SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2013**

2. SEC Identification Number **58648** 3. BIR Tax Identification No. **121-000-410-840**

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

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

6. Industry Classification Code: ______ (SEC Use Only)

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Issued And Amount of Debt Outstanding As of December 31, 2013	Treasury Shares As of December 31, 2013	Outstanding Common Stock As of December 31, 2013
Common	**4,426,303,300**	**NIL**	**4,426,303,300**

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

Yes [X] No [ ]

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

12. Check whether the issuer:

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2013 are as follows:

    (a) Total number of shares held by non-affiliates as of December 31, 2013 is 1,045,791,436 shares.

    (b) Closing price of the Company's shares on the Exchange as of December 31, 2013 is ₱13.68.

    (c) Aggregate market price of (a) as of December 31, 2013 is ₱14,306,426,844.40.

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

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

Yes [ ] No [ ]

Not applicable.

DOCUMENTS INCORPORATED BY REFERENCE

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2013

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

1.1 Business Development and Corporate History

Melco Crown (Philippines) Resorts Corporation (the "**Company**" or "**MCP**") was incorporated and registered as Interphil Laboratories, Inc. with the Philippine Securities and Exchange Commission ("**SEC**") on November 6, 1974, primarily to manufacture, process and package drugs, chemicals, pharmaceuticals and veterinary products.

During the annual stockholders' and board of directors' meeting of the Company held on July 10, 2008, the Board approved the creation of two new wholly-owned subsidiaries under the Company. The two companies are First Pharma Industries Inc. (later renamed to Interphil Laboratories, Inc., "**Interphil**"), a toll manufacturing company, and Lancashire Realty Holding Corporation ("**Lancashire**"), a realty company. Likewise, resolutions were also passed to: (1) change the name of Interphil Laboratories, Inc., to Manchester International Holdings Unlimited Corporation; (2) change the name of First Pharma Industries Inc., to Interphil Laboratories, Inc.; and (3) change the primary purpose of Manchester International Holdings Unlimited Corporation.

The change in name, primary purpose and transfer of assets of the Company were approved by the SEC on November 21, 2008. The operating assets of the Company were transferred to Interphil and the real estate assets to Lancashire. After these transfers, the Company was not connected in any activities other than and in relation with the holding of shares of Interphil and Lancashire.

On December 7, 2012, Melco Crown Entertainment Limited ("**MCE**"), through its wholly-owned indirect subsidiaries, MCE (Philippines) Investments Limited ("**MCE Investments**") and MCE (Philippines) Investments No.2 Corporation ("**MCE Investments No.2**") entered into an acquisition agreement (the "**Acquisition Agreement**") with 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 and 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 billon shares with par value of ₱1.00 per share.

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

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

On March 20, 2013, MCP entered into a subscription and share sale agreement (the "**Subscription and Share**

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

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

On May 23, 2013, the Stabilizing Agent exercised the Over-allotment Option and subscribed to 36,024,600 common shares of MCP. MCE Investments then used the proceeds from the Offer and Over-allotment Option to subscribe to an equivalent number of common shares 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 (Philippines) Corporation ("**MCE Holdings**"), with a par value of ₱1.00 per share, at a total subscription price of ₱9.5 billion. As of December 31, 2013, MCE through MCE Investments and MCE Investments No.2, held an indirect ownership in MCP of 76.38%.

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 (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 the "**MCE Holdings Group**"). As a result of the Asset Acquisition Transaction, MCE Holdings Group became wholly-owned subsidiaries of MCP. The Company and its subsidiaries are collectively referred to as the "**Group**".

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

The comparative financial information as of and for the year ended December 31, 2011 has not been presented in the consolidated financial statements as all companies within the MCE Holdings Group were incorporated on or after August 13, 2012 and the effective date when MCE gained control of MCP was on December 19, 2012. Accordingly, the same basis applies to the preparation of financial and non-financial information for this annual report. Financial and non-financial information for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012 were prepared and disclosed based on the continuing business of MCE Holdings Group to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail, and amusement areas and themed development components which were further expanded to include casino gaming activities.

1.2 Business of the Company and the Group

MCE Leisure, a wholly-owned indirect subsidiary of the Company is one of the co-licensees which will develop an integrated hotel, gaming, retail and entertainment complex within Bagong Nayong Pilipino-Entertainment City Manila ("**Project**" or "**City of Dreams Manila**"), along with SM Investments Corporation ("**SMIC**"), Belle

Corporation ("**Belle**") and PremiumLeisure Amusement, Inc. ("**PLAI**"). MCE Leisure is responsible for the management and operation of the Project, as well as for the Project's fit-out, furniture, fixtures and equipment (including gaming equipment), working capital expenses, non-real property improvements and personal property. Belle is responsible for construction and maintenance of the building structures of the Project.

An integrated casino resort located at the gateway of Entertainment City in the Manila Bay area, City of Dreams Manila is expected to open later this year. Under the present regulatory framework of the Philippine Amusement and Gaming Corporation ("**PAGCOR**"), City of Dreams Manila will be permitted to operate up to approximately 365 gaming tables, 1,680 slot machines and 1,680 electronic table games upon completion. It will be required to maintain a minimum gross floor area of 250,000 square meters, with the gaming area capped at 7.5% of the total gross floor area. Notwithstanding the maximum permitted by PAGCOR, the actual number of gaming tables, slot machines and electronic table games upon completion, as anticipated by the Company, may be less. City of Dreams Manila is expected to have six hotel towers with approximately 950 rooms in aggregate, including VIP and five-star luxury rooms and high-end boutique hotel rooms, and five specialty restaurants along with a number of bars and a multi-level car park.

City of Dreams Manila will include an approximately 260 room Crown Towers hotels, a luxurious, premium hotel brand, adding to the brand's two current locations; Crown Towers hotel at Crown Melbourne, Australia and the Forbes Five Star Crown Towers hotel at City of Dreams Macau. The Crown Towers hotels at City of Dreams Manila will cater to the high end VIP and premium mass market segments in Manila, leveraging the experience that MCE has built up in these key segments, notably through its operations in Macau. City of Dreams Manila will also include an approximately 360 room hotel managed by the Hyatt group, a modern and first class, international full service hotel. Taking advantage of its international experience and knowledge of the operation of international standard full service hotels throughout the world, this Hyatt group hotel at City of Dreams Manila will offer a wide-array of first class services to its guests. In addition, City of Dreams Manila will introduce internationally acclaimed Nobu Hospitality, marking its first Nobu Hotel in Asia. Offering a fusion of laid-back luxury, high-energy nightlife and exclusive guestroom and spa services, Nobu Hotel at City of Dreams Manila will be the ultimate playground for Philippines, Asian and international client base, as part of a dynamic array of entertainment, luxury lifestyle and accommodation offerings to be featured at the integrated resort.

City of Dreams Manila is also expected to feature three separate entertainment venues: the family entertainment center ("**FEC**"), which features a children's concierge and supervision service and activities catering to children aged four and above, a live performance central lounge within the casino and a night club encapsulated within the Fortune Egg, an attractive domelike structure accented with creative external lighting, which is expected to become a centerpiece attraction of the Project.

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

The total budget for the City of Dreams Manila project up to the time of opening is estimated to be approximately US$680.0 million consisting of funds primarily for capital expenditures, working capital for initial opening and other pre-opening expenses.

Construction of City of Dreams Manila is currently underway. As of March 31, 2014, the building structure for City of Dreams Manila is complete and external works are in progress. The interior fitting out is progressing well across the whole project, with the gaming areas, hotels and operational support areas moving into the finishing stages. City of Dreams Manila is located on an approximately 6.2-hectare site on reclaimed land on Aseana Avenue in Parañaque City, which is close to Metro Manila's international airport, central business districts and the Mall of Asia, one of the world's largest shopping malls. Upon completion, City of Dreams Manila will be a world-class facility comprising one of the Philippines' leading integrated casino resort and gaming complexes which the Company believes will offer a premium gaming experience with differentiated non-gaming facilities and entertainment offerings.

Customers

The Company earned management fee income recharged to MCE and interest income on its cash in bank deposits during the year.

The Group's main business, through the Company's indirect subsidiary MCE Leisure, is the development, and upon opening of City of Dreams Manila, the operation of an integrated hotel, gaming, retail and entertainment complex in Entertainment City. City of Dreams Manila is currently under development and has no revenue.

<u>Customers for Gaming Operations</u>

Upon opening of City of Dreams Manila, the Group will focus on the following customers for its gaming operation.

VIP

One of the Group's two primary casino customer segments (the other being Mass Market). VIP customer(s) are customers who play on a rolling chip program, and who play almost exclusively in dedicated VIP rooms or designated casino or gaming areas.

> *Gaming Promoters*
>
> They are individuals or corporate entities who, for the purpose of promoting rolling chip gaming activity, arrange customer transportation and accommodation, provide credit in their sole discretion if authorized by a gaming operator, and arrange F&B services and entertainment, to VIP customers in exchange for commissions or other compensation from a gaming operator.
>
> *Premium Direct Customers*
>
> They are VIP customers who play on a rolling chip program and visit a casino as a result of direct marketing efforts by the Group rather than being sourced through gaming promoters.

Mass Market

One of the two primary casino customer segments (the other being VIP), consisting of customers who play table games and slot machines on public mass gaming floors for cash stakes that are typically lower than those in the VIP segment. Mass Market players are further classified as general Mass Market and Premium Mass.

> *General Mass Market*
>
> They are customers who play in cash and whose wagers are typically lower than VIP and Premium Mass customers.
>
> *Premium Mass*
>
> They are customers who play table games with relatively higher minimum bets than general Mass Market customers but relatively lower bets than VIP customers.

<u>Customers for Non-Gaming Operations</u>

Hotels

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

- *Crown Towers*: City of Dreams Manila's VIP hotel is expected to include rooms and suites that are designed to provide a luxurious and urban contemporary living concept. Guests will range from international VIP customers to affluent travelers;
- *Hyatt*: City of Dreams Manila's 5-star hotel is expected to include rooms and suites featuring a fitness center and salon facilities combining luxury and well-being, where guests will have direct and easy access to entertainment areas on the lobby level and the podium floor; and

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

Thematic Attractions and Entertainment

City of Dreams Manila is expected to offer three separate entertainment venues, supported by a diverse F&B zone designed to be a socializing hub where guests can relax and be entertained. The entertainment offerings, designed to cater to all key demographic groups, are expected to include the Fortune Egg and night club, a casino performance lounge, and a thematic FEC.

- The Fortune Egg and Night Club

City of Dreams Manila will feature the Fortune Egg, a central dome-like structure, which will house a dynamic night club that is expected to feature headlining performances by renowned DJs and international artists.

- Casino Performance Lounge

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

- Family Entertainment Center

The FEC is expected to be a film-branded and fully-themed family entertainment center. The FEC will possess two distinctly designed areas for particular age groups:

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

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

Food & Beverage and Retail

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

Competition

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

PAGCOR has issued the provisional license ("**Provisional License**") to the MCE Holdings Group , SMIC, SM Land, Inc., SM Hotels and Conventions Corporation, SM Commercial Properties, Inc., and SM Development Corporation (collectively, the "**SM Group**"), Belle and PLAI (collectively, together with the SM Group, the "**Philippine Parties**") (collectively, the MCE Holdings Group and the Philippine Parties, the "**Licensees**") and additional provisional gaming licenses to three other companies in the Philippines for the development and operation of integrated casino resorts, namely Travellers International Hotel Group, Inc., Bloomberry Resorts Corporation and Tiger Resorts Leisure and Entertainment Inc. Bloomberry Resorts Corporation's Solaire Manila has been in operation since March 2013.

PAGCOR has also licensed private casino operators in special economic zones, including four in Clark Ecozone, one in Poro Point, La Union, one in Binangonan, Rizal and one in Newport City CyberTourism Zone, Pasay City. The Provisional License granted by PAGCOR to the Licensees is non-exclusive, and PAGCOR has given no assurances to the Licensees that it will not issue additional gaming licenses, or that it will limit the number of licenses it issues.

The Company believes its gaming competitors may, to the extent they have not already done so, collaborate with international gaming companies, as evidenced by the collaboration between Alliance Global Group, Inc. and Genting Hong Kong Limited, as well as the initial partnership between Bloomberry Resorts Corporation and Global Gaming Asset Management. Although these companies and their collaborators may have substantial experience and/or resources in constructing and operating resorts and gaming establishments and may be supported by conglomerates with access to more capital than the Company, the Company believes that the City of Dreams Manila will be able to compete effectively with these entrants by offering a differentiated product that will appeal to the preferences of all segments of the Philippine gaming market, which is expected to grow significantly over the next few years.

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

The Company expects the Project to be well-positioned to capitalize on the growing market for gaming in Asia, as evidenced by Macau recording total casino revenues of US$45.0 billion in 2013 including revenues from VIP players of approximately US$29.8 billion and revenues for the mass market of US$15.3 billion. Total casino revenues grew at a CAGR of 30.3% from 2005 to 2012, making Macau the largest gaming and VIP market in the world. The Company believes that the Project will be able to take advantage of this strong demand by providing an attractive gaming option for regional and local Mass Market and VIP players, with its combination of high–end design, varied gaming and non-gaming offerings, luxurious amenities and high-quality customer service.

Suppliers

ASYA Design Partners was appointed as architect of record for the fit-out for City of Dreams Manila. MCE Leisure also appointed Leighton Contractors (Philippines) Inc. from the Leighton Group, a construction company with a long track record in the construction and project management of major infrastructure works throughout Asia and in most parts of the world, to manage the fit-out of City of Dreams Manila until the completion and grand opening of the resort. MCE Leisure also engaged the services of Design Coordinates, Inc. (DCI) through its affiliate, D'Consult International, Inc., to oversee the construction and completion of City of Dreams Manila for all local aspects of the Project and statutory compliance. MCE Leisure has also appointed a number of contractors and consultants who have well-established track records for high quality projects in the Philippines, to carry out fit-out works and provide design and engineering services for the timely and satisfactory completion of the Project.

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

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

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

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

FEC

A licensing agreement was entered into under which various trademarks and other intellectual property ("**IP**") rights will be licensed to MCE Leisure for use to develop, market and operate a FEC at City of Dreams Manila.

Nobu

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

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

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

Hyatt

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

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

Government Licenses and Registrations

Provisional License

As one of the Licensees, MCE Leisure has been named as the special purpose entity, effective from March 13, 2013, that will operate the casino business and act as the sole and exclusive representative of the Licensees for purposes of the Provisional License. The Provisional License is one of four licenses granted to various parties to develop integrated tourism resorts and establish and operate casinos in Entertainment City. PAGCOR is the Philippine regulatory body with jurisdiction over all gaming activities in the Philippines except for lottery, sweepstakes, jueteng, horse racing, and gaming inside the Cagayan Export Zone. City of Dreams Manila's gaming areas may only legally operate under the Provisional License granted by PAGCOR, which imposes certain requirements with which the licensees must comply. The Provisional License is also subject to suspension or termination upon the occurrence of certain events.

PEZA Registration

The application of MCE Leisure for registration with the Philippine Economic Zone Authority ("**PEZA**") as a Tourism Economic Zone Enterprise for the construction, development and operation of a hotel and entertainment complex at the Entertainment City has been granted by the PEZA Board of Directors in a resolution dated March 7, 2013. The certificate of registration was issued by PEZA on August 23, 2013.

Research and Development

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

Environmental Laws

Development projects that are classified by law as Environmentally Critical Projects ("**ECP**") within statutorily defined Environmentally Critical Areas ("**ECAs**") are required to obtain an Environmental Compliance Certificate ("**ECC**") prior to commencement. As a requisite for the issuance of an ECC, the proponent of an ECP is required to submit an Environmental Impact Statement ("**EIS**"), while the proponent of a project in an ECA is generally required to submit an Initial Environmental Examination ("**IEE**"), without prejudice to the power of the Department of Environment and Natural Resources ("**DENR**") to require a more detailed EIS. In case of an ECP within an ECA, an EIS is required. The construction of major roads and bridges are considered ECP for which an EIS and ECC are required.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in ECAs.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socioeconomic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a government certification that: (1) the proposed project or undertaking will not cause a significant negative environmental impact; (2) that the proponent has complied with all the requirements of the EIS System; and (3) that the proponent is committed to implement its approved environmental management plan in the EIS. The ECC contains specific measures and conditions that the project proponent must undertake before and during the operation of a project, and in some cases, during the project's abandonment phase to mitigate identified environmental impacts.

Project proponents that prepare an EIS are further required to establish an Environmental Guarantee Fund ("**EGF**") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to provide for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("**EMF**") when an ECC is eventually issued. The EMF must be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations. In any case, the establishment of the EMF must not occur later than the initial construction phase of the project.

If a development project does not fall under the categories where an ECC is required, the project proponent will still need to obtain a Certificate of Non-Coverage ("**CNC**") from the Environmental Management Bureau of the DENR ("**DENR-EMB**").

The DENR-EMB issued an ECC to Belle for the Project. Under the terms of its PEZA registration, MCE Leisure is required, prior to the start of commercial operations of the Project, to either: (a) apply for an ECC with the DENR-EMB and submit an approved copy of the ECC to PEZA within 15 days from its issuance, or (b) submit the ECC issued to Belle, as the same may be amended to reflect any changes made to the Project, for the review and approval by PEZA.

Related Party Transactions

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

Significant transactions with related parties for the year ended December 31, 2013 and the period from August 13, 2012 to December 31, 2012 are included in Note 17 to the consolidated financial statements.

Compensation of key management personnel of MCP were as follows:[1]

	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
Basic salaries, allowances and benefits in kind	₱81,160	₱-
Performance bonuses	20,939	-
Retirement benefit scheme contributions	1,663	-
Share-based compensation	35,509	-
	₱139,271	₱-

Employees

As of December 31, 2013, the Group had a total of 136 employees.

Discussion of Risks

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

Business Risks

Risks Relating to the Construction and Development of City of Dreams Manila

City of Dreams Manila, expected to open later this year, is in a development stage. There is no historical information available about its operations upon which investors can make an evaluation of City of Dreams Manila's business and prospects. In addition, Entertainment City, where City of Dreams Manila is located, is currently still in a preliminary stage of development in which only one integrated casino project is in operation.

Various development risks including modifications to plans and specifications, engineering problems, changes in laws and regulations, weather interferences or delays, disputes with workers or contractors and other unanticipated circumstances or cost increases could have a material adverse impact on City of Dreams Manila's projected timetable and costs. The occurrence of any of these development risks could delay the Group's ability to commence operations of City of Dreams Manila and generate revenues.

Risks Relating to Leases

MCE Leisure entered into a lease agreement on October 25, 2012, which became effective on March 13, 2013 (the "**Lease Agreement**"), where it leases the land and buildings occupied by City of Dreams Manila from Belle, which leases part of the land from the Philippine government's social security system (the "**Social Security System**"). Although MCE Leisure has not encountered any issues with respect to its tenancy relationship with

[1] In thousands of Philippine peso.

Belle, there can be no assurance that such good relations will continue. Numerous potential issues or causes for disputes may arise from a tenancy relationship, such as with respect to the provision of utilities on the premises and the maintenance and normal repair of the buildings, any of which could result in an arbitrable dispute between Belle and MCP. There can be no assurance that any such dispute would be resolved or settled amicably or expediently. Furthermore, during the pendency of any dispute, Belle as landlord could discontinue essential services necessary for the operation of City of Dreams Manila, or seek relief to oust MCE Leisure from possession of the leased premises. Any prolonged or substantial dispute between Belle and MCE Leisure, or any dispute arising under the lease agreement between Belle and the Social Security System, could have a material adverse effect on the operations of City of Dreams Manila, which would in turn adversely affect the Group's business, financial condition and results of operations. In addition, any negative publicity arising from the disputes or non-compliance by Belle with the lease terms would have a material adverse effect on the Group's business and prospects, financial condition and results of operations.

Furthermore, the Lease Agreement may be terminated in certain circumstances, including if MCE Leisure does not pay rent, or if either party fails to substantially perform any material covenants under the Lease Agreement and fails to remedy such breach in a timely manner which would cause a material adverse effect on the Group's business and prospects, financial condition, results of operation and cash flows.

The land and buildings leased by MCE Leisure from Belle has also been used as collateral by Belle under a loan agreement that it entered into with Banco de Oro Unibank, Inc. ("**BDO**") a local bank in the Philippines which is a part of the SM Group, amongst other parties. Although MCP, Belle and the relevant parties have entered into a non-disturbance agreement with regard to the land and buildings in question, there can be no assurance that the provisions of the non-disturbance agreement will be complied with or that BDO will not enforce its rights under the loan and collateral agreements to oust MCE Leisure from possession of part of the leased premises used as collateral by Belle, or commits other acts that would cause a material adverse effect on Group's business and prospects, financial condition, results of operations and cash flows.

The Timeline and Project Costs of City of Dreams Manila may be materially and adversely affected

MCE Leisure has already committed the majority of the contracts necessary for the fit-out of City of Dreams Manila, has successfully let all of the main hotel and casino fit out packages and has commenced the fitting out of the main building in 2013. Most of the contractors for the fit-out works are being procured through open tender, and definitive contracts are already in place for all main fit-out packages with reputable, qualified contractors on reasonable commercial terms. With a fully integrated team of management professionals, both local and international, fit out of the main building and connecting structure is expected to be completed in 2014. However, the schedule may be subject to change due to a number of factors, many of which are beyond the Group's control such as, force majeure, labor delays or shortages, inclement weather, unforeseen construction overruns, natural disasters, criminal acts and political and social unrest as well as budget and cost overruns.

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

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

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

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

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

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

MCE Leisure's right to operate City of Dreams Manila is subject to certain limitations under the operating agreement dated March 13, 2013 executed between the Philippine Parties and the MCE Holdings Group (the "**Operating Agreement**"). For example, MCE Leisure is prohibited from entering into any contract for City of Dreams Manila outside the ordinary course of the operation and management of City of Dreams Manila with an aggregate contract value exceeding US$3.0 million (increased by 5.0% each year on the anniversary of the date of entry into the Operating Agreement) without the consent of the Philippine Parties.

In addition, MCE Leisure is required to remit specified percentages of the mass market and VIP gaming EBITDA or revenues derived from City of Dreams Manila to PLAI. If MCE Leisure is unable to comply with any provisions of the Operating Agreement, the other parties to the Operating Agreement may bring lawsuits and seek to suspend or replace MCE Leisure as the sole operator of City of Dreams Manila, or terminate the Operating Agreement. Moreover, the Philippine Parties may terminate the Operating Agreement if MCE Leisure materially breaches the Operating Agreement and City of Dreams Manila is materially adversely affected or reasonably likely to be adversely affected. Termination of the Operating Agreement, whether resulting from MCE Leisure's or the Philippine Parties' non-compliance with the Operating Agreement, would cause a material adverse effect on the Group's business and prospects, financial condition, results of operations and cash flows.

