

**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION**  
Makati City

21 May 2013

**THE PHILIPPINE STOCK EXCHANGE, INC.**  
3/F Philippine Stock Exchange Plaza-  
Ayala Triangle, Ayala Avenue  
Makati City

Attention: **MS. JANET A. ENCARNACION**  
Head, Disclosure Department

**MS. SHEENA PAULA H. PEDRIETA**  
Senior Specialist, Disclosure Department

Re: Definitive Information Statement

Gentlemen:

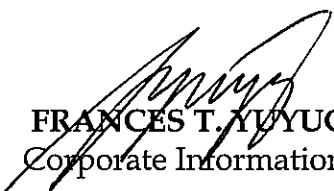
We are submitting herewith the Definitive Information Statement (SEC Form 20-IS) of Melco Crown (Philippines) Resorts Corporation.

This also serves as the disclosure letter for the purpose of complying with the PSE Revised Disclosure Rules.

Very truly yours,

**MELCO CROWN (PHILIPPINES)**  
**RESORTS CORPORATION**

By:

  
**FRANCES T. YUYUCHENG**  
Corporate Information Officer

COVER SHEET

5 8 6 4 8  
S.E.C. Registration Number

MELCO CROWN (PHILIPPINES)  
RESORT CORPORATION

10TH FLOOR, LIBERTY CENTER,  
104 H.V. DE LA COSTA ST.,  
SALCEDO VILLAGE, MAKATI CITY

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

MARIA TARA A. MERCADO  
Contact Person

848-0114  
Company Telephone Number

Month Day  
Fiscal Year

DEFINITIVE INFORMATION STATEMENT  
FORM TYPE

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Requiring this Do

N. A.  
mended Articles Number/Sectic

Total No. of Stockholde

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

COVER SHEET

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION  
(formerly Manchester International Holdings  
Unlimited Corporation)  
Company's Full Name

10<sup>th</sup> Floor, Liberty Center, 104 H.V. de la Costa St.  
Salcedo Village, Makati City  
Company's Address: No./Street/City/Town/Province

c/o (02) 555-9555  
Company's Telephone Number

31 December  
Fiscal Year Ending  
(Month & Day)

DEFINITIVE INFORMATION STATEMENT  
SEC Form 20-IS  
FORM TYPE

_____	_____
Cashier	LCU
_____	_____
	DTU
_____	_____
	<b>58648</b>
	SEC Reg. No.
_____	_____
	File No.
_____	_____
Central Receiving Unit	Document ID

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

**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION**  
**(formerly Manchester International Holdings Unlimited Corporation)**

**NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING**

**TO: ALL STOCKHOLDERS**

Notice is hereby given that **MELCO CROWN (PHILIPPINES) RESORTS CORPORATION (formerly Manchester International Holdings Unlimited Corporation)** (the "Corporation") will hold its Annual Stockholders' Meeting on 21 June 2013 at 3:00 pm at New World Makati Hotel, Esperanza Street corner Makati Avenue, Ayala Center, Makati City, Metro Manila, at which meeting the following matters shall be taken up:

1. Call to Order;
2. Certification of Existence of Quorum;
3. Approval of the Minutes of the Last Stockholders' Meetings held on 15 June 2012 and 19 February 2013;
4. Report of the Chairman;
5. Approval of the Report of the Chairman and the Audited Financial Statements;
6. Election of the members of the Board of Directors;
7. Appointment of External Auditor;
8. Approval of the Amendments of the Articles of Incorporation and By-laws of the Corporation;
9. Approval for the grant of security and collateral on terms as may be required by MCE (Philippines) Investments Limited (the "Arranger") and/or any of its affiliates as lender (the "Lender") to secure an intercompany loan being arranged by the Arranger to the Corporation's indirect subsidiary, MCE Leisure (Philippines) Corporation ("MCE Leisure"), to finance the payment of agreed 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 Corporation in MCE (Holdings) Philippines Corporation, and approval of the obligation of the Corporation to purchase up to 151,000,000 shares of the Corporation owned by the Lender and/or any of its affiliates as a condition to the grant of such intercompany loan;
10. Approval of Amendment of Share Incentive Plan;
11. Ratification of Actions Taken by the Board of Directors and Officers;
12. Other Matters; and
13. Adjournment.

The record date for the determination of stockholders entitled to notice of, and to vote at, the said meeting is fixed at the close of business hours on 8 May 2013.

All stockholders who will not attend the meeting in person, may prepare, date and sign a proxy, and submit the same to the Office of the Corporate Secretary at the 21<sup>st</sup> Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City not later than 14 June 2013. The proxies submitted shall be validated on the same day at the office of the Corporate Secretary.

Makati City, Philippines, 21 May 2013.



**FRANCES T. YUYUCHENG**  
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter **MELCO CROWN (PHILIPPINES)  
RESORTS CORPORATION (formerly  
Manchester International Holdings  
Unlimited Corporation)**
3. **METRO MANILA, PHILIPPINES**  
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **58648**
5. BIR Tax Identification Code **000-410-840-000**
6. **10<sup>th</sup> Floor, Liberty Center, 104 H.V. de la Costa St.,  
Salcedo Village, Makati City**  
Address of principal office Postal Code
7. Registrant's telephone number, including area code **c/o (02) 555-9555**
8. Date, time and place of the meeting of security holders  
  
 Date: 21 June 2013  
 Time: 3:00 p.m.  
 Place: New World Makati Hotel  
 Esperanza Street corner Makati Avenue  
 Ayala Center, Makati City, Metro Manila
9. Approximate date on which the Information Statement is first to be sent or given to security holders: 30 May 2013
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding	Treasury Shares	Outstanding Common Stock
Common	4,390,278,700	NIL	4,390,278,700
Total	4,390,278,700	NIL	4,390,278,700

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

Yes  No

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

Philippine Stock Exchange Common Shares

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

**PART I.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

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

The Annual Stockholders' Meeting of Melco Crown (Philippines) Resorts Corporation (formerly Manchester International Holdings Unlimited Corporation) (the "Corporation" or the "Company") will be held on 21 June 2013 at 3:00 p.m. at the New World Makati Hotel, Esperanza Street corner Makati Avenue, Ayala Center, Makati City, Metro Manila.

**THE CORPORATION HAS SET 30 MAY 2013 AS THE APPROXIMATE DATE ON WHICH THE INFORMATION STATEMENT IS FIRST TO BE SENT OR GIVEN TO SECURITY HOLDERS.**

**Item 2. Dissenters' Right of Appraisal**

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

- In case of any amendment to the Articles of Incorporation, which has the effect of changing or restricting the rights of shareholders or any class of shares, or the authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of the Company's corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's assets as provided under the Corporation Code; and
- In case of merger or consolidation of the Company with another corporation.

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

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

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



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

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

### **B. CONTROL AND COMPENSATION INFORMATION**

The Company has a total of 4,390,278,700 common shares outstanding as of April 30, 2013 held by a total of 433 stockholders.

### Item 4. Voting Securities and Principal Holders Thereof

- (a) Pursuant to the Resolution of the Board of Directors at a special meeting held on 23 April 2013, all stockholders at the close of business hours on 8 May 2013 shall be entitled to notice and to vote at the Annual Stockholders' Meeting scheduled on 21 June 2013. The stockholders will vote on matters scheduled to be taken up at the Annual Stockholders' Meeting with each share being entitled to cast one (1) vote.
- (b) For the election of directors, stockholders entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of their shares shall equal or may distribute them on the same principle among as many candidates as they shall see fit.
- (b) Pursuant to Article V Section 7 of the Corporation's By-Laws, a stockholder may vote in person or by proxy.

### Security Ownership of Certain Record and Beneficial Owners and Management

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

As of April 30, 2013, the Corporation knows of no one who beneficially owns in excess of 5% of the Company's common stock except as set forth below:

TITLE	NAME AND ADDRESS OF RECORD/ BENEFICIAL OWNER	RELATIONSHIP TO ISSUER	CITIZENSHIP	NO. OF SHARES HELD	% TOTAL OUTSTANDING SHARES
Common	MCE (Philippines) Investments No.2 Corporation	Stockholder	Filipino	173,836,868 <sup>1</sup>	3.96%
Common	MCE (Philippines) Investments Limited	Stockholder	BVI	2,894,007,722 <sup>2</sup>	65.92%

<sup>1</sup> Including 400 common shares held by nominees.

<sup>2</sup> Including 2,600 common shares held by nominees. Furthermore, this already reflects the number of shares owned by MCE (Philippines) Investments Limited as a result of the Placing and Subscription Transaction.

**b. Security Ownership of Management**

The following is a summary of the aggregate shareholdings in the Corporation of the Corporation's directors and executive officers of the Company as of April 30, 2013:

**A. Directors**

Title Common	Name of Director	Citizenship	Amount and Nature of Record/Beneficial Ownership <sup>3</sup>	Percent to Total Outstanding Shares
<b>Directors</b>				
Common	Clarence Chung Yuk Man	Chinese	100	NIL
Common	Jose F. Buenaventura	Filipino	28,125	NIL
Common	Frances T. Yuyucheng	Filipino	25	NIL
Common	Rena 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 <sup>4</sup>	Percent to Total Outstanding Shares
<b>Executive Officers</b>				
Common	Clarence Chung Yuk Man	Chinese	100	NIL
Common	Frances T. Yuyucheng	Filipino	25	NIL
-	Geoffrey Stuart Davis	American	-	-
-	Kevin Sim	Malaysian	-	-

**C. Voting Trust Holders of 5% or More**

There are no voting trusts or similar arrangement covering the shares of stocks of the Corporation.

**D. Changes in Control**

<sup>3</sup> (1) Clarence Chung Yuk Man, William Todd Nisbet, James Andrew Charles MacKenzie and Alec Yiu Wa Tsui hold the shares in trust and for the benefit of MCE Investments. On the other hand (2) Frances T. Yuyucheng, Rena Rico-Pamfilo, Yvette P. Chua and Anna Cristina Collantes-Garcia hold the shares in trust and for the benefit of MCE Investments No. 2. (3) Jose F. Buenaventura is the direct and beneficial owner of the shares held by him.

<sup>4</sup> Clarence Chung Yuk Man holds the shares in trust and for the benefit of MCE Investments, while Frances T. Yuyucheng holds the shares in trust and for the benefit of MCE Investments No. 2.

Prior to December 19, 2012, the Corporation was a majority-owned subsidiary of Interpharma Holdings & Management Corporation and Pharma Industries Holdings Limited. On December 19, 2012, MCE (Philippines) Investments No. 2 Corporation ("MCE Investments No. 2") and MCE (Philippines) Investments Limited ("MCE Investments") acquired 255,270,156 Class A shares and 128,211,204 Class B shares in the Company respectively, constituting 93.06% of the outstanding capital stock of the Company through a cross sale transaction in the PSE.

On April 29, 2013, the Company and MCE Investments completed a Placing and Subscription Transaction, under which MCE Investments offered and sold in a private placement to various institutional investors of 981,183,700 shares of stock in the Company at Php 14.00 per share (the "Offer"). In connection with the Offer, MCE Investments granted 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 shares in MCP at the subscription price of Php 14.00 per share. Following the series of transactions, the aggregate equity interest of MCE Investments and MCE Investment No. 2 in MCP amount to 69.88%, subject to changes due to the over-allotment option.

#### Item 5. Directors and Executive Officers

The following are the information on the business experience of the members of the Board of Directors and the Executive Officers of the Corporation for the last five (5) years.

The members of the Board of Directors and executive officers of the Corporation as of April 30, 2013 are:

Name and Position	Age	Citizenship	Term of Office as a Director / Officer <sup>5</sup>	Period Served As A Director / Officer	Directorship Held in Other Philippine Companies
Clarence Chung Yuk Man President / Chairman of the Board	50	Chinese	1 year	Since December 19, 2012	MCE Holdings (Philippines) Corporation; MCE Holdings No. 2 (Philippines) Corporation; MCE Leisure (Philippines) Corporation; MCE (Philippines) Investments No. 2 Corporation
Jose F. Buenaventura Director	78	Filipino	1 year	Since February 20, 2013	2B3C Foundation, Inc., Anric Holdings, Inc., Cebu Pacific Air, Consolidated Coconut Corporation, Country Club Development Corporation, GROW, Inc., GROW Holdings, Inc., La Concha Land Investments Corporation, Milano & Co., Inc., Peter Paul Philippine Corporation, Philippine First Insurance Co., Inc., Philam Plans, Inc., The Country Club, Inc., The Fashion Place, Inc., Total Consolidated Asset Management, Inc.
Frances T. Yuyucheng Director / Corporate Secretary / Corporate Information Officer	45	Filipino	1 year	Since February 20, 2013	MCE Holdings (Philippines) Corporation; MCE Holdings No. 2 (Philippines) Corporation; MCE Leisure (Philippines) Corporation; MCE (Philippines) Investments No. 2 Corporation
Rena Rico-Pamfilo Director	37	Filipino	1 year	Since February 20, 2013	MCE Holdings (Philippines) Corporation; MCE Holdings No. 2 (Philippines) Corporation; MCE

<sup>5</sup> Director/Officer is currently serving the unexpired term until the next Annual Shareholders' Meeting to be held on June 21, 2013.

Anna Cristina Collantes-Garcia Director	36	Filipino	1 year	Since March 01, 2013	Leisure (Philippines) Corporation; MCE (Philippines) Investments No. 2 Corporation None
Yvette P. Chua Director/Alternate Corporate Information Officer	32	Filipino	1 year	Since February 20, 2013	None
William Todd Nisbet Director	45	American	1 year	Since December 19, 2012	MCE Holdings (Philippines) Corporation; MCE Holdings No. 2 (Philippines) Corporation; MCE Leisure (Philippines) Corporation; MCE (Philippines) Investments No. 2 Corporation None
James Andrew Charles MacKenzie Director	59	Australian	1 year	Since December 19, 2012	None
Alec Yiu Wa Tsui Director	63	British	1 year	Since December 19, 2012	None
Kevin Sim Chief Operating Officer	50	Malaysian	1 year	Since April 29, 2013	None
Geoffrey Stuart Davis Treasurer	44	American	1 year	Since December 19, 2012	None
Maria Tara A. Mercado Assistant Corporate Secretary/Alternate Corporate Information Officer	27	Filipino	1 year	Since March 01, 2013	MCE Holdings (Philippines) Corporation; MCE Holdings No. 2 (Philippines) Corporation; MCE Leisure (Philippines) Corporation; MCE (Philippines) Investments No. 2 Corporation

The following are the members of the committees of the Board of Directors:

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

Audit Committee  
James Andrew Charles MacKenzie (Chairman)  
Clarence Chung Yuk Man  
William Todd Nisbet

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

Below are summaries of the business experience and credentials of the Directors and the Company's key executive officers:

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

Mr. Chung was appointed as Chairman and President of the Company on December 19, 2012. Mr. Chung was appointed as Director of Melco Crown Entertainment in November 2006 and has been an

Executive Director of Melco International since May 2006. Mr. Chung has also served as the Chairman and Chief Executive Officer of Entertainment Gaming Asia Inc., a NASDAQ listed company, since October 2008. Mr. Chung has more than 20 years of experience in the finance industry in various capacities as a chief financial officer, a private equity fund manager and a merger and acquisition specialist. Mr. Chung holds 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 Laws and was admitted to the Philippine Bar in 1959. He sits in the boards of various companies, including Cebu Pacific Air, Consolidated Coconut Corporation, Philippine First Insurance Co., Inc., Philam Plans, Inc. and Country Club Development Corporation. He is the President of Consolidated Coconut Corporation.

**Frances Marie T. Yuyucheng – Director / Corporate Secretary / Corporate Information 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 degree in Juris Doctor and was admitted to the Philippine Bar in 1995. She acts as the corporate secretary of various companies.

**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 degree in 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, U.S.

**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, and the New York State Bar in 2009.

**Yvette P. Chua – Director / Alternate Corporate Information Officer**

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 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 Limited. Mr. Nisbet is also a Director of Melco Crown Entertainment 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. Prior to joining Wynn, Mr. Nisbet was the Vice President of Operations for Marnell Corrao Associates. During his 14 years at Marnell Corrao (1986 to 2000), Mr. Nisbet was responsible for managing various aspects of the construction of Las Vegas properties. Mr. Nisbet holds a bachelor of science degree in Finance from the University of Nevada, Las Vegas.

**James Andrew Charles MacKenzie – Director**

Mr. MacKenzie was appointed as an independent non-executive director of the Company on December 19, 2012, and as an independent non-executive director of Melco Crown Entertainment on April 24, 2008. Mr. MacKenzie has also served as chairman of Mirvac Group since 2005. Mr. MacKenzie was appointed as a director of Yancoal Australia Limited on June 26, 2012 and serves as the co-vice chairman. He has been a non-executive director of Pacific Brands Ltd since 2008. 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. He obtained a bachelor of business (accounting and quantitative methods) degree from the Swinburne University of Technology in 1974.

**Alec Yiu Wa Tsui – Director**

Mr. Tsui was appointed as an independent non-executive director of the Company on December 19, 2012, and as an independent non-executive director of Melco Crown Entertainment 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.

**Kevin Sim – Chief Operating Officer**

Mr. Sim joined the Company on April 29, 2013, following his departure from Genting Malaysia Berhad where he served as the 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. 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 Accounts in England and Wales (ICAEW). 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.

**Geoffrey Stuart Davis – Treasurer**

Mr. Davis, who was appointed as Treasurer of the Company on December 19, 2012, is Chief Financial Officer of Melco Crown Entertainment and was appointed to this role in April 2011. Prior to that, he served as Melco Crown Entertainment's Deputy Chief Financial Officer from August 2010 to March 2011 and Senior Vice President, Corporate Finance from 2007, when he joined the company. Prior to joining Melco Crown Entertainment, 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.

**Maria Tara A. Mercado – Assistant Corporate Secretary/Alternate Corporate Information Officer**

Ms. Mercado joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 2010 and is an associate. She graduated from the Ateneo de Manila University School of Law with a Juris Doctor in 2010 and was admitted to the Philippine Bar in 2011.

Significant Employees

There is no person who is not an Executive Officer who the Company expects to make a significant contribution to the business.

Family Relationship

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

### Involvement of Directors and Officers in Certain Legal Proceedings

During the past five (5) years and until March 31, 2013, the members of the Board of Directors and the executive officers:

- a) have not filed any bankruptcy petitions or have not had bankruptcy petitions filed against them;
- b) have not been convicted by final judgment or have any pending criminal cases;
- c) have not been subject to any order, judgment or decree, or any court of competent jurisdiction (in a civil action), not subsequently reversed or vacated limiting its involvement in any type of business, securities, commodities or banking activities; and
- d) have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission 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.

### Disagreement with a Director

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

### Nominating Committee

- The Board shall constitute a Nominating Committee, which shall have at least two (2) Independent Directors. Action of the Nominating Committee shall be approved by a majority of the members thereof.
- The Nominating Committee shall have the authority to promulgate and issue the guidelines for the conduct of the nominations.
- Nominees to the Board of Directors (including the independent directors) shall be submitted to the Nominating Committee for consideration by the latter prior to the annual meeting of the stockholders or a special meeting called for the purpose of electing the Company Directors.
- The Nominating Committee shall review the qualifications of the nominees for directors and prepares a final list of candidates.
- After such nomination process, the Nominating Committee shall prepare a Final List of Candidates containing all information about all nominees for directors, which list shall be made available to the Securities and Exchange Commission and to all stockholders through the Information or Proxy Statement. The name of the person or group of persons who submitted a particular nominee's name shall be identified in such report including any relationship with the nominee.

The nominees for election as independent directors of the Board of Directors for 2013-2014 are as follows:

Nominees for Independent Directors (A)	Person Recommending Nomination (B)	Relationship of A & B
James Andrew Charles MacKenzie	Clarence Chung Yuk Man	None
Alec Yiu Wa Tsui	Clarence Chung Yuk Man	None

Information on the nominees are stated on page 10 of this Information Statement.

The Corporation has not received any written from any director of any intention to oppose any action to be taken up at the meeting.

### Directors and Executive Officers

The following have been nominated as Members of Board of Directors for the ensuing year:

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>
Clarence Chung Yuk Man	50	Chinese
Jose F. Buenaventura	78	Filipino

Frances T. Yuyucheng	45	Filipino
Rena Rico-Pamfilo	37	Filipino
Anna Cristina Collantes-Garcia	36	Filipino
Yvette P. Chua	32	Filipino
William Todd Nisbet	45	American
James Andrew Charles MacKenzie*	59	Australian
Alec Yiu Wa Tsui*	63	British

\* As Independent Director

#### Certain Relationships and 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.

Significant transactions with related parties for the years ended December 31, 2012, 2011 and 2010 include the following:

Category	December 31,	Amount of transactions during the year	Outstanding balance	Terms	Conditions	
<b>Affiliates</b>						
<b>Zuellig Pharma Corporation*</b>						
(1) Tolling and other fees income	2012	□	- □	-	30 days; non-interest bearing	Unsecured, no impairment
	2011	12,774,168	34,064			
	2010	37,456,281	15,435,157			
(2) Rent expense	2012	<b>28,378,924</b>	-	Within first 5 days of the month, non-interest bearing	Unsecured, no impairment	
	2011	30,270,852	-			
	2010	29,608,574	-			
<b>Bridgebury Realty Corporation*</b>						
(1) Sale of vehicle	2012	-	-	30 days; non-interest bearing	Unsecured, fully provided with allowance	
	2011	-	1,432,200			
	2010	-	1,432,200			
<b>Acette Insurance</b>						
(1) Insurance expense	2012	-	-	30 days; non-interest bearing	Unsecured, no impairment	
	2011	6,603,868	-			
	2010	6,604,744	-			
<b>Gel Pacific, Inc.*</b>						
(1) Tolling and other fees income	2012	<b>3,345,600</b>	-	30 days; non-interest bearing	Unsecured, no impairment	
	2011	1,315,646	361,990			
	2010	2,896,101	428,720			
(2) Rent income	2012	<b>4,403,720</b>	-	30 days; non-interest bearing	Unsecured, no impairment	
	2011	4,542,165	956,210			
	2010	3,561,320	502,920			

\* Under the then common ultimate stockholders as of December 18, 2012.

\*\* Under the then common ultimate stockholders until November 30, 2011.

#### **Item 6. Compensation of Directors and Executive Officers**

Information as to the aggregate compensation consisting of salaries, bonuses and other annual compensation paid or accrued during the last two fiscal years to the Company's President & General



Manager and other four most highly compensated executive officers and other officers and directors (as a group unnamed) are as follows:

NAME & PRINCIPAL POSITION	YEAR	SALARIES	BONUS	TOTAL
Mr. F. R. Billano President and General Manager	2012 (Actual)	35,486,820	11,730,209	47,217,029
Mr. Joseph G. Soliman Vice-President for Operations				
Ms. Ruth F Tan Corporate Human Resources Manager				
Ms. C. T. Francisco Chief Financial Officer				
Ms. H. F. Tanwangco Quality Assurance Manager	2011(Actual)	31,156,710	11,787,988	42,944,698
Mr. F. R. Billano President and General Manager				
Ms. Ruth F. Tan Corporate Human Resources Manager				
Ms. H. F. Tanwangco Quality Assurance Manager				
Ms. C. T. Francisco Chief Financial Officer				
Mr. Joseph G. Soliman Vice President for Operations				

As a result of the acquisition by MCE (Philippines) Investments Limited and MCE (Philippines) Investments No. 2 Corporation an aggregate of 93.06% of the issued share capital of the Company on December 19, 2013, and considering that the Company is in an early stage of development 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 have not been and currently are no standard arrangements pursuant to which Directors are compensated, directly or indirectly, for any services provided as a Director.

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.

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

None.

#### Warrants and Options Outstanding

The Company has no outstanding stock warrants or stock options.

#### **Item 7. Independent Public Accountants**

##### 1. External Audit Fees and Services

For the years ended December 31, 2012 and 2011, the fees for audit work performed by Sycip Gorres Velayo & Co. ("SGV") for the parent company and its subsidiaries were as follows:

	<b>2012</b>	<b>2011</b>
External audit fees and services	P1,525,864	P800,000
Tax fees	-	-
Out-of-pocket expenses	98,111	104,397

- a) External audit fees were paid for the professional services rendered for the audit of the Company's annual financial statements.
- b) Tax fees were paid for professional services rendered for tax accounting, tax compliance audit, and advice and planning.
- c) Out-of-pocket expenses were paid for incidental costs incurred in relation to the audit.

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

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

### Item 8. Compensation Plans

On 19 February 2013, the shareholders of the Corporation in its Special Shareholders' Meeting approved a Share Incentive Plan (the "Plan") for qualified employees, directors, officers and other qualified persons covering up to 5% of the outstanding capital stock of the Corporation at an exercise price and vesting periods to be determined by the Compensation Committee under the terms and conditions of the Plan.

It is proposed that the Plan be amended in order to comply with the relevant rules of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKLR") since Melco Crown Entertainment Limited, an affiliate of the Corporation, 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.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

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

Not applicable.

### Item 10. Modification or Exchange of Securities

Not applicable.

### Item 11. Financial and Other Information

The Audited Financial Statements of the Corporation for the period ended December 31, 2012 is hereto attached.

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

### **Market Price of and Dividends on Issuer's Common Equity and Related Stockholder Matters**

*Market Information.* The following table indicates the high and low trading prices of the Corporation's shares for the fiscal years 2011 and 2012, the first quarter of 2013. As of May 10, 2013, the Corporation's high price is Php13.52 and low price is Php13.00.

		HIGH	LOW	HIGH	LOW
2013					
	First Quarter	18.00	12.00	N/A <sup>6</sup>	N/A <sup>7</sup>
		CLASS A		CLASS B	
		HIGH	LOW	HIGH	LOW
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
2011					
	First Quarter	1.25	1.25	1.26	1.26
	Second Quarter	1.50	1.50	1.50	1.50
	Third Quarter	1.32	1.32	1.33	1.33
	Fourth Quarter	1.39	1.38	1.38	1.37

The majority of the Board of Directors, in their special meetings held on October 9, 2002, and March 19, 2003, voted for the approval of a Share Buyback Program of the Company covering up to One Hundred Seventy Five Million (175,000,000) shares at market price.

*Dividends Per Share.* No cash dividend was declared for the years 2004-2012. A twelve centavos (P 0.12) per share cash dividend was declared by the Board of Directors in its Regular Meeting held on May 23, 2001 in favor of the stockholders of record as of June 28, 2001 and was paid last July 12, 2001.

*Sale of Unregistered Securities.* The Company did not sell unregistered securities in the last three (3) years.

*Stockholders.* The percentage ownership of shareholders of record of the total outstanding shares as of April 30, 2013 was 9.88% Filipino and 90.12% Foreign. The Company has a total of 4,390,278,700 shares outstanding as of April 30, 2013 and has a total of 433 stockholders.

#### Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

#### Item 13. Acquisition or Disposition of Property

On March 20, 2013, the Company acquired all of the equity interests of MCE Investments in MCE Holdings (Philippines) Corporation ("MCE Holdings"), consisting of 147,894,500 issued and outstanding common share with a par value of P1.00 per share. MCE Holdings owns 100% of MCE Holdings No. 2 (Philippines) Corporation ("MCE Holdings No. 2"), which in turn, owns 100% of MCE Leisure (Philippines) Corporation ("MCE Leisure"). As a result of this transaction, MCE Holdings became a direct wholly owned subsidiary of the Company, and MCE Holdings No. 2 and MCE Leisure became wholly owned indirect subsidiaries of the Company.

On April 8, 2013, the Company issued all of its treasury shares, representing 150,435,404 common shares to third parties.

<sup>6</sup> 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.

<sup>7</sup> 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.

#### **Item 14. Restatement of Accounts**

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

#### **D. OTHER MATTERS**

#### **Item 15. Action with Respect to Reports**

The following are included in the Agenda for the June 21, 2013 Annual Stockholders' Meeting for the approval of the stockholders of the Corporation:

1. Approval of the Minutes of the Last Stockholders' Meetings held on 15 June 2012 and 19 February 2013;
2. Approval of the Audited Financial Statements for the fiscal year ended December 31, 2013;
3. Election of the members of the Board of Directors;
4. Appointment of External Auditor;
5. Approval of the Amendments of the Articles of Incorporation and By-laws of the Corporation;
6. Approval for the grant of security and collateral on terms as may be required by MCE (Philippines) Investments Limited (the "Arranger") and/or any of its affiliates as lender (the "Lender") to secure an intercompany loan being arranged by the Arranger to the Corporation's indirect subsidiary, MCE Leisure (Philippines) Corporation ("MCE Leisure"), to finance the payment of agreed 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 Corporation in MCE (Holdings) Philippines Corporation, and approval of the obligation of the Corporation to purchase up to 151,000,000 shares of the Corporation owned by the Lender and/or any of its affiliates as a condition to the grant of such intercompany loan;
7. Approval of Amended Share Incentive Plan;
8. Ratification of Actions Taken by the Board of Directors and Officers; and
9. Other Matters.

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

As a matter of corporate policy, Management seeks the approval and ratification by the Stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since 19 February 2013, the date of the last stockholders' meeting. These are reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the Securities and Exchange Commission and to the Philippine Stock Exchange, and in the 2012 Annual Report and Report of the Chairman.

#### **Item 16. Matters Not Required to be Submitted**

Not applicable.

**Item 17. Amendment of Charter, Bylaws or Other Documents**

(a) Amendment of the Articles of Incorporation of the Corporation as follows:

<u>Proposed Amendment</u>	<u>Reason / General Effect</u>
To amend the primary purpose to remove the reference on the ownership of land without limitation, and to include in the primary purpose of the Corporation the giving of a guarantee or providing 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.	Pursuant to the 1987 Philippine Constitution, the ownership of land is limited to Philippine citizens and corporations, the capital stock of which is 60% owned by Filipinos.  Furthermore, the Primary Purpose will be amended to include the giving of a guarantee for any of its subsidiaries and/or affiliates.
To change the place where the principal office of the Corporation is located from 10 <sup>th</sup> Floor, Liberty Center, 104 H. V. dela Costa St., Salcedo Village, Makati City to Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Paranaque City 1701.	Change the principal office of the Corporation to the project site.

(b) Amendment of the By-laws of the Corporation as follows:

<u>Proposed Amendment</u>	<u>Reason / General Effect</u>
To change the corporate name as reflected in the By-laws to "MELCO CROWN (PHILIPPINES) RESORTS CORPORATION".	Update the By-laws to reflect the new corporate name,
To change the place where the principal office of the Corporation is located from 10 <sup>th</sup> Floor, Liberty Center, 104 H. V. dela Costa St., Salcedo Village, Makati City to Aseana Boulevard cor. Roxas Boulevard, Brgy. Tambo, Paranaque City 1701.	Change the principal office of the Corporation to the project site.
To include provisions regarding the independent directors, including their qualifications and disqualifications.	Provide for the qualifications and disqualifications of independent directors.
To include a provision on the disqualification of persons from nomination or election to the Board of Directors if he/she is engaged in a competing business or interest.	Provide for the disqualification of persons from nomination or election to the Board of Directors if he/she is engaged in a competing business or interest.
To include the requirement that at least one (1) independent director must be present in order to constitute a quorum.	Provide for the requirement that at least one (1) independent director must be present in order to constitute a quorum.
To include a provision allowing the directors to attend Board of Directors' meetings by telephone or video conference.	Allow directors to attend Board meetings by telephone or video conference.
To change the composition of the Executive Committee, which will be composed of 4 directors, 2 of whom shall be independent directors.	Amend the composition of the Executive Committee (to be composed of 4 directors, 2 of whom shall be independent directors)
To state that the compensation of directors shall not exceed 10% of the net income before income tax of the corporation during the preceding year, in accordance with Section 30 of the Corporation Code.	Provide that the compensation of directors shall not exceed 10% of the net income before income tax of the corporation during the preceding year, in accordance with Section 30 of the Corporation Code.
To include a provision for the safekeeping of a tape recorder or other means of recording the meeting of the Board of Directors where one or some of the directors attended by telephone or video conference.	Include provision for the safekeeping of a tape recorder or other means of recording the meeting of the Board of Directors (where one or some of the directors attended by tele/video conferencing).

To change the deadline for submission of nominees to the Board of Directors from thirty (30) business days to twenty five (25) business days.	Change the deadline for submission of nominees to the Board of Directors to coincide with the filing of the Preliminary Information Statement to the SEC.
To remove the reference to Vice-Presidents in the enumeration of officers of the Corporation.	Remove the reference to Vice-Presidents in the By-laws.
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.	It is a legal requirement that the place of the stockholders' meeting be in the city or municipality where the principal office is located. Furthermore, the exact time of the annual meeting will be removed to give the Board flexibility to set the time of the meeting.
To change the period to provide notice of stockholders' meetings from from twenty (20) days to ten (10) business days.	Amendment of notice requirement from 20 days to 10 business days, in accordance with SEC rules.
To include in the order of business such matters that are usually taken up during the annual stockholders' meeting.	Amendment to include matters usually taken up during the annual stockholders' meeting.
To amend the section on voting during the annual stockholders' meeting to remove the procedure regarding voting in stockholders' meetings.	Remove the voting procedure from the By-laws.
To state that the validation of proxies shall be done at least five (5) days before the day of the meeting by the Corporate Secretary, who shall be empowered to pass on the validity of the proxies.	Revise proxy provision to take into account validation of proxies.
To change the record date for the determination of stockholders of record from not more than sixty (60) working days nor less than thirty (30) workings days to not more that sixty (60) days nor less than twenty (20) days before the date of the meeting.	Amendment of the record date to the minimum period required by SEC rules.
To change the corporate seal of the Corporation to reflect the new corporate name "MELCO CROWN (PHILIPPINES) RESORTS CORPORATION".	Amendment to reflect the new corporate seal of MCP.
To state that the Corporation will obtain the necessary directors' and officers' liability insurance.	Include a provision on the procurement of directors' and officers' liability insurance.
To delegate to the Board of Directors the authority to amend or repeal the By-laws or to adopt new By-laws.	Allow the delegation of the authority to amend or repeal the By-laws or to adopt new By-laws to the Board of Directors.

#### Item 18. Other Proposed Action

##### Approval of the Minutes of the Last Stockholders' Meetings held on June 15, 2012 and February 19, 2013

The Minutes of the Annual Stockholders' Meeting of the Corporation held on June 15, 2012 and the Special Stockholders' Meeting held on February 19, 2013 (the "Minutes") will be presented for approval of the Stockholders in the Annual Stockholders' Meeting. Such action on the part of the Stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since Stockholder approval and action on those items had already been obtained in that meeting.

The Minutes and related records are available for inspection by any Stockholder at any reasonable hour during business days. In addition, copies of the Minutes shall be posted at the meeting site, and will be available for review by the Stockholders present in the Annual Stockholders' Meeting.

##### Approval of the 2012 Audited Financial Statements

The audited financial statements of the Corporation as of and for the year ended December 31, 2012 and the accompanying notes to the audited financial statements prepared by the Company and audited by SGV & Co., the independent auditors appointed by the stockholders in 2012, will be submitted for approval of the stockholders at the Annual Stockholders' Meeting.

Approval for the Grant of Security and Collateral to Secure an Intercompany Loan

It is proposed that the grant of security and collateral on terms as may be required by MCE Investments (the "Arranger") and/or any of its affiliates as lender (the "Lender") to secure an intercompany loan being arranged by the Arranger to the Corporation's indirect subsidiary, MCE Leisure, to finance the payment of agreed 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 Corporation in MCE Holdings, and approval of the obligation of the Corporation to purchase up to 151,000,000 shares of the Corporation owned by the Lender and/or any of its affiliates, the exercise of which shall be subject to the requirements of applicable Philippine laws, as a condition to the grant of such intercompany loan be approved.

**Item 19. Voting Procedures**

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

At the Stockholders' Meeting, every stockholder shall be entitled to vote for each share of stock which has voting power upon the matter in question, registered in his name in the books of the Corporation. The votes of the election of Directors, and upon demand by any stockholder, the votes upon any question before the meeting, except procedural questions which shall be determined by the Chairman of the Meeting, shall be by ballot and shall be conducted by two inspectors of election of judges, designated by the Chairman of the Meeting, who shall first take and subscribe an oath or affirmation, faithfully to execute the duties of inspector or judge at such meeting with strict impartiality and according to the best of their ability and who shall take charge of the polls and, after the balloting, shall make a certificate of the vote taken. No director or candidate for the office of Director shall be appointed as an inspector or an election of Directors.

A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said share and give one candidate as many votes as the number of directors to be elected multiplied by the number of his share shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. Provided, however, that no delinquent stock shall be voted.

Vote Requirement

The following matters require the following votes:

<b>Subject Matter</b>	<b>Votes Required</b>
Appointment of the Company's external auditor	Majority of the votes cast
Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management	Majority of the votes cast
Approval of the Minutes of the Annual Stockholders Meeting on 15 June 2012 and 19 February 2012	Majority of the votes cast

Approval of the 2012 Financial Statements	Majority of the votes cast
Election of Directors	The top nine (9) nominees with the most number of votes cast are elected
Approval of the Amendment of the Articles of Incorporation	Two-thirds (2/3) of outstanding capital stock
Approval of the Amendment of By-laws	Majority of the votes cast
Approval of the delegation of the power to amend the By-laws or adopt new By-laws of the Corporation	Two-thirds (2/3) of outstanding capital stock
Approval of the grant of security and collateral on terms as may be required by the Lender to secure an intercompany loan being arranged by the Arranger to the Corporation's indirect subsidiary, MCE Leisure, to finance the payment of agreed 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 Corporation in MCE Holdings, and approval of the obligation of the Corporation to purchase up to 151,000,000 shares of the Corporation owned by the Lender and/or any of its affiliates, the exercise of which shall be subject to the requirements of applicable Philippine laws, as a condition to the grant of such intercompany loan be approved.	Majority of the votes cast

#### Method by which Vote will be Counted

The election is executed through balloting. Votes shall be counted by Sycip, Gorres, Velayo & Co. and the Corporate Secretary who shall serve as members of the Committee on Elections. Candidates receiving the highest number of votes shall be declared elected.

#### **Discussion on Compliance with Leading Practice on Corporate Governance**

The Company has adopted a Manual of Corporate Governance ("Manual") which was filed with and duly approved by the Securities and Exchange Commission (SEC). In accordance with the provisions of the Manual, the Company is required to assess compliance of its Board of Directors and Management annually. In addition, the Compliance Officer is required to prepare an annual certification on the Company's compliance with the provisions of the Manual explaining reasons for any deviation. There has been no material deviation from the Company's Manual.

The Company has participated in the recent Corporate Governance Survey pursuant to SEC Memorandum Circular No. 2 Series of 2007, having submitted to the Securities and Exchange Commission copy of the Company's 2012 Corporate Governance Scorecard for Publicly-listed Companies.

The Company encourages its directors and management to attend and participate in training programs and seminars on good corporate governance.

### **MANAGEMENT REPORT**

#### **Management's Discussion and Analysis or Plan of Operation**

#### **Management's Discussion and Analysis or Plan of Operation**

The following discussion and analysis of the Company's consolidated financial conditions and results of operations should be read in combination with the consolidated financial statements of the Company as of December 31, 2012 and 2012, and for the years December 31, 2012, 2011 and 2010, and accompanying schedules and disclosures present elsewhere in this report.

#### **OVERVIEW**

Melco Crown (Philippines) Resorts Corporation (the "Company" or "MCP"), 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



"Project"). The Company's subsidiaries, MCE Holdings (Philippines) Corporation ("MCE Holdings"), MCE Holdings No. 2 (Philippines) Corporation ("MCE Holdings No. 2"), and MCE Leisure (Philippines) Corporation ("MCE Leisure"), together with SM investments Corporation ("SMIC"), Belle Corporation ("Belle") and PremiumLeisure Amusement, Inc. ("PLAI") are the holders of a provisional license issued by the Philippine Amusement and Gaming Corporation ("PAGCOR") for the development of the Project. The Company, an affiliate of Melco Crown Entertainment ("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 (collectively, "FF&E"), as well as the management and operation of the Project. 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 the Project.

The Project 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 of the Project is substantially complete, while fit-out is ongoing. The Company believes that upon its expected completion in mid-2014, the Project 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.

## **HISTORY OF THE COMPANY**

### **Change in 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").

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

On March 5, 2013, the Philippine Securities and Exchange Commission ("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, which required MCE Investments to issue a subscription notice on the same date to MCP for subscription of 2,846,595,000 common shares of MCP at par value of ₱1 per share at total consideration of ₱2,846,595,000 (the "Share Subscription Transaction"). The total consideration of ₱2,846,595,000 was fully settled by MCE Investments to MCP in four installments on January 30, March 22, March 25 and March 26, 2013. The amount was shown as Deposit for future stock subscriptions amount as of March 31, 2013. 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.

As of March 31, 2013 and December 31, 2012, MCE through MCE Investments and MCE Investments No.2, held an indirect ownership in MCP of 88.16%. Details of the acquisition by MCE Investments of all of the shares in MCE Holdings is set out on Note 1 (b) of the Company's unaudited consolidated financial statements as of March 31, 2013.

The Company and MCE Investments recently completed a Placing and Subscription Transaction, under which MCE Investments offered and sold in a private placement to various institutional investors of 981,183,700 shares of stock in the Company at ₱14.00 per share (the "Offer"). In connection with the Offer, MCE Investments granted an over-allotment option of up to 117,075,000 shares of the Company to a stabilizing agent. MCE Investments then used the proceeds of the placing transaction to subscribe to an equivalent number of shares in MCP at the subscription price of ₱14.00 per share. The Offer shares were crossed through the Philippine Stock Exchange on April 24, 2013 and settlement for the Offer shares occurred on April 29, 2013.

### **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 at inception date. On February 18, 2013, the SEC approved the increase in authorized capital stock of MCE Holdings to ₱200,000,000 divided into 200,000,000 common shares with par value of ₱1 per share from authorized capital stock of ₱33,240,000 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 ₱2,845,930,703 (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, at a consideration of ₱7,198,590,000 (the "Asset Acquisition Transaction"). MCE Holdings holds 100% direct ownership interests in MCE Holdings No.2, which in turn holds 100% direct ownership interests in MCE Leisure (collectively referred to the "MCE Holdings Group"). As a result of the Asset Acquisition Transaction, MCE Holdings Group become wholly-owned subsidiaries of MCP.

As of March 31, 2013, MCP's wholly-owned subsidiaries included MCE Holdings, MCE Holdings No.2 and MCE Leisure. 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.

### **Activities of MCE Holdings Group**

On July 5, 2012, MCE, through its indirect subsidiary, MPEL Projects Limited, entered into a memorandum of agreement (the "MOA") with SMIC, SM Land, Inc., SM Hotels and Conventions Corporation (formerly SM Hotels Corporation), SM Commercial Properties, Inc. and SM Development Corporation (collectively, the "SM Group"), Belle and 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. 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 the Project.

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, 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 the Project.

### **Provisional License**

On December 12, 2008, PAGCOR issued a provisional license (the "Provisional License") for the development of the Philippines Project 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 the Project. 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.

### **OPERATIONS IN 2012**

As discussed, the Company sold all of its ownership interest in Interphil and Lancashire on December 7, 2012 and as such, the Company's main business of toll manufacturing of pharmaceutical products and real estate business ceased on December 7, 2012. The results of operations for the period from January 1, 2012 to December 6, 2012 were therefore classified as discontinued operations in the consolidated statements of comprehensive income. Prior years presentations were also restated for comparability purposes.

Consolidated comprehensive loss for the year ended December 31, 2012 was ₱33.3M from consolidated comprehensive income of ₱89.6M for the year ended December 31, 2011 due to loss on sale of subsidiaries, net of the capital gains tax.

#### **Interphil Laboratories, Inc.**

Comprehensive income decreased by 86% or ₱77.1M to ₱12.3M during the period from January 1, 2012 to December 6, 2012 from ₱89.4M during the year ended December 31, 2011 mainly due to increase in cost of sales and services and operating expenses.

#### **Lancashire Realty Holding Corp**

Lancashire posted revenues of ₱5.7M during the period from January 1, 2012 to December 6, 2012 from rental of its land.

### **Plan of Operations in 2013**

The Group is currently developing the Project, an integrated resort located within Entertainment City, Manila, together with Belle Corporation of the SM Group, one of the leading developers of high-end

residential and leisure properties in the Philippines which, when completed, is expected to be solely operated and managed by MCE Leisure.

The Project is expected to open in mid-2014 and plants to have approximately 1,451 slot machines and 242 gaming tables, six hotel towers with approximately 967 rooms in aggregate, including VIP and five-star luxury rooms and high-end boutique hotel rooms, five specialty restaurants along with a number of bars and a multi-level car park. The Project is also expected to feature three separate entertainment venues, including a Family Entertainment Center, a live performance central lounge within the casino and a night club encapsulated within the Fortune Egg, an attractive domelike structure, which will be accented with creative external lighting and is expected to become a centerpiece attraction of the Project. Construction has commenced on the connecting structure, including piling works, and it is expected that construction on the connecting structure will be completed by mid-2014.

The Group's net contribution towards the Project up to the time of opening is estimated to be approximately US\$620 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. We are considering different alternatives to finance the Project, including but not limited to debt and equity financing. On March 20, 2013, the board of directors of the Company approved a plan to raise additional capital of up to US\$400 million through an equity offering including an over-allotment option.

The Project is currently in an early phase of development and therefore for the period after the completion of Acquisition Transaction to December 31, 2012 the Company had no revenue and incurred only insignificant expenses from its intended operations.

### **Key Performance Indicators**

The Company's consolidated key performance indicators are shown below with their relevant results for December 31, 2012 and December 31, 2011.

	% INCREASE (DECREASE)	December 31, 2012 (Audited*)	December 31, 2011 (Audited*)
INTEREST INCOME (P000)	4.7%	1,279	1,222
(LOSS) INCOME BEFORE INCOME TAX (P000)	(5,333.4%)	(44,858)	857
(LOSS) INCOME FROM CONTINUING OPERATIONS (P000)	(5,333.4%)	(44,858)	857
NET INCOME FROM DISCONTINUED OPERATIONS, AFTER TAX (P000)	(87.0%)	11,547	88,694
NET (LOSS) INCOME (P000)	(137.2%)	(33,311)	89,551
BASIC/DILUTED NET (LOSS) INCOME PER SHARE FOR CONTINUING OPERATIONS (P)	(5,333.4%)	(0.109)	0.002
BASIC/DILUTED NET INCOME PER SHARE FOR DISCONTINUED OPERATIONS (P)	(87.0%)	0.028	0.215

### **Interphil Laboratories, Inc**

	% INCREASE (DECREASE)	December 6, 2012 (Audited)**	December 31, 2011 (Audited*)
VOLUME ('000 SPUs)	(2.7%)	56,784	58,355

REVENUES (P000)	(0.1%)	1,766,139	1,767,314
GROSS INCOME (P000)	(6.4%)	280,231	299,495
NET INCOME (P000)	(86.2%)	12,303	89,353
TOTAL ASSETS (P000)	9.4%	1,418,023	1,296,173
STOCKHOLDERS' EQUITY(P000)	1.3%	944,159	931,768

#### Lancashire Realty Holding Corporation

	% INCREASE (DECREASE)	December 6, 2012 (Audited*)**	December 31, 2011 (Audited*)
REVENUES (P000)	(6.3%)	5,666	6,044
GROSS INCOME (P000)	0.1%	5,666	5,663
NET INCOME (P000)	(48.1%)	125	241
TOTAL ASSETS (P000)	0.1%	114,409	114,317
STOCKHOLDERS' EQUITY (P000)	0.1%	114,277	114,152

\* except for information on volume.

\*\* representing results of operations of Interphil and Lancashire for the period from January 1, 2012 to December 6, 2012.

- a) **Volume Growth**  
Measures the percentage change in volume over a period of time. Volume is regularly monitored on a per product and per client basis.
- 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) **Gross Income**  
Measures the pricing strategy of the Company. Computed as Revenue less Cost of Goods Sold.
- d) **(Loss) Income Before Income Tax**  
Measures the profitability of the company before income tax.
- e) **(Loss) Income from Continuing Operations**  
Measures the profitability of the company from ongoing operations before extraordinary items and cumulative effects of changes in accounting principles.
- f) **Net Income from Discontinued Operations, after tax**  
Measures the profitability of the company from a disposal group that is classified as a component of the entity, net of income tax, reported as a separate component of income before extraordinary items and the cumulative effect of accounting changes.
- g) **Net (Loss) Income**  
Measures the profitability of the company.
- h) **Net (Loss) Income Per Share**  
Measures how much a stockholder earns in the net income or loss of the Company. Net (Loss) Income per share is calculated by dividing net income or loss by the weighted number of common shares issued and outstanding during a particular period of time.
- i) **Total Assets Growth**  
Measures the percentage change in assets over a period of time. Assets is regularly monitored on a per asset class.
- j) **Stockholders' Equity Growth**  
Measures the percentage change in stockholders' equity over a period of time.

There were no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default on or acceleration of an obligation.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

### **Full Years 2012 vs 2011**

There were certain significant changes in the Company's Consolidated Balance Sheet as of December 31, 2012 versus December 31, 2011.

In connection with the Subsidiaries Sale Transaction on December 7, 2012, the Company de-recognized all the assets and liabilities of Interphil and Lancashire as at December 7, 2012 and recorded a substantial loss on the sale of subsidiaries for the year ended December 31, 2012. And as a result, the Company did not have much operating assets remain as of December 31, 2012.

#### **Current assets**

Total cash and cash equivalents increased by 200% or ₱762,668,145 to ₱1,143,767,970 as of December 31, 2012 from ₱381,099,825 as of December 31, 2011. The increase was attributed to the proceeds from Subsidiaries Sale Transaction.

Trade and Other receivables and inventories amounted to nil due to the Subsidiaries Sale Transaction and discontinued operations.

Advances to suppliers and other current assets decreased by 98% or ₱32,370,983 to ₱512,078 as of December 31, 2012 from ₱32,883,061 as of December 31, 2011 due to the Subsidiaries Sale Transaction and discontinued operations. Balance as at December 31, 2012 was related to Input VAT-net.

#### **Non-current assets**

No non-current assets were reported as of December 31, 2012 as compared to the ₱550,215,427 as of December 31, 2011 following Subsidiaries Sale Transaction and discontinued operations.

#### **Current Liabilities**

Trade and other payables decreased by 85% or ₱259,493,024 to ₱46,838,317 as of December 31, 2012 from ₱306,331,341 as of December 31, 2011 is due to the Subsidiaries Sale Transaction and discontinued operations. The balance includes capital gains tax payable on the Subsidiaries Sale Transaction.

Net Output tax as of December 31, 2012, amounted to zero, 100% or ₱21,817,568 lower than the December 31, 2011 level on account of Subsidiaries Sale Transaction and discontinued operations.

#### **Non-current Liabilities**

No non-current liabilities were reported as of December 31, 2012 as compared to the ₱44,581,540 as of December 31, 2011 following the Subsidiaries Sale Transaction and discontinued operations.

### **Full Years 2011 vs 2010**

There were some significant changes in the Company's Consolidated Balance Sheet as of December 31, 2011 versus December 31, 2010.

#### **Current assets**

The Company's total cash and cash equivalents went up by 11% to ₱381,099,825 in 2011 from ₱342,030,954 in 2010 because of additional income from operations. Likewise, short-term borrowings were fully settled in 2010.

Trade and Other receivables increased by 1% to ₱281,815,862 from ₱279,555,424 as a result of decrease in collections from client.

Inventories increased by 21% from ₱156,839,442 to ₱190,440,252 because of higher purchases of raw and packaging materials.

Advances to suppliers and other current assets went down by 6% from ₱34,979,835 to ₱32,883,061 due to decrease in advances to suppliers of imported materials and related import and shipping charges.

#### **Non-current assets**

Property, plant, and equipment, net of accumulated depreciation, decreased to ₱418,459,062 in 2011 from ₱437,089,720 in 2010. The decrease is due to the depreciation of ₱61,299,303 offset by acquisitions of ₱42,668,645.

Retirement benefit asset increased to ₱4,534,651 due to lower accrual of retirement benefits.

Other non-current assets increased by 222% from ₱4,662,080 to ₱15,026,714, due to additional deposit to the Manila Electric Company (MERALCO) and deposit to a third party marketing company.

#### **Current Liabilities**

Trade and other payables went down to ₱306,331,341 due to decrease in intercompany payables.

Net Output tax decreased by 24% to ₱21,817,568 from ₱28,696,213, mainly due to lower collections generated in December.

#### **Non-current Liabilities**

Deferred tax liabilities – net of deferred tax assets went up to ₱9,610,140 on March 31, 2012 from ₱5,748,891 as of December 31, 2011 mainly due to lower deferred tax assets related to the provision for doubtful accounts and post-employment benefits.

Retirement benefit liability decreased due to lower accrual of retirement benefits.

The Company's long-term sick leave benefits liability increased by 4% to ₱34,971,400 from ₱33,653,100 due to higher accrual of long term sick leave benefits.

#### **Full Years 2010 vs 2009**

There were some significant changes in the Company's Consolidated Balance Sheet as of December 31, 2010 versus December 31, 2009.

#### **Current assets**

Cash and Cash Equivalents is higher by 37% due to increase in short-term investments.

Trade and Other receivables decreased by ₱42,839,165 as a result of increased collections and settlement of past due accounts by a client.

Inventories decreased by 21% from ₱199,646,191 to ₱156,839,442 primarily due to better management and control of inventory.

Advances to suppliers and other current assets registered an increase of 37%, from ₱25,608,857 to ₱34,979,835, due to higher advances to suppliers of imported materials and related import and shipping charges and prepaid insurance.

#### **Non-current assets**

Property, plant, and equipment totaled ₱437,089,720, down from ₱490,900,240 due to the annual depreciation of ₱76,776,747 and acquisitions of ₱22,966,227.

Other non-current assets increased by 7% from ₱4,338,635 to ₱4,662,080, due to higher investment and advances in a joint venture.

### **Current Liabilities**

Notes payable went down to zero from ₱130,000,000 as outstanding bank loans were fully settled during the year.

Trade and other payables are down by 9% to ₱323,712,436 as a result of decrease in purchases.

Output tax payable decreased due to lower collections in December 2010.

### **Non-current Liabilities**

Deferred income tax liabilities – net of deferred tax assets increased by ₱4,994,956 compared to 2009 year-end level. The reduction in deferred tax asset is mainly due to the collection of receivables amounting to ₱27,865,322 which were estimated to be doubtful for collection. Allowance was provided in 2009.

The 24% decrease in Retirement and long-term sick leave benefits liability is attributable to the lower provision for pension expense net of the sick leave benefits paid in 2010.

### **Discussion and Analysis of material event/s and uncertainties known to management that would have address the past and would have an impact on future operations of the following from 2009 to December 31, 2012:**

- a) There are no known trends, events, or uncertainties that will have material impact on the Company's future liquidity.
- b) There are no known events that will trigger direct or indirect contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- c) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d) There are no material commitments for capital expenditures that occurred during the reporting period.
- e) There are no known trends, events, or uncertainties that are expected to have material impact on sales/revenues/income from continuing operations that occurred during the reporting period.
- f) There are no significant elements of income or loss that did not arise from the Company's continuing operations that occurred during the reporting period.
- g) There are no seasonal aspects that had a material effect on the financial condition or results of operations.

### **Results of Operations**

#### **Full Years 2012 vs 2011**

As discussed above, the Company sold all of its ownership interest in Interphil and Lancashire. The results of operation for the period from January 1, 2012 to December 6, 2012 were classified as discontinued operations. For further details on the results of operations attributable to the manufacturing business of Interphil and the real estate business of Lancashire and loss on the sale of subsidiaries, please refer to note 5 to the consolidated financial statements of the Company included in this form 17-A.

The 5% increase in interest income for the year ended December 31, 2012 from the ₱1,221,593 in 2011 was due to increase in cash and cash equivalents.

The 539% increase in operating expenses to ₱2,328,496 for the year ended December 31, 2012 from the ₱364,440 in 2011 was primarily due to the increase in professional fees, mainly pertaining to audit fees.



Loss from continuing operations was at ₱44,857,995 for the year ended December 31, 2012 from the ₱857,153 income from continuing operations in 2011 is mainly due to the loss on sale of subsidiaries, net of capital gains tax of ₱43,808,475.

The 87% or ₱77,147,242 decrease in net income from discontinued operations after tax for the year ended December 31, 2012 from ₱88,694,190 in 2011 to ₱11,546,948, was primarily attributable to the combined effect of a decrease in gross margin as a result of an unfavorable product mix, an increase in operating expenses of the subsidiaries due to promotional and marketing activities for owned products, as well as a higher foreign exchange loss recognized during the period ended January 1, 2012 to December 6, 2012.

As a result of the foregoing, total comprehensive loss for the year ended December 31, 2012 was at ₱33,311,047 versus the total comprehensive income of ₱89,551,343 in 2011.

### **Full Years 2011 vs 2010**

Consolidated revenues decreased by 4%, mainly due to the decline in volume of the manufacturing unit.

Consolidated cost of sales and services and operating expenses is almost the same at ₱1,462,155,996 in 2011 from ₱1,466,576,205 in 2010.

Consolidated net income is lower by 33% at ₱89,551,343 compared with ₱134,580,788 in 2010 due to lower revenues and higher operating expenses.

### **Full Years 2010 vs 2009**

The Company's registered consolidated revenues of ₱1,832,976,274 for the year ended December 31, 2010, down by 8% or ₱150,985,317 from last year's ₱1,983,961,591. The decrease was largely due to decrease in volume of the manufacturing segment.

Consolidated cost of sales and services and operating expenses dropped by ₱106,162,527 or 6.0% due to lower cost of materials, decrease in salaries and wages, and elimination of provision for possible losses on creditable withholding tax.

Net income for the year 2010 is at ₱134,580,788 versus ₱112,606,723 in 2009. This is primarily due to the impact of better negotiation from suppliers to lower cost of materials.

### **Liquidity and Capital Resources**

The table below shows the Company's consolidated cash flows for the years ended December 31, 2012, 2011, and 2010:

	For the Year Ended December			% Change 2012 vs 2011	% Change 2011 vs 2010
	2012	2011	2010		
In Millions, except % change data					
Net cash flows from operating activities	16.2	123.7	188.1	-87%	-34%
Cash flow from an investing activity	784.8	-	-	100%	-
Cash flow from a financing activity	41.1	-	-	100%	-
Net increase in cash and cash equivalents	842.1	123.7	188.1	581%	-34%
Net cash flow from discontinued operations	(79.4)	(84.6)	(95.3)	6%	11%
Cash and cash equivalents, beginning	381.1	342.0	249.3	11%	37%
Cash and cash equivalents, end	1,143.8	381.1	342.0	200%	11%

Cash and cash equivalents increased by 200% as of December 31, 2012 from the net proceeds from the Subsidiaries Sale Transaction of ₱784,824,976 and additional capital contribution from the Selling Shareholders of MCP of ₱41,050,000.

In 2012, the Group registered a positive cash flow from operating activities of ₱16,204,489 considerably lower from last year's positive cash flow of ₱123,718,582. The primary reasons for the decrease was due to a lower income from discontinued operation as a result of decrease in gross margin and higher operating expenses as discussed above.

Cash provided by investing activities increased to ₱784,824,976 for the year ended December 31, 2012 from zero in 2011 arising from the proceeds received from Subsidiaries Sale Transaction, net of capital gains tax.

The Group has also made significant financing activities. Cash provided for the period increased by 100% to ₱41,050,000 from zero in 2011 mainly due to additional capital contribution from the Selling Shareholders of the Company immediately before the completion of the Proposed Acquisition as described in the foregoing section.

The table below shows the Group's capital resources as of December 31, 2012, 2011, and 2010:

In Millions, except % change data	For the Year Ended December 31			% Change	% Change
	2012	2011	2010	2012 vs 2011	2011 vs 2010
Equity	1,097.4	1,063.7	974.2	3%	9%
Total Capital	1,097.4	1,063.7	974.2	3%	9%

No debt was incurred for the past three years. Total capital grew by 3% to ₱1,097,441,731 as of December 31, 2012 from ₱1,063,723,978 as of December 31, 2011. The increase was the result of the release of appraisal increase of land at revalued amount to retained earnings as a result of Subsidiaries Sale Transaction and additional capital contribution from the Selling Shareholders of the Company immediately before the completion of the Proposed Acquisition as described in the foregoing section.

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

**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION**  
(Formerly Manchester International Holdings Unlimited Corp)  
**AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in Millions of PhP)

	December 31		VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes  (With 5% as a Threshold)
	2012	2011	% to Total Assets	2012	2011	
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	1,143.8	381.1	100%	27%	200%	Increase is attributed to the Subsidiaries Sale Transaction and additional capital contribution from the Selling Shareholders of MCP
Trade and other receivables	-	281.8	0%	20%	-100%	Decrease is attributed to the Subsidiaries Sale Transaction
Inventories	-	190.4	0%	13%	-100%	Decrease is attributed to the Subsidiaries Sale Transaction
Advances to suppliers and other current assets	0.5	32.9	0%	2%	-98%	Decrease is attributed to the Subsidiaries Sale Transaction. Balance pertains to input tax
<b>Total Current Assets</b>	<b>1,144.3</b>	<b>886.2</b>	<b>100%</b>	<b>62%</b>	<b>29%</b>	
<b>Non-current Assets</b>						
Property, plant and equipment	-	418.5	0%	29%	-100%	Decrease is attributed to the Subsidiaries Sale Transaction
Land at revalued amount	-	112.2	0%	8%	-100%	Decrease is attributed to the Subsidiaries Sale Transaction
Retirement benefit asset	-	4.5	0%	0%		Decrease is attributed to the Subsidiaries Sale Transaction
Other noncurrent assets	-	15.0	0%	1%	-100%	Decrease is attributed to the Subsidiaries Sale Transaction
<b>Total Non-current Assets</b>	<b>-</b>	<b>550.2</b>	<b>0%</b>	<b>38%</b>	<b>-100%</b>	
<b>Total Assets</b>	<b>1,144.3</b>	<b>1,436.4</b>	<b>100%</b>	<b>100%</b>	<b>-20%</b>	

*Extracted from Consolidated Financial Statements*

**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION**  
(Formerly Manchester International Holdings Unlimited Corp)  
**AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in Millions of PhP)

	December 31		VERTICAL ANALYSIS % to Total Assets		HORIZONTAL ANALYSIS % of Change in Prior Year	Causes of Material Changes  (With 5% as a Threshold)
	2012	2011	2012	2011	2012	
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade and other payables	46.8	306.3	4%	21%	-85%	Decrease is attributed to the Subsidiaries Sale Transaction; balance includes capital gains tax payable
Output tax payable	-	21.8	0%	2%	-100%	Decrease is attributed to the Subsidiaries Sale Transaction
<b>Total Current Liabilities</b>	<b>46.8</b>	<b>328.1</b>	<b>4%</b>	<b>23%</b>	<b>-86%</b>	
<b>Non-current Liabilities</b>						
Deferred tax liabilities - net	-	9.6	0%	1%	-100%	Decrease is attributed to the Subsidiaries Sale Transaction
Long-term sick leave benefit liability	-	35.0	0%	2%	-100%	Decrease is attributed to the Subsidiaries Sale Transaction
<b>Total Non-current Liabilities</b>	<b>-</b>	<b>44.6</b>	<b>0%</b>	<b>3%</b>	<b>-100%</b>	
<b>Equity</b>						
Capital stock	562.5	562.5	49%	39%	0%	
Additional paid-in capital	92.7	51.6	8%	4%	80%	Increase is due to capital contribution from the Selling Shareholders of MCP
Revaluation increment in land - net of deferred tax liability	-	60.6	0%	4%	-100%	Decrease is attributed to the Subsidiaries Sale Transaction
Retained earnings	730.8	677.5	64%	47%	8%	Increase pertains to the release of appraisal of increase of land at revalued amount as a result of Subsidiaries Sale Transaction
Cost of treasury shares held	(288.5)	(288.5)	-25%	-20%	0%	
<b>Total Equity</b>	<b>1,097.5</b>	<b>1,063.7</b>	<b>96%</b>	<b>74%</b>	<b>3%</b>	
<b>Total Liabilities and Equity</b>	<b>1,144.3</b>	<b>1,436.4</b>	<b>100%</b>	<b>100%</b>	<b>-20%</b>	

*Extracted from Consolidated Financial Statements.*

**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION**  
(Formerly Manchester International Holdings Unlimited Corporation)  
**AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in Millions of PhP except for Basic/Diluted Net (Loss) Income per Share)

	Years Ended December 31		VERTICAL ANALYSIS % to Revenues		HORIZONTAL ANALYSIS % of Change in Prior Year	Causes of Material Changes (with 5% as a Threshold)
	2012	2011	2012	2011	2012	
INTEREST INCOME	1.3	1.2	100%	100%	5%	Increase is due to higher cash and cash equivalents
LOSS ON SALE OF SUBSIDIARIES	(43.8)	-	-3425%	0%		Net carrying value of the subsidiaries sold is higher than the selling price, net of capital gains tax
OPERATING EXPENSES	(2.3)	(0.4)	-182%	-30%	539%	Increased due to higher professional fees
(LOSS) INCOME BEFORE INCOME TAX	(44.8)	0.9	-3507%	70%	-5333%	Loss due to loss on sale of subsidiaries
PROVISION FOR INCOME TAX	-	-	0%	0%		
(LOSS) INCOME FROM CONTINUING OPERATIONS	(44.8)	0.9	-3507%	70%	-5333%	Loss due to loss on sale of subsidiaries
NET INCOME FROM DISCONTINUED OPERATIONS, AFTER TAX	11.5	88.7	903%	7261%	-87%	Decreased due to higher cost of sales & services and operating expenses
NET (LOSS) INCOME	(33.3)	89.6	-2605%	7331%	-137%	
OTHER COMPREHENSIVE INCOME	-	-	0%	0%		
TOTAL COMPREHENSIVE (LOSS) INCOME	(33.3)	89.6	-2605%	7331%	-137%	Loss due to loss on sale of subsidiaries and lower income from discontinued operations
Basic/Diluted Net (Loss) Income Per Share for Continuing Operations	□(0.109)	□0.002	-9%	0%	-5333%	Decreased due to loss on sale of subsidiaries
Basic/Diluted Net Income Per Share for Discontinued Operations	□0.028	□0.215	2%	18%	-87%	Decreased due to higher cost of sales & services and operating expenses

Extracted from Consolidated Financial Statements.

## **FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013**

The unaudited consolidated financial statements as of March 31, 2013 and for the three months ended March 31, 2013 and the audited consolidated balance sheet as of December 31, 2012 and the related notes to unaudited consolidated financial statements of the Company and its subsidiaries are likewise attached hereto

The Group's unaudited consolidated financial statements have been reviewed and approved by the Company's Audit Committee and reviewed by the Group's external auditors in accordance with Philippine Standard on Review Engagements (PSRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing and Assurance Standards Council of Philippine.

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 unaudited consolidated financial statements and related notes of the Group as of March 31, 2013 and for the three months ended March 31, 2013.

### **PRE-OPERATING RESULTS**

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

1. 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
2. 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.
3. Net Income: Measures the profitability of the company.
4. Basic Earnings Per Share: Measures how much a stockholder earns in the Net Income of the Company. 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.
5. Rolling chip volume: the amount of non-negotiable chips wagered and lost by the rolling chip market segment.
6. Rolling chip win rate: rolling chip table games win as a percentage of rolling chip volume.
7. Mass market table games drop: the amount of table games drop in the mass market table games segment.
8. Mass market table games hold percentage: mass market table games win as a percentage of mass market table games drop.
9. Table games win: the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.
10. Gaming machine handle (volume): the total amount wagered in gaming machines.
11. Gaming machine win rate: gaming machine win expressed as a percentage of gaming machine handle.

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

### **PRE-OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2013**

As a result of the foregoing discussion on Group Reorganization 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 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 unaudited 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 March 31, 2012 have not been presented in the unaudited consolidated financial statements as all companies within the MCE Holdings Group were incorporated on or after August 13, 2012. The financial information as of December 31, 2012 presented in the unaudited consolidated financial statements as of March 31, 2013 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 unaudited consolidated balance sheets.

The following table shows a summary of the pre-operating results of the Company for the three months ended March 31, 2013 as derived from the accompanying unaudited consolidated financial statements.

	For the Three Months Ended March 31, 2013
Operating costs and expenses (P000)	(193,156)
Non-operating expenses (P000)	(145,520)
Net Loss (P000)	(338,676)
Basic/diluted loss per share (P)	(0.822)

We are currently in the development stage, and as a result there is no revenue and cash provided by our intended operations. Accordingly, the activities reflected in our consolidated statements of operations mainly relate to operating costs and expenses and non-operating expenses including general and administrative expenses, amortization of contract acquisition costs, development costs, pre-opening costs, interest income, interest expenses and foreign exchange loss, net. 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 the Project which is expected in mid-2014.

Consolidated comprehensive loss for the three months period ended March 31, 2013 was P338.7 million primarily related to general and administrative expenses, development costs, pre-opening costs, as well as the interest expenses as a result of continuous development of the Project.

General and administrative expenses for the period ended March 31, 2013 amounted to P66.2 million, primarily consist of documentary stamp duty and SEC filing fee related to increase in the share capital of the MCE Holdings Group companies as well as legal and other professional fees incurred for the Project funding.

Amortization of contract acquisition costs for the three months period ended March 31, 2013 of P4.3 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. Please refer to note 9 to the unaudited consolidated financial statements for details.

Development costs for the three months period ended March 31, 2013 amounted to P79.9 million primarily consist of legal and other professional fees incurred closing of the Closing Arrangement Agreement. Please refer to note 14 to the unaudited consolidated financial statements for details.

Pre-opening costs were P42.7 million, primarily relate to project management fee charged from MCE or its subsidiaries during the period ended March 31, 2013.

Interest expenses of P142.6 million represented the interest on obligation under finance lease in relation to a Lease Agreement of the building with Belle, effective from March 13, 2013. For details of the lease agreement, please refer to note 18 to the unaudited consolidated financial statements for details.

#### **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 unaudited Consolidated Balance Sheet as of March 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 9 to the unaudited consolidated financial statements for details.
- (ii) Under the provisional license granted by PAGCOR, it is a requirement that the Group to set-up an escrow account maintaining balance of US\$50 million until the Project's completion. For details, please refer to note 8 to the unaudited consolidated financial statement.
- (iii) Reverse acquisition accounting as explained above upon completion of Asset Acquisition Transaction on March 20, 2013.

Balance sheet accounts as of March 31, 2013 with variance of plus or minus 5% against December 31, 2012(#) are discussed, as follows:

<i>In thousands Philippine Peso, except % change data</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>	<b>Change</b>
Current assets	1,322,315	1,152,723	15%
Non-current assets	15,426,346	97,709	15688%
Total assets	16,748,661	1,250,432	1239%
Current liabilities	6,717,301	192,790	3384%
Non-current liabilities	10,820,552	-	N/A
Total liabilities	17,537,853	192,790	8997%
Equity	(789,192)	1,057,642	-175%

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

### **Current Assets**

1. Cash and cash equivalents increased by ₱153.2 million, which is the net result of funding from MCE Investments, partially offset by the payments made for the Project during the period presented;
2. Prepayments and other current assets by ₱16.4 million, which was mainly due to the increase in input VAT on rental expenses paid to Belle by ₱11.3 million and current portion of prepaid rent by ₱5.3 million.

### **Noncurrent Assets**

1. Property and equipment increased by ₱12.1 billion, mainly due to the recognition of the leased building structures as finance lease assets of ₱11.8 billion as discussed in aforesaid paragraph and additional capