600,000**	**892,340**	HK$155,600,000	890,670
		892,340		890,670
Amounts due to affiliated companies:				
Australian dollar ("AUD")	**AUD7,439**	**271**	AUD7,439	294
HK$	**HK$22,261,384**	**127,665**	HK$14,746,789	84,412
MOP	**MOP100,259,847**	**558,227**	MOP44,343,000	246,431
SGD	**SGD1,713**	**58**	SGD1,713	60
US$	**US$351,647**	**15,689**	US$320,007	14,251
		701,910		345,448
Current portion of obligations under finance lease:				
US$	–	–	US$179,390	7,989
		–		7,989
Noncurrent portion of obligations under finance lease:				
US$	–	–	US$858,008	38,210
		–		38,210
Foreign Currency-denominated Financial Liabilities		**1,815,857**		1,511,997

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

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

Foreign Exchange Risk – continued

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Group used the following rates of exchange as of December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Philippine peso to 1 unit of foreign currency:		
AUD	**36.39**	39.58
HK$	**5.73**	5.72
MOP	**5.57**	5.56
RMB	**7.15**	N/A
SGD	**33.68**	35.03
US$	**44.62**	44.53

The Group recognized net foreign exchange loss of ₱101,013 and ₱112,195 for the years ended December 31, 2014 and 2013, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Group's loss before income tax. There is no other impact on the Group's equity other than those already affecting the total comprehensive loss.

	December 31, 2014		December 31, 2013	
	% Change Currency Rate	Effect on Loss Before Income Tax	% Change Currency Rate	Effect on Loss Before Income Tax
AUD	**+1.8%**	**₱5**	+1.4%	₱4
	-1.8%	**(5)**	-1.4%	(4)
HK$	**+1.0%**	**9,214**	+1.3%	13,157
	-1.0%	**(9,214)**	-1.3%	(13,157)
MOP	**+1.0%**	**6,631**	+1.3%	4,007
	-1.0%	**(6,631)**	-1.3%	(4,007)
RMB	**+1.3%**	**2**	N/A	N/A
	-1.3%	**(2)**	N/A	N/A
SGD	**+0.9%**	**3**	+0.9%	1
	-0.9%	**(3)**	-0.9%	(1)
US$	**+1.0%**	**(19,217)**	+1.3%	2,197
	-1.0%	**19,217**	-1.3%	(2,197)

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences.

Positive change in currency rate reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

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

Capital Risk Management
The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain funding from shareholders, ultimate holding company, immediate holding company, debt financing or issuance of new shares.

The Group considers total equity and long-term debt as its capital which amounted to ₱27,607,935 and ₱13,333,691 as of December 31, 2014 and 2013, respectively.

Under the terms of the Provisional License, it requires each of the Licensees to maintain a debt-to-equity ratio under the definition as agreed with PAGCOR (the "D/E Ratio") of not more than 70:30. The Group's strategy is to monitor capital and maintain the D/E Ratio to comply with the PAGCOR requirements. As of December 31, 2014 and 2013, MCE Holdings Group, as one of the parties as Licensees, has complied with the D/E Ratio as required by PAGCOR.

26. **Financial Instruments**

Fair Value of Financial Instruments
Cash and cash equivalents, Restricted cash, Accounts receivable, Other deposits and receivables, Amount due from a shareholder, Accounts payable, Accrued expenses, other payables and other current liabilities, Amount due to ultimate holding company, Amount due to immediate holding company and Amounts due to affiliated companies. The carrying values approximate their fair values at reporting date due to the relatively short-term maturities of the transactions.

Security deposit, Current and Noncurrent portion of obligations under finance lease and Long-term debt. The carrying values approximate their fair values, which are measured by discounting estimated future cash flows to present value using a credit-adjusted discount rate.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of December 31, 2014 and 2013, the Group does not have financial instruments that are carried and measured at fair value. For the years ended December 31, 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

(a) For the year ended December 31, 2014, fit-out construction costs and cost of property and equipment in total of ₱3,016,357, ₱329,997 and nil were funded through accrued expenses, other payables and other current liabilities, amounts due to affiliated companies and amount due to ultimate holding company, respectively (For the year ended December 31, 2013: ₱700,807, ₱185,623 and nil, respectively; for the period from August 13, 2012 to December 31, 2012: ₱5,594, ₱21,512 and ₱10,512, respectively).

(b) For the year ended December 31, 2014, interest expenses capitalized in fit-out construction costs of ₱734,133 was funded through obligations under finance lease (For the year ended December 31, 2013: ₱147,553; for the period from August 13, 2012 to December 31, 2012: nil).

(c) For the year ended December 31, 2014, deferred financing costs of ₱622 was funded through amounts due to affiliated companies (For the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012: nil for both periods).

(d) For the year ended December 31, 2014, buy-out fee of a finance lease agreement of ₱36,173 was funded through accrued expenses, other payables and other current liabilities (For the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012: nil for both periods).

(e) For the year ended December 31, 2013, part of the transaction costs for the issuance of shares capitalized in additional paid-in capital of ₱6,058 was funded through accrued expenses, other payables and other current liabilities (For the period from August 13, 2012 to December 31, 2012: nil).

(f) For the year ended December 31, 2013, building under finance lease and furniture, fixtures and equipment of ₱11,755,719 and ₱49,543, respectively, were funded through obligations under finance lease (For the period from August 13, 2012 to December 31, 2012: nil).

(g) For the year ended December 31, 2013, contract acquisition costs of ₱5,808 and nil were funded through amounts due to affiliated companies and amount due to ultimate holding company, respectively (For the period from August 13, 2012 to December 31, 2012: ₱343 and ₱58,084, respectively). For the year ended December 31, 2013, contract acquisition costs of ₱64,721 were capitalized in building under finance lease (For the period from August 13, 2012 to December 31, 2012: nil).

(h) For the year ended December 31, 2013, other intangible assets of ₱5,624 were funded through accrued expenses, other payables and other current liabilities (For the period from August 13, 2012 to December 31, 2012: nil).

(i) For the year ended December 31, 2013, other noncurrent assets of ₱16,092 and ₱1,572 were funded through accrued expenses, other payables and other current liabilities and amounts due to affiliated companies, respectively (For the period from August 13, 2012 to December 31, 2012: nil).

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

(j) For the year ended December 31, 2013, prepaid license fee of ₱6,680 was funded through accrued expenses, other payables and other current liabilities (For the period from August 13, 2012 to December 31, 2012: nil).

28. **Share Incentive Plan**

On February 19, 2013, the Group adopted a share incentive plan ("Share Incentive Plan") to promote the success and enhance the value of the Group by linking personal interests of members of the Board, employees and consultants to those of the stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the stockholders which was approved by the SEC and became effective on April 12, 2013. On June 21, 2013, the shareholders of the Parent Company approved the minor amendments on additional provisions of the Share Incentive Plan which was approved by the SEC and became effective on June 24, 2013. Under the Share Incentive Plan, the Group may grant various share-based awards, including but not limited to, options to purchase the Parent Company's 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 shares which may be issued pursuant to all awards under the Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of the Parent Company from time to time over 10 years. As of December 31, 2014, 57,075,917 shares remain available for the grant of various share-based awards under the Share Incentive Plan.

Share Options

For the year ended December 31, 2014, the Group granted 9,543,186 share options to certain personnel under the Share Incentive Plan, with the exercise price for 4,861,003 share options determined at the higher of the closing price on the date of grant and the average closing price for the five trading days preceding the date of grant of the Parent Company's common shares trading on the PSE. The exercise price for 4,682,183 share options is fixed at ₱8.3 per share, with the same exercise price with the share options granted on June 28, 2013 on the bases approved by the management that these personnel would contribute significantly to the pre-opening of City of Dreams Manila and joined the Group prior to March 31, 2014. These share options became exercisable over different vesting periods of around three years. For the year ended December 31, 2013, the Group granted share options to certain personnel under the Share Incentive Plan with the exercise price determined at the higher of the closing price on the date of grant and the average closing price for the five trading days preceding the date of grant of the Parent Company's common shares trading on the PSE. These share options became exercisable over a vesting period of three years, with the first vesting on 30 days after the opening of City of Dreams Manila which were vested on March 4, 2015. All share options granted expire 10 years after the date of grant.

The Group uses the Black-Scholes valuation model to determine the estimated fair value for each share option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. Expected volatility is based on the historical volatility of a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical of expected term of the Parent Company. The risk-free interest rate used for each period presented is based on the Philippine Government bond yield at the time of grant for the period equal to the expected term.