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

Under the Operating Agreement, MCE Leisure must periodically calculate the respective amounts of VIP gaming earnings before interest, tax, depreciation and amortization derived from City of Dreams Manila (the "**PLAI VIP EBITDA**") and mass market and VIP gaming net win that derived from City of Dreams Manila and shared with PLAI pursuant to the Operating Agreement (the "**PLAI Net Win**") and report such amounts to the Philippine Parties. If the PLAI VIP EBITDA is less than the PLAI Net Win, the other Licensees must meet within 10 business days to discuss and review City of Dreams Manila's financial performance and agree on any changes to be made to the payment terms under the Operating Agreement. If such an agreement cannot be reached within

90 business days, MCE Leisure must suspend VIP gaming operations at City of Dreams Manila, and the rent payable in respect of that part of the building designed primarily or exclusively for VIP gaming usage will be abated for as long as the VIP gaming operations are suspended.

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

The Group may experience difficulty in managing the potentially rapid growth of City of Dreams Manila

City of Dreams Manila's operations may grow rapidly upon commencement of commercial operations, as the Philippine gaming market matures and the three other holders of PAGCOR licenses in Entertainment City commence operations and develop their businesses. Successful management of this rapid growth in the overall Philippine gaming market depends upon many factors, including favorable economic conditions and regulatory environment as well as the construction and fit-out of our facilities.

The Group may not be able to implement an effective growth strategy in the future to keep pace with the expected rapid development of the Philippine gaming market. It may not be able to fit-out and operate additional facilities or expand City of Dreams Manila. The failure by the Group to take advantage of the opportunities presented by a growing market may have a material adverse effect on its business and results of operations. In addition, if the Group is unable to successfully manage the potential difficulties associated with growing its operations or expanding City of Dreams Manila, it may not be able to maintain operating efficiencies as City of Dreams Manila expands. If the Group is not able to continue to capture scale efficiencies, successfully manage personnel and hiring, improve its systems, maintain its cost discipline strategies and enhance its product offerings through any future construction phases of City of Dreams Manila, this would cause a material adverse effect on the Group's business and prospects, financial condition, results of operations and cash flows.

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

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

MCE Leisure's strategy to attract Premium Mass Market customers to City of Dreams Manila may not be effective

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

The Group may be unable to maintain effective internal controls

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

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

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

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

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

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

If the Group successfully registers with TIEZA and is entitled to an income tax holiday, it is entitled to an option to be subject to a special tax rate of 5% on gross income. If the Group exercises such option, its sales for non-gaming operations may be exempted from VAT, which is currently levied at a rate of 12% of gross selling price or gross value in money of the goods or properties sold. Any VAT liability may result in a material adverse effect on the Group's business and prospects, financial condition, results of operations and cash flows.

Risks relating to the requirements imposed by PAGCOR

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

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

- to pay license fees monthly to PAGCOR;
- not to exceed a 70:30 debt-to-equity ratio for each of the Philippine Licensees;
- to invest US$1.0 billion in City of Dreams Manila and/or future gaming projects (of which the MCE Holdings Group are responsible for US$500.0 million and the Philippine Parties are responsible for contributing the remaining US$500.0 million, as set forth under the Philippine Cooperation Agreement), as well as any new or additional conditions, guidelines or other regulations PAGCOR may impose. PAGCOR has required that US$650.0 million or 65.0% of the US$1.0 billion investment commitment be fully utilized and invested in City of Dreams Manila by its opening (which is expected to occur in 2014);
- to hire locally at least 95.0% of total employees of City of Dreams Manila;
- to ensure at least 40.0% of City of Dreams Manila's gaming personnel are exclusively supplied by PAGCOR, where practicable;
- to purchase at least 90.0% of City of Dreams Manila's furniture and fixtures from Philippine manufacturers;
- to deposit US$100.0 million in an escrow account and maintain a minimum balance of US$50.0 million at all times;
- to remit 2.0% of certain casino revenues and 5.0% of certain non-gaming revenues; and
- to obtain a regular license to replace the Provisional License upon the City of Dreams Manila's completion.

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

There can be no assurance that the Licensees will be able to comply with all of the Provisional License's requirements, or that the Provisional License will not be modified to contain more onerous terms or amended in such a manner that would cause the Licensees to lose interest in the development of City of Dreams Manila. If the Provisional License is materially altered or revoked for any reason, including the failure by the Licensees to comply with its terms, or if a regular license is not issued upon City of Dreams Manila's completion, the Group may be required to cease City of Dreams Manila's gaming operations, which would have a material adverse effect on the Group's business, financial condition and results of operations. Finally, the Provisional License, or any regular license issued to replace the Provisional License, will terminate in 2033, coinciding with the PAGCOR Charter's termination, and there is no guarantee that the PAGCOR Charter or the regular license issued to replace the Provisional License will be renewed.

In addition, PAGCOR exercises significant control over City of Dreams Manila's construction and gaming operations. The MCE Holdings Group must submit any material modifications to the City of Dreams Manila project implementation plan to PAGCOR. As PAGCOR is also a gaming operator, there can be no assurance that PAGCOR will not withhold certain approvals from the MCE Holdings Group in order to favor its own gaming operations. PAGCOR may also modify or impose additional conditions on its licensees or impose restrictions or limitations on MCE Leisure's casino operations that may affect MCE Leisure's ability to provide VIP services, which could adversely affect the Group's business, financial condition and results of operations.

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

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

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

Recent investigations of bribery involving certain officials of PAGCOR and another holder of a provisional license granted by PAGCOR may result in wider investigation of all other provisional licenses

In February 2012, various articles reported that Kazuo Okada, a Japanese national and a principal of Universal Entertainment Group (which is the ultimate parent of Tiger Resorts) was accused by former business partner, Steve Wynn of Wynn Resorts, of bribery of gaming officials in certain jurisdictions. Although the allegations by Mr. Wynn against Mr. Okada and officials of PAGCOR have yet to be proven and Mr. Okada has categorically denied any improprieties, various agencies have already called for investigations into the matter.

There can be no assurance that any investigations to be conducted will not result in wider investigations of both former and present officials of PAGCOR who were involved in the approval and granting of all other provisional licenses. In addition, such investigations could also lead to suspension and even termination of any or all such provisional licenses which were granted under the authority of such PAGCOR officials, any of which would have a material adverse effect on the Group's business, goodwill, financial condition and results of operations.

The Licensees may be subject to corporate income tax unless the courts affirm the tax exemption in favor of holders of PAGCOR licenses

The Licensees may be subject to corporate income tax at the rate of 30.0% despite that they are entitled to pay license fees to PAGCOR "in lieu of all taxes" pursuant to the Provisional License. On March 15, 2011, the Supreme Court held that PAGCOR's exemption from corporate income tax under the PAGCOR Charter was implicitly revoked by R.A. No. 9337 in 2005. R.A. No. 9337, which removed PAGCOR from the list of government owned and controlled corporations that are exempt from paying corporate income tax. Moreover, under the Revenue Memorandum Circular issued by BIR, PAGCOR and its licensees and contractees are subject to corporate income tax on its operations of gambling, casinos, gaming clubs and other similar recreation or amusement places and gaming pools. As a result of the above, the Licensees may invoke a provision in the Provisional License that allows them to renegotiate the economic terms of the Provisional License when supervening events negatively affect their economic benefits under the Provisional License, or protest BIR's tax assessment or seek to suspend the collection of the tax assessed. There is no assurance that any of these remedies will be successful or that MCE Leisure would not be subject to corporate income tax at the rate of 30.0%. Moreover, PAGCOR may adversely modify the Provisional License's terms in light of the Supreme Court decision, which could materially and adversely affect the Group's' business, financial condition and results of operations.

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

Prior to the acquisition of the Company by MCE, MCP's primary business was the manufacture and processing of pharmaceutical products. The pharmaceuticals industry is subject to strict regulation in the Philippines and abroad, particularly with respect to, among others, product liability for defective pharmaceutical products. There can be no assurance that MCP will not, in the future, be involved in or subject to, claims, allegations or suits with respect to, its previous activities in the pharmaceutical industry, for any of which MCP may not be insured fully or at all. Claimants may seek redress or compensation for their claims against MCP's present management or assets, which although unrelated to MCP's previous business, may still be at risk under principles of successor-in-interest liability. Despite the fact that MCP has indemnities as to certain liabilities or claims or other protections put in place, any adverse claim or liability imputed to MCP with respect to its previous business activities could have a material adverse effect on its business and prospects, financial condition, results of operations and cash flow.

Risks relating to the Country in general

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

Financial risks

Financial Assets and Liabilities - Fair Value of Financial Instruments

Cash and cash equivalents, amount due from a shareholder, other deposits and receivables, restricted cash, 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 Current and Noncurrent portion of obligations under finance lease. 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.

Significant Accounting Judgments, Estimates and Assumptions[2]

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions. The 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 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 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 an 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.

[2] In thousands of Philippine peso.

Estimates and Assumptions

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

Estimating 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 ₱14,995,010 and ₱39,282 as of December 31, 2013 and 2012, respectively.

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 year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012. The carrying values of property and equipment amounted to ₱14,995,010 and ₱ 39,282 as of December 31, 2013 and 2012, respectively; the carrying values of contract acquisition costs amounted to ₱1,020,151 and ₱58,427 as of December 31, 2013 and 2012, respectively; and the carrying values of other intangible assets amounted to ₱8,698 and nil as of December 31, 2013 and 2012, respectively.

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 asset on deferred rent under PAS 17 amounting to ₱44,265 was recognized to the extent of the amount of the reversing taxable 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 ₱770,504 and ₱16,219 as of December 31, 2013 and 2012, respectively.

Estimating Fair Value of Share-based Payments. 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 payment 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 payment transactions are disclosed in Note 28 of the Consolidated Financial Statements.

PRESENT INVESTMENTS AND ACTIVITIES

From March 20, 2013, upon completion of the reverse acquisition of MCE Holdings Group, the following are the investments of the Company:

MCE Holdings (Philippines) Corporation

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

MCE Holdings No. 2 (Philippines) Corporation

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

MCE Leisure (Philippines) Corporation

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

SUBSEQUENT EVENTS

For a discussion of subsequent events concerning the Company and its subsidiaries, see Note 29 to the Company's audited consolidated financial statements as of December 31, 2013.

Item 2. Properties[3]

As of December 31, 2013, on a consolidated basis, the 2013 total property plant and equipment of the Group were valued at ₱14,995,010 as compared to ₱ 39,282 as of December 31, 2012.

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

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

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

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

[3] In thousands of Philippine peso.

Item 3. Legal Proceedings Affecting the Registrant or its Affiliates

As of December 31, 2013, neither the Company nor any of its subsidiaries are involved in or the subject of any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

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

A special stockholders meeting was held on October 8, 2013, in which the shareholders of the Company approved the amendments of the By-Laws of the Company to further revise (a) the compensation of Directors; (b) functions and duties of the President; and (c) functions and duties of the Chief Operating Officer ("**COO**").

In the annual stockholders meeting held on June 21, 2013, the shareholders of the Company approved the following resolutions:

(a) approval of the Company's Audited Financial Statements for the year ended December 31, 2012;

(b) election of Directors who would serve for the year 2013-2014;

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

(d) amendment of the Articles of Incorporation of the Company to revise (i) the Primary Purpose of the Company and (ii) the principal office address;

(e) amendment of the By-Laws of the Company to revise (i) the principal office address; (ii) number and qualifications of the Board of Directors; (iii) quorum for board meetings; (iv) conduct of meetings of the Board of Directors; (v) general powers of the Board of Directors; (vi) compensation of the Board members; (vii) minutes of the Board meetings; (viii) nominations and election of Directors; (ix) enumeration of Officers in the By-Laws; (x) conduct of, including sending of notice, voting, proxies and fixing of date, of stockholders meeting; (xi) corporate seal; (xii) requirements for amendment of the By-Laws; and (xiii) indemnification of Directors and Officers;

(f) grant of security package to secure an intercompany loan for the Company's indirect subsidiary, MCE Leisure; and

(g) amendment of the Company's share incentive plan (the "**Share Incentive Plan**") to comply with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKLR**") on (i) grant of awards to "connected persons", and (ii) restriction on timing of grant of awards.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information. The following table indicates the high and low trading prices of the Company's shares for the fiscal years 2012 and 2013 and first quarter of 2014.

		HIGH	LOW
2014			
	First Quarter	14.46	12.30
		HIGH	LOW
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	
		CLASS A		CLASS B[4]	
2012					
	First Quarter	2.17	1.95	2.05	2.05
	Second Quarter	2.60	2.32	2.55	2.52
	Third Quarter	2.52	2.52	2.56	2.56
	Fourth Quarter	14.00	11.00	14.00	10.52

Shareholders. The Company has a single class of common shares. As of December 31, 2013:

(a) the percentage ownership of stockholders of record of the total outstanding shares of the Company was 10.55% Filipino and 89.45% Foreign;

(b) the number of shares outstanding of the Company is 4,426,303,300; and

(c) the number of shareholders of the Company is 436.

The following are the Company's top 20 shareholders as of December 31, 2013:

	NAME	NO. OF SHARES HELD	% TO TOTAL OUTSTANDING SHARES
1	MCE (Philippines) Investments Limited	2,189,468,796	49.46%
2	PCD Nominee Corporation (Non-Filipino)	1,769,657,907	39.98%
3	PCD Nominee Corporation (Filipino)	288,558,267	06.52%
4	MCE (Philippines) Investments No.2 Corporation	173,834,268	03.93%
5	Jose Cuisia	187,500	00.00%
6	Victor Sy	187,500	00.00%
7	Lumen Tiaoqui	150,000	00.00%
8	Leonardo Chua Lian	150,000	00.00%
9	Josephine T. Willer	118,750	00.00%
10	Alexander S. Araneta	116,250	00.00%
11	Jose Marcel Enriquez Panlilio	112,500	00.00%
12	Bernard Ong and/or Conchita Ong	100,000	00.00%
13	Elena B. Alikpala	82,500	00.00%
14	Rosa T. Cabrera	75,000	00.00%
15	Wilson Lim and/or Jusy Lim	75,000	00.00%
16	Rafael Uyguanco	75,000	00.00%
17	Ramon Cojuangco, Jr.	71,250	00.00%
18	Mario C. Tan	67,500	00.00%
19	Van Tan	65,000	00.00%
20	Judy Tan Reynolds	62,500	00.00%
	TOTAL	**4,423,215,488**	**99.93%**

Dividends Per Share. No cash dividend was declared for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012, respectively.

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

Pursuant to the Share Subscription and Sale Agreement, 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 billon 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 SRC Rule Section 10.1 (i).

[4] As of March 5, 2013, the shares comprising the existing authorized capital stock of the Corporation, which previously consisted of Class "A" shares and Class "B" shares, have been declassified to a single class of common shares.

Furthermore pursuant to the Placing and Subscription Transaction, 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 an over-allotment option of up to 117,075,000 shares to a 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 offer and the subscription of new shares as a result of the Placing and Subscription Transaction is an exempt transaction under SRC Rule 10.1 (k) and (l).

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 Securities Regulation Code.

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 The Stock Exchange of Hong Kong Limited. The amendments include, but not limited to, additional provisions for compliance with HKLR requirements (i) when awards are granted to "connected persons" (as such term is defined under HKLR); and (ii) on restriction on timing of grant of awards. On June 24, 2013, additional 44,214,138 common shares were granted exemption from registration by the SEC.

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.

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

The following management's discussion and analysis relate to the consolidated financial information and pre-operating results of the Group and should be read in conjunction with the accompanying consolidated financial statements and related notes of the Group as of December 31, 2013 and 2012, and for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012.

Overview

The Company, through its subsidiaries, is engaged in the development, and upon opening, the operation of an integrated hotel, gaming, retail and entertainment complex within the Bagong Nayong Pilipino-Entertainment City Manila. The Company's subsidiaries, MCE Holdings, MCE Holdings No. 2, and MCE Leisure, together with SMIC, Belle and PLAI are the holders of the Provisional License issued by PAGCOR for the development of City of Dreams Manila. The Company, 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, 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 is located on an approximately 6.2-hectare site located in Entertainment City, which is close to Metro Manila's international airport, central business districts and the Mall of Asia, one of the world's largest shopping malls. As of the date hereof, construction on the main building is substantially complete, while fit-out is ongoing. The Company believes that upon its expected completion in 2014, City of Dreams Manila will comprise a luxury integrated tourism resort and gaming complex, offering a premium gaming experience and differentiated and innovative non-gaming facilities and entertainment experiences to its customers in a world-class facility.

On October 9, 2013, with the execution of a trade mark licensing agreement signed between MCP and MCE (IP) Holdings Limited, a subsidiary of MCE, the Company announced that its new integrated casino resort at Entertainment City, Manila, was branded "City of Dreams Manila". Furthermore, following various amendments to gaming regulations in the Philippines by PAGCOR, City of Dreams Manila is now anticipated to be able to operate up to approximately 365 gaming tables, 1,680 slot machines and 1,680 electronic table games upon opening.

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 billon shares with par value of ₱1.00 per share from authorized capital stock of ₱900 million divided into 900 million shares with 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 with MCE Investments, an indirect subsidiary of MCE for the Share Subscription Transaction, under which MCE Investments subscribed for 2,846,595,000 common shares of MCP with 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 for the Offer, 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 ₱1.00 per share, at the offer price of ₱14.00 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 ₱1.00 per share, at the offer price of ₱14.00 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 ₱1.00 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 the subscription price of ₱14.00 per share.

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. 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 December 31, 2013, 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, which were further expanded to include 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 the Philippine Parties for the development of City of Dreams Manila. Further to the MOA, on October 25, 2012, the MCE Holdings Group i) together with certain of its affiliated companies, entered into a closing arrangement agreement (the "**Closing Arrangement Agreement**"); and ii) entered into 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 City of Dreams Manila.

On March 13, 2013, the date on which the conditions to closing under the Closing Arrangement Agreement were fulfilled, or waived, the Cooperation Agreement and the Lease Agreement became effective, with minor changes to the original terms. 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.

Pre-Operating Results

The following will be the key performance indicators of the Group when it starts commercial operations in 2014:

a. Adjusted EBITDA: Earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, and other non-operating income and expenses.

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 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 (less service charges, if any) by total rooms occupied, i.e., average price of occupied rooms per day.

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

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

These performance indicators are not applicable as of December 31, 2013 when the Company and the Group had no commercial operations.

Pre-Operating Results for the Year Ended December 31, 2013 Compared to the Period from August 13, 2012 to December 31, 2012

As a result of the foregoing discussion on group organizational changes and Asset Acquisition Transaction, 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 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 subsidiaries, the MCE Holdings Group are adjudged to be the entities 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.

The comparative financial information for the period from August 13, 2012 to December 31, 2012 has been presented in the consolidated financial statements as all companies within the MCE Holdings Group were incorporated on or after August 13, 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:

	For the Year Ended December 31, 2013	**For the Period from August 13, 2012 to December 31, 2012**	**% Change**
Revenue (₱000)	52,952	-	N/A
Operating costs and expenses (₱000)	(1,157,346)	(49,471)	2239%
Non-operating expenses, net (₱000)	(1,359,023)	(315)	431336%
Net loss (₱000)	(2,463,417)	(49,786)	4848%
Basic/diluted loss per share (₱)	(0.74)	(0.12)	517%

We are currently in the development stage, and as a result, there is no revenue and cash provided by our intended operations, except for a management fee income from MCE as discussed below. Accordingly, the activities reflected in our consolidated statements of comprehensive income mainly relate to operating costs and expenses and non-operating income (expenses) including general and administrative expenses, pre-opening costs, development costs, amortization of contract acquisition costs, depreciation, interest income, interest expenses – net of capitalized interest, foreign exchange loss – net and other income. Consequently, as is typical for a development stage company, we have incurred losses to date and expect these losses to continue to increase until we commence commercial operations with the planned opening of City of Dreams Manila which is expected later this year.

Consolidated comprehensive loss for the year ended December 31, 2013 was ₱2,463.4 million, 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 primarily related to pre-opening costs, general and administrative expenses, developments costs, 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, primarily 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 ₱1,157.3 million for the year ended December 31, 2013, representing an increase of ₱1,107.8 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.

General and administrative expenses for the year ended December 31, 2013 amounted to ₱153.0 million, primarily consisted of documentary stamp duty and SEC filing fee related to increase in share capital of the MCE Holdings Group companies, legal and other professional fees incurred for the project funding.

Amortization of contract acquisition costs for the year ended December 31, 2013 of ₱43.4 million represented the consideration paid to Belle for termination of various agreements with a third party in accordance with the Closing Arrangement Agreement and this amount is amortized over the term of the Operating Agreement. There was no amortization of contract acquisition costs for the period from August 13, 2012 to December 31, 2012.

Development costs for the year ended December 31, 2013 amounted to ₱95.1 million, as compared to ₱45.9 million for the period from August 13, 2012 to December 31, 2012, primarily consisted of legal and other professional fees incurred during the closing of the Closing Arrangement Agreement as well as certain regulatory fees.

Pre-opening costs were ₱857.8 million for the year ended December 31, 2013, primarily related to staff cost, consultancy fee in consideration for share awards, project management fee charged from MCE or its subsidiaries, share-based payments, land rental charges on the Lease Agreement with Belle as well as legal and other professional fee for pre-operating corporate matters incurred during the year. There were no pre-opening costs for the period from August 13, 2012 to December 31, 2012.

Non-operating expenses, net

Interest income of ₱54.5 million 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 the aforesaid 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 mainly arrived from 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.

Trends, Events or Uncertainties Affecting Recurring Revenues and Profits

Upon commencement of the Group's intended business and operation, the Group will be 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

There were certain significant changes in the consolidated balance sheet of the Company 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 in accordance with the closing arrangement as detailed in Note 8 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 11 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 ₱14.2 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 for 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) share options (the "**MCP Share Options**") to subscribe for a total of 120,826,336 common shares of ₱1.00 each of MCP (the "**MCP Shares**") and (ii) restricted shares in respect of a total of 60,413,167 MCP Shares (the "**MCP Restricted 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 (12) 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	**December 31, 2013**	**December 31, 2012** #	**% Change**
Current assets	8,996,407	1,152,723	680%
Noncurrent assets	19,146,328	97,709	19495%
Total assets	28,142,735	1,250,432	2151%
Current liabilities	3,481,369	192,790	1706%
Noncurrent liabilities	11,327,675	-	N/A
Total liabilities	14,809,044	192,790	7581%
Equity	13,333,691	1,057,642	1161%

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 in construction in progress of ₱2,684.7 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 17 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 (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 during the year ended December 31, 2013. The amount is not expected to be reversed within one (1) 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 exercise of 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.

Deficit 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 aforesaid sections.

Cash used in investing activities amounted to ₱13,471.0 million for the year ended December 31, 2013 and which primarily include: (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 issuance of share capital of ₱16,685.9 million; (ii) net proceeds from capital stock issuance of legal subsidiary of ₱2,843.8 million; (iii) proceeds from 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 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 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, security deposit, accrued expenses, other payables and other current liabilities, amounts due to affiliated companies, amount due to ultimate holding company and amount due to immediate holding company which arise directly from its operation.

The main risks arising from the Group's financial instruments as of and for the year ended December 31, 2013 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 24 to the consolidated financial statements for detail.

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, 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 total budget for the City of Dreams Manila project up to the time of opening is estimated to be approximately US$680.0 million, consisting of funds primarily for capital expenditures, working capital for initial opening and other pre-opening expenses. However, this estimate may be revised depending on a range of variables, including the final design and development plans, funding costs, the availability of financing on terms acceptable to us, and prevailing market conditions.

MCP raised ₱16,685.9 million in net proceeds from the issuance of share capital, including the Placing and Subscription Transaction on the Philippine Stock Exchange completed in April, 2013 and the Over-allotment Option, and completed the issuance of ₱15 billion aggregate principal amount of senior notes due 2019 (the "**Senior Notes**") in January 2014.

The 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 preliminary and subject to change based upon the execution of our business plan, the progress of our capital projections, market conditions and outlook on future business.

As of December 31, 2013, we had capital commitments contracted for, but not provided, totaling ₱4,037.8 million mainly for the fit-out for City of Dreams Manila. For further details for our commitments and contingencies, please refer to Note 23 to the consolidated financial statements included elsewhere in this annual report.

On December 19, 2013, MCE Leisure priced its Senior Notes, at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019. The issuance of the Senior Notes was completed on January 24, 2014. We intend to use the net proceeds from the issuance of Senior Notes for the development of City of Dreams Manila.

The Senior Notes will be general obligations of MCE Leisure, will rank equally with all of MCE Leisure's existing and future senior indebtedness (save and except for any statutory preferences or priority) and will rank senior to all of MCE Leisure's existing and future subordinated indebtedness. The Senior Notes will be 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 Notes will be secured by pledge of shares of all present and future direct and indirect subsidiaries of MCP.

CAUSES FOR ANY MATERIAL CHANGES FROM PERIOD TO PERIOD OF FS WHICH SHALL INCLUDE VERTICAL AND HORIZONTAL ANALYSIS OF ANY MATERIAL ITEM (5%)

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of Philippine peso, except % change data)

			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes
					% of Change in	
	December 31		% to Total Assets		Prior Year	(With 5% as a Threshold)
ASSETS	**2013**	2012	**2013**	2012	**2013**	
Current Assets						
Cash and cash equivalents	8,599,842	1,152,022	31%	92%	646%	The increase is attributed to the net result of the net proceeds from issuance of share capital, partially offset by the payments made for the capital and operating expenditures.
Prepayments and other current assets	391,140	701	1%	0%	55697%	The increase is attributable to the increase in input VAT and current portion of prepaid rent as a result of the continous development of City of Dreams Manila.
Amount due from a shareholder	5,425	-	0%	0%	N/A	
Total Current Assets	8,996,407	1,152,723	32%	92%	680%	
Noncurrent Assets						
Property and equipment	14,995,010	39,282	53%	3%	38073%	The increase is attributable to the continuous development of City of Dreams Manila.
Contract acquisition costs	1,020,151	58,427	4%	5%	1646%	The increase is attributable to consideration paid to Belle as part of the closing condition net with the amortization charge for the year.
Other intangible assets	8,698	-	0%	0%	N/A	The increase represents the license fees incurred for right to use of certain trademarks for City of Dreams Manila.
Other noncurrent assets	895,795	-	3%	0%	N/A	The increase is mainly attributable to the recognition of advance payment of construction in progress, deposit for property and equipment, noncurrent portion of prepaid rent as well as rental and security deposits as a result of the continuous development of City of Dreams Manila.
Restricted cash	2,226,674	-	8%	0%	N/A	The increase is primarily attributable to the US$50 million escrow account as required under Provisional License granted by PAGCOR.
Total Noncurrent Assets	19,146,328	97,709	68%	8%	19495%	
Total Assets	**28,142,735**	**1,250,432**	100%	100%	2151%	

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of Philippine peso, except % change data)

			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes
					% of Change in	
	December 31		% to Total Assets		Prior Year	(With 5% as a Threshold)
	2013	2012	2013	2012	2013	
LIABILITIES AND EQUITY						
Current Liabilities						
Accrued expenses, other payables and other current liabilities	918,389	80,453	3%	6%	1042%	The increase is primarily attributable to the increase in accruals for fit-out construction costs, legal and other professional fees, and staff costs, which were arisen from the continuous development of City of Dreams Manila.
Current portion of obligations under finance lease	1,214,187	-	5%	0%	N/A	The increase represents the building lease portion and the finance lease for information technology infrastructure service, which became effective during the year.
Amount due to ultimate holding company	107,787	90,434	0%	7%	19%	
Amount due to immediate holding company	887,415	-	3%	0%	N/A	The increase is resulted from project management fee and payroll recharged from affiliates/holding companies as well as funds advance from MCE Investments for the development of City of Dreams Manila.
Amounts due to affiliated companies	353,591	21,903	1%	2%	1514%	
Total Current Liabilities	3,481,369	192,790	12%	15%	1706%	
Noncurrent Liabilities						
Noncurrent portion of obligations under finance lease	11,268,283	-	40%	0%	N/A	The increase represents the building lease portion and the finance lease for information technology infrastructure service, which became effective during the year.
Deferred rent liability	59,392	-	0%	0%	N/A	The increase represents the difference between the amount of effective rent and the actual payment.
Total Noncurrent Liabilities	11,327,675	-	40%	0%	N/A	
Equity						
Capital stock	4,426,303	562,500	16%	45%	687%	
Additional paid-in capital	14,756,430	92,679	53%	8%	15822%	The increase is mainly related to the subscription of 2,846,595,000 shares by MCE Investments, sale of treasury shares, top-up placement of 981,183,700 common shares, followed by exercise of over-allotment of 36,024,600 common shares.
Share-based compensation reserve	278,151	-	1%	0%	N/A	The increase is attributable to the Share Incentive Plan granted during the year.
Equity reserve	(3,613,990)	740,763	-13%	59%	-588%	The amount represents 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.
Accumulated deficits	(2,513,203)	(49,786)	-9%	-4%	4948%	The increase is due to the net loss recognized during the year.
Cost of treasury shares held	-	(288,514)	0%	-23%	-100%	The decrease is attributable to the sale of treasury shares.
Total Equity	13,333,691	1,057,642	48%	85%	1161%	
Total Equity and Liabilities	**28,142,735**	**1,250,432**	100%	100%	2151%	

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In thousands of Philippine peso except % change date and Basic/diluted Loss per Share)

	For the year ended December 31, 2013	For the period from August 13, 2012 to December 31, 2012	VERTICAL ANALYSIS % to Revenues 2013	VERTICAL ANALYSIS % to Revenues 2012	HORIZONTAL ANALYSIS % of Change in Prior Year 2013	Causes of Material Changes (With 5% as a Threshold)
REVENUE						
Management fee income	52,952	-	100%	N/A	N/A	The increase is attributable to the reimbursement of the share based compensation costs for certain MCP directors recharged to MCE.
OPERATING COSTS AND EXPENSES						
General and administrative expenses	(152,954)	(3,551)	-289%	N/A	4207%	The increase is attributable to the continuous development of City of Dreams Manila.
Pre-opening costs	(857,782)	-	-1620%	N/A	N/A	The increase is attributable to the continuous development of City of Dreams Manila.
Development costs	(95,090)	(45,920)	-180%	N/A	107%	The increase is attributable to the legal and other professional fees incurred during the closing of the Closing Arrangement Agreement as well as certain regulatory fees.
Amortization of contract acquisition costs	(43,410)	-	-82%	N/A	N/A	The increase is attributable to the amortization of the consideration paid to Belle as part of the closing condition during the year.
Depreciation	(8,110)	-	-15%	N/A	N/A	The increase is attributable to the increase in property and equipment due to the continuous development of City of Dreams Manila.
Total operating costs and expenses	(1,157,346)	(49,471)	-2186%	N/A	2239%	
NON-OPERATING INCOME (EXPENSES)						
Interest income	54,506	112	103%	N/A	48566%	The increase is attributable to the increase in bank balances and full year interest income.
Interest expenses, net of capitalized interest	(1,316,877)	-	-2487%	N/A	N/A	The increase is attributable to the interest on obligation under finance lease.
Foreign exchange loss - net	(112,195)	(427)	-212%	N/A	26175%	The increase is attributable to the depreciation of Philippine Peso against H.K. Dollar and U.S. Dollar and the increase in foreign currency denominated payables.
Other income	15,543	-	29%	N/A	N/A	The increase is attributable to the VAT reimbursement from rental paid to Belle.
Total non-operating expenses, net	(1,359,023)	(315)	-2567%	N/A	431336%	
NET LOSS	(2,463,417)	(49,786)	-4652%	N/A	4848%	
OTHER COMPREHENSIVE INCOME	-	-	0%	N/A	N/A	
TOTAL COMPREHENSIVE LOSS	(2,463,417)	(49,786)	-4652%	N/A	4848%	The increase is attributable to the continuous development of City of Dreams Manila and pre-opening activities.
Basic/Diluted Loss Per Share	₱ (0.74)	₱ (0.12)	0%	N/A	517%	

Item 7. Financial Statements

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

Item 8. Information of Independent Accountant and Other Related Matters

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

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

2. External Audit Fees and Services

For the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012, the fees for audit work and other services performed by SGV & Co. for the Company and its subsidiaries were as follows:

	2013	**2012**
In thousands of Philippine peso		
External audit fees and services	₱2,795	₱1,772
Audit service fee for Placing and Subscription Transaction	4,659	-
Other non-audit service fees	920	-
Tax fees	3,801	233
Out-of-pocket expenses	284	66

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) External audit service fee were incurred for professional services rendered for the Placing and Subscription Transaction.

c) 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.

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The following are the directors and executive officers of the Company as of December 31, 2013 and since March 13, 2014:

Name And Position	Age	Citizenship	Period Served As A Director/Officer
Clarence Yuk Man Chung	51	Chinese	Since December 19, 2012

Chairman of the Board/President			
Jose F. Buenaventura Director	78	Filipino	Since February 20, 2013
Frances Marie T. Yuyucheng Director / Corporate Secretary / Compliance Officer / Corporate Information Officer	45	Filipino	Since February 20, 2013 Until January 22,2014 (as Corporate Information Officer) Until March 13, 2014 (as Corporate Secretary and Compliance Officer)
Rena M. Rico-Pamfilo Director	37	Filipino	Since February 20, 2013 until March 13, 2014
Yvette P. Chua Director / Alternate Corporate Information Officer	32	Filipino	Since February 20, 2013 until March 13, 2014
Anna Cristina Collantes-Garcia Director	37	Filipino	Since March 01, 2013 until March 13, 2014
William Todd Nisbet Director	46	American	Since December 19, 2012
James Andrew Charles MacKenzie Independent Director	60	Australian	Since December 19, 2012
Alec Yiu Wa Tsui Independent Director	64	British	Since December 19, 2012
Geoffrey Stuart Davis Treasurer	45	American	Since December 19, 2012 until March 13, 2014
Kevin Sim Chief Operating Officer	51	Malaysian	Since March 26, 2013

The following are members of the Board of Directors and the officers of the Company, who were appointed after financial year ended December 31, 2013, beginning January 22, 2014 and since March 13, 2014:

Name and Position	Age	Citizenship	Period Served as a Director
J.Y. Teo Kean Yin Director	34	Singaporean	Since March 13, 2014
Maria Marcelina O. Cruzana Director	55	Filipino	Since March 13, 2014
Liberty A. Sambua Director	29	Filipino	Since March 13, 2014
Marissa Tomacruz-Academia Corporate Information Officer* Corporate Secretary / Compliance Officer**	47	Filipino	*Since January 22, 2014 **Since March 13, 2014
Adrian Hsen Bin Au Treasurer	40	Australian	Since March 13, 2014

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

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

Except for Ms. Teo, Ms. Cruzana and Ms. Sambua, who will only serve the unexpired term of their predecessors, the term of office of the members of the Board of Directors commenced on the date of their election as Directors for a period of one year or until their successors are elected or duly qualified.

DIRECTORS AND OFFICERS

The names of the incumbent Directors and Executive Officers of the Company and their respective ages, 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 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 also 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 Law and was admitted to the Philippine Bar in 1959. 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.

Frances Marie T. Yuyucheng – *Director / Corporate Secretary / Corporate Information Officer / Compliance Officer*

Ms. Yuyucheng joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 1996 and is currently a partner. She graduated from the Ateneo de Manila University School of Law with a Juris Doctor and was admitted to the Philippine Bar in 1995. She acts as the corporate secretary of various companies. She was appointed as Corporate Information Officer of the Company and has served as such until January 22, 2014. She was also appointed as Corporate Secretary and Compliance Officer of the Company until March 13, 2014.

Rena M. Rico-Pamfilo – *Director*

Ms. Rico-Pamfilo joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 2007 and is a senior associate. She graduated from the Ateneo de Manila University School of Law with a Juris Doctor in 2000 and was admitted to the Philippine Bar in 2001. She is also qualified to practice law in the State of New York, United States.

Anna Cristina Collantes-Garcia – *Director*

Ms. Collantes-Garcia joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 2008 and is currently a senior associate. She graduated from the Ateneo de Manila University School of Law with a degree in Juris Doctor in 2002 and was admitted to the Philippine Bar in 2003. She is also qualified to practice law in the State of New York, United States.

Yvette P. Chua – *Director*

Ms. Chua joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 2009 and is an associate. She graduated from the University of the Philippines with a degree in Bachelor of Laws in 2005 and was admitted to the Philippine Bar in 2006.

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. James Andrew Charles MacKenzie was appointed as an independent director of the Company on December 19, 2012. He has extensive experience as a company director also serving as co-vice chairman of Yancoal Australia Limited from June 26, 2012 and having held a number of directorships including 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 Ltd 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 and prior to 2005, he held senior executive positions with ANZ Banking Group, Standard Chartered Bank and Norwich Union plc. A chartered accountant by profession since 1977, Mr MacKenzie was, prior to 2005, 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. He is the chairman of the Company's audit committee.

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.

Geoffrey Stuart Davis – *Treasurer*

Mr. Davis, who was appointed as Treasurer of the Company on December 19, 2012 and has served as such until March 13, 2014, is Chief Financial Officer of MCE and was appointed to this role in April 2011. Prior to that, he served as MCE's Deputy Chief Financial Officer from August 2010 to March 2011 and Senior Vice President, Corporate Finance from 2007, when he joined MCE. Prior to joining MCE, Mr. Davis was a research analyst for Citigroup Investment Research, where he covered the U.S. gaming industry from 2001 to 2007. From 1996 to 2000, he was the Vice President of Corporate Communications for Park Place Entertainment, the largest gaming company in the world at the time. Mr. Davis has been a CFA charter holder since 2000 and obtained a bachelor of arts from Brown University in 1991.

Kevin Sim - *Chief Operating Officer*

On March 26, 2013, the Company appointed Mr. Sim as COO. Mr. Sim previously served as Executive Vice President for Genting Highlands Resort, 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 and Director of Casino Control & Compliance for Melco Crown Macau from 2007 to March 2010.

Marissa Tomacruz-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 of Thunderbird Resorts, Inc. from 2009 to 2013 and was a Partner in Herrera Teehankee Cabrera Law Offices where she held practice from 1994 to 2009. She obtained her Juris Doctor of Law degree from the Ateneo Law School and was admitted to the Philippine Bar.

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

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

The Company believes that all descriptions provided by its directors and officers are correct and complete.

Significant Employees

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

Family Relationship

There are no family relationships up to the fourth (4th) 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 March 31, 2014, the members of the Board of Directors and the Executive Officers:

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

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

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

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

Item 10. Executive Compensation[5]

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

Name and Position

1.	Mr. Clarence Yuk Man Chung	(President / Chairman of the Board)
2.	Mr. Kevin Sim	(Chief Operating Officer)
3.	Mr. Gary Conde Hann	(Vice President, Slot Operations)
4.	Mr. Jarlath Lynch	(Vice President, Hotels, Food and Beverage)
5.	Mr. Michael Quek	(Vice President, Casino Marketing)

Summary of Compensation Table

	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
President and four (4) most highly compensated officers and/or key management personnel:		
Basic salaries, allowances and benefits in kind	₱49,112	₱-
Performance bonuses	15,939	-
Post-employment benefits	1,572	-
Share-based compensation	19,312	-
	₱85,935	₱-

[5] In thousands of Philippine peso.

	Year Ended December 31, 2013	Period from August 13, 2012 to December 31, 2012
All other officials, key management personnel and Directors as a group unnamed:		
Basic salaries, allowances and benefits in kind	₱32,048	₱-
Performance bonuses	5,000	-
Post-employment benefits	91	-
Share-based compensation	16,197	-
	₱53,336	₱-

However, as a result of the Acquisition Transaction and considering that the Company is in an early stage of development and pre-opening stages and has not yet commenced full recruitment efforts, the Company cannot accurately estimate the aggregate remuneration to be paid to its senior executives as a group for the ensuing fiscal year. However, the Company expects to offer competitive compensation packages to its senior executives, on par with other gaming resorts in the Philippines.

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.

Compensation of Directors

The Company did not pay any compensation to the Directors for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012.

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

None.

Warrants and Options Outstanding

The Company did not have warrants outstanding as of December 31, 2013. Please refer to Note 28 to the consolidated financial statements for the details of the Share Incentive Plan.

Below are the details of the outstanding restricted shares and share options of the Company as at December 31, 2013:

Date of grant:	June 28, 2013
Exercise price:	₱8.30
Market price as date of grant:	₱8.30

Recipients	**Number of restricted shares**	**Number of share options**
President	5,202,425	10,404,851
Treasurer	1,040,485	2,080,970
Chief Operating Officer	1,300,606	2,601,213
Secretary	-	-
All other officers, key management personnel and Directors as a group	11,965,578	23,931,155
Others	38,562,982	77,125,964
Total	58,072,076	116,144,153

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2013, 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	British Virgin Islands (“**BVI**”)	3,206,677,096	72.45%
Common	MCE (Philippines) Investments No.2 Corporation 18th Floor, Liberty Center, 104 H.V. dela Costa St., Salcedo Village Stockholder of Record	MCE (Philippines) Investments Limited Parent Company of MCE (Philippines) Investments No.2 Corporation	BVI	173,834,268	3.93%

As of March 31, 2014, 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	BVI	3,206,677,096	72.45%
Common	MCE (Philippines) Investments No.2 Corporation 18th Floor, Liberty Center, 104 H.V. dela Costa St., Salcedo Village Stockholder of Record	MCE (Philippines) Investments Limited Parent Company of MCE (Philippines) Investments No.2 Corporation	BVI	173,834,268	3.93%

Security Ownership of Management

The following are the securities owned and held by the directors and executive officers of the Company as of December 31, 2013:

A. Directors

Title Common	Name of Director	Citizenship	Amount and Nature of Record/Beneficial Ownership[6]	Percent to Total Outstanding Shares
Common	Clarence Yuk Man Chung	Chinese	100	NIL
Common	Jose F. Buenaventura	Filipino	28,125	NIL
Common	Frances Marie T. Yuyucheng	Filipino	25	NIL
Common	Rena M. Rico-Pamfilo	Filipino	25	NIL
Common	Yvette P. Chua	Filipino	25	NIL
Common	Anna Cristina Collantes-Garcia	Filipino	25	NIL
Common	William Todd Nisbet	American	100	NIL
Common	James Andrew Charles MacKenzie	Australian	100	NIL
Common	Alec Yiu Wa Tsui	British	100	NIL

B. Executive Officers

Title Common	Name of Executive Officer	Citizenship	Amount and Nature of Record/Beneficial Ownership[7]	Percent to Total Outstanding Shares
Common	Clarence Yuk Man Chung	Chinese	100	NIL
Common	Frances Marie T. Yuyucheng	Filipino	25	NIL
-	Geoffrey Stuart Davis	American	-	-
-	Kevin Sim	Malaysian	-	-

[6] (1) Clarence Yuk Man Chung and William Todd Nisbet hold the shares in trust and for the benefit of MCE (Philippines) Investments Limited. (2)Rena M. Rico-Pamfilo, Yvette P. Chua Anna Cristina Collantes-Garcia and Frances Marie T. Yuyucheng hold 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.

[7] Clarence Yuk Man Chung holds the shares in trust and for the benefit of MCE (Philippines) Investments Limited, while Frances Marie T. Yuyucheng holds the shares in trust and for the benefit of MCE (Philippines) Investments No.2 Corporation.

The following are the securities owned and held by the directors and executive officers of the Company as of March 31, 2014:

A. Directors

Title Common	Name of Director	Citizenship	Amount and Nature of Record/Beneficial Ownership[8]	Percent to Total Outstanding Shares
Common	Clarence Yuk Man Chung	Chinese	100	NIL
Common	Jose F. Buenaventura	Filipino	28,125	NIL
Common	Frances Marie T. Yuyucheng	Filipino	25	NIL
Common	William Todd Nisbet	American	100	NIL
Common	James Andrew Charles MacKenzie	Australian	100	NIL
Common	Alec Yiu Wa Tsui	British	100	NIL
Common	J.Y. Teo Kean Yin	Singaporean	200	NIL
Common	Maria Marcelina O. Cruzana	Filipino	100	NIL
Common	Liberty A. Sambua	Filipino	100	NIL

B. Executive Officers

Title Common	Name of Executive Officer	Citizenship	Amount and Nature of Record/Beneficial Ownership[9]	Percent to Total Outstanding Shares
Common	Clarence Yuk Man Chung	Chinese	100	NIL
-	Kevin Sim	Malaysian	-	-
-	Marissa Tomacruz-Academia	Filipino	-	-
-	Adrian Hsen Bin Au	Australian	-	-

C. Voting Trusts of 5% or More

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

D. Changes in Control

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

[8] (1) Clarence Yuk Man Chung and William Todd Nisbet hold the shares in trust and for the benefit of MCE (Philippines) Investments Limited. (2) Frances Marie T. Yuyucheng 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.
[9] Clarence Yuk Man Chung holds the shares in trust and for the benefit of MCE (Philippines) Investments Limited.

Item 12. Certain Relationships and Related Transactions

Related transactions were described in page 12 of this report under the heading "Related Party Transactions".

PART IV - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits (page 144).

(b) Reports on SEC Form 17-C

May 8, 2013 — Reported the following items:

(i) The completion of placing and subscription transaction (Top-Up Placement) on the Philippine Stock Exchange raising approximately US$325 million in net proceeds, excluding the over-allotment option which, together with the shareholder loan commitment made by MCE, are expected to provide the funding necessary to open a unique integrated casino resort in Manila in 2014. The resort in Manila is expected to have 967 rooms and suites, 242 gaming tables and approximately 1,450 gaming machines in addition to a range of entertainment and other non-gaming amenities to attract a wide variety of local and inbound customers;

(ii) That the Company incurred approximately US$4.8 million of operating expenses in the first quarter of 2013, which primarily relate to general and administrative expenses, land rental payments and other fees and costs associated with the corporate reorganization of the Company;

(iii) The net loss of approximately US$8.3 million as a result of operating losses and foreign exchange losses, as well as approximately US$3.5 million of capital lease charges related to building lease payments incurred during the first quarter of 2013; and

(iv) As at March 31, 2013, the capital lease obligation in relation to building lease payments totaling US$289.0 million.

Reported the submission of the first (1^{st}) quarter financial results by MCE, the Company's affiliate, with the Hong Kong Stock Exchange.

May 24, 2013 — Reported the exercise by the Stabilization Agent of the Over-allotment Option for 36,024,600 shares of the Company.

June 21, 2013 — Reported that the members of the Board of Directors and the shareholders of the Company approved amendments to the following:

(1) Articles of Incorporation: [a] to amend the primary purpose to remove reference on land and include the giving of guarantee or providing mortgage, pledge or other security over all or part of its assets or financial support or accommodation to secure the whole or any part of the indebtedness and obligations of any of its subsidiaries and/or affiliates; and [b] to change the principal office address of the Company to Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701; and

(2) By-Laws: [a] to change of corporate name to MELCO CROWN (PHILIPPINES) RESORTS CORPORATION; [b] to change of the principal office address; [c] to include a provision regarding independent directors, including their qualifications and disqualifications; [d] to include a provision on the disqualifications of persons from nomination or election to the Board of Directors is he/she is engaged in a competing business; [e] to include a requirement that at least one (1) independent director must be

present in order to constitute a quorum for board meetings; [f] to include a provision allowing the directors to attend Board of Directors' meetings by telephone or video conference; [g] to change in the composition of the Executive Committee, which will be composed of 4 directors, 2 of whom shall be independent directors; [h] to state that the Board of Directors shall determine and apportion the compensation of the directors in such manner as the Board may deem proper, provided that it shall not exceed 10% of the net income before income tax of the corporation during the preceding year; [i] to include a provision for the recording of the meeting of the Board of Directors where one or some of the directors attended by telephone or video conference; [j] to change the deadline for submission of nominees to the Board of Directors from 30 business days to 25 business days; [k] to remove the reference to Vice-Presidents in the enumeration of officers of the Company; [l] to include language that the place of the annual stockholders' meeting be held in the city or municipality where the principal office is located, and at such time to be set by the Board of Directors; [m] to change the period to provide notice of stockholders' meetings from 20 days to 15 business days; [n] to include in the order of business such other matters that are usually taken up during the annual stockholders' meeting; [o] to revise the procedure regarding voting in stockholders' meetings; [p] to state that the validation of proxies shall be done at least 5 days before the day of the meeting by the Corporate Secretary, who shall be empowered to pass on the validity of the proxies; [q] to change the record date for the determination of stockholders of record from not more than 60 working days nor less than 30 working days to not more than 60 days nor less than 20 days before the date of the meeting; [r] to change the corporate seal of the Company to reflect the new corporate name "MELCO CROWN (PHILIPPINES) RESORTS CORPORATION;" and [s] to delegate to the Board of Directors the authority to amend or repeal the By-Laws or to adopt new By-Laws.

Reported that the members of the Board of Directors and the shareholders of the Company approved amendments to the Share Incentive Plan to comply with the relevant provisions of the Rules Governing the Listing of Securities on HKLR since MCE, an affiliate of the Company, is listed on The Stock Exchange of Hong Kong Limited. The amendments include, but not limited to, additional provisions for compliance with HKLR requirements (i) when awards are granted to "connected persons" (as such term is defined under HKLR); and (ii) on restriction on timing of grant of awards.

June 21, 2013

Reported the election of the following as directors of the Company for the fiscal year 2013-2014 during the Annual Stockholders' Meeting of the Company:

1. Clarence Yuk Man Chung
2. William Todd Nisbet
3. Jose F. Buenaventura
4. Frances Marie T. Yuyucheng
5. Rena M. Rico-Pamfilo
6. Yvette P. Chua
7. Cristina Collantes-Garcia
8. Alec Yiu Wa Tsui (Independent Director)
9. James Andrew Charles MacKenzie (Independent Director)

Reported the election of the following as corporate officers of the Company for the fiscal year 2013-2014 during the Organizational Meeting of the Board held immediately after the Annual Stockholders' Meeting:

Clarence Yuk Man Chung	-	President/Chairman of the Board
Geoffrey Stuart Davis	-	Treasurer
Kevin Sim	-	Chief Operating Officer
Frances Marie T. Yuyucheng	-	Corporate Secretary/ Compliance Officer/ Corporate Information Officer
Yvette P. Chua	-	Alternate Corporate Information Officer
Maria Tara A. Mercado	-	Assistant Corporate Secretary/

Alternate Corporate Information Officer

Reported the constitution of the Corporate Governance Committee, which is also the Nominating Committee, and the appointment of the following as members of the committees of the Board of Directors:

Nominating and Corporate Governance Committee

Alec Yiu Wa Tsui (Chairman)
Clarence Yuk Man Chung
William Todd Nisbet
James Andrew Charles MacKenzie

Audit Committee

James Andrew Charles MacKenzie (Chairman)
Clarence Yuk Man Chung
William Todd Nisbet
Alec Yiu Wa Tsui

Compensation Committee

Alec Yiu Wa Tsui (Chairman)
Clarence Yuk Man Chung
William Todd Nisbet

Reported the approval of the grant of security and collateral on terms as may be required by MCE Investments and/or any of its affiliates as lender to secure an intercompany loan to the Company's indirect subsidiary, MCE Leisure, to finance the payment of costs and expenses incurred by it in connection with the development, construction, installation, commissioning, fit-out, pre-opening and opening of its integrated hotel, gaming, retail and entertainment resort project, including the grant of a guarantee and a pledge or mortgage or other security over shares held by the Company in MCE Holdings, and approval of the obligation of the Company to purchase up to 151,000,000 shares of the Company owned by the Lender and/or any of its affiliates as a condition to the grant of such intercompany loan.

October 8, 2013 — Reported the approval by the Board of Directors and the shareholders, in a special stockholders' meeting, of the following amendments to the By-Laws of the Company:

(a) Amendment to Article II, Section 7 to provide that directors, as such, shall receive compensation for their services. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, and will be ratified by the shareholders representing at least a majority of the outstanding capital stock;
(b) Amendment to Article III, Section 5 of the By-Laws to amend the functions and duties of the President of the Company; and
(c) Amendment to Article III, Section 6 of the By-Laws to include a section on the office of the COO of the Company and provide for the functions and duties of the COO.

October 9, 2013 — Reported the approval by the Board of Directors of the following matters:

(a) Execution of trade mark licensing agreements to allow the Company, its subsidiary, MCE Leisure, as the appointed operator for the development of an integrated casino, hotel, retail and entertainment complex located at Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701 (the "**Project**"), to obtain a license to use for the Project certain trademarks licensed to MCE (IP) Holdings Limited;

(b) Approval of the increase in the construction cost budget of MCE Leisure relating to the Project to US$380 Million, subject to the approval of the PAGCOR;
(c) Execution of a Club Management Agreement for the operation and management of an ultra-lounge and night club for the Project;
(d) Execution of a License Agreement for the use of licensed rights over fictional characters from animated motion pictures at the Project's FEC;
(e) Execution of a side letter among SM Group, MCE Leisure, MCE Holdings No. 2, and MCE Holdings for, among others, the naming of the Project as "City of Dreams Manila", the naming of the hotel towers in the Project, as well as the naming of the dome structure as "Fortune Egg"; and
(f) Disclosure of "City of Dreams Manila" as the official branding of the Project, as well as the increase in the number of gaming tables and electronic gaming machines upon opening of the Project.

December 6, 2013	Reported the number of shareholders of the Company owning one (1) board lot each as of November 29, 2013.
December 19, 2013	Reported the pricing of senior notes ("**Notes**") offering of its wholly-owned indirect subsidiary, MCE Leisure which were offered to investors via private placement to not more than nineteen primary institutional lenders within the Philippines and are exempt from registration under SRC Rule 9.2.2(B). The Notes offering consists of PHP15 billion aggregate principal amount of 5.00% senior notes due 2019. The Notes were priced at 100% of par and MCE Leisure intends to use the net proceeds from the offering for capital expenditure, refinancing of debt and general corporate purpose. The Notes will be general obligations of MCE Leisure, will rank equally with all of MCE Leisure's existing and future senior indebtedness and will rank senior to all of MCE Leisure's existing and future subordinated indebtedness. The Notes will be guaranteed by MCE, the Company and all present and future direct and indirect subsidiaries of the Company on a senior basis. In addition, the Notes will be secured by pledge of shares of all present and future direct and indirect subsidiaries of the Company.
December 23, 2013	Reported compliance with SEC Memorandum Circular No. 4, Series of 2012 on the requirement to adopt and submit the Audit Committee Charter to the SEC. The report stated that the Company has been undergoing a complete study and full review of all internal guidelines and policies to be adopted and expects to adopt a new Audit Committee Charter by the first quarter of 2014.
January 8, 2014	Reported the number of shareholders of the Company owning one (1) board lot each as of December 27, 2013.
February 6, 2014	Reported the number of shareholders of the Company owning one (1) board lot each as of January 31, 2014.
February 14, 2014	Reported the fourth (4^{th}) quarter financial results of City of Dreams Manila segment included in the fourth (4^{th}) quarter financial results of MCE, the Company's parent company.
March 7, 2014	Reported the number of shareholders of the Company owning one (1) board lot each as of February 28, 2014.
March 13, 2014	Reported the following:

a. Disclosure of date of Stockholders' Meeting and Record Date
b. Resignation of the following directors and officers:

Rena M. Rico-Pamfilo	-	Director
Yvette P. Chua	-	Director
Cristina Collantes-Garcia	-	Director
Geoffrey Stuart Davis	-	Treasurer

Frances Marie T. Yuyucheng	-	Corporate Secretary, Compliance Officer
Maria Tara Mercado	-	Assistant Corporate Secretary

And the election of the following new directors and appointment of officers:

J.Y. Teo Kean Yin	-	Director
Maria Marcelina Cruzana	-	Director
Liberty Sambua	-	Director
Adrian Hsen Bin Au	-	Treasurer
Marissa T. Academia	-	Corporate Secretary, Compliance Officer
Marie Grace A. Santos	-	Assistant Corporate Secretary

c. Amendment of the Articles of Incorporation to adopt a business.
d. Amendments to the By-Laws to (i) adopt a business name, (ii) include electronic mail as a manner of giving notice of board meetings, (iii) formation of a Supervisory Committee, (iv) include the position of Chief Operating Officer as a By-Law Officer, and (v) correction of clerical errors.

March 27, 2014	Reported the Hong Kong Preliminary Announcement of Annual Results of MCE, the Company's parent company.
March 27, 2014	Reported the Audit Committee Performance Assessment in relation to the year ended December 31, 2013.
April 7, 2014	Reported the number of shareholders of the Company owning one (1) board lot each as of March 31, 2014.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Issuer

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned; thereunto duly authorized, in the City of ________________on April 11, 2014.

Clarence Yuk Man Chung
President

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned; thereunto duly authorized, in Pasay City on April 11, 2014.

Adrian Hsen Bin Au
Treasurer

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned; thereunto duly authorized, in Pasay City on April 11, 2014.

Kevin Sim
Chief Operating Officer

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned; thereunto duly authorized, in Pasay City on April 11, 2014.

Marissa T. Academia
Corporate Secretary

SUBSCRIBED AND SWORN to before me this11th day of April 2014 affiant exhibiting to me her Government Issued ID, as follows:

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

Doc. No. 39 ;
Page No. 9 ;
Book No. 1 ;
Series of 2014.

MARIE GRACE A. SANTOS
NOTARY PUBLIC
Until December 31, 2014
Roll No. 45504
PTR No. 3711834 / 01-23-14 / Pasay City
IBP No. 952802 / 01-07-14 / Makati City
MCLE Compliance No. IV-0012730

SEC Number **58648**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

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

Additional Documents

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 year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012, 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 of the Board

ADRIAN HSEN BIN AU
Treasurer

Signed this 11th day of April 2014

SUBSCRIBED AND SWORN TO BEFORE ME ON THIS 15 APR 2014 20__ AT MANILA CITY EXHIBITING HIS / HER RES. CERT NO ____ ISSUED ON ____ AT ____

ATTY. DELFIN R. AGCAOILI JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 2413105 / 2014 MLA.
IBP NO. 943989 / 2014 MLA.
ROLL NO. 24655 / TIN NO. 144-519-066
MCLE III - 0013521
COMMISSION NO. 2013-023

DOC. NO. 179
PAGE NO. 37
BOOK NO. 405
SERIES OF 20 14

COVER SHEET

5 8 6 4 8

SEC Registration Number

MELCO CROWN (PHILIPPINES) RESORTS
CORPORATION AND SUBSIDIARIES

(Company's Full Name)

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

(Business Address: No. Street City/Town/Province)

Marissa T. Academia

(Contact Person)

(632) 866-9888

(Company Telephone Number)

1 2 3 1

Month *Day*

(Fiscal Year)

A A C F S

(Form Type)

0 6 2 1

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

436

Total No. of Stockholders

Domestic	Foreign
–	–

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

Melco Crown (Philippines) Resorts Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2013 and 2012
and For The Year Ended December 31, 2013
and For The Period From August 13, 2012 to December 31, 2012

and

Independent Auditors' Report

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

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.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, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended December 31, 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, 2013 and 2012, and their financial performance and their cash flows for the year ended December 31, 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. 4225185, January 2, 2014, Makati City

April 11, 2014

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012
(In thousands of Philippine peso, except share and per share data)

	December 31, 2013 (Note 2)	December 31, 2012 (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 24 and 25)	**₱8,599,842**	₱1,152,022
Prepayments and other current assets (Note 6)	**391,140**	701
Amount due from a shareholder (Notes 17, 24 and 25)	**5,425**	–
Total Current Assets	**8,996,407**	1,152,723
Noncurrent Assets		
Property and equipment (Note 7)	**14,995,010**	39,282
Contract acquisition costs (Note 8)	**1,020,151**	58,427
Other intangible assets (Note 9)	**8,698**	–
Other noncurrent assets (Note 10)	**895,795**	–
Restricted cash (Notes 11, 24 and 25)	**2,226,674**	–
Total Noncurrent Assets	**19,146,328**	97,709
	₱28,142,735	₱1,250,432
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses, other payables and other current liabilities (Notes 12, 24 and 25)	**₱918,389**	₱80,453
Current portion of obligations under finance lease (Notes 20, 24 and 25)	**1,214,187**	–
Amount due to ultimate holding company (Notes 17, 24 and 25)	**107,787**	90,434
Amount due to immediate holding company (Notes 17, 24 and 25)	**887,415**	–
Amounts due to affiliated companies (Notes 17, 24 and 25)	**353,591**	21,903
Total Current Liabilities	**3,481,369**	192,790
Noncurrent Liabilities		
Noncurrent portion of obligations under finance lease (Notes 20, 24 and 25)	**11,268,283**	–
Deferred rent liability	**59,392**	–
Total Noncurrent Liabilities	**11,327,675**	–
Equity		
Capital stock (Note 13)	**4,426,303**	562,500
Additional paid-in capital	**14,756,430**	92,679
Share-based compensation reserve (Note 28)	**278,151**	–
Equity reserve (Notes 2 and 13)	**(3,613,990)**	740,763
Accumulated deficits	**(2,513,203)**	(49,786)
Cost of treasury shares held (Note 13)	–	(288,514)
Total Equity	**13,333,691**	1,057,642
	₱28,142,735	₱1,250,432

See accompanying Notes to Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31, 2013 (Note 2)	For the Period from August 13, 2012 to December 31, 2012 (Note 2)
REVENUE		
Management fee income (Note 17)	**₱52,952**	₱–
OPERATING COSTS AND EXPENSES		
General and administrative expenses (Note 14)	**(152,954)**	(3,551)
Pre-opening costs (Note 15)	**(857,782)**	–
Development costs (Note 16)	**(95,090)**	(45,920)
Amortization of contract acquisition costs (Note 8)	**(43,410)**	–
Depreciation (Note 7)	**(8,110)**	–
Total Operating Costs and Expenses	**(1,157,346)**	(49,471)
NON-OPERATING INCOME (EXPENSES)		
Interest income (Notes 5)	**54,506**	112
Interest expenses, net of capitalized interest (Note 20)	**(1,316,877)**	–
Foreign exchange loss, net	**(112,195)**	(427)
Other income	**15,543**	–
Total Non-operating Expenses, Net	**(1,359,023)**	(315)
NET LOSS	**(2,463,417)**	(49,786)
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	**(₱2,463,417)**	(₱49,786)
Basic/Diluted Loss Per Share (Note 18)	**(₱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 YEAR ENDED DECEMBER 31, 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 13)								Cost of Treasury Shares Held	
	Class A	Class B	Common Stock	Subtotal Capital Stock	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 13)	Accumulated Deficits	(Note 13)	Total
Balance as of January 1, 2013	**₱337,500**	**₱225,000**	**₱–**	**₱562,500**	**₱92,679**	**₱–**	**₱740,763**	**(₱49,786)**	**(₱288,514)**	**₱1,057,642**
Net loss	–	–	–	–	–	–	–	**(2,463,417)**	–	**(2,463,417)**
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	–	**(2,463,417)**	–	**(2,463,417)**
Declassification of Class A shares and Class B shares (Note 13)	**(337,500)**	**(225,000)**	**562,500**	–	–	–	–	–	–	–
Shares issued, net of offering expenses (Note 13)	–	–	**3,863,803**	**3,863,803**	**12,816,082**	–	–	–	–	**16,679,885**
Sale of treasury shares (Note 13)	–	–	–	–	**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**
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 YEAR ENDED DECEMBER 31, 2013 AND
FOR THE PERIOD FROM AUGUST 13, 2012 TO DECEMBER 31, 2012
(In thousands of Philippine peso, except share and per share data)

	For the Year Ended December 31, 2013 (Note 2)	For the Period from August 13, 2012 to December 31, 2012 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(₱2,463,417)**	(₱49,786)
Adjustments for:		
Interest income	**(54,506)**	(112)
Interest expenses, net of capitalized interest	**1,316,877**	–
Consultancy fee in consideration for share awards recognized as pre-opening costs (Note 15)	**182,215**	–
Unrealized foreign exchange loss (gain), net	**105,941**	(106)
Share-based compensation expenses recognized as pre-opening costs (Note 15)	**95,936**	–
Contract acquisition costs written off to development costs (Note 16)	**64,721**	–
Amortization of contract acquisition costs (Note 8)	**43,410**	–
Depreciation (Note 7)	**8,110**	–
Amortization of prepaid rent	**4,407**	–
Operating loss before working capital changes	**(696,306)**	(50,004)
Changes in assets and liabilities:		
Increase in prepayments and other current assets	**(373,696)**	(172)
Increase in other noncurrent assets	**(27,784)**	–
Increase in amount due from a shareholder	**(5,425)**	–
Increase in amounts due to affiliated companies	**120,164**	–
Increase in accrued expenses, other payables and other current liabilities	**98,212**	29,580
Increase in deferred rent liability	**59,392**	–
Increase in amount due to ultimate holding company	**6,929**	21,956
Net cash (used in) generated from operations	**(818,514)**	1,360
Interest received	**47,040**	112
Net cash (used in) provided by operating activities	**(771,474)**	1,472
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash used in reverse acquisition (Notes 1(c) and 2)	**(7,198,590)**	–
Increase in restricted cash	**(2,226,674)**	–
Payment for acquisition of property and equipment	**(2,059,683)**	(1,664)
Payment for contract acquisition costs	**(1,128,768)**	–
Advance payment and deposit for acquisition of property and equipment	**(678,661)**	–
Payment for security deposit	**(175,599)**	–
Payment for acquisition of other intangible assets	**(3,074)**	–
Cash used in investing activities	**(13,471,049)**	(1,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of share capital (Note 13)	**16,685,943**	–
Net proceeds from capital stock issuance of legal subsidiary (Notes 1(c) and 13)	**2,843,837**	8,310
Proceeds from sale of treasury shares (Note 13)	**2,136,183**	–
Increase in amount due to immediate holding company	**811,405**	–
Repayments of obligations under finance lease	**(785,003)**	–
Prepayment of other noncurrent assets	**(3,273)**	–
Net cash provided by financing activities	**21,689,092**	8,310
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	**1,251**	39
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7,447,820**	8,157
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	**1,152,022**	1,143,865
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	**₱8,599,842**	₱1,152,022

See accompanying Notes to 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 "PSE").

The Parent Company is engaged in acquiring investments and securities. Its 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.

On July 25, 2013, the SEC further approved the amendments to the articles of incorporation of the Parent Company to include provision of financing to its group companies in its primary purpose and further change of its registered office address to Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701, which were approved by the stockholders of MCP on June 21, 2013.

On December 19, 2012, immediately after the Acquisition Transaction as disclosed in Note 1(b), 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 in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong").

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors ("BOD") on April 11, 2014.

(b) Change in Capital Structure and Ownership of MCP

On December 7, 2012, MCE, through its wholly-owned indirect subsidiaries, MCE (Philippines) Investments Limited ("MCE Investments") and MCE (Philippines) Investments No.2 Corporation ("MCE Investments No.2"), entered into an acquisition agreement (the "Acquisition Agreement") with the then major shareholders of MCP, Interpharma Holdings and Management Corporation ("Interpharma") and Pharma Industries Holdings Limited (collectively referred to as the "Selling Shareholders"), subject to certain conditions precedent, to acquire from the Selling Shareholders an aggregate of 93.06% of the issued share capital of MCP (the "Acquisition").

1. **Organization and Business -** continued

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

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 Laboratories, Inc. 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 Realty Holding Corporation.

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 December 27, 2012, MCE Investments sold 20,191,100 Class B shares in MCP (4.9%) to a third party.

On February 19, 2013, the stockholders of MCP approved the declassification of the existing ₱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.

On March 20, 2013, MCP entered into a subscription and share sale agreement (the "Subscription and Share Sale Agreement") with MCE Investments, under which MCE Investments subscribed for 2,846,595,000 common shares of MCP at 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.

1. **Organization and Business -** continued

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

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.

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

(c) Subsidiaries of MCP and Group Reorganization

Before the Asset Acquisition Transaction as described below, MCE Investments holds 8,310,000 subscriber shares with par value of ₱1 per share of MCE Holdings (Philippines) Corporation (herein referred to as "MCE Holdings") at inception date. On February 18, 2013, the SEC approved the increase in authorized capital stock of MCE Holdings to ₱200,000 divided into 200,000,000 common shares with par value of ₱1 per share from authorized capital stock of ₱33,240 divided into 33,240,000 common shares with par value of ₱1 per share. On February 19, 2013, MCE Investments subscribed additional 139,584,500 common shares of MCE Holdings with par value of ₱1 per share at total consideration of ₱2,845,931 (the "Additional Subscription Transaction"). Immediately after the Additional Subscription Transaction, MCE Investments holds 147,894,500 issued and outstanding common shares of MCE Holdings with par value of ₱1 per share.

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, 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 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 the "MCE Holdings Group"). As a result of the Asset Acquisition Transaction, MCE Holdings Group became wholly-owned subsidiaries of MCP.

1. **Organization and Business -** continued

(c) Subsidiaries of MCP and Group Reorganization **-** continued

On June 27, 2013, MCP and the MCE Holdings Group underwent the following transactions:

i) MCP subscribed additional 40,000,000 common shares of MCE Holdings with par value of ₱1 per share at total consideration of ₱9,500,000;
ii) MCE Holdings subscribed additional 40,000,000 common shares of MCE Holdings No. 2 with par value of ₱1 per share at total consideration of ₱9,500,000; and
iii) MCE Holdings No. 2 subscribed additional 40,000,000 common shares of MCE Leisure with par value of ₱1 per share at total consideration of ₱9,500,000.

After the series of transactions as above and as of December 31, 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 was further amended 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, SM Land, Inc., SM Hotels and Conventions Corporation, SM Commercial Properties, Inc. and SM Development Corporation (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 signed between MCP and MCE (IP) Holdings Limited, a subsidiary of MCE, on October 9, 2013. Further to the MOA, on October 25, 2012, MCE Holdings Group i) together with certain of its affiliated companies entered into a closing arrangement agreement (the "Closing Arrangement Agreement"); and ii) 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 date on which the conditions to closing under the Closing Arrangement Agreement were fulfilled, or waived (the "Closing"), the Cooperation Agreement and the Lease Agreement became effective, with minor changes to the original terms. 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. Details of these agreements are further discussed in Note 22.

1. **Organization and Business -** continued

(e) Provisional License

On December 12, 2008, the Philippine Amusement and Gaming Corporation ("PAGCOR") issued a provisional license (the "Provisional License") for the development of City of Dreams Manila to the SM Group and PLAI. On November 23, 2011, PAGCOR approved the inclusion of Belle as a licensee under the Provisional License. On October 25, 2012, further to the Cooperation Agreement as mentioned above, 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 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 the Provisional License in their dealings with PAGCOR. The Cooperation Agreement became effective on March 13, 2013, the date on which closing under the Closing Arrangement Agreement dated October 25, 2012 occurred. 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 23(c).

(f) Status of Operations for City of Dreams Manila

The Group and the Philippine Parties are the joint developers of City of Dreams Manila. MCE Leisure is responsible for the management and operation, as well as for the project's fit-out, furniture, fixtures and equipment (including gaming equipment), working capital expenses, non-real property improvements and personal property of City of Dreams Manila, and Belle is responsible for construction and maintenance of the building structures of City of Dreams Manila.

City of Dreams Manila is located on an approximately 6.2-hectare site in Entertainment City. As of December 31, 2013, the construction on the main building structures of City of Dreams Manila is substantially complete, while the construction of the connecting structures and the fit-out construction of City of Dreams Manila are ongoing.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

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

For statutory reporting purposes, the Parent Company prepares the consolidated financial statements every 31st of December.

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. 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 (see the Acquisition Transaction in Note 1(b)).

The comparative financial information for the year ended December 31, 2011 has not been presented in the consolidated financial statements as all companies within the MCE Holdings Group were incorporated on or after August 13, 2012 and the effective date which MCE gained control on MCP as described above was on December 19, 2012. The consolidated balance sheet as of December 31, 2012 presented in the consolidated financial statements as of December 31, 2013, for comparative purposes, are retroactively adjusted to reflect the legal capital (i.e. the number and type of capital stock issued, additional paid-in capital and cost of treasury shares held) of MCP. The adjustment, which is the difference between the capital structure of the MCE Holdings Group and MCP, is recognized as part of equity reserve in the consolidated balance sheets as of December 31, 2013 and 2012, respectively.

Because the consolidated financial statements represent a continuation of the financial statements of the MCE Holdings Group, except for its capital structure, the consolidation reflects:

(a) the consolidated assets and liabilities of the MCE Holdings Group (legal subsidiary/accounting acquirer) recognized and measured at their pre-combination carrying amounts, not at their acquisition-date fair values and the assets and liabilities of MCP (legal parent/accounting acquiree) recognized and measured at their acquisition-date fair values (Cash and cash equivalents – ₱1,143,864; Prepayments and other current assets – ₱530 and Accrued expenses and other current liabilities – ₱45,276);

(b) the combined results of the MCE Holdings Group for full period together with the post-combination results of MCP from December 19, 2012, the date when MCP was acquired by MCE through MCE Investments and MCE Investments No.2 (i.e. not those of MCP);

(c) the total equity is that of the MCE Holdings Group and MCP, but the legal capital would be that of MCP;

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

Basis of Preparation **-** continued

(d) any difference between (1) the consolidated net assets of the MCE Holdings Group and MCP, and (2) the combined results of the MCE Holdings Group for full period together with the post-combination results of MCP from December 19, 2012 and the sum of legal capital of MCP and the consideration of the Asset Acquisition Transaction, shall be accounted for as Equity reserve in the consolidated balance sheets as of December 31, 2013 and 2012, respectively; and

(e) the consolidated statement of comprehensive income for the comparative period from August 13, 2012 to December 31, 2012 reflects that of the MCE Holdings Group for the full period together with the post-combination results of MCP (i.e. for the period from December 19, 2012 to December 31, 2012) while the consolidated statement of comprehensive income for the year ended December 31, 2013 reflects that of MCE Holdings Group together with MCP for the full year.

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, 2013 and 2012.

Statement of Compliance

The Group's consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards ("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").

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.

Financial Assets and Liabilities

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

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

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

Financial Assets and Liabilities **-** continued
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date. The Group has no financial assets or liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets as of December 31, 2013 and 2012.

Determination of Fair Value. The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

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

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

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

Financial Assets and Liabilities **-** continued
This category includes cash and cash equivalents (see Note 5), other deposits and receivables included under prepayments and other current assets and other noncurrent assets (see Notes 6 and 10), amount due from a shareholder (see Note 17), security deposit included under other noncurrent assets (see Note 10) and restricted cash (see Note 11). The carrying values and fair values of loans and receivables are disclosed in Note 25.

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

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

This category includes accrued expenses, other payables and other current liabilities (see Note 12), current and noncurrent portion of obligations under finance lease (see Note 20), amount due to ultimate holding company (see Note 17), amount due to immediate holding company (see Note 17) and amounts due to affiliated companies (see Note 17). The carrying values and fair values of other financial liabilities are disclosed in Note 25.

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

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

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

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

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

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

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

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

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

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

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

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

Property and equipment with a finite useful life is depreciated 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	3 to 7 years
Motor vehicles	5 years

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

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

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

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

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

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

Depreciation 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 than ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Capitalization of Interest
Interest 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 obligations under finance lease. The capitalization of interest ceases once a project is substantially complete or development activity is suspended for more than a brief period.

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

Capitalization of Interest **–** 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 year/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 year/period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Total interest expense incurred amounted to ₱1,464,430, of which ₱147,553 was capitalized for the year ended December 31, 2013. No interest expense was incurred or capitalized for the period from August 13, 2012 to December 31, 2012.

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 Agreement 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 Agreement 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, 2013, the contract acquisition costs, which represents the consideration paid to Belle for termination of various agreements as mentioned above, 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 its contractual term and estimated useful life and tested for impairment if there is an indication that the other intangible assets may be impaired.

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.

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

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 greater 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.

Equity Reserve

Equity reserve account pertains to the effect of the reverse acquisition discussed in Note 2 under basis of preparation. The analysis of the equity reserve account is presented in Note 13.

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

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

Management Fee Income. Revenue from the provision of management services is recognized when the services are provided.

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

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or

(d) There is a substantial change to the asset.

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

As a lessee. Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased asset to the Group, are capitalized at the commencement of the lease at the fair value of the leased property 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. 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 and the lease term.

Operating lease payments are recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

For income tax reporting purposes, expenses under operating lease arrangements are treated as deductible expenses in conformity with the terms of the lease agreements.

Foreign Currency Transactions

The Group's 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.

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

Foreign Currency Transactions **-** continued
For income tax reporting purposes, exchange gains or losses are treated as taxable income or deductible expense in the year/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. 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 and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, 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 asset 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.

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

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

Income Tax **-** continued
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year/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 profit or loss 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.

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 prepayments and other current assets in the consolidated balance sheets.

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 during the year/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:

	For the Year Ended December 31, 2013	For the 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	**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	**3,312,053,436**	412,064,596

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

Loss Per Share **-** continued
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.

Share-based Compensation Expenses
The Group issued restricted shares and share options under its share incentive plan during the year ended December 31, 2013.

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, with such estimate updated periodically and with actual forfeitures recognized currently 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 profit or loss.

Further information on the Group’s share-based compensation arrangement is included in Note 28.

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.

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

Segment Reporting **-** continued
As of December 31, 2013 and 2012, the Group did not present the segment reporting as City of Dreams Manila is currently in an early phase of development, and mainly incurred pre-opening expenses and other non-operating expenses during the year ended December 31, 2013 and had no revenue and incurred insignificant expenses for the period from August 13, 2012 to December 31, 2012.

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.

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

The accounting policies adopted are consistent with those of the previous financial period except for adoption of the following new and amended PAS and PFRS as at January 1, 2013. The adoption of these new and amended PAS and PFRS had no significant impact on the consolidated financial statements:

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
- PAS 19, *Employee Benefits* (Revised)
- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PFRS 10, *Consolidated Financial Statements*
- PFRS 13, *Fair Value Measurement*
- PAS 27, *Separate Financial Statements* (as revised in 2011)
- Annual Improvements to PFRSs (2009-2011 cycle)
- Amendments to PFRS 10, PFRS 11 and PFRS 12 on transitional guidance

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, PFRS and Philippine Interpretations to have significant impact on the Group's financial position or performance.

3. **Accounting Policies Effective During the Year and Future Changes in Accounting Policies -** continued

Standards Issued But Not Yet Effective - continued

- **PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)**

  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- **PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)**

  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied.

- **PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)**

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.

- **Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)**

  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

- **Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)**

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

3. **Accounting Policies Effective During the Year and Future Changes in Accounting Policies -** continued

Standards Issued But Not Yet Effective - continued

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

  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

- **Annual Improvements to PFRSs (2010-2012 cycle)**

  The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

  - **PFRS 2,** ***Share-based Payment - Definition of Vesting Condition***

    The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

  - **PFRS 3,** ***Business Combinations - Accounting for Contingent Consideration in a Business Combination***

    The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014.

3. **Accounting Policies Effective During 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 8,** ***Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets***

    The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

  - **PFRS 13,** ***Fair Value Measurement - Short-term Receivables and Payables***

    The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

  - **PAS 16,** ***Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation***

    The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

    a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
    b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

    The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

3. **Accounting Policies Effective During the Year and Future Changes in Accounting Policies -** continued

Standards Issued But Not Yet Effective - continued

- **Annual Improvements to PFRSs (2010-2012 cycle) -** continued

  - **PAS 24,** ***Related Party Disclosures - Key Management Personnel***

    The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

  - **PAS 38,** ***Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization***

    The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
    a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
    b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

    The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

    The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

3. **Accounting Policies Effective During the Year and Future Changes in Accounting Policies -** continued

Standards Issued But Not Yet Effective - continued

- **Annual Improvements to PFRSs (2011-2013 cycle)**

  The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

  - **PFRS 1,** ***First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'***

    The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

  - **PFRS 3,** ***Business Combinations - Scope Exceptions for Joint Arrangements***

    The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

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

    The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

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

    The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

3. **Accounting Policies Effective During the Year and Future Changes in Accounting Policies -** continued

Standards Issued But Not Yet Effective - continued

- **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.

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

3. **Accounting Policies Effective During the Year and Future Changes in Accounting Policies -** continued

Standards Issued But Not Yet Effective - continued

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

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board ("IASB") and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions. The 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 22(c)).

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

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

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 ₱14,995,010 and ₱39,282 as of December 31, 2013 and 2012, respectively (see Note 7).

Estimating Fair Value of Share-based Payments. 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 payment 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 payment 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.

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

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

Estimates and Assumptions **-** continued
No impairment losses were recognized for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012. The carrying values of property and equipment amounted to ₱14,995,010 and ₱39,282 as of December 31, 2013 and 2012, respectively (see Note 7); the carrying values of contract acquisition costs amounted to ₱1,020,151 and ₱58,427 as of December 31, 2013 and 2012, respectively (see Note 8); and the carrying values of other intangible assets amounted to ₱8,698 and nil as of December 31, 2013 and 2012, respectively (see Note 9).

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 asset on deferred rent under PAS 17 amounting to ₱44,265 was recognized during the year ended December 31, 2013 to the extent of the amount of the reversing taxable 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 ₱770,504 and ₱16,219 as of December 31, 2013 and 2012, respectively (see Note 19).

5. **Cash and Cash Equivalents**

This account consists of:

	December 31, 2013	December 31, 2012
Cash on hand	**₱687**	₱–
Cash in banks	**8,599,155**	1,152,022
	₱8,599,842	₱1,152,022

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

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

6. Prepayments and Other Current Assets

This account consists of:

	December 31, 2013	December 31, 2012
Input VAT, net	**₱351,458**	₱466
Current portion of prepaid rent (Note 10)	**14,314**	–
Creditable withholding tax	**6,944**	–
Prepaid license fee	**6,680**	–
Refundable deposits (Notes 24 and 25)	**5,262**	–
Interest receivables (Notes 24 and 25)	**4,767**	–
Other prepaid expenses	**1,715**	189
Deferred input VAT	**–**	46
	₱391,140	₱701

7. Property and Equipment

	December 31, 2013					
	Building under Finance Lease	Leasehold Improvements	Motor Vehicles	Furniture, Fixtures and Equipment	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	**–**	**–**	**–**	**–**	**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:						
Balance at beginning of year	–	–	–	–	–	–
Depreciation	**–**	**(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**

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

7. **Property and Equipment -** continued

	December 31, 2012					
	Building under Finance Lease	Leasehold Improvements	Motor Vehicle	Furniture, Fixtures and Equipment	Construction in Progress	Total
Costs:						
Balance at beginning of period	₱–	₱–	₱–	₱–	₱–	₱–
Additions	–	–	–	423	38,859	39,282
Balance at end of period	–	–	–	423	38,859	39,282
Accumulated Depreciation:	–	–	–	–	–	–
Net Book Value	₱–	₱–	₱–	₱423	₱38,859	₱39,282

On October 25, 2012, MCE Leisure and Belle entered into the Lease Agreement, which Belle agreed to lease to MCE Leisure the land and certain of the building structures to be used in City of Dreams Manila (See Note 22(c)). 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 20) 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 8).

In addition, furniture, fixtures and equipment with net book value amounted to ₱44,382 and nil were held under finance lease as of December 31, 2013 and 2012, 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, 2013 and 2012, construction in progress included capitalized interest paid or payable on the obligations under finance lease which amounted to ₱147,553 and nil, respectively.

8. **Contract Acquisition Costs**

This account consists of:

	December 31, 2013	December 31, 2012
Balance at beginning of year/period	**₱58,427**	₱–
Additions	**1,134,576**	58,427
Amortization	**(43,410)**	–
Capitalized in building under finance lease (Note 7)	**(64,721)**	–
Written off to development costs (Note 16)	**(64,721)**	–
Balance at end of year/period	**₱1,020,151**	₱58,427

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

8. **Contract Acquisition Costs -** continued

As of March 13, 2013 and December 31, 2012, 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 and ₱58,427, respectively. 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 (Note 7). On the same date, the Group paid ₱1,063,561 to Belle as consideration for termination of various agreements with a third party in accordance with the Closing Arrangement Agreement and this amount is amortized over the lease term.

9. **Other Intangible Assets**

This account consists of:

Balance as of August 13, 2012, December 31, 2012 and January 1, 2013	**₱–**
Additions	**8,698**
Balance as of December 31, 2013	**₱8,698**

The other intangible assets represent the license fees incurred by MCE Leisure for right to use of certain trademarks 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 opening of City of Dreams Manila.

10. **Other Noncurrent Assets**

This account consists of:

	December 31, 2013	December 31, 2012
Advance payment and deposit for acquisition of property and equipment	**₱678,472**	₱–
Noncurrent portion of prepaid rent	**106,044**	–
Security and rental deposits (Notes 24 and 25)	**90,342**	–
Prepayment of deferred financing costs	**20,937**	–
	₱895,795	₱–

Advance payment for construction costs and deposit for acquisition of property and equipment are connected with the fit-out of City of Dreams Manila and are not expected to be settled to the Group within the next financial year.

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

10. **Other Noncurrent Assets -** continued

Upon the Lease Agreement becoming effective on March 13, 2013, a security deposit of ₱175,599 was paid to Belle. As of December 31, 2013, part of prepaid rent amounting to ₱98,097 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 6).

11. **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, 2013, MCE Leisure, as one of the Licensees maintained a balance of ₱2,226,674 (equivalent to US$50 million) in the escrow account. The escrow account will be closed at completion of City of Dreams Manila and funds held in the escrow account will be released to MCE Leisure (see Note 23(c)).

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

The amount consists of:

	December 31, 2013	December 31, 2012
Accruals for:		
Fit-out construction costs	**₱706,686**	₱5,595
Legal and other professional fees	**87,671**	28,251
Staff costs	**43,971**	–
Taxes and licenses	**7,225**	583
Operating expenses and others	**42,416**	1,492
Withholding tax payable	**26,668**	8
Other payables and liabilities	**3,752**	–
Capital gains tax payable	**–**	44,524
	₱918,389	₱80,453

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

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

13. **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*

As of December 31, 2012, 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 ₱1 par value per share.

On February 19, 2013, the stockholders of MCP approved the declassification of the existing ₱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
The Parent Company's issued capital stock as of December 31, 2013 and 2012 with par value of ₱1 per share are as follows:

	December 31, 2013	December 31, 2012
Class A – issued	**–**	337,500,000
Class B – issued	**–**	225,000,000
Common share – issued	**4,426,303,300**	–
Total number of issued capital stock	**4,426,303,300**	562,500,000

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 SEC's approval of the increase in MCP's authorized capital stock on April 8, 2013.

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

13. **Equity -** continued

Issued Capital Stock **-** continued
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. 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. 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.

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

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, 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, 2013	December 31, 2012
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)**	–
Legal capital of MCE Holdings Group:		
As of March 20, 2013*	**2,852,147**	–
As of December 31, 2012	**–**	8,310
	(₱3,613,990)	₱740,763

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

As of December 31, 2013 and 2012, the Parent Company has 436 and 471 stockholders, respectively.

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

14. **General and Administrative Expenses**

	For the Year Ended December 31, 2013	For the Period from August 13, 2012 to December 31, 2012
Legal and other professional fees	**₱87,639**	₱2,843
Taxes and licenses	**45,440**	708
Rental expenses (Note 23(b))	**8,209**	–
Operating expenses and others	**11,666**	–
	₱152,954	₱3,551

15. **Pre-opening Costs**

	For the Year Ended December 31, 2013	For the Period from August 13, 2012 to December 31, 2012
Staff costs	**₱182,814**	₱–
Consultancy fee in consideration for share awards (Note 28)	**182,215**	–
Project management fee expenses (Note 17)	**164,814**	–
Rental expenses (Note 23(b))	**156,712**	–
Share-based compensation expenses (Note 28)	**95,936**	–
Legal and other professional fees	**29,168**	–
Operating expenses and others	**46,123**	–
	₱857,782	₱–

16. **Development Costs**

	For the Year Ended December 31, 2013	For the Period from August 13, 2012 to December 31, 2012
Written off from contract acquisition costs (Note 8)	**₱64,721**	₱–
Legal and other professional fees	**25,284**	45,841
Project management fee expenses (Note 17)	**1,532**	–
Operating expenses and others	**3,553**	79
	₱95,090	₱45,920

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

17. **Related Party Transactions**

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

In addition to those transactions disclosed in Notes 1(b), 1(c), 1(d), 13, 26(b) and 26(c), 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						
	For the Year Ended December 31, 2013	**Settlement of payables on behalf of a shareholder**	**₱5,425**	**₱5,425**	**Repayable on demand; non-interest bearing**	**Unsecured, no impairment**
		Balance as of December 31, 2013		**₱5,425**		
	For the Period from August 13, 2012 to December 31, 2012	N/A	₱–	₱–		
		Balance as of December 31, 2012		₱–		
Amount due to ultimate holding company						
MCE						
	For the Year Ended December 31, 2013	**Project management fee expenses recognized as pre-opening costs**	**₱58,559**	**₱58,559**	**Repayable on demand; non-interest bearing**	**Unsecured**
		Settlement of payables on behalf of MCP	**10,809**	**91,756**		
		Management fee income(1)	**(52,952)**	**(52,952)**		
		Revaluation of outstanding balances	**10,424**	**10,424**		
		Balance as of December 31, 2013		**₱107,787**		
	For the Period from August 13, 2012 to December 31, 2012	Settlement of payables on behalf of MCP	₱90,434	₱90,434	Repayable on demand; non-interest bearing	Unsecured
		Balance as of December 31, 2012		₱90,434		

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

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

17. **Related Party Transactions –** continued

Category		Amount of transactions for the Year/Period	Outstanding balance	Terms	Conditions
Amount due to immediate holding company					
MCE Investments					
For the Year Ended December 31, 2013	**Acquisition costs related to Asset Acquisition Transaction**	**₱7,198,590**	**₱–**	**Repayable on demand; non-interest bearing**	**Unsecured**
	Funds advance to MCP	**811,660**	**811,660**		
	Settlement of payables on behalf of immediate holding company	**(255)**	**(255)**		
	Revaluation of outstanding balances	**76,010**	**76,010**		
	Balance as of December 31, 2013		**₱887,415**		
For the Period from August 13, 2012 to December 31, 2012	N/A	₱–	₱–		
	Balance as of December 31, 2012		₱–		

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

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

17. **Related Party Transactions –** continued

Category		Amount of transactions for the Year/Period	Outstanding balance	Terms	Conditions
Amounts due to affiliated companies					
MCE's subsidiaries					
For the Year Ended December 31, 2013	**Project management fee expenses capitalized in construction in progress**	**₱152,735**	**₱171,234**	**Repayable on demand; non-interest bearing**	**Unsecured**
	Project management fee expenses capitalized in other noncurrent assets	**1,572**	**1,572**		
	Project management fee expenses recognized as pre-opening costs	**106,255**	**99,826**		
	Project management fee expenses recognized as development costs	**1,532**	**923**		
	Management fee expenses recognized as general and administrative expenses	**6,221**	**6,221**		
	Settlement of payables on behalf of MCP	**49,207**	**47,521**		
	Revaluation of outstanding balances	**18,647**	**18,152**		
	Balance as of December 31, 2013		**₱345,449**		
For the Period from August 13, 2012 to December 31, 2012	Project management fee expenses capitalized in construction in progress	₱22,253	₱21,343	Repayable on demand; non-interest bearing	Unsecured
	Settlement of payables on behalf of MCP	560	560		
	Balance as of December 31, 2012		₱21,903		

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

17. **Related Party Transactions -** continued

Category		Amount of transactions for the Year/Period	Outstanding balance	Terms	Conditions
Amounts due to affiliated companies - continued					
A subsidiary of Crown Resorts Limited ("Crown")(2)					
For the Year Ended December 31, 2013	**Acquisition of property and equipment**	**₱5,874**	**₱5,874**	**Repayable on demand; non-interest bearing**	**Unsecured**
	Balance as of December 31, 2013		**₱5,874**		
For the Period from August 13, 2012 to December 31, 2012	N/A	₱–	₱–		
	Balance as of December 31, 2012		₱–		
Melco International Developments Limited ("Melco")(2) and its subsidiary					
For the Year Ended December 31, 2013	**Settlement of payables on behalf of MCP**	**₱5,827**	**₱2,207**	**Repayable on demand; non-interest bearing**	**Unsecured**
	Revaluation of outstanding balances	**236**	**61**		
	Balance as of December 31, 2013		**₱2,268**		
For the Period from August 13, 2012 to December 31, 2012	Settlement of payables on behalf of MCP	₱912	₱–	Repayable on demand; non-interest bearing	Unsecured
	Balance as of December 31, 2012		₱–		

Note:

(1) The amount represents the recharge of share-based compensation expenses for certain directors of MCP for the year ended December 31, 2013 to MCE.

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

Directors' Remuneration

For the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012, the remuneration of directors of the Group were borne by MCE.

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

17. **Related Party Transactions -** continued

Compensation of Key Management Personnel

The compensation of key management personnel of the Group for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012 is as follows:

	For the Year Ended December 31, 2013	For the Period from August 13, 2012 to December 31, 2012
Basic salaries, allowances and benefits in kind	**₱81,160**	₱–
Performance bonuses	**20,939**	–
Retirement benefit scheme contributions	**1,663**	–
Share-based compensation	**35,509**	–
	₱139,271	₱–

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

	For the Year Ended December 31, 2013	For the Period from August 13, 2012 to December 31, 2012
Net loss (a)	**(₱2,463,417)**	(₱49,786)
Weighted average number of shares outstanding of legal parent (b)	**3,312,053,436**	412,064,596
Basic/Diluted loss per share (a)/(b)*1,000	**(₱0.74)**	(₱0.12)

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)

19. **Income Tax**

No provision for current income tax for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012 were provided as the Group incurred tax losses.

The Group recognized the following deferred tax asset and liability during the year/period:

	December 31, 2013	December 31, 2012
Deferred tax asset:		
Deferred rent under PAS 17	**₱44,265**	₱–
Deferred tax liability:		
Capitalized interest expense	**(44,265)**	–
	₱–	₱–

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, 2013	December 31, 2012
Net operating loss carryover (“NOLCO”)	**₱468,301**	₱16,219
Deferred rent under PAS 17	**178,446**	–
Share-based compensations	**83,445**	–
Unrealized foreign exchange loss, net	**31,782**	–
Others	**8,530**	–
	₱770,504	₱16,219

As of December 31, 2013, the Group’s NOLCO can be carried forward and claimed as deduction from regular taxable income are as follows, the amount below included the NOLCO of ₱1,264 and ₱1,429 incurred by former business of MCP in 2011 and 2012 which will be expired in 2014 and 2015, respectively:

Year Incurred	Expiry Year	Amount
2011	2014	**₱1,264**
2012	2015	**51,433**
2013	2016	**1,508,307**
		₱1,561,004

NOLCO incurred in 2010 amounting to ₱1,365 expired in 2013.

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

19. **Income Tax -** continued

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

	For the Year Ended December 31, 2013	For the Period from August 13, 2012 to December 31, 2012
Income tax benefit computed at statutory income tax rate	**(₱739,025)**	(₱14,936)
Income tax effects of:		
Change in unrecognized deferred tax assets	**754,285**	16,219
Expired NOLCO	**410**	–
Expenses not deductible for tax	**682**	–
Interest income subject to final tax	**(16,352)**	(33)
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 December 31, 2012.

The Bureau of Internal Revenue 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. As of December 31, 2013, management believes that the said RMC does not have any material financial impact to the consolidated financial statements for the year ended December 31, 2013.

19. **Income Tax -** continued

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

20. **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, where Belle agreed to lease to MCE Leisure the land and certain of the building structures to be used in 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 (see Note 22(b) and (c)). 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 obligation under finance lease recognized being the lower of the fair value of the building structures and present value of the minimum lease payments. Interest rate underlying the obligations under finance lease was 14.92% per annum at inception of the Lease Agreement.

On July 31, 2013, MCE Leisure and Belle signed an addendum to the Lease Agreement to reduce the monthly rental payments with effective from July 1, 2013 with total discount for each twelve month rolling period with a cap of the Philippine peso equivalent of US$1,000,000, with the first twelve month period beginning from March 1, 2013. As a result of the discount in monthly rental payments, the interest rate underlying the obligations under finance lease was revised to 14.63% per annum. As of December 31, 2013, after subsequent minor changes to the terms of the Lease Agreement, the interest rate underlying the obligations under finance lease was revised to 14.58% per annum.

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

20. **Obligations Under Finance Lease -** continued

As of December 31, 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:

	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under finance lease:		
Within one year	**₱1,305,472**	**₱1,206,198**
In more than one year and not more than five years	**6,490,353**	**4,170,746**
In more than five years	**36,160,760**	**7,059,327**
	43,956,585	**12,436,271**
Less: Finance charges	**(31,520,314)**	**–**
Present value of lease obligations	**₱12,436,271**	**12,436,271**
Less: Current portion of obligations under finance lease		**(1,206,198)**
Noncurrent portion of obligations under finance lease		**₱11,230,073**

Apart from the lease of certain of the building structures under finance lease as mentioned above, for the year ended December 31, 2013, MCE Leisure signed a master service agreement with a third party to set up certain information technology infrastructure (the "IT Equipment") to be used in 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.

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

20. **Obligations Under Finance Lease -** continued

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:

	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**
In more than five years	**–**	**–**
	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**

21. **Long-term Debt**

Senior Notes

On December 19, 2013, MCE Leisure priced its ₱15,000,000 5.00% 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. The issuance of the Senior Notes, subject to customary closing conditions, was subsequently completed on January 24, 2014.

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 ranks senior in right of payment to any existing and future subordinated indebtedness of MCE Leisure.

The Senior Notes are guaranteed by MCP and all present and future direct and indirect subsidiaries of MCP (subject to certain limited exceptions) (collectively the "Guarantors"), jointly and severally with MCE Leisure; and irrevocably and unconditionally by 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.

21. **Long-term Debt -** continued

Senior Notes - continued

The Senior Notes mature on January 24, 2019. Interest on the Senior Notes is accrued at a rate of 5.00% per annum and is payable semi-annually in arrears on January 24 and July 24 of each year, commencing 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 ₱14,980, was ₱14,985,020. MCE Leisure will use the net proceeds from the offering to fund the City of Dreams Manila project, refinancing of debt and for 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.

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

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 (the "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 favour 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.

21. **Long-term Debt -** continued

Shareholder Loan Facility - continued

The Shareholder Loan Facility availability period is to be notified by the Lender prior to the initial utilization of the Shareholder Loan, and is subject to quarterly amortization payments commencing on six months after the opening of City of Dreams Manila. The individual drawdowns under the Shareholder Loan Facility are subject to certain conditions precedents, including completion of a utilization request of proposed drawdown and issuance of promissory note in favour 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, 2013, the Shareholder Loan Facility has not been drawn as it was originally intended to be a back-up facility arrangement and will only be utilized by the Borrower if the issuance of the Senior Notes is not completed.

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

On October 25, 2012, MCE Holdings Group and certain of its affiliated companies and the Philippine Parties entered into the Closing Arrangement Agreement; and MCE Holdings Group and the Philippine Parties entered into the Cooperation Agreement. The Closing Arrangement Agreement, whereby the Licensees agreed on the procedure, requirements and mechanics with respect to the Closing. The Cooperation Agreement became effective on March 13, 2013 (except for certain provisions which were effective on signing), the date on which all of the closing conditions were fulfilled or waived.

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

(a) Cooperation Agreement

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 Licensee 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 23(c);

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 22(c);

22. **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 Philippine Economic Zone Authority 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 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 23(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 be payable to PLAI upon commencement of operations of City of Dreams Manila, 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.

22. **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 7 and 20), which Belle agreed to lease to MCE Leisure the land and certain of the building structures to be used in City of Dreams Manila. Belle has constructed on the land the phase 1 building (the "Phase 1 Building") and the phase 2 building (the "Phase 2 Building") is currently under construction on the land intended for use 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 became effective on March 13, 2013 with minor changes to the original terms under a closing side letter (the "Closing Side Letter") signed by MCE Holdings Group and certain of its affiliated companies and the Philippine Parties on the same date, of which the lease of land and the Phase 1 Building commenced on March 13, 2013, with the lease of the remaining building structures of the Phase 2 Building to be commenced as those parts of the building structures are constructed in accordance with the terms of the Lease Agreement, with minor changes to the terms were made during the year ended December 31, 2013. 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 will be 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 the any of the preceding uses.

Under the Closing Side Letter signed on March 13, 2013 in relation to the Lease Agreement, MCE Leisure agreed to make monthly payments under the Lease Agreement beginning from March 1, 2013.

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, and subsequent minor changes to the terms of the Lease Agreement were made during the year ended December 31, 2013

23. **Commitments and Contingencies**

(a) Capital Commitments

As of December 31, 2013, the Group had capital commitments mainly for the fit-out construction costs of City of Dreams Manila totaling ₱4,037,757.

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

23. **Commitments and Contingencies -** continued

(b) Operating Lease Commitments

MCE Leisure leased the portion of land to be used in City of Dreams Manila under non-cancellable operating lease agreement that will expire on July 11, 2033 (see Note 22(c)). The Lease Agreement provides for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by MCE Leisure and Belle. In addition, MCE Leisure leased certain office spaces, warehouses and staff quarter. For the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012, the Group incurred total rental expenses amounting to ₱172,468 and nil, of which ₱8,209 and nil were recognized as general and administrative expenses, ₱156,712 and nil were recognized as pre-opening costs and ₱7,547 and nil were capitalized in construction in progress, respectively.

As of December 31, 2013, minimum lease payments under non-cancellable leases are as follows:

	December 31, 2013
Year ending December 31	
2014	**₱162,177**
2015	**136,218**
2016	**142,990**
2017	**155,834**
2018	**161,151**
Over 2018	**2,584,156**
	₱3,342,526

(c) Other Commitments and Guarantees

Provisional License

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$650.0 million to be made prior to the opening of City of Dreams Manila. Under the terms of the Cooperation Agreement, the Licensees’ Investment Commitment of US$1 billion will be satisfied as follows:

(i) For the amount of US$650.0 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$325.0 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$325.0 million.

23. **Commitments and Contingencies –** continued

(c) Other Commitments and Guarantees – continued

Provisional License – continued

(ii) For the remaining US$350.0 million, the Philippine Parties and MCE Leisure shall make equal contributions of US$175.0 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).

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

(i) 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 in 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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 Licensees and approved by PAGCOR, of which the foundation was subsequently setup by MCE Leisure on February 19, 2014.

(vi) PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% except rental income received from retail concessionaires.

23. **Commitments and Contingencies –** continued

(c) Other Commitments and Guarantees – continued

Provisional License – continued

Grounds for revocation of the license, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of December 31, 2013, MCE Holdings Group as one of the parties as Licensees has complied with the required debt-to-equity ratio as agreed with PAGCOR, further details please refer to Note 24 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 Licensee arising out of, or in connection with, any breach by the indemnifying Licensee of the Provisional License. Also, each of the Philippine Parties and MCE Leisure 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.

Guarantees

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.

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

The Group's principal financial instruments consist mainly of cash and cash equivalents and restricted cash which will be used for City of Dreams Manila. The Group has other financial assets and liabilities such as security deposit, other deposits and receivables, amount due from a shareholder, 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 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, 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 are of the opinion that the Group does not have significant interest rate risk.

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

The Group trades only with recognized and creditworthy third parties. It is the policy of the Group that all third parties who wish to trade on credit terms are subjected to credit verification procedures. Other current and noncurrent assets are monitored on an on-going basis with the result that the exposure of the Group to bad debts is not significant. The Group does not offer credit terms to third parties, without the specific approval of management.

With respect to credit risk from the financial assets of the Group, which are composed of cash and cash equivalents, restricted cash, 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 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, 2013 and 2012.

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

24. **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. Amount due from a shareholder and other deposits and receivables are considered as high grade as MCE will provide financial support to the shareholder of the Company to meet in full its financial obligations as they fall due and the Group only trades with recognized and creditworthy third parties. 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, 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**
Amount due from a shareholder	**5,425**	**–**	**–**	**–**	**5,425**
Deposits and receivables	**100,371**	**–**	**–**	**–**	**100,371**
Restricted cash	**2,226,674**	**–**	**–**	**–**	**2,226,674**
	₱10,932,312	**₱–**	**₱–**	**₱–**	**₱10,932,312**

	December 31, 2012				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Total
Financial Asset					
Cash and cash equivalents	₱1,152,022	₱–	₱–	₱–	₱1,152,022

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)

24. **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, 2013 and 2012 based on undiscounted contractual cash flows.

	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**
Amount due from a shareholder	**5,425**	**–**	**–**	**–**	**5,425**
Deposits and receivables	**10,029**	**12,808**	**7,029**	**175,599**	**205,465**
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**

	December 31, 2012				
	Within 1 Year	1 – 3 Years	3 – 5 Years	Over 5 Years	Total
Financial Asset					
Cash and cash equivalents	₱1,152,022	₱–	₱–	₱–	₱1,152,022
Financial Liabilities					
Accrued expenses, other payables and other current liabilities*	₱35,338	₱–	₱–	₱–	₱35,338
Amount due to ultimate holding company	90,434	–	–	–	90,434
Amounts due to affiliated companies	21,903	–	–	–	21,903

**Excluding government and statutory liabilities*

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 and Singapore dollars. Foreign exchange risks of the Group are regularly reviewed by the management and appropriate processes are in place to monitor and mitigate the said risks by maintaining a certain amount of operating funds in the same currencies in which the Group has obligations to pay from time to time. Management decides not to hedge the currency exposures considering the cost of hedging being higher than the currency exposure.

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

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

Foreign Exchange Risk - continued

The following table shows the Group's foreign currency-denominated monetary assets and liabilities and their peso equivalents:

	December 31, 2013		December 31, 2012	
	Foreign Currency	**Philippine Peso**	Foreign Currency	Philippine Peso
Financial Asset				
Cash and cash equivalents:				
United States dollar ("US$")	**US$502,697**	**22,387**	US$200,196	8,254
		22,387		8,254
Foreign Currency-denominated Financial Asset		**22,387**		8,254
Financial Liabilities				
Accrued expenses, other payables and other current liabilities:				
Hong Kong dollar ("HK$")	**HK$3,823,272**	**21,885**	HK$165,088	875
US$	**US$1,061,348**	**47,266**	–	–
		69,151		875
Amount due to ultimate holding company:				
HK$	**HK$2,634,522**	**15,080**	HK$2,593,412	13,744
Macau Patacas ("MOP")	**MOP11,114,897**	**61,770**	MOP22,563	116
US$	**US$1,879,012**	**83,679**	US$1,849,197	76,241
		160,529		90,101
Amount due to immediate holding company:				
HK$	**HK$155,600,000**	**890,670**	–	–
		890,670		–
Amounts due to affiliated companies:				
Australian dollar ("AUD")	**AUD7,439**	**294**	–	–
HK$	**HK$14,746,789**	**84,412**	HK$96,818	513
MOP	**MOP44,343,000**	**246,431**	MOP4,157,280	21,389
Singapore dollar ("SGD")	**SGD1,713**	**60**	–	–
US$	**US$320,007**	**14,251**	–	–
		345,448		21,902
Current portion of obligations under finance lease:				
US$	**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		**1,511,997**		112,878

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

24. **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, 2013 and 2012:

	December 31, 2013	December 31, 2012
Philippine peso to 1 unit of foreign currency:		
AUD	**39.58**	N/A
HK$	**5.72**	5.30
MOP	**5.56**	5.15
SGD	**35.03**	N/A
US$	**44.53**	41.23

The Group recognized net foreign exchange loss of ₱112,195 and ₱427 for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012, 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, 2013		December 31, 2012	
	% Change Currency Rate	**Effect on Loss Before Income Tax**	% Change Currency Rate	Effect on Loss Before Income Tax
AUD	**+1.4%**	**₱4**	N/A	₱N/A
	-1.4%	**(4)**	N/A	N/A
HK$	**+1.3%**	**13,157**	+0.7%	106
	-1.3%	**(13,157)**	-0.7%	(106)
MOP	**+1.3%**	**4,007**	+0.7%	151
	-1.3%	**(4,007)**	-0.7%	(151)
SGD	**+0.9%**	**1**	N/A	N/A
	-0.9%	**(1)**	N/A	N/A
US$	**+1.3%**	**2,197**	+0.7%	476
	-1.3%	**(2,197)**	-0.7%	(476)

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.

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

24. **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 as its capital which amounted to ₱13,333,691 and ₱1,057,642 as of December 31, 2013 and 2012, respectively.

Under the terms of the Provisional License, it requires each 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 (see Note 23(c)). The D/E Ratio is calculated as total liabilities (excluding obligations under finance lease) over total equity. The Group's strategy is to monitor capital and maintain the D/E Ratio to comply with the PAGCOR requirements and the D/E Ratio as of December 31, 2013 computed based on the separate financial statements for each of the companies of MCE Holdings Group are as follows:

	December 31, 2013
D/E Ratio	
MCE Holdings	**0:100**
MCE Holdings No. 2	**0:100**
MCE Leisure	**25:75**

As of December 31, 2013, MCE Holdings Group as one of the parties as Licensees has complied with the D/E Ratio as required by PAGCOR.

25. **Financial Instruments**

Fair Value of Financial Instruments

Cash and cash equivalents, Amount due from a shareholder, Other deposits and receivables, Restricted cash, 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 Current and Noncurrent portion of obligations under finance lease. 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.

25. **Financial Instruments -** continued

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) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2013 and 2012, the Group does not have financial instruments that are carried and measured at fair value. For the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

(a) For the year ended December 31, 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).

(b) 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 amounting to ₱ 64,721 was capitalized in building under finance lease (For the period from August 13, 2012 to December 31, 2012: nil)

(c) For the year ended December 31, 2013, fit-out construction costs and cost of property and equipment in total of ₱700,807, ₱185,623 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 period from August 13, 2012 to December 31, 2012: ₱5,594, ₱21,512 and ₱10,512, respectively).

(d) 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).

(e) For the year ended December 31, 2013, interest expenses capitalized in fit-out construction costs of ₱147,553 was funded through obligations under finance lease (For the period from August 13, 2012 to December 31, 2012: nil).

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

(f) 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).

(g) 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).

(h) 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).

27. **Employee Benefit Plans**

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

One of the executive officers employed by the Group is a member of Mandatory Provident Fund Scheme (the "MPF Scheme") operated by MCE in Hong Kong, the executive officer's contributions to the MPF Scheme is set at 5% of the executive officer's relevant income up to a maximum of HK$1,250 per executive officer per month. The Group's contribution to the MPF Scheme is set at 10% of the executive officer's base salaries. The excess of contributions over the Group's mandatory portion, which is 5% of the executive officer's relevant income up to a maximum of HK$1,250 per executive officer per month, are treated as the Group's voluntary contribution and are vested to the executive officer at 10% per year with full vesting in 10 years. The Group's mandatory contributions to the MPF Scheme are fully and immediately vested to the executive officer once they are paid. The MPF Scheme was established by MCE under trust with the assets of the funds held separately from those of MCE and the Group by an independent trustee.

For the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012, the Group's contributions into the defined contribution plans were ₱2,415 and nil, respectively.

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

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, 2013, 47,098,936 shares remain available for the grant of various share-based awards under the Share Incentive Plan.

Share Options

The Group granted share options to certain personnel under the Share Incentive Plan for the year ended December 31, 2013 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. These share options will become exercisable over a vesting period of three years, with the first year vesting on 30 days after the opening of City of Dreams Manila. The 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 option grant issued, with highly subjective assumptions, changes in which could materially affect the estimated fair value. 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 publicly traded companies. The risk-free interest rate used for each period presented is based on the Philippine Government bond yield at the time of grant for the period equal to the expected term.

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

Expected dividend yield	–
Expected stock price volatility	45.00%
Risk-free interest rate	3.73%
Expected average life of options (years)	5.0

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

28. **Share Incentive Plan -** continued

A summary of share options activity under the Share Incentive Plan as of December 31, 2013, and changes for the year ended December 31, 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**	**9.50**	**₱624,856**

As of December 31, 2013, no share options granted under the Share Incentive Plan were vested and exercisable.

A summary of share options expected to vest under the Share Incentive Plan as of December 31, 2013 are presented below:

	Expected to Vest			
	Number of Share Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Exercise price per share	**116,144,153**	**₱8.3**	**9.50**	**₱624,856**

The weighted-average fair value of share options granted under the Share Incentive Plan for the year ended December 31, 2013 was ₱3.68. As of December 31, 2013, there were ₱298,153 unrecognized compensation costs related to unvested share options under the Share Incentive Plan and the costs were expected to be recognized over a weighted-average period of 1.58 years.

Restricted Shares

The Group has also granted restricted shares to certain personnel under the Share Incentive Plan for the year ended December 31, 2013. These restricted shares have a vesting period of three years, with the first year vesting on 30 days after the opening of City of Dreams Manila. The grant date fair value is determined with reference to the market closing price of the Parent Company's common share 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 status of the Share Incentive Plan's restricted shares as of December 31, 2013, and changes for the year ended December 31, 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**

No restricted shares under the Share Incentive Plan were vested for the year ended December 31, 2013. As of December 31, 2013, there were ₱332,666 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 1.53 years.

The impact of share options and restricted shares for the year ended December 31, 2013 recognized in the consolidated financial statements were as follows:

	For the Year Ended December 31, 2013
Share Incentive Plan	
Share options	**₱128,819**
Restricted shares	**149,332**
Total share-based compensation expenses	**₱278,151**
Share-based compensation expenses recognized as pre-opening costs	**₱95,936**
Consultancy fee in consideration for share awards recognized as pre-opening costs	**182,215**
	₱278,151

29. **Subsequent Event**

On January 24, 2014, the issuance of the Senior Notes was completed, further details of the Senior Notes was disclosed in Note 21.

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

30. **Other Matter**

As described in Note 2, the business combination had been accounted for similar to a reverse acquisition and the consolidated financial statements represent a continuation of the financial statements of the MCE Holdings Group and not of MCP. No comparative information for the year ended December 31, 2011 was presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows because MCE Holdings Group, the accounting acquirer, was only incorporated in August 2012 and the effective date which MCE gained control on MCP was on December 19, 2012.

In compliance with the requested information of the SEC, the following are the condensed information relating to the year ended December 31, 2011 of MCP before the application of the reverse acquisition as discussed in Note 2. These information pertain to the previous business of MCP.

	For the Year Ended December 31, 2011
Revenues	₱1,767,314
Cost of sales	1,462,156
Gross income	305,158
Income before tax	124,045
Net income	89,551
Total comprehensive income	89,551
Net cash provided by operating activities	87,960
Net cash used in investing activities	49,290
Cash flows from financing activities	–

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 financial statements of Melco Crown (Philippines) Resorts Corporation as at and for the years ended December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended December 31, 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 11, 2014. 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. 4225185, January 2, 2014, Makati City

April 11, 2014

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Schedule A. Financial assets
As of December 31, 2013

(In thousands of Philippine peso)

Name of issuing entity and description of each issue	Amounts shown in the Balance Sheet	Interest income received and accrued
Cash and cash equivalents:		
BDO Unibank, Inc.	6,123,534	32,659
Bank of China Manila Branch	2,475,621	15,609
Petty cash	687	-
	8,599,842	48,268
Amount due from a shareholder:		
MCE (Philippines) Investments No.2 Corporation	5,425	-
Deposits and receivables:		
Belle Corporation (Security Deposit)	70,505	2,700
Microsourcing International, Ltd.	9,446	-
SM Investments Corporation	7,029	-
BDO Unibank, Inc	2,889	-
Common Goal Real Properties, Inc.	2,549	-
Bank of China Manila Branch	1,878	-
Mega Asia Equity Development Corp.	1,683	-
Alfonso Anggala	1,683	-
Microsourcing International, Ltd.	1,312	-
IPMC Enterprise Developments Inc	813	-
Pennon Holdings Inc.	400	-
SM Investments Corporation	100	-
Federal Brent Retail, Incorporated	50	-
Exclusive Cars International Holdings, Inc.	34	-
	100,371	2,700
Restricted cash:		
BDO Unibank, Inc.	2,226,674	3,538

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
As of December 31, 2013

			Deductions				
Name & Designation of debtor	Balance at the Beginning of the Period	Additions	Amounts Collected i	Amounts Written off ii	Current	Non-Current	Balance at the End of Period
MCE Leisure (Philippines) Corporation	-	1,026,533,333					1,026,533,333

i. If collection is other than cash, explain
ii. Give reasons for write off
Note: Receivable of Melco Crown (Philippines) Resorts Corporation from MCE Leisure (Philippines) Corporation

			Deductions				
Name & Designation of debtor	Balance at the Beginning of the Period	Additions	Amounts Collected i	Amounts Written off ii	Current	Non-Current	Balance at the End of Period
MCE Holdings No. 2 (Philippines) Corporation	-	6,332,213					6,332,213

i. If collection is other than cash, explain
ii. Give reasons for write off
Note: Receivable of MCE Holdings (Philippines) Corporation from MCE Holdings No. 2 (Philippines) Corporation

			Deductions				
Name & Designation of debtor	Balance at the Beginning of the Period	Additions	Amounts Collected i	Amounts Written off ii	Current	Non-Current	Balance at the End of Period
MCE Holdings (Philippines) Corporation	8,245,893	660,804	6,330,193				2,576,504

i. If collection is other than cash, explain: *Settlement of payables by MCE Holdings (Philippines) Corporation on behalf of MCE Leisure (Philippines) Corporation*
ii. Give reasons for write off
Note: Receivable of MCE Leisure (Philippines) Corporation from MCE Holdings (Philippines) Corporation

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Schedule D. Intangible assets
As of December 31, 2013

(In thousands of Philippine peso)

Description	Beginning balance	Additions of cost	Amortization charged to cost and expenses	Capitalized in building under finance lease	Written off to development costs	Other changes additions (deductions)	Ending balance
Contract acquisition costs	58,427	1,134,576	(43,410)	(64,721)	(64,721)	-	1,020,151
Other intangible assets (i.e. right to use for certain trademarks)	-	8,698	-	-	-	-	8,698

Please refer to Notes 8 and 9 to the consolidated financial statements for further details.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Schedule H. Capital Stock
As of December 31, 2013

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	4,426,303,300	174,216,229	3,380,513,864	28,950	1,045,760,486

RECONCILIATION OF RETAINED EARNINGS
As of December 31, 2013

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

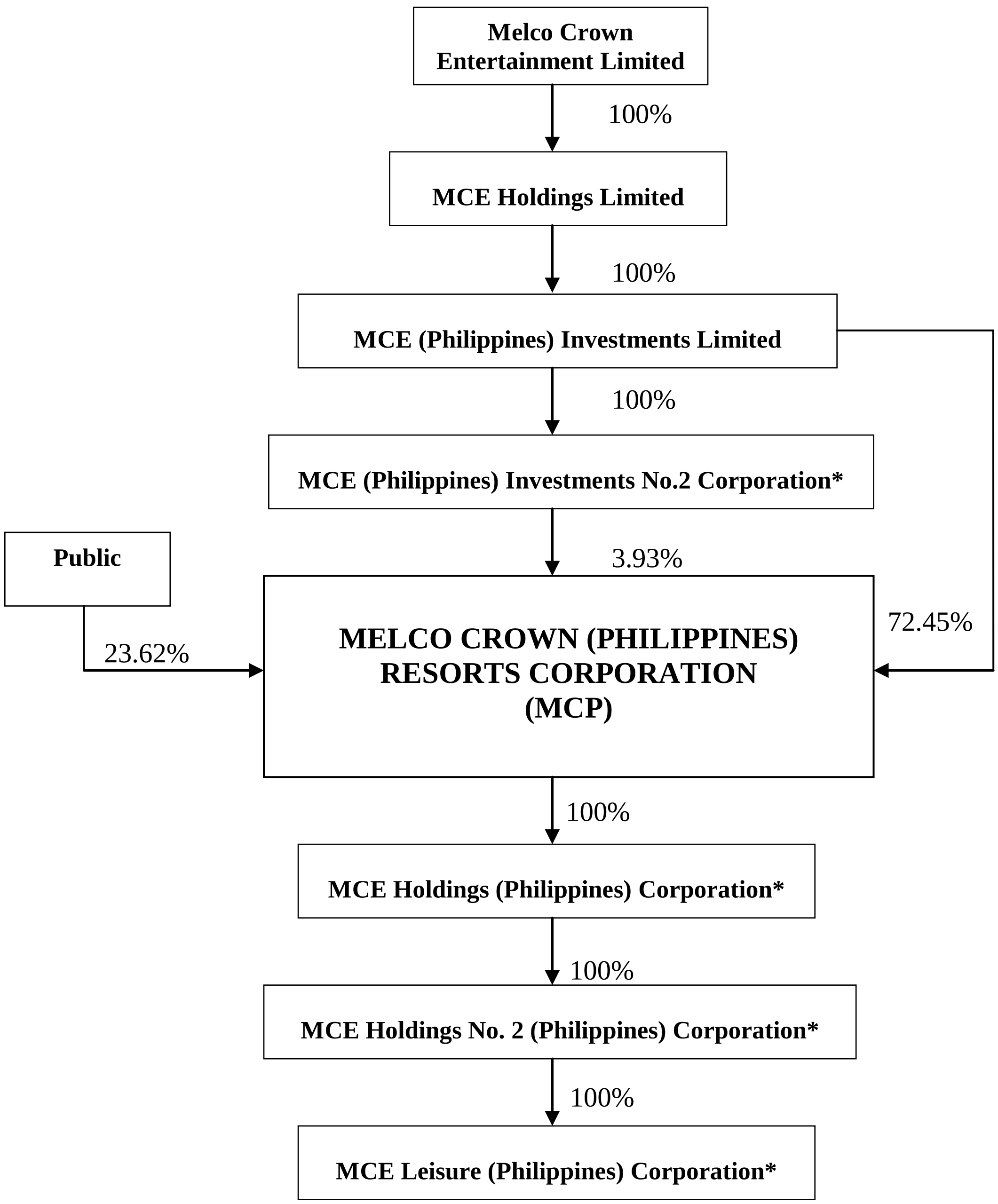
Unappropriated Retained Earnings per financial statements, beginning	**₱**	**730,776,531**
Adjustments: Cost of treasury shares held		
		(288,514,127)
Unappropriated Retained Earnings as adjusted to available for dividend declaration, beginning	**₱**	**442,262,404**
Net loss based on the face of AFS		(261,913,987)
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain		505,216
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 revalution 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	**₱**	**180,853,633**
Add: Cost of treasury shares sold		288,514,127
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, AS ADJUSTED, ENDING	**₱**	**469,367,760**

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
Key Performance Indicators
For the year ended December 31, 2013 and
for the period from August 13, 2012 to December 31, 2012

		2013	2012
Current ratio	Current assets over current liabilities	**2.58**	5.98
Debt-to-equity ratio	Total liabilities over total equity	**1.11**	0.18
Asset to equity ratio	Total assets over total equity	**2.11**	1.18
Interest rate coverage ratio	Earning/(loss) before interest expense and taxes over interest expense	**(0.87)**	-
Return on assets	Net income/(loss) over total assets	**-8.75%**	-3.98%
Return on equity	Net income/(loss) over total equity	**-18.48%**	-4.71%

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, 2013



***** The shares of these companies are owned 0.01% by 5 nominee directors of these companies respectively.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		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
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
PFRS 6	Exploration for and Evaluation of Mineral Resources				X
PFRS 7	Financial Instruments: Disclosures	X			
	Amendments to PFRS 7: Transition	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X			

(continued)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not adopted	Not Applicable
	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			
PFRS 8	Operating Segments	X			
PFRS 9	Financial Instruments		X		
	Financial Instruments – New Hedge Accounting Requirements		X		
PFRS 10	Consolidated Financial Statements	X			
	Amendments to PFRS 10: Investment Entities		X		
PFRS 11	Joint Arrangements				X
PFRS 12	Disclosure of Interests in Other Entities				X
	Amendments to PFRS 12: Investment Entities		X		
PFRS 13	Fair Value Measurement	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			
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		

(continued)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance				X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X			
	Amendment: Net Investment in a Foreign Operation				X
PAS 23 (Revised)	Borrowing Costs	X			
PAS 24 (Revised)	Related Party Disclosures	X			
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		
PAS 28	Investments in Associates				X
PAS 28 (Amended)	Investments in Associates and Joint Ventures				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			
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			
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

(continued)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not adopted	Not Applicable
	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
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

(continued)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not adopted	Not Applicable
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
SIC-32	Intangible Assets - Web Site Costs				X

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

INDEX TO EXHIBITS

Form 17-A

*These exhibits are either not applicable to the Company or require no answer.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201214789

CERTIFICATE OF FILING OF AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

MCE HOLDINGS (PHILIPPINES) CORPORATION
(Amending Article III thereof.)

copy annexed, adopted on October 08, 2013 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing more than two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 29th day of January, Twenty Fourteen.

FERDINAND B. SALES
Acting Director
Company Registration and Monitoring Department

Mr. Velazquez
1/27
1150

PSE Security Cod CN-075

COVER SHEET

CS201214789

S.E.C. Registration Number

MCE HOLDINGS (PHILIPPINES) CORPORATION

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

(Business Address : No. Street City / Town / Province)

MARIA TARA A. MERCADO
Contact Person

848-0114
Company Telephone Number

Month Day
Fiscal Year

Amended AOI and By-Laws
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

N. A.
Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic Foreign

12/27/13

To be accomplished by SEC Personnel concerned

1) Latest GIS
2) Sec. Cert.

File Number

LCU 1-9-14

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

AMENDED ARTICLES OF INCORPORATION

OF

MCE HOLDINGS (PHILIPPINES) CORPORATION

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age, majority of whom are citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

MCE HOLDINGS (PHILIPPINES) CORPORATION

SECOND: That the purposes for which said corporation is formed are:

PRIMARY PURPOSE

To subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including, but not limited to, Corporations engaged in hotel and/or gaming and entertainment business, and to guarantee or proved a mortgage, pledge, or other security over all or part of its assets or financial support or accommodation to secure the whole or any part of the indebtedness and obligations of any of its subsidiaries and/or affiliates, without however engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operation of such investee companies.

SECONDARY PURPOSES

1. To the extent permitted by law, to acquire by purchase, lease contract, concession, or otherwise, any and all real and personal properties of every kind and description whatsoever (other that land), which the Corporation may deem necessary or appropriate in connection with the conduct of the corporate business, and to own, hold, operate, improve, develop, manage, grant, lease, sell, exchange, or otherwise dispose of the whole or any part thereof;

2. To borrow or raise money necessary for any of the purposes of the Corporation,

and from time to time, draw, make, accept, endorse, transfer, assign, execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and transferable instruments and evidence of indebtedness, to give guarantees and indemnities, to secure indebtedness of third persons or other secured persons, and for the purpose of securing any of its obligations or contracts, to convey, transfer, assign, deliver, mortgage, and/or pledge all or any part of the property or assets at any time held or owned by the Corporation, on such terms and conditions as the Board of Directors of the Corporation or its duly authorized officers or agents shall determine and as may be permitted by law;

3. To purchase or acquire, hold, assign, mortgage, pledge, and sell or otherwise dispose of shares of stock, receivables, bonds, securities, or other evidence of indebtedness issued or created by any other corporation, partnership, or company, whether domestic or foreign, and while the holder of any such share of stock, to exercise all the rights and privileges of ownership, including the right to vote without, however, engaging as a stock broker or dealer in securities;

4. To invest and deal with the money and properties of the Corporation in such manner as may, from time to time, be considered wise or expedient for the advancement of its interest and to sell, dispose, or transfer the business, properties, and goodwill of the Corporation or any part thereof for such consideration and under such terms as it shall see fit to accept;

5. To aid in any manner, any corporation, association or trust estate, domestic or foreign, or any form or individual, in which any shares of stock or bonds, debentures, notes, securities, evidence of indebtedness, contracts, or obligations of which are held by or for the Corporation, directly of indirectly or through other corporations or otherwise;

6. To enter into any lawful arrangement for sharing profits, union of interest, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person, or governmental, municipal, or public authority, domestic or foreign, in the carrying our of any of the purposes of the Corporation;

7. To acquire or obtain from any government or authority, or any corporation, company, or partnership or person, such charter, contracts, franchise, privilege, exemption, license, or concession as may be conducive to any of the objects of the Corporation;

8. To exercise all the powers granted to the Corporation under Batas Pambansa Bilang 68, otherwise known as the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the Corporation is to be established is at Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701. **(As amended on 08 October 2013)**

FOURTH: That the term for which the Corporation is to exist is fifty (50) years from and after the date of the issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residences of the incorporators are as follows:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Jomini C. Nazareno TIN: 227-369-048	Filipino	9 Colt Street, Calvary Hills, Fort Bonifacio, Makati City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, HV de la Costa St., Makati City

SIXTH: That the number of directors of the Corporation shall be five (5) and that the names, nationality, and residences of the Directors of the Corporation who are to serve until their successors are elected and qualified, as provided by the By-Laws are as follows, to wit:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Jomini C. Nazareno TIN: 227-369-048	Filipino	9 Colt Street, Calvary Hills, Fort Bonifacio, Makati City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, HV de la Costa St., Makati City

SEVENTH: That the authorized capital stock of the Corporation is Two Hundred Million Pesos (₱200,000,000.00) in lawful money of the Philippines, divided into Two Hundred Million (200,000,000) common shares with par value of One Peso (Php 1.00) per share. (As amended on 30 January 2013.)

No shareholder of any class of shares shall have or otherwise be entitled to any pre-emptive right to subscribe to, purchase or receive any class of shares of the Corporation, or part thereof, whether issued from the unissued capital, increase in capital stock, treasury stock any securities convertible into stock of the Corporation. Any such shares may at any time be issued, sold or disposed of by the Corporation pursuant to the resolution of the Board of Directors, to such persons and upon such terms as the Board of Directors may deem proper, without first offering such shares to existing shareholders.

EIGHT: That at least 25% of the authorized capital stock has been subscribed and at

Republic of the Philippines)
City of Makati) S.S.

Secretary's Certificate

I, MARIA TARA A. MERCADO, of legal age, single, with office address at 21st Floor, Philamlife Tower, 8767 Paseo de Roxas Makati City being duly sworn, depose and state that:

1. I am the duly elected and qualified Assistant Corporate Secretary of MCE Holdings (Philippines) Corporation, (the "Corporation"), a corporation duly organized and existing under and by virtue of the Republic of the Philippines, with principal office at Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque, City 1701.

2. To the best of my knowledge, no action or proceeding has been filed or is pending before any Court involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation as its duly elected and/or appointed directors or officers or vice versa.

IN WITNESS WHEREOF, I have hereunto set my hand this 2nd day of January 2014 at Makati City.

MARIA TARA A. MERCADO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me on this 2nd day of January 2014, in Makati, Philippines, affiant exhibiting to me his Passport No. EB0759544 issued on 13 August 2010 valid until 12 August 2015 at DFA Manila.

ATTY. VLADIMIR F. BEDURA
Commission No M-531
Notary Public for Makati City
Until December 31, 2014
21st Flr. Philamlife Tower,
8767 Paseo de Roxas, Makati City
Roll No. 62366
PTR No. 3920556 / 05-21-2013 / Makati
IBP No. 935283 / 04-22-2013 / Makati

Doc. No. 237
Page No. 049
Book No. II
Series of 2014.

Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

COMPANY REGISTRATION AND MONITORING DEPARTMENT

IN THE MATTER OF	**: FOR THE VIOLATION OF THE**
	: CORPORATION CODE OF THE PHILIPPINES
MCE HOLDINGS (PHILIPPINES)	**: AND THE SEC GUIDELINES ON**
CORPORATION	**: REPORTORIAL REQUIREMENTS**

SEC Registration No. CS201214789
x--x

CONFIRMATION OF PAYMENT OF FINES

The **MCE HOLDINGS (PHILIPPINES) CORPORATION,** registered on **August 13, 2012** violated the Corporation Code of the Philippines (the Code) and the SEC Guidelines on Reportorial Requirements by failing to submit the following within the prescribed period:

REQUIREMENTS	NOTED DEFICIENCIES YEARS COVERED	
	NOT FILED	FILED LATE
Financial Statements		2012

The corporation was directed to pay a total fine of **P 500.00** paid on **December 19, 2013** under Official Receipt Nos. **1007370.**

This serves as a confirmation that the corporation has paid the fines for its failure to comply with the above-stated requirements.

It is warned that if the corporation commits a similar violation in the future, the Commission shall be constrained to impose heavier penalties on the corporation and/or its responsible officers.

Mandaluyong City, Philippines. 26 December 2013.

For the Director:

MARY ANNE V. MORALES - LAGURA
Officer-in-Charge
Compliance Monitoring Division

/mcf

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201215365

CERTIFICATE OF FILING OF AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION

(Amending Article III thereof.)

copy annexed, adopted on October 08, 2013 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing more than two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 6th day of February, Twenty Fourteen.

FERDINAND B. SALES
Acting Director
Company Registration and Monitoring Department

BUWIS
RENTAS INTERNAS
DS-2013
07769365
15 PISO DOKUMENTARYO 15 PISO
REPUBLIKA NG PILIPINAS

Mr. Cabatic
[illegible]
RSO

PSE Security Cod CN-075

COVER SHEET

C S 2 0 1 2 1 5 3 6 5

S.E.C. Registration Number

MCE HOLDINGS NO. 2
(PHILIPPINES) CORPORATION

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

(Business Address : No. Street City / Town / Province)

MARIA TARA A. MERCADO	**848-0114**
Contact Person	Company Telephone Number

Month	Day	**Amended AOI and By-Laws**	Month	Day
Fiscal Year		FORM TYPE	Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

N. A.
Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders — Domestic — Foreign

To be accomplished by SEC Personnel concerned

File Number — LCU 1-9-14

Document I.D. — Cashier

* Secretary's Cert
* By-Laws

STAMPS

Remarks = pls. use black ink for scanning purposes

COP dated 12/26/13

Republic of the Philippines)
City of Makati) S.S.

Secretary's Certificate

I, MARIA TARA A. MERCADO, of legal age, single, with office address at 21st Floor, Philamlife Tower, 8767 Paseo de Roxas Makati City being duly sworn, depose and state that:

1. I am the duly elected and qualified Assistant Corporate Secretary of MCE Holdings No. 2 (Philippines) Corporation, (the "Corporation"), a corporation duly organized and existing under and by virtue of the Republic of the Philippines, with principal office at Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque, City 1701.

2. To the best of my knowledge, no action or proceeding has been filed or is pending before any Court involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation as its duly elected and/or appointed directors or officers or vice versa.

IN WITNESS WHEREOF, I have hereunto set my hand this 2nd day of January 2014 at Makati City.

MARIA TARA A. MERCADO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me on this 2nd day of January 2014, in Makati, Philippines, affiant exhibiting to me his Passport No. EB0759544 issued on 13 August 2010 valid until 12 August 2015 at DFA Manila.

ATTY. VLADIMIR F. BEDURAL
Commission No M-531
Notary Public for Makati City
Until December 31, 2014
21st Flr. Philamlife Tower,
8767 Paseo de Roxas, Makati City
Roll No. 62366
PTR No. 3920556 / 05-21-2013 / Makati
IBP No. 935283 / 04-22-2013 / Makati

Doc. No. 238
Page No. 049
Book No. II
Series of 2014.

Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

COMPANY REGISTRATION AND MONITORING DEPARTMENT

IN THE MATTER OF	**: FOR THE VIOLATION OF THE**
	: CORPORATION CODE OF THE PHILIPPINES
MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION	**: AND THE SEC GUIDELINES ON**
	: REPORTORIAL REQUIREMENTS

SEC Registration No. CS201215365
x---x

CONFIRMATION OF PAYMENT OF FINES

The **MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION,** registered on **August 22, 2012** violated the Corporation Code of the Philippines (the Code) and the SEC Guidelines on Reportorial Requirements by failing to submit the following within the prescribed period:

REQUIREMENTS	NOTED DEFICIENCIES YEARS COVERED	
	NOT FILED	FILED LATE
Financial Statements		2012

The corporation was directed to pay a total fine of **P 500.00** paid on **December 19, 2013** under Official Receipt Nos. **1007369.**

This serves as a confirmation that the corporation has paid the fines for its failure to comply with the above-stated requirements.

It is warned that if the corporation commits a similar violation in the future, the Commission shall be constrained to impose heavier penalties on the corporation and/or its responsible officers.

Mandaluyong City, Philippines. 26 December 2013.

For the Director:

MARY ANNE V. MORALES - LAGURA
Officer-in-Charge
Compliance Monitoring Division

/mcf

AMENDED ARTICLES OF INCORPORATION

OF

MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age, majority of whom are citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION

SECOND: That the purposes for which said corporation is formed are:

PRIMARY PURPOSE

To subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including, but not limited to, Corporations engaged in hotel and/or gaming and entertainment business, and to guarantee or provide a mortgage, pledge, or other security over all of part of its assets or financial support or accommodation to secure the whole or any part of the indebtedness and obligations of any of its subsidiaries and/or affiliates, without however engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operation of such investee companies. (As amended on 9 April 2013.)

SECONDARY PURPOSES

1. To the extent permitted by law, to acquire by purchase, lease, contract, concession, or otherwise, any and all real and personal properties of every kind and description whatsoever (other than land), which the Corporation may deem necessary or appropriate in connection with the conduct of the corporate business, and to own, hold, operate, improve, develop, manage, grant, lease, sell, exchange, or otherwise dispose of the whole or any part thereof;

2. To borrow or raise money necessary for any of the purposes of the Corporation, and from time to time, draw, make, accept, endorse, transfer, assign, execute, and issue

promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and transferable instruments and evidence of indebtedness, to give guarantees and indemnities, to secure indebtedness of third persons or other secured persons, and for the purpose of securing any of its obligations or contracts, to convey, transfer, assign, deliver, mortgage, and/or pledge all or any part of the property or assets at any time held or owned by the Corporation, on such terms and conditions as the Board of Directors of the Corporation or its duly authorized officers or agents shall determine and as may be permitted by law;

3. To purchase or acquire, hold, assign, mortgage, pledge, and sell or otherwise dispose of shares of stock, receivables, bonds, securities, or other evidence of indebtedness issued or created by any other corporation, partnership, or company, whether domestic or foreign, and while the holder of any such share of stock, to exercise all the rights and privileges of ownership, including the right to vote without, however, engaging as a stock broker or dealer in securities;

4. To invest and deal with the money and properties of the Corporation in such manner as may, from time to time, be considered wise or expedient for the advancement of its interest and to sell, dispose, or transfer the business, properties, and goodwill of the Corporation or any part thereof for such consideration and under such terms as it shall see fit to accept;

5. To aid in any manner, any corporation, association or trust estate, domestic or foreign, or any form or individual, in which any shares of stock or bonds, debentures, notes, securities, evidence of indebtedness, contracts, or obligations of which are held by or for the Corporation, directly or indirectly or through other corporations or otherwise;

6. To enter into any lawful arrangement for sharing profits, union of interest, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person, or governmental, municipal, or public authority, domestic or foreign, in the carrying out of any of the purposes of the Corporation;

7. To acquire or obtain from any government or authority, or any corporation, company, or partnership or person, such charter, contracts, franchise, privilege, exemption, license, or concession as may be conducive to any of the objects of the Corporation;

8. To exercise all the powers granted to the Corporation under Batas Pambansa Bilang 68, otherwise known as the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the Corporation is at Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City <u>1701</u>. (As amended on 08 October 2013.)

FOURTH: That the term for which the Corporation is to exist is fifty (50) years from and after the date of the issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residences of the incorporators are as follows:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Jomini C. Nazareno TIN: 227-369-048	Filipino	9 Colt Street, Calvary Hills, Fort Bonifacio, Makati City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, HV de la Costa St., Makati City

SIXTH: That the number of directors of the Corporation shall be five (5) and that the names, nationality, and residences of the Directors of the Corporation who are to serve until their successors are elected and qualified, as provided by the By-Laws are as follows, to wit:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Jomini C. Nazareno TIN: 227-369-048	Filipino	9 Colt Street, Calvary Hills, Fort Bonifacio, Makati City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, HV de la Costa St., Makati City

SEVENTH: That the authorized capital stock of the Corporation is Two Hundred Million Pesos (₱200,000,000.00) in lawful money of the Philippines, divided into Two Hundred Million (200,000,000) common shares with par value of One Peso (Php 1.00) per share. (As amended on 30 January 2013.)

No shareholder of any class of shares shall have or otherwise be entitled to any pre-emptive right to subscribe to, purchase or receive any class of shares of the Corporation, or part thereof, whether issued from the unissued capital, increase in capital stock, treasury stock any securities convertible into stock of the Corporation. Any such shares may at any time be issued, sold or disposed of by the Corporation pursuant to the resolution of the Board of Directors, to such persons and upon such terms as the Board of Directors may deem proper, without first offering such shares to existing shareholders.

EIGHT: That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed (Php)	Amount Paid-Up (Php)
MCE Holdings (Philippines) Corporation	BVI	8,309,995	8,309,995.00	8,309,995.00
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	1	1.00	1.00
Jomini C. Nazareno TIN: 227-369-048	Filipino	1	1.00	1.00
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	1	1.00	1.00
Cristina Collantes Garcia TIN: 199-116-923	Filipino	1	1.00	1.00
Maria Tara A. Mercado TIN: 401-141-426	Filipino	1	1.00	1.00
Total		**8,310,000**	**8,310,000.00**	**8,310,000.00**

NINTH: That **Maria Tara A. Mercado** has been elected by the subscribers as treasurer of the Corporation to act as such until his/her successor is duly elected and qualified in accordance with the By-Laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the Corporation, all subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have set our hands this 13th day of August 2012 at Makati, Philippines.

[Sgd.]
Frances Marie T. Yuyucheng
TIN: 161-211-692

[Sgd.]
Jomini C. Nazareno
TIN: 227-369-048

[Sgd.]
Rena Rico-Pamfilo
TIN: 209-631-089

[Sgd.]
Cristina Collantes-Garcia
TIN: 199-116-923

[Sgd.]
Maria Tara A. Mercado
TIN: 401-141-426

SIGNED IN THE PRESENCE OF:

AMENDED

BY-LAWS

OF

MCE LEISURE (PHILIPPINES) CORPORATION

ARTICLE I
SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions - Subscribers to the capital stock of the corporation shall pay the value of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate - The stockholder shall be entitled to one or more certificates for fully paid stock subscription in his name in the books of the corporation. The certificates shall contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificate shall be signed by the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Shares - Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in--fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates and issue new certificates to the transferee.

No share of stock against which the Corporation holds unpaid claim shall be transferable in the books of the Corporation.

All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 4. Lost Certificates - In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. Annual / Regular Meetings - The annual / regular meetings of stockholders shall be held at the principal office on the second Wednesday of April of each year, if a legal holiday, then on the day following.

Section 2. Special Meeting - The special meetings of stockholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock, (b) President.

Section 3. Place of Meeting - Stockholders meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting - Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail or electronic mail at least one (1) day prior to the date of the meeting to each stockholder of record at his last known address, unless otherwise waived. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum - Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting - Meeting of the stockholders shall be presided over by the President, or in his absence, by a chairman to be chosen by the stockholders. The Secretary, shall act as Secretary of every meetings, but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

Section 7. Manner of Voting - At all meetings of stockholders, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books or Fixing of Record Date - For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for a period to be determined by the Board of Directors, but not to exceed, in any case, twenty (20) days.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Powers of the Board - Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers:

a.) From time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business and affairs;

b.) To purchase, receive, take or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

c.) To invest the funds of the corporation in other corporations or for purposes other than those for which the corporation was organized, subject to such stockholders' approval as may be required by law;

d.) To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders approval as may be required by law, to give guarantees and provide security to third parties, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the corporation;

e.) To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation;

f.) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officer are either plaintiffs or defendants in connection with the business of the corporation;

g.) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation with such powers and upon such terms as may be deemed fit;

h.) To implement these by-laws and to act on any matter not covered by these by-laws, provided such matter does not require the approval or consent of the stockholders under the Corporation Code.

Section 2. Election and Term - The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 3. Vacancies - Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of stockholders called for the purpose, after giving notice as prescribed in these by-laws.

Section 4. Meetings - Regular meetings of the Board of Directors shall be held at least once a year on such dates and at places as may be called by the Chairman of the Board, or upon the request of a majority of the Directors.

Section 5. Notice - Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, telegram, email, or by written message. A director may waive this requirement, either expressly or impliedly.

Section 6. Quorum - A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Section 7. Conduct of the Meetings - Meetings of the Board of Directors shall be

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public in and for the City of Makati, this 13th day of August 2012, personally appeared the following, who are satisfactorily proven to me their identity:

Name	*Identification Nos.*	*Validity/Place of Issuance*
Frances Marie T. Yuyucheng	PP# XX1409743	16 June 2013/Manila
Bertrand Hans B. Cagayan	PP# EB2037651	6 March 2016/Manila
Rena Rico-Pamfilo	PP# XX0549375	17 Feb. 2013/Manila
Cristina Collantes-Garcia	PP# EB490044	25 March 2017/Manila
Maria Tara A. Mercado	PP# EB0753544	12 Aug. 2015/Manila

that they are the same persons who executed and voluntarily signed the foregoing Articles of Incorporation which they acknowledged before me as their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, this 13th day of August 2012 in the City of Makati.

[Sgd.]
Atty. Mark M. Tiaoqui
Commission No. M-375
Notary Public for Makati City
Until December 31, 2012
21st Flr. Philamlife Tower
8767 Paseo de Roxas, Makati City
Roll No. 54510
PTR No. 3175997/01-02-2012/Makati
IBP No. 869555/01-03-2012/Q.C.

Doc. No. 492;
Page No. 100;
Book No. III;
Series of 2012.

CERTIFICATE OF AMENDMENT OF THE ARTICLES OF INCORPORATION AND BY-LAWS OF MCE HOLDINGS NO. 2 (PHILIPPINES) CORPORATION

We, the undersigned, being a majority of the members of the Board of Directors of MCE Holdings No. 2 (Philippines) Corporation (the "Corporation"), the Chairman and the Secretary of the Organizational Meeting of the Board of Directors and the Annual Meeting of the Shareholders of the Corporation, both held on 08 October 2013, at The Blue Leaf Filipinas, Belle Avenue, Aseana City, Parañaque City 1702, do hereby certify under oath that:

1. At the Organizational Meeting of the Board of Directors and the Annual Meeting of the Shareholders of the Corporation, both held on 08 October 2013, a majority of the Board of Directors and stockholders of the Corporation owning or representing more than two-thirds (2/3) of the issued and outstanding capital stock of the Corporation, adopted the following resolutions:

Amendment of the Articles of Incorporation

RESOLVED, that Article Third of the Articles of Incorporation of the Corporation be as the same is hereby amended to read as follows:

> THIRD: That the place where the principal office of the Corporation is at Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701. (As amended on 08 October 2013.)

Amendments of the By-laws

RESOLVED, that Article IV, Section 2 of the By-Laws of the Corporation, be as the same is hereby revised to amend the functions and duties of the President.

RESOLVED, that Article IV, Section 2 of the By-Laws of the Corporation, be as the same is hereby amended to read as follows:

> Section 2. President - The President shall supervise and implement the general policy direction of the Corporation as determined by the Board of Directors, and shall preside over meetings of the Board in the absence of the Chairman.
>
> (As amended on 08 October 2013.)

2. The attached documents are the true, complete and correct copies of the Amended Articles of Incorporation and By-Laws of the Corporation.

IN WITNESS WHEREOF, we have hereunto set our hands this 8th day of October 2013, at Makati City, Philippines,

YUK MAN CHUNG
Director / Chairman of the
Organizational Meeting of the Board of
Directors and Special Meeting of the
Shareholders
TIN No. 437-312-325-000

WILLIAM TODD NISBET
Director
TIN No. 437-645-460-000

FRANCES T. YUYUCHENG
Direcor
TIN No. 105-831-293

MARIA TARA A. MERCADO
Direcor
TIN No. 404-141-426

Certified and Attested by:

FRANCES T. YUYUCHENG
Corporate Secretary / Secretary
of the Organizational Meeting of the
Board of Directors and Special Meeting
of the Shareholders
TIN No. 105-831-293

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public in and for Makati City, this 8th day of October 2013, personally appeared the following, who are satisfactorily proven to me their identity through the following identifications:

Name	*Government Issued I.D.*	*Expiration Date / Place Issued*
Yuk Man Chung	Passport No. KJ0117765	April 13, 2020 / Hong Kong
William Todd Nisbet	Passport No. 404505905	March 6, 2013 / USA
Frances T. Yuyucheng	Passport No. EB6059561	July 31, 2017 / Manila
Maria Tara A. Mercado	Passport No. EB0753544	August 12, 2015 / Manila

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

WITNESS MY HAND AND SEAL at the place and date first above written.

ATTY. LEANDRO E. ABARQUEZ
Commission No. M-591
Notary Public for Makati City
Until December 31, 2013
21st Flr. Philamlife Tower,
8767 Paseo De Roxas St., Makati City
Roll No. 58737
PTR No. 3174368 / 01-02-2012 / Makati
IBP No. 880082 / 01-06-2012 / Makati.

Doc. No. 203;
Page No. 41;
Book No. 1;
Series of 2013.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201215883

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

MCE LEISURE (PHILIPPINES) CORPORATION
(Amending Article III thereof.)

copy annexed, adopted on October 08, 2013 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing more than two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 6th day of February, Twenty Fourteen.

FERDINAND B. SALES
Acting Director
Company Registration and Monitoring Department

BUWIS
RENTAS INTERNAS
DST 2013
10365665

AMENDED ARTICLES OF INCORPORATION

OF

MCE LEISURE (PHILIPPINES) CORPORATION

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age, majority of whom are citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

MCE LEISURE (PHILIPPINES) CORPORATION

SECOND: That the purposes for which said corporation is formed are:

PRIMARY PURPOSE

To develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components, without being engaged in retail trade, and to engage in casino gaming activities. (As amended on 14 November 2012.)

SECONDARY PURPOSES

1. To the extent permitted by law, to acquire by purchase, lease, contract, concession, or otherwise, any and all real and personal properties of every kind and description whatsoever, which the Corporation may deem necessary or appropriate in connection with the conduct of the corporate business, and to own, hold, operate, improve, develop, manage, grant, lease, sell, exchange, or otherwise dispose of the whole or any part thereof;

2. To borrow or raise money necessary for any of the purposes of the Corporation, and from time to time, draw, make, accept, endorse, transfer, assign, execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable and transferable instruments and evidence of indebtedness, to give guarantees and indemnities, to secure indebtedness of third persons or other secured persons, and for the purpose of securing any of its obligations or contracts, to convey, transfer, assign, deliver, mortgage, and/or pledge all or any part of the property or assets at any time held or owned by the Corporation, on such terms and conditions as the Board of Directors of the Corporation or its

duly authorized officers or agents shall determine and as may be permitted by law;

3. To purchase or acquire, hold, assign, mortgage, pledge, and sell or otherwise dispose of shares of stock, receivables, bonds, securities, or other evidence of indebtedness issued or created by any other corporation, partnership, or company, whether domestic or foreign, and while the holder of any such share of stock, to exercise all the rights and privileges of ownership, including the right to vote without, however, engaging as a stock broker or dealer in securities;

4. To invest and deal with the money and properties of the Corporation in such manner as may, from time to time, be considered wise or expedient for the advancement of its interest and to sell, dispose, or transfer the business, properties, and goodwill of the Corporation or any part thereof for such consideration and under such terms as it shall see fit to accept;

5. To enter into any lawful arrangement for sharing profits, union of interest, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person, or governmental, municipal, or public authority, domestic or foreign, in the carrying out of any of the purposes of the Corporation;

6. To acquire or obtain from any government or authority, or any corporation, company, or partnership or person, such charter, contracts, franchise, privilege, exemption, license, or concession as may be conducive to any of the objects of the Corporation;

7. To guarantee the whole or any part of the indebtedness and obligations of the parent company or any of its subsidiaries and/or affiliates. (As amended on 9 April 2013.)

8. To exercise all the powers granted to the Corporation under Batas Pambansa Bilang 68, otherwise known as the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the Corporation is at Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Parañaque City 1701. (As amended on 08 October 2013.)

FOURTH: That the term for which the Corporation is to exist is fifty (50) years from and after the date of the issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residences of the incorporators are as follows:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Bertrand Hans B. Cagayan TIN: 152-022-237	Filipino	15 Greenwich St., Hillsborough Subd., Cupang, Muntinlupa City

Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, HV de la Costa St., Makati City

SIXTH: That the number of directors of the Corporation shall be five (5) and that the names, nationality, and residences of the Directors of the Corporation who are to serve until their successors are elected and qualified, as provided by the By-Laws are as follows, to wit:

Name	Nationality	Address
Frances Marie T. Yuyucheng TIN: 161-211-692	Filipino	Unit 30G, One Legaspi Park Condominium, Rada Street, Legaspi Village, Makati City
Bertrand Hans B. Cagayan TIN: 152-022-237	Filipino	15 Greenwich St., Hillsborough Subd., Cupang, Muntinlupa City
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	65 Switzerland Street, Better Living Subd., Parañaque, Metro Manila
Cristina Collantes Garcia TIN: 199-116-923	Filipino	121 Country Club Drive, Ayala Alabang Village, Muntinlupa City
Maria Tara A. Mercado TIN: 401-141-426	Filipino	Unit 904 Grand Soho Makati, HV de la Costa St., Makati City

SEVENTH: That the authorized capital stock of the Corporation is Two Hundred Million Pesos (₱200,000,000.00) in lawful money of the Philippines, divided into Two Hundred Million (200,000,000) common shares with par value of One Peso (Php 1.00) per share. (As amended on 30 January 2013.)

No shareholder of any class of shares shall have or otherwise be entitled to any pre-emptive right to subscribe to, purchase or receive any class of shares of the Corporation, or part thereof, whether issued from the unissued capital, increase in capital stock, treasury stock any securities convertible into stock of the Corporation. Any such shares may at any time be issued, sold or disposed of by the Corporation pursuant to the resolution of the Board of Directors, to such persons and upon such terms as the Board of Directors may deem proper, without first offering such shares to existing shareholders.

EIGHT: That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed (Php)	Amount Paid-Up (Php)
MCE Holdings No. 2 (Philippines) Corporation	BVI	8,309,995	8,309,995.00	8,309,995.00
Frances Marie T. Yuyucheng	Filipino	1	1.00	1.00

TIN: 161-211-692				
Bertrand Hans B. Cagayan TIN: 152-022-237	Filipino	1	1.00	1.00
Rena Rico-Pamfilo TIN: 209-631-089	Filipino	1	1.00	1.00
Cristina Collantes Garcia TIN: 199-116-923	Filipino	1	1.00	1.00
Maria Tara A. Mercado TIN: 401-141-426	Filipino	1	1.00	1.00
Total		**8,310,000**	**8,310,000.00**	**8,310,000.00**

NINTH: That **Maria Tara A. Mercado** has been elected by the subscribers as treasurer of the Corporation to act as such until his/her successor is duly elected and qualified in accordance with the By-Laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the Corporation, all subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have set our hands this 22nd day of August 2012 at Makati, Philippines.

[Sgd.]
Frances Marie T. Yuyucheng
TIN: 161-211-692

[Sgd.]
Bertrand Hans B. Cagayan
TIN: 152-022-237

[Sgd.]
Rena Rico-Pamfilo
TIN: 209-631-089

[Sgd.]
Cristina Collantes-Garcia
TIN: 199-116-923

[Sgd.]
Maria Tara A. Mercado
TIN: 401-141-426

SIGNED IN THE PRESENCE OF:

____

ACKNOWLEDGMENT

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

BEFORE ME, a Notary Public in and for the City of Makati, this 24th day of August 2012, personally appeared the following, who are satisfactorily proven to me their identity:

Name	*Identification Nos.*	*Validity/Place of Issuance*
Frances Marie T. Yuyucheng	PP# XX1409743	16 June 2013/Manila
Bertrand Hans B. Cagayan	PP# EB2037651	6 March 2016/Manila
Rena Rico-Pamfilo	PP# XX0549375	17 Feb. 2013/Manila
Cristina Collantes-Garcia	PP# EB490044	25 March 2017/Manila
Maria Tara A. Mercado	PP# EB0753544	12 Aug. 2015/Manila

that they are the same persons who executed and voluntarily signed the foregoing Articles of Incorporation which they acknowledged before me as their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, this 24th day of August 2012 in the City of Makati.

[Sgd.]
Atty. Rafael Antonio P. Meer
Commission No. M-307
Notary Public for Makati City
Until December 31, 2012
21st Flr. Philamlife Tower
8767 Paseo de Roxas, Makati City
Roll No. 56712
PTR No. 3174417/01-02-2012/Makati
IBP No. 869529/01-03-2012/Makati

Doc. No. 165;
Page No. 034;
Book No. II;
Series of 2012.