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

28. **Share Incentive Plan** – continued

Share Options – continued

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

	December 31,	
	2014	2013
Expected dividend yield	**–**	–
Expected stock price volatility	**40%**	45%
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 Share Incentive Plan as of December 31, 2014, and changes for 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 of January 1, 2013	–	₱–		
Granted	120,826,336	8.30		
Forfeited	(4,682,183)	8.30		
Outstanding as of December 31, 2013	116,144,153	₱8.30		
Granted	**9,543,186**	**10.82**		
Forfeited	**(1,560,727)**	**8.30**		
Outstanding as of December 31, 2014	**124,126,612**	**₱8.49**	**8.56**	**₱631,297**

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

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

28. **Share Incentive Plan** – continued

Share Options – continued

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

	Expected to Vest		
	Number of Share Options	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Exercise price per share:			
₱8.30	**119,265,609**	**8.52**	**₱629,722**
₱13.26	**4,861,003**	**9.42**	**1,575**
	124,126,612	**8.56**	**₱631,297**

The weighted average fair value of share options granted under the Share Incentive Plan for the years ended December 31, 2014 and 2013 were ₱6.31 and ₱3.68 per share, respectively. As of December 31, 2014, there was ₱131,885 unrecognized compensation costs related to share options under the Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.23 years.

Restricted Shares

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

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

28. **Share Incentive Plan** – continued

Restricted Shares – continued

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

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2013	–	₱–
Granted	60,413,167	8.30
Forfeited	(2,341,091)	8.30
Unvested as of December 31, 2013	58,072,076	₱8.30
Granted	**7,079,775**	**13.03**
Forfeited	**(780,365)**	**8.30**
Unvested as of December 31, 2014	**64,371,486**	**₱8.82**

No restricted shares under the Share Incentive Plan were vested for the years ended December 31, 2014 and 2013. As of December 31, 2014, there was ₱158,089 unrecognized compensation costs related to restricted shares under the Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.25 years.

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

	Year Ended December 31, 2014	Year Ended December 31, 2013
Share Incentive Plan:		
Share options	**₱220,730**	₱128,819
Restricted shares	**260,367**	149,332
Total share-based compensation expenses	**₱481,097**	₱278,151
Share-based compensation expenses	**₱206,795**	₱95,936
Consultancy fee in consideration for share awards	**274,302**	182,215
	₱481,097	₱278,151

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

29. **Segment Information**

The Group principal operating and developmental activities are engaged in the gaming and hospitality business in the Philippines. The chief operating decision maker monitors its operations and evaluates earnings by reviewing the assets and operations of City of Dreams Manila as one operating segment. Upon commencement of operations of City of Dreams Manila on December 14, 2014 and as of December 31, 2014, the Group operates in one geographical area, the Philippines, where it derives its revenue and represented the comparatives for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012.

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

TOTAL ASSETS

	December 31, 2014	December 31, 2013	December 31, 2012
The Philippines:			
City of Dreams Manila	**₱47,746,744**	₱28,142,735	₱1,250,432
Total Assets	**₱47,746,744**	₱28,142,735	₱1,250,432

CAPITAL EXPENDITURES

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
The Philippines:			
City of Dreams Manila	**₱18,227,901**	₱14,963,838	₱39,282
Total Capital Expenditures	**₱18,227,901**	₱14,963,838	₱39,282

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

LONG-LIVED ASSETS

	December 31, 2014	December 31, 2013	December 31, 2012
The Philippines	**₱33,807,088**	₱16,023,859	₱97,709
Total Long-Lived Assets	**₱33,807,088**	₱16,023,859	₱97,709

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

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

29. **Segment Information** – continued

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

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
NET OPERATING REVENUES			
The Philippines:			
City of Dreams Manila	**₱430,218**	₱52,952	₱–
Total Net Operating Revenues	**₱430,218**	₱52,952	₱–
ADJUSTED PROPERTY EBITDA[(1)]			
The Philippines:			
City of Dreams Manila	**₱5,055**	(₱92,234)	(₱3,551)
Total Adjusted Property EBITDA	**5,055**	(92,234)	(3,551)
OPERATING COSTS AND EXPENSES			
Payments to the Philippine Parties	**(38,809)**	–	–
Land rent to Belle	**(158,466)**	(132,055)	–
Pre-opening costs	**(3,114,306)**	(455,344)	–
Development costs	**–**	(95,090)	(45,920)
Depreciation and amortization	**(285,731)**	(51,520)	–
Share-based compensation expenses	**(206,795)**	(95,936)	–
Consultancy fee in consideration for share awards	**(274,302)**	(182,215)	–
Property charges and others	**(157,693)**	–	–
Total Operating Costs and Expenses	**(4,236,102)**	(1,012,160)	(45,920)
OPERATING LOSS	**(4,231,047)**	(1,104,394)	(49,471)
NON-OPERATING INCOME (EXPENSES)			
Interest income	**42,887**	54,506	112
Interest expenses, net of capitalized interest	**(1,915,097)**	(1,316,877)	–
Other finance fees	**(44,776)**	–	–
Foreign exchange loss, net	**(101,013)**	(112,195)	(427)
Amortization of deferred financing costs	**(54,235)**	–	–
Other income	**–**	15,543	–
Total Non-operating Expenses, Net	**(2,072,234)**	(1,359,023)	(315)
NET LOSS	**(₱6,303,281)**	(₱2,463,417)	(₱49,786)

Note:
(1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, pre-opening costs, development costs, share-based compensation expenses, property charges and others and other non-operating income and expenses. The chief operating decision maker uses Adjusted property EBITDA to measure the operating performance of City of Dreams Manila and to the operating performance of its property with those of its competitors.

30. **Subsequent Events**

(a) In January 2015, the Group settled all outstanding claims in respect of the legal proceedings as mentioned in Note 24(e) and settled the amount of ₱2,500 for full and final settlement.

(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 US$1 billion under the terms of the Provisional License.

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Melco Crown (Philippines) Resorts Corporation and Subsidiaries as at and for the years ended December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2014 and 2013 and for the period from August 13, 2012 to December 31, 2012, included in this Form 17-A and have issued our report thereon dated April 8, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-1 (Group A),
March 4, 2014, valid until March 3, 2017
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2014,
January 22, 2014, valid until January 21, 2017
PTR No. 4751294, January 5, 2015, Makati City

April 8, 2015

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
December 31, 2014
Schedule A. Financial assets
(In thousands of Philippine peso)

Name of issuing entity and association of each issue	Amounts shown in the balance sheet	Interest income received or receivable
Cash and cash equivalents:		
BDO Unibank, Inc.	3,359,627	19,191
Bank of China Manila Branch	2,251,114	15,457
Metropolitan Bank and Trust Company	886,361	189
Eastwest Bank	26,025	75
Cash on hand	1,128,060	-
	7,651,187	34,912
Accounts receivable:		
Various customers	24,719	-
Deposits and receivables:		
Belle Corporation	73,862	3,357
The Manila Electric Company	32,710	-
Froehlich Tours Inc.	20,169	-
Nissan Car Lease Philippines, Inc.	15,015	-
Microsourcing International, Ltd.	10,758	-
SM Investments Corporation	7,129	-
Common Goal Real Properties, Inc.	2,549	-
Others	7,051	55
	169,243	3,412
Amount due from a shareholder:		
MCE (Philippines) Investments No.2 Corporation	5,425	-
Restricted cash:		
BDO Unibank, Inc.	2,230,850	4,563

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
December 31, 2014
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
(In thousands of Philippine peso)

Receivable of MCE Leisure (Philippines) Corporation from Melco Crown (Philippines) Resorts Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-Current	Ending balance
Melco Crown (Philippines) Resorts Corporation	-	8,533	(7,076)	-	(41)	1,416	-	1,416

Receivable of MCE Leisure (Philippines) Corporation from MCE Holdings (Philippines) Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-Current	Ending balance
MCE Holdings (Philippines) Corporation	2,577	-	-	-	16	2,593	-	2,593

Receivable of MCE Holdings (Philippines) Corporation and MCE Leisure (Philippines) Corporation from MCE Holdings No. 2 (Philippines) Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected	Amounts written off	Revaluation of oustanding balance	Current	Non-Current	Ending balance
MCE Holdings No. 2 (Philippines) Corporation	6,332	16,670	-	-	-	23,002	-	23,002

Receivable of Melco Crown (Philippines) Resorts Corporation from MCE Leisure (Philippines) Corporation

			Deductions					
Name and designation of debtor	Beginning balance	Additions	Amounts collected (i)	Amounts written off	Revaluation of oustanding balance	Current	Non-Current	Ending balance
MCE Leisure (Philippines) Corporation	1,026,533	18,445	(1,044,978)	-	-	-	-	2,089,956

(i) PHP1,000,000 was settled by converting the oustanding balance into additional paid-in capital of MCE Leisure (Philippines) Corporation. The remaining amount of PHP44,978 was settled by cash.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
December 31, 2014
Schedule D. Intangible assets
(In thousands of Philippine peso)

Description	Beginning balance	Additions of cost	Amortization charged to cost and expenses	Other changes additions (deductions)	Ending balance
Contract acquisition costs	1,020,151	-	(52,093)	-	968,058
Other intangible assets (for right to use of trademarks)	8,698	-	-	-	8,698

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
December 31, 2014
Schedule E. Long-term Debt
(In thousands of Philippine peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (i)
5.00% senior notes, due 2019	15,000,000	-	14,720,524

(i) Balance represents principal amount net against deferred financing costs of 279,476.
See note 22(a) to Consolidated Financial Statements for details of interest rates, amounts or number of periodic installments, and maturity dates.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Schedule H. Capital Stock
As of December 31, 2014

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held by		
				Affiliates/Related Parties	Directors, Officers and Employees	Others
Common	5,900,000,000	4,911,480,300	194,825,275	3,380,511,464	31,925	1,530,936,911

RECONCILIATION OF RETAINED EARNINGS
As of December 31, 2014

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Aseana Boulevard cor. Roxas Boulevard, Brgy.
Tambo, Parañaque City 1701

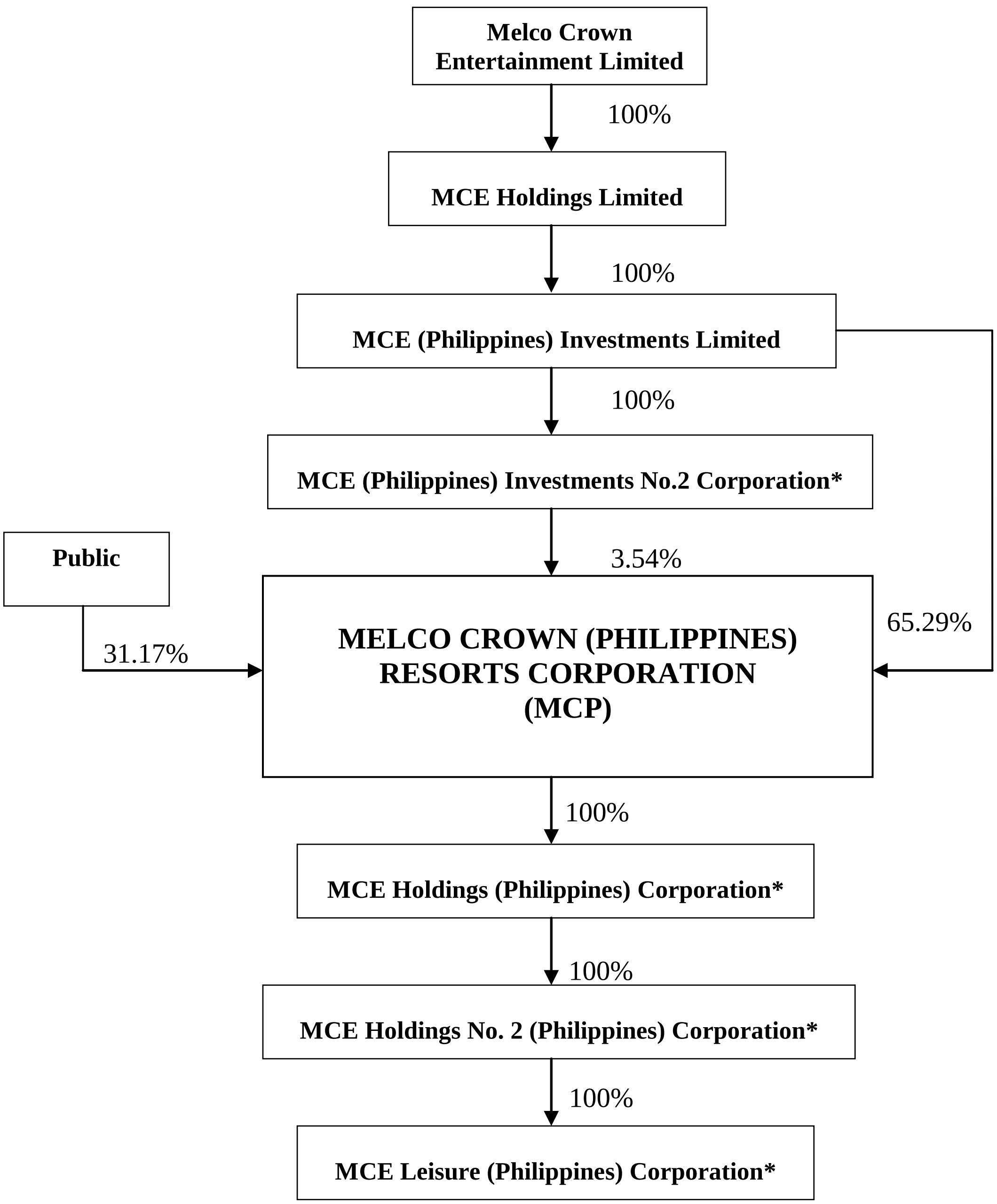
Unappropriated retained earnings per financial statements, beginning	**₱468,862,544**
Adjustments: Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)	**505,216**
Unappropriated retained earnings available for dividend declaration, as adjusted, beginning	**₱469,367,760**
Net loss based on the face of AFS	**(₱376,785,076)**
Less: Non-actual/unrealized income net of tax:	
Equity in net income of associate/joint venture	**–**
Unrealized foreign exchange gain – net (except those attributable to cash and cash equivalents)	**(413,934)**
Unrealized actuarial gain	**–**
Fair value adjustment (M2M gains)	**–**
Fair value adjustment of investment property resulting to gain	**–**
Adjustment due to deviation from PFRS/GAAP – gain	**–**
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	**–**
Add: Non-actual losses:	
Depreciation on revaluation increment (after tax)	**–**
Adjustment due to deviation from PFRS/GAAP – loss	**–**
Loss on fair value adjustment of investment property (after tax)	**–**
Net income actual/realized	**(₱377,199,010)**
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, AS ADJUSTED, ENDING	**₱92,168,750**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Key Performance Indicators
For the year ended December 31, 2014 and 2013

		December 31, 2014	Decembr 31, 2013	Note
Current ratio	Current assets over current liabilities	**1.35**	**2.58**	
Debt-to-equity ratio	Long term and short term debt over total equity	**1.14**	**-**	**No debt in 2013**
Interest rate coverage ratio	Net income before interest expense and taxes over interest expense	**Not applicable**	**Not applicable**	**MCP is making a loss**
Return on assets	Net income over total assets	**Not applicable**	**Not applicable**	**MCP is making a loss**
Return on equity	Net income over total equity	**Not applicable**	**Not applicable**	**MCP is making a loss**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

Mapping of relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates
As of December 31, 2014



***** The shares of these companies are owned 0.01% by 5 nominee directors of these companies respectively.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		X			
PFRSs Practice Statement Management Commentary					X
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	X			
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate				X
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters				X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters				X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters				X
	Amendments to PFRS 1: Government Loans				X
PFRS 2	Share-based Payment	X			
	Amendments to PFRS 2: Vesting Conditions and Cancellations	X			
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	X			
PFRS 3 (Revised)	Business Combinations				X
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination		X		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements		X		
PFRS 4	Insurance Contracts				X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations				X
	Amendment to PFRS 5 : Changes in Method of Disposal		X		
PFRS 6	Exploration for and Evaluation of Mineral Resources				X
PFRS 7	Financial Instruments: Disclosures	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendments to PFRS 7: Transition	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X			
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X			
	Amendments to PFRS 7: Disclosures – Servicing Contracts		X		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements		X		
PFRS 8	Operating Segments	X			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets		X		
PFRS 9	Financial Instruments		X		
	Financial Instruments – New Hedge Accounting Requirements		X		
	Financial Instruments – Classification and Measurement (2010 version)		X		
	Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		X		
	Financial Instruments (2014 or final version)		X		
PFRS 10	Consolidated Financial Statements	X			
	Amendments to PFRS 10: Investment Entities	X			
	Amendments to PFRS 10 : Sale of Contribution of Assets between an Investor and its Associate of Joint Venture		X		
PFRS 11	Joint Arrangements				X
	Amendments to PFRS 11 : Accounting for Acquisitions of Interests in Joint Operations		X		
PFRS 12	Disclosure of Interests in Other Entities				X
	Amendments to PFRS 12: Investment Entities	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not adopted	Not Applicable
PFRS 13	Fair Value Measurement	X			
	Amendment to PFRS 3 : Portfolio Exception		X		
PFRS 14	Regulatory Deferral Accounts		X		
PFRS 15	Revenue from Contracts with Customers		X		
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	X			
	Amendment to PAS 1: Capital Disclosures	X			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income				X
PAS 2	Inventories	X			
PAS 7	Statement of Cash Flows	X			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X			
PAS 10	Events after the Balance Sheet Date	X			
PAS 11	Construction Contracts				X
PAS 12	Income Taxes	X			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets				X
PAS 16	Property, Plant and Equipment	X			
	Amendment to PAS16 : Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization		X		
	Amendment to PAS16 : Clarification of Acceptable Methods of Depreciation and Amortization		X		
PAS 17	Leases	X			
PAS 18	Revenue	X			
PAS 19	Employee Benefits	X			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X			
PAS 19 (Revised)	Employee Benefits	X			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		X		
	Amendments to PAS 19: regional market issue regarding discount rate		X		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	X			
	Amendment: Net Investment in a Foreign Operation				X
PAS 23 (Revised)	Borrowing Costs	X			
PAS 24 (Revised)	Related Party Disclosures	X			
	Amendment to PAS 24 : Key Management Personnel		X		
PAS 26	Accounting and Reporting by Retirement Benefit Plans				X
PAS 27	Consolidated and Separate Financial Statements	X			
PAS 27 (Amended)	Separate Financial Statements	X			
	Amendments to PAS 27: Investment Entities	X			
	Amendments to PAS 27 : Equity Method in Separate Financial Statements		X		
PAS 28	Investments in Associates				X
PAS 28 (Amended)	Investments in Associates and Joint Ventures				X
	Amendments to PAS 28 : Sale of Contribution of Assets between an Investor and its Associate of Joint Venture		X		
PAS 29	Financial Reporting in Hyperinflationary Economies				X
PAS 31	Interests in Joint Ventures				X
PAS 32	Financial Instruments: Disclosure and Presentation	X			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				X
	Amendment to PAS 32: Classification of Rights Issues				X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X			
PAS 33	Earnings per Share	X			
PAS 34	Interim Financial Reporting	X			
	Amendment to PAS 34 : disclosure of information ‘elsewhere in the interim financial report’		X		
PAS 36	Impairment of Assets	X			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	X			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X			
PAS 38	Intangible Assets	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Amendment to PAS38 : Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization		X		
	Amendment to PAS38 : Clarification of Acceptable Methods of Depreciation and Amortization		X		
PAS 39	Financial Instruments: Recognition and Measurement	X			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions				X
	Amendments to PAS 39: The Fair Value Option				X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives				X
	Amendment to PAS 39: Eligible Hedged Items				X
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting				X
PAS 40	Investment Property				X
PAS 41	Agriculture				X
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities				X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments				X
IFRIC 4	Determining Whether an Arrangement Contains a Lease	X			
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds				X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment				X
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not adopted	Not Applicable
IFRIC 8	*Scope of PFRS 2*				X
IFRIC 9	Reassessment of Embedded Derivatives				X
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives				X
IFRIC 10	*Interim Financial Reporting and Impairment*				X
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	X			
IFRIC 12	Service Concession Arrangements				X
IFRIC 13	Customer Loyalty Programmes				X
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	X			
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement				X
IFRIC 15	Agreements for the Construction of Real Estate		X		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation				X
IFRIC 17	Distributions of Non-cash Assets to Owners				X
IFRIC 18	Transfers of Assets from Customers				X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments				X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine				X
IFRIC 21	Levies	X			
SIC-7	Introduction of the Euro				X
SIC-10	Government Assistance - No Specific Relation to Operating Activities				X
SIC-12	Consolidation - Special Purpose Entities	X			
	Amendment to SIC - 12: Scope of SIC 12	X			
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers				X
SIC-15	Operating Leases - Incentives				X
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets				X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders				X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X			
SIC-29	Service Concession Arrangements: Disclosures.				X
SIC-31	Revenue - Barter Transactions Involving Advertising Services				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Early Adopted	Not adopted	Not Applicable
SIC-32	Intangible Assets - Web Site Costs				X

APPENDIX II

Melco Crown (Philippines) Resorts Corporation and Subsidiaries

Condensed Consolidated Financial Statements
March 31, 2015 (Unaudited) and December 31, 2014
and For The Three Months Ended March 31, 2015 and 2014 (Unaudited)

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

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

	March 31, 2015 (Unaudited) (Note 2)	December 31, 2014 (Audited) (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱6,277,844**	₱7,651,187
Restricted cash (Note 5)	**2,239,800**	2,230,850
Accounts receivable (Note 6)	**147,237**	24,719
Inventories	**219,436**	194,609
Prepayments and other current assets	**215,625**	184,957
Amount due from a shareholder (Note 16)	**5,425**	5,425
Total Current Assets	**9,105,367**	10,291,747
Noncurrent Assets		
Property and equipment, net (Note 7)	**35,172,181**	32,830,332
Contract acquisition costs, net (Note 8)	**955,035**	968,058
Other intangible assets, net (Note 9)	**8,480**	8,698
Other noncurrent assets (Note 10)	**2,594,211**	3,624,180
Deferred tax asset	**349**	23,729
Total Noncurrent Assets	**38,730,256**	37,454,997
	₱47,835,623	₱47,746,744
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	**₱126,762**	₱160,219
Accrued expenses, other payables and other current liabilities (Note 11)	**6,833,374**	4,631,506
Current portion of obligations under finance lease (Note 19)	**1,151,256**	1,041,760
Amount due to ultimate holding company (Note 16)	**67,417**	58,363
Amount due to immediate holding company (Note 16)	**–**	889,239
Amounts due to affiliated companies (Note 16)	**614,326**	834,384
Income tax payable	**4,231**	3,882
Total Current Liabilities	**8,797,366**	7,619,353
Noncurrent Liabilities		
Long-term debt, net (Note 20)	**14,735,581**	14,720,524
Noncurrent portion of obligations under finance lease (Note 19)	**12,447,764**	12,378,968
Amount due to immediate holding company (Note 16)	**892,819**	–
Amounts due to affiliated companies (Note 16)	**915,253**	–
Deferred rent liability	**135,764**	122,131
Other noncurrent liabilities	**47,288**	18,357
Total Noncurrent Liabilities	**₱29,174,469**	₱27,239,980

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS – continued

MARCH 31, 2015 AND DECEMBER 31, 2014

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

	March 31, 2015 (Unaudited) (Note 2)	December 31, 2014 (Audited) (Note 2)
Equity		
Capital stock (Note 12)	**₱4,928,973**	₱4,911,480
Additional paid-in capital	**19,774,857**	19,647,157
Share-based compensation reserve	**680,326**	759,248
Equity reserve (Notes 2 and 12)	**(3,613,990)**	(3,613,990)
Accumulated deficits	**(11,906,378)**	(8,816,484)
Total Equity	**9,863,788**	12,887,411
	₱47,835,623	₱47,746,744

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

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

	Three Months Ended March 31,	
	2015 (Note 2)	2014 (Note 2)
NET OPERATING REVENUES		
Casino	**₱1,951,520**	₱–
Rooms	**158,813**	–
Food and beverage	**165,371**	–
Entertainment, retail and others	**64,394**	21,334
Total Net Operating Revenues	**2,340,098**	21,334
OPERATING COSTS AND EXPENSES		
Gaming tax and license fees	**(578,998)**	–
Inventories consumed	**(164,368)**	–
Employee benefit expenses (Note 13)	**(1,107,022)**	(278,267)
Depreciation and amortization	**(951,792)**	(20,071)
Other expenses (Note 14)	**(1,809,473)**	(153,977)
Payments to the Philippine Parties	**(139,000)**	–
Total Operating Costs and Expenses (Note 15)	**(4,750,653)**	(452,315)
OPERATING LOSS	**(2,410,555)**	(430,981)
NON-OPERATING INCOME (EXPENSES)		
Interest income	**4,169**	16,543
Interest expenses, net of capitalized interest	**(621,911)**	(511,226)
Other finance fees	**(11,958)**	(8,854)
Foreign exchange loss, net	**(10,853)**	(24,417)
Amortization of deferred financing costs	**(15,057)**	(11,131)
Total Non-operating Expenses, Net	**(655,610)**	(539,085)
NET LOSS BEFORE INCOME TAX	**(3,066,165)**	(970,066)
INCOME TAX EXPENSE (Note 18)	**(23,729)**	–
NET LOSS	**(3,089,894)**	(970,066)
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**(₱3,089,894)**	(₱970,066)
Basic/Diluted Loss Per Share (Note 17)	**(₱0.63)**	(₱0.22)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(In thousands of Philippine peso, except share and per share data)

	Capital Stock (Note 12)	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 12)	Accumulated Deficits	Total
Balance as of January 1, 2015	**₱4,911,480**	**₱19,647,157**	**₱759,248**	**(₱3,613,990)**	**(₱8,816,484)**	**₱12,887,411**
Net loss	**–**	**–**	**–**	**–**	**(3,089,894)**	**(3,089,894)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(3,089,894)**	**(3,089,894)**
Issuance of shares for restricted shares vested (Notes 12 and 26)	**17,493**	**127,700**	**(145,193)**	**–**	**–**	**–**
Share-based compensation (Note 26)	**–**	**–**	**66,271**	**–**	**–**	**66,271**
Balance as of March 31, 2015	**₱4,928,973**	**₱19,774,857**	**₱680,326**	**(₱3,613,990)**	**(₱11,906,378)**	**₱9,863,788**
Balance as of January 1, 2014	₱4,426,303	₱14,756,430	₱278,151	(₱3,613,990)	(₱2,513,203)	₱13,333,691
Net loss	–	–	–	–	(970,066)	(970,066)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	(970,066)	(970,066)
Share-based compensation (Note 26)	–	–	113,788	–	–	113,788
Balance as of March 31, 2014	₱4,426,303	₱14,756,430	₱391,939	(₱3,613,990)	(₱3,483,269)	₱12,477,413

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(In thousands of Philippine peso, except share and per share data)

	Three Months Ended March 31,	
	2015 (Note 2)	2014 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided by (used in) operating activities	**₱35,980**	(₱491,365)
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash shared by the Philippine Parties (Note 5)	**1,103,905**	–
Payment for acquisition of property and equipment	**(1,612,114)**	(1,547,960)
Payment for security deposit	**(62,192)**	–
Increase in restricted cash	**(8,950)**	(17,988)
Payment for acquisition of other intangible assets	**(4,307)**	(1,317)
Advance payments and deposit for acquisition of property and equipment	**(4,260)**	(739,038)
Payment for other noncurrent assets	**–**	(1,000)
Net cash used in investing activities	**(587,918)**	(2,307,303)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(468,750)**	–
Repayments of obligations under finance lease	**(335,769)**	(246,316)
Other finance fees paid	**(23,916)**	–
Proceeds from long-term debt	**–**	15,000,000
Payment of transaction costs of issuance of capital stock	**–**	(6,058)
Increase in amount due to immediate holding company	**–**	154
Payment for deferred financing costs	**–**	(305,832)
Net cash (used in) provided by financing activities	**(828,435)**	14,441,948
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	**7,030**	(47,441)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,373,343)**	11,595,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**7,651,187**	8,599,842
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱6,277,844**	₱20,195,681

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

1. **Organization and Business**

(a) Corporate Information

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

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

The Parent Company’s principal place of business is the Philippines and its registered office address was Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701. On April 8, 2015, the Board of Directors of MCP approved the change of the Parent Company’s registered office address to Asean Avenue cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701, which is further subject to the approval of MCP’s stockholders and the SEC as of the date of this report.

As of March 31, 2015 and December 31, 2014, the ultimate holding company of the Parent Company is Melco Crown Entertainment Limited (referred to as “MCE”), a company incorporated in the Cayman Islands with its American depository shares are traded on the NASDAQ Global Select Market in the United States of America and its ordinary shares are traded on the Main Board of The Stock Exchange of Hong Kong Limited (“HKSE”) in the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”). On January 2, 2015, MCE submitted an application to HKSE for the voluntary withdrawal of the listing of its ordinary shares on the Main Board of HKSE, which is expected to take effect at 4:00 p.m. on Friday, July 3, 2015, subject to fulfillment of certain conditions.

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

(b) Subsidiaries of MCP

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

1. **Organization and Business** – continued

(c) Activities of MCE Holdings Group

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

(d) Provisional License

As of March 13, 2013, the Philippine Amusement and Gaming Corporation ("PAGCOR") allowed the inclusion of, amongst others, MCE Leisure as a co-licensee, as well as the "special purpose entity" to operate the casino business and as representative for itself and on behalf of the other co-licensees under a provisional license (the "Provisional License") in their dealings with PAGCOR. As a result, MCE Holdings Group and the Philippine Parties together became co-licensees (the "Licensees") under the Provisional License granted by PAGCOR for the establishment and operation of City of Dreams Manila. 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 (the "PAGCOR Charter"), will expire on July 11, 2033.

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

On May 4, 2015, PAGCOR issued the Regular License to the Licensees, please refer to Note 28 for details.

1. **Organization and Business** – continued

(e) Status of Operations for City of Dreams Manila

The Group has been cooperating with the Philippine Parties to develop City of Dreams Manila. The cooperation in development involves the provision of the land and building structures by Belle and the fitting out of the buildings by MCE Leisure. MCE Leisure solely manages and operates City of Dreams Manila. MCE Leisure is required to pay rent for the land and building structures to Belle pursuant to the Lease Agreement, and is also responsible under the cooperation arrangement to pay monthly payments, based on the performance of gaming operations of City of Dreams Manila, to the Philippine Parties. MCE Leisure is entitled to retain all revenues from non-gaming operations of City of Dreams Manila.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

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

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

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

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

Statement of Compliance
The Group's unaudited condensed consolidated financial statements have been prepared in conformity with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*.

The Group's unaudited condensed consolidated financial statements as of March 31, 2015 do not include all the information and disclosures required in the annual consolidated financial statements and the results of operations are not necessarily indicative of the results for full year, and should be read in conjunction with the Group's consolidated financial statements as of December 31, 2014.

In preparing the Group's unaudited condensed consolidated financial statements as of March 31, 2015, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's audited consolidated financial statements as of December 31, 2014.

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 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 March 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 March 31, 2015, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

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 is capitalized. Interest subject to capitalization primarily includes interest paid or payable on the Group's long-term debt and the obligations under finance lease. The capitalization of interest and amortization of deferred financing costs ceases once a project is substantially completed or development activity is suspended for more than a brief period.

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

Capitalization of Interest and Amortization of Deferred Financing Costs – continued
To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. If an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

For the three months ended March 31, 2015 and 2014, total interest expenses incurred amounted to ₱691,553 and ₱621,589, of which ₱69,642 and ₱110,363 were capitalized, respectively. No amortization of deferred financing costs was capitalized for the three months ended March 31, 2015 and 2014.

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

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

The following specific recognition criteria must also be met before revenue is recognized:

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

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

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

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

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

Revenue Recognition – continued

The retail value of rooms, food and beverage, entertainment, retail and other services furnished to guests without charge is excluded from total net operating revenues in the accompanying unaudited condensed consolidated statement of comprehensive income. The amounts of such promotional allowances excluded from total net operating revenues for the three months ended March 31, 2015 are as follows:

	Three Months Ended March 31, 2015 (Unaudited)
Rooms	**₱305,050**
Food and beverage	**214,620**
Entertainment, retail and others	**5,117**
	₱524,787

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

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

Share-based Compensation Expenses

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

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

Further information on the Group's share-based compensation arrangement for the three months ended March 31, 2015 and 2014 for restricted shares and share options granted under its share incentive plan is included in Note 26.

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

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

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

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

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

The weighted average number of common and common equivalent shares used in the calculation of basic and diluted net loss per share consisted of the following:

	Three Months Ended March 31,	
	2015 (Unaudited)	2014 (Unaudited)
Weighted average number of common shares outstanding used in the calculation of basic net loss per share	**4,916,922,616**	4,426,303,300
Incremental weighted average number of common shares from assumed vesting of restricted shares and exercise of share options	**–**	–
Weighted average number of common shares outstanding used in the calculation of diluted net loss per share	**4,916,922,616**	4,426,303,300

For the three months ended March 31, 2015, 121,005,158 outstanding share options and 45,317,599 outstanding restricted shares as of March 31, 2015 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive. For the three months ended March 31, 2014, 120,566,215 outstanding share options and 60,283,106 outstanding restricted shares as of March 31, 2014 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive.

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

Subsequent Events
Post period-end events that provide additional information about the Group's financial position at the balance sheet date (adjusting events) are reflected in the unaudited condensed consolidated financial statements. Post period-end events that are not adjusting events are disclosed in the notes to unaudited condensed consolidated financial statements when material.

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

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

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

- PFRS 9, *Financial Instruments*
- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
- Annual Improvements to PFRSs (2010 – 2012 Cycle):
  - PFRS 2, *Share-based Payment*
  - PFRS 3, *Business Combinations*
  - PFRS 8, *Operating Segments*
  - PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*
  - PAS 24, *Related Party Disclosures*
- Annual Improvements to PFRSs (2011 – 2013 Cycle):
  - PFRS 3, *Business Combinations*
  - PFRS 13, *Fair Value Measurement*
  - PAS 40, *Investment Property*

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

4. Cash and Cash Equivalents

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash on hand	**₱1,092,905**	₱1,128,060
Cash in banks	**5,184,939**	6,523,127
	₱6,277,844	₱7,651,187

5. Restricted Cash

Under the Provisional License granted by PAGCOR, it is a requirement that the Licensees set-up an escrow account with an amount of US$100 million with a universal bank mutually agreed by PAGCOR and the Licensees. All funds for the development of the casino project shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to City of Dreams Manila. The escrow account should have a maintaining balance of US$50 million until the completion of City of Dreams Manila. As of March 31, 2015 and December 31, 2014, MCE Leisure, as the sole representative of the Licensees, maintained a balance of ₱2,239,800 and ₱2,230,850, respectively, in the escrow account for US$ equivalent of US$50 million in each of those periods based on prevailing exchange rates. After the opening of City of Dreams Manila during the three months ended March 31, 2015, the escrow account was partly funded by the Philippine Parties with ₱1,103,905 (equivalent to US$25 million) in accordance with the terms of the Cooperation Agreement. The escrow account will be closed as the City of Dreams Manila project is complete and funds held in the escrow account will be released to MCE Leisure.

6. Accounts Receivable

Components of accounts receivable are as follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Casino	**₱14,815**	₱6,812
Rooms	**124,521**	12,042
Others	**7,901**	5,865
	₱147,237	₱24,719

For the three months ended March 31, 2015 and 2014, no allowance for doubtful debts was made and no accounts receivable were directly written off.

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

6. **Accounts Receivable** – continued

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:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Current	**₱96,225**	₱24,719
1 – 30 days	**25,990**	–
31 – 60 days	**22,574**	–
61 – 90 days	**2,448**	–
	₱147,237	₱24,719

7. **Property and Equipment, Net**

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Carrying amount as of January 1	**₱32,830,332**	₱14,995,010
Additions	**3,280,400**	18,227,901
Capitalization of depreciation and amortization	**3,574**	13,949
Written off	**–**	(155,193)
Adjustment on purchase of leased asset	**–**	(3,748)
Depreciation and amortization	**(942,125)**	(247,587)
Carrying amount as of March 31 / December 31	**₱35,172,181**	₱32,830,332

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Building under Finance Lease	**₱11,634,918**	₱11,793,937
Property and Equipment	**23,016,969**	16,948,480
Construction in Progress	**520,294**	4,087,915
	₱35,172,181	₱32,830,332

As of March 31, 2015 and December 31, 2014, construction in progress included interest paid or payable on the obligations under finance lease which amounted to ₱28,115 and ₱256,739, respectively.

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

8. Contract Acquisition Costs, Net

Amortization of contract acquisition costs for the three months ended March 31, 2015 and 2014 were ₱13,023 and ₱13,024, respectively.

9. Other Intangible Assets, Net

The other intangible assets represent the license fees of ₱8,698 for right to use of trademarks for certain entertainment business for City of Dreams Manila and are amortized on a straight-line basis over the term of the license agreement which expires in 5 years from February 2015. Amortization of other intangible assets for the three months ended March 31, 2015 was ₱218.

10. Other Noncurrent Assets

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Input value-added tax ("VAT"), net	**₱2,146,315**	₱1,955,932
Noncurrent portion of prepaid rent	**132,996**	99,838
Security and rental deposits	**122,611**	98,686
Advance payments and deposit for acquisition of property and equipment	**121,605**	1,401,059
Other noncurrent assets and deposits	**70,684**	68,665
	₱2,594,211	₱3,624,180

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

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

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Accruals for:		
Fit-out construction costs	**₱3,529,841**	₱3,188,421
Employee benefit expenses	**487,867**	376,620
Gaming tax and license fees	**381,486**	64,077
Advertising, marketing, promotional and entertainment events	**179,716**	36,972
Facilities expenses	**118,677**	108,241
Taxes and licenses	**14,923**	1,917
Unpaid portion of obligations under finance lease	**–**	60,865
Operating expenses and others	**344,472**	214,831
Restricted cash refundable to the Philippine Parties	**1,104,038**	–
Customer deposits	**206,168**	9,796
Withholding tax payable	**182,537**	168,795
Interest expenses payable	**139,583**	327,083
Payments to the Philippine Parties	**84,393**	38,809
Other payables and liabilities	**59,673**	35,079
	₱6,833,374	₱4,631,506

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

12. **Equity**

Issued Capital Stock
As of March 31, 2015 and December 31, 2014, the Parent Company's issued capital stock consists of 4,928,973,460 and 4,911,480,300 common shares with par value of ₱1 per share, respectively.

For the three months ended March 31, 2015, the Parent Company issued 17,493,160 common shares upon vesting of restricted shares (see Note 26).

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
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– continued
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12. **Equity** – continued

Equity Reserve – continued
The equity reserve is accounted for as follows:

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

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

As of March 31, 2015 and December 31, 2014, the Parent Company has 434 and 437 stockholders, respectively.

13. **Employee Benefit Expenses**

	Three Months Ended March 31,	
	2015 (Unaudited)	2014 (Unaudited)
Basic salaries, allowances and bonuses	**₱881,353**	₱144,911
Meals and other amenities expenses	**69,805**	36
Share-based compensation expenses (Note 26)	**38,576**	41,478
Consultancy fee in consideration for share awards (Note 26)	**27,695**	72,310
Staff insurance expenses	**21,549**	553
Annual leave and other paid leave expenses	**19,131**	3,876
Retirement costs – defined contribution plans	**14,164**	1,812
Other employee benefit expenses	**34,749**	13,291
	₱1,107,022	₱278,267

For the three months ended March 31, 2015 and 2014, total employee benefit expenses of ₱297,810 and ₱278,267, including consultancy fee in consideration for share awards of ₱27,695 and ₱72,310 and share-based compensation expenses of ₱38,576 and ₱41,478, respectively, were included as pre-opening costs under total operating costs and expenses as disclosed in Note 15.

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

14. **Other Expenses**

	Three Months Ended March 31,	
	2015 (Unaudited)	2014 (Unaudited)
Advertising, marketing, promotional and entertainment expenses	**₱914,146**	₱14,248
Facilities expenses	**206,576**	10,345
Management fee expenses (Note 16)	**188,601**	43,531
Other gaming operations expenses	**105,370**	–
Supplies expenses	**102,610**	2,204
Rental expenses	**79,359**	64,577
Office and administrative expenses	**70,882**	8,942
Legal and other professional fees	**51,000**	2,798
Taxes and licenses	**20,164**	580
Operating expenses and others	**70,765**	6,752
	₱1,809,473	₱153,977

For the three months ended March 31, 2015 and 2014, advertising, marketing, promotional and entertainment expenses of ₱748,052 and ₱14,248 and facilities expenses of ₱55,827 and ₱10,345, respectively, were included as pre-opening costs under total operating costs and expenses as disclosed in Note 15.

15. **Total Operating Costs and Expenses**

	Three Months Ended March 31,	
	2015 (Unaudited)	2014 (Unaudited)
Casino	**₱1,217,784**	₱–
Rooms	**75,737**	–
Food and beverage	**151,222**	–
Entertainment, retail and others	**77,840**	–
Payments to the Philippine Parties	**139,000**	–
General and administrative expenses	**905,877**	5,835
Pre-opening costs	**1,231,401**	426,409
Depreciation and amortization	**951,792**	20,071
	₱4,750,653	₱452,315

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

16. **Related Party Transactions**

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

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

Category	Amount of Transactions For the Three Months Ended March 31, 2015 (Unaudited)	Outstanding Balance (Unaudited)	Terms	Conditions
Amount due from a shareholder				
MCE Investments No.2				
Balance as of January 1, 2015 and March 31, 2015		**₱5,425**	**Repayable on demand; non-interest bearing**	**Unsecured, no impairment**
Amount due to ultimate holding company				
MCE				
Balance as of January 1, 2015		**₱58,363**		
Management fee expenses recognized as other expenses	**₱25,295**	**25,295**		
Management fee income[(1)]	**(17,465)**	**(17,465)**		
Revaluation of outstanding balance		**1,224**		
Balance as of March 31, 2015		**67,417**		
Less: Current portion		**(67,417)**	**Repayable on demand; non-interest bearing**	**Unsecured**
Noncurrent portion		**₱–**		

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16. **Related Party Transactions** – continued

Category	Amount of Transactions For the Three Months Ended March 31, 2015 (Unaudited)	Outstanding Balance (Unaudited)	Terms	Conditions
Amount due to immediate holding company				
MCE Investments				
Balance as of January 1, 2015		**₱889,239**		
Revaluation of outstanding balance		**3,580**		
Balance as of March 31, 2015		**892,819**		
Less: Current portion		**–**		
Noncurrent portion		**₱892,819**	**Repayable after one year; non-interest interest**	**Unsecured**
Amounts due to affiliated companies				
MCE's subsidiaries				
Balance as of January 1, 2015		**₱701,910**		
Management fee expenses capitalized in construction in progress	**₱41,852**	**41,852**		
Management fee expenses recognized as other expenses	**163,306**	**163,306**		
Commission expenses recognized as other expenses	**2,118**	**2,118**		
Advertising, marketing, promotional and entertainment expenses recognized as other expenses	**557,965**	**557,965**		
Settlement of payables on behalf of the Group	**613**	**613**		
Settlement of payables on behalf of an affiliated company	**(171)**	**(171)**		
Revaluation of outstanding balance		**14,598**		
Balance as of March 31, 2015		**1,482,191**		
Less: Current portion		**(566,938)**	**Repayable on demand; non-interest bearing**	**Unsecured**
Noncurrent portion		**₱915,253**	**Repayable after one year; non-interest bearing**	**Unsecured**

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16. **Related Party Transactions** – continued

Category	Amount of Transactions For the Three Months Ended March 31, 2015 (Unaudited)	Outstanding Balance (Unaudited)	Terms	Conditions
Amounts due to affiliated companies – continued				
A subsidiary of Crown Resorts Limited ("Crown")[(2)]				
Balance as of January 1, 2015		**₱43,427**		
Acquisition of property and equipment	**₱1,453**	**1,453**		
Consultancy fee expenses recognized as other expenses	**2,974**	**2,974**		
Settlement of outstanding balance		**(902)**		
Balance as of March 31, 2015		**46,952**		
Less: Current portion		**(46,952)**	**Repayable on demand; non-interest bearing**	**Unsecured**
Noncurrent portion		**₱–**		
Melco International Developments Limited ("Melco")[(2)] and its subsidiaries				
Balance as of January 1, 2015		**₱89,047**		
Acquisition of property and equipment	**₱64,832**	**64,832**		
Settlement of payables on behalf of the Group	**771**	**771**		
Revaluation of outstanding balance		**6**		
Settlement of outstanding balance		**(154,220)**		
Balance as of March 31, 2015		**436**		
Less: Current portion		**(436)**	**Repayable on demand; non-interest bearing**	**Unsecured**
Noncurrent portion		**₱–**		

Notes:
(1) The amount represents the recharge of share-based compensation expenses for certain directors of MCP for the three months ended March 31, 2015 to MCE.

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

Directors' Remuneration

For the three months ended March 31, 2015, the remuneration of directors of the Group was borne by MCE.

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

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

	Three Months Ended March 31,	
	2015 (Unaudited)	2014 (Unaudited)
Net loss (a)	**(₱3,089,894)**	(₱970,066)
Weighted average number of common shares outstanding of legal parent (b)	**4,916,922,616**	4,426,303,300
Basic/Diluted loss per share (a)/(b)*1,000	**(₱0.63)**	(₱0.22)

For the three months ended March 31, 2015, 121,005,158 outstanding share options and 45,317,599 outstanding restricted shares as of March 31, 2015 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive. For the three months ended March 31, 2014, 120,566,215 outstanding share options and 60,283,106 outstanding restricted shares as of March 31, 2014 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive.

18. **Income Tax**

The provision for income tax for the three months ended March 31, 2015 and 2014 consisted of:

	Three Months Ended March 31,	
	2015 (Unaudited)	2014 (Unaudited)
Provision for current income tax	**₱24,078**	₱4,563
Benefit from deferred income tax	**(349)**	(4,563)
	₱23,729	₱–

The provision for current income tax for the three months ended March 31, 2015 and 2014 represents the tax provided by the Group on its taxable income for the period. The benefit from deferred income tax represents the deferred tax asset, which is recognized up to the amount of income tax recognized for the three months ended March 31, 2015 and 2014 to the extent of the amount of minimum corporate income tax and the reversing deductible temporary difference arising from share-based compensation expenses, respectively.

18. **Income Tax** – continued

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

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

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

On August 23, 2013, MCE Leisure was issued a certificate of registration by Philippine Economic Zone Authority ("PEZA") as a tourism economic zone enterprise ("Tourism Economic Zone Enterprise") for the development and operation of tourist facilities, particularly: (a) hotels, including facilities relating thereto, such as spas, fitness centers, restaurants, etc; (b) retail areas; (c) theme amusement and entertainment complexes; (d) ballroom, function room, and conference facilities; and (e) food and beverage outlets, at the Belle Grande Manila Bay (now rebranded as City of Dreams Manila), pursuant to the terms and conditions of a registration agreement signed between PEZA and MCE Leisure on August 22, 2013. As a Tourism Economic Zone Enterprise, MCE Leisure was granted the following fiscal incentives: (a) tax and duty free importation of certain eligible capital equipment to be used as part of the registered activity; and (b) VAT zero rating on local purchase of certain eligible capital equipment in accordance with the PEZA rules and regulations.

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

19. **Obligations Under Finance Lease**

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

	March 31, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under finance lease:				
Within one year	**₱1,243,418**	**₱1,151,256**	₱1,120,108	₱1,041,760
In more than one year and not more than five years	**7,080,381**	**4,675,771**	6,821,344	4,540,675
In more than five years	**33,647,238**	**7,771,993**	33,693,577	7,838,293
	41,971,037	**13,599,020**	41,635,029	13,420,728
Less: Finance charges	**(28,372,017)**	**–**	(28,214,301)	–
Present value of lease obligations	**₱13,599,020**	**13,599,020**	₱13,420,728	13,420,728
Less: Current portion of obligations under finance lease		**(1,151,256)**		(1,041,760)
Noncurrent portion of obligations under finance lease		**₱12,447,764**		₱12,378,968

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

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Senior Notes	**₱15,000,000**	₱15,000,000
Less: Deferred financing costs, net	**(264,419)**	(279,476)
	14,735,581	14,720,524
Current portion of long-term debt	**–**	–
	₱14,735,581	₱14,720,524

(a) Senior Notes

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

For the three months ended March 31, 2015, there is no change to the terms of Senior Notes as disclosed in the Group's consolidated financial statements as of December 31, 2014.

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

(b) Shareholder Loan Facility

On December 23, 2013, MCE Leisure, as borrower, signed the definitive agreement of the senior secured shareholder loan facility (the "Shareholder Loan Facility") in an aggregate amount of up to US$340,000,000 with MCE Investments as lender with reference to certain terms and conditions set out in a commitment letter entered by MCE Leisure with MCE Investments on April 12, 2013.

For the three months ended March 31, 2015, there is no change to the terms of Shareholder Loan Facility as disclosed in the Group's consolidated financial statements as of December 31, 2014.

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

(c) Deferred Financing Costs, Net

Direct and incremental costs of ₱333,711 incurred in connection with the issuance of the Senior Notes are capitalized as deferred financing costs. For the three months ended March 31, 2015 and 2014, deferred financing costs of ₱15,057 and ₱11,131 were amortized to the unaudited condensed consolidated statements of comprehensive income, respectively. As of March 31, 2015 and December 31, 2014, the unamortized deferred financing costs of ₱264,419 and ₱279,476 were net off and included in the amount of long-term debt as shown in the condensed consolidated balance sheets, respectively.

Interest expenses on long-term debt consisted of interest for the Senior Notes amounted to ₱234,375 and ₱180,035 for the three months ended March 31, 2015 and 2014, respectively. No interest on long-term debt was capitalized for the three months ended March 31, 2015 and 2014.

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

Other finance fees on long-term debt represents the gross receipt tax on interest on the Senior Notes, including a tax gross up impact which required MCE Leisure to pay without any deduction or withholding for or on account of tax amounted to ₱11,958 and ₱8,854 for the three months ended March 31, 2015 and 2014, respectively.

21. **Cooperation Agreement, Operating Agreement and Lease Agreement**

For the three months ended March 31, 2015, there is no significant change to the terms and conditions of the Cooperation Agreement, the Operating Agreement and the Lease Agreement as disclosed in the Group's consolidated financial statements as of December 31, 2014.

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22. **Commitments and Contingencies**

(a) Capital Commitments

As of March 31, 2015, the Group had capital commitments contracted for but not provided mainly for the fit-out construction costs of City of Dreams Manila totaling ₱1,658,141 including advance payments for construction costs of ₱91,417 as disclosed in Note 10.

(b) Lease Commitments

Operating Leases – As a Lessee

The Group leased a portion of land under the Lease Agreement for City of Dreams Manila and certain office spaces, warehouses, staff quarter and various equipment under non-cancellable operating lease agreements that expire at various dates through July 2033. Certain lease agreements provide for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by the Group and its lessors.

As of March 31, 2015, minimum lease payments under non-cancellable leases are as follows:

	March 31, 2015 (Unaudited)
Year ending December 31,	
2015	**₱152,678**
2016	**197,324**
2017	**191,469**
2018	**163,019**
2019	**149,144**
Over 2019	**2,435,012**
	₱3,288,646

(c) Other Commitments and Guarantees

Under the terms of the Provisional License, PAGCOR requires, amongst other things, the Licensees to make a total investment of US$1 billion for City of Dreams Manila (the "Investment Commitment"). On January 30, 2015, MCE Leisure applied to PAGCOR for the issuance of the Regular License for City of Dreams Manila as the Licensees satisfied the Investment Commitment of US$1 billion under the terms of the Provisional License.

For the three months ended March 31, 2015, other than the fulfillment of the Investment Commitment as mentioned above, there is no significant change to the terms of other commitments and guarantees for the Provisional License, the Cooperation Agreement and the Lease Agreement as disclosed in the Group's consolidated financial statements as of December 31, 2014.

22. **Commitments and Contingencies** – continued

(d) Litigation

In January 2015, the Group settled the amount of ₱2,500 for full and final settlement of all outstanding claims in respect of the legal proceedings which relate to matters arising out of the ordinary course of its business as of December 31, 2014.

As of March 31, 2015, the Group is a party to certain 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.

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

The Group's financial risk management objectives and policies are the same as those disclosed in the Group's consolidated financial statements as of December 31, 2014.

24. **Financial Instruments**

Fair Value of Financial Instruments

Cash and cash equivalents, Restricted cash, Accounts receivable, Other deposits and receivables, Amount due from a shareholder, Accounts payable, Accrued expenses, other payables and other current liabilities, Amount due to ultimate holding company, Amount due to immediate holding company and Amounts due to affiliated companies. The carrying values approximate their fair values at reporting date due to the relatively short-term maturities of the transactions.

Security deposit and Long-term debt. The carrying values approximate their fair values, which are measured by discounting estimated future cash flows to present value using a credit-adjusted discount rate.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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24. **Financial Instruments** – continued

As of March 31, 2015 and December 31, 2014, the Group does not have financial instruments that are carried and measured at fair value. For the three months ended March 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

25. Note to Unaudited Condensed Consolidated Statements of Cash Flows

(a) For the three months ended March 31, 2015, fit-out construction costs and cost of property and equipment in total of ₱960,537, ₱43,305 and ₱24,571 were funded through accrued expenses, other payables and other current liabilities, amounts due to affiliated companies and other noncurrent liabilities, respectively (For the three months ended March 31, 2014: ₱1,367,527, ₱31,758 and nil, respectively).

(b) For the three months ended March 31, 2015, interest expenses capitalized in fit-out construction costs of ₱69,642 was funded through obligations under finance lease (For the three months ended March 31, 2014: ₱110,363).

(c) For the three months ended March 31, 2014, deferred financing costs of ₱24,837 and ₱622 were funded through accrued expenses, other payables and other current liabilities and amounts due to affiliated companies, respectively.

26. Share Incentive Plan

Share Options

A summary of share options activity under the Share Incentive Plan as of March 31, 2015, and changes for the three months ended March 31, 2015 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share
Outstanding as of January 1, 2015	124,126,612	₱8.49
Forfeited	**(3,121,454)**	**8.30**
Outstanding as of March 31, 2015	**121,005,158**	**₱8.50**
Exercisable as of March 31, 2015	**34,986,308**	**₱8.30**

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26. **Share Incentive Plan** – continued

Share Options – continued

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

	Number of Share Options	
	Vested	Expected to Vest
Exercise price per share:		
₱8.30	**34,986,308**	**81,157,847**
₱13.26	**–**	**4,861,003**
	34,986,308	**86,018,850**

Note: 34,986,308 share options vested and no share options expired for the three months ended March 31, 2015.

Restricted Shares

A summary of the restricted shares activity under the Share Incentive Plan as of March 31, 2015 and changes for the three months ended March 31, 2015 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2015	64,371,486	₱8.82
Vested	**(17,493,160)**	**8.30**
Forfeited	**(1,560,727)**	**8.30**
Unvested as of March 31, 2015	**45,317,599**	**₱9.04**

The impact of share options and restricted shares for the three months ended March 31, 2015 and 2014 recognized in the unaudited condensed consolidated financial statements is as follows:

	Three Months Ended March 31,	
	2015 (Unaudited)	2014 (Unaudited)
Share Incentive Plan:		
Share options	**₱30,089**	₱53,191
Restricted shares	**36,182**	60,597
Total share-based compensation expenses	**₱66,271**	₱113,788
Share-based compensation expenses	**₱38,576**	₱41,478
Consultancy fee in consideration for share awards	**27,695**	72,310
	₱66,271	₱113,788

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

27. **Segment Information**

The Group principal operating and developmental activities are engaged in the gaming and hospitality business in the Philippines. The chief operating decision maker monitors its operations and evaluates earnings by reviewing the assets and operations of City of Dreams Manila as one operating segment. Upon commencement of operations of City of Dreams Manila on December 14, 2014 and as of March 31, 2015, the Group operates in one geographical area, the Philippines, where it derives its revenue and represented the comparatives for the three months ended March 31, 2014.

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

TOTAL ASSETS

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
The Philippines:		
City of Dreams Manila	**₱47,835,623**	₱47,746,744
Total Assets	**₱47,835,623**	₱47,746,744

CAPITAL EXPENDITURES

	Three Months Ended March 31,	
	2015 (Unaudited)	2014 (Unaudited)
The Philippines:		
City of Dreams Manila	**₱3,280,400**	₱2,687,972
Total Capital Expenditures	**₱3,280,400**	₱2,687,972

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

LONG-LIVED ASSETS

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
The Philippines	**₱36,135,696**	₱33,807,088
Total Long-lived Assets	**₱36,135,696**	₱33,807,088

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27. **Segment Information** – continued

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

	Three Months Ended March 31, 2015 (Unaudited)	2014 (Unaudited)
NET OPERATING REVENUES		
The Philippines:		
City of Dreams Manila	**₱2,340,098**	₱21,334
Total Net Operating Revenues	**₱2,340,098**	₱21,334
ADJUSTED PROPERTY EBITDA(1)		
The Philippines:		
City of Dreams Manila	**₱125,033**	₱15,499
OPERATING COSTS AND EXPENSES		
Payments to the Philippine Parties	**(139,000)**	–
Land rent to Belle	**(39,616)**	(39,616)
Pre-opening costs	**(1,165,130)**	(273,005)
Depreciation and amortization	**(951,792)**	(20,071)
Share-based compensation expenses	**(38,576)**	(41,478)
Consultancy fee in consideration for share awards	**(27,695)**	(72,310)
Corporate and Others expenses	**(173,779)**	–
Total Operating Costs and Expenses	**(2,535,588)**	(446,480)
OPERATING LOSS	**(2,410,555)**	(430,981)
NON-OPERATING INCOME (EXPENSES)		
Interest income	**4,169**	16,543
Interest expenses, net of capitalized interest	**(621,911)**	(511,226)
Other finance fees	**(11,958)**	(8,854)
Foreign exchange loss, net	**(10,853)**	(24,417)
Amortization of deferred financing costs	**(15,057)**	(11,131)
Total Non-operating Expenses, Net	**(655,610)**	(539,085)
NET LOSS BEFORE INCOME TAX	**(3,066,165)**	(970,066)
INCOME TAX EXPENSE	**(23,729)**	–
NET LOSS	**(₱3,089,894)**	(₱970,066)

Note:
(1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, payments to the Philippine Parties, land rent to Belle, pre-opening costs, share-based compensation expenses, Corporate 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 City of Dreams Manila and to compare the operating performance of its property with those of its competitors.

28. **Subsequent event**

On May 4, 2015, PAGCOR issued the Regular License dated April 29, 2015 in replacement of the Provisional License to the Licensees for the operation of City of Dreams Manila. The Regular License has the same terms and conditions as the Provisional License and is valid until July 11, 2033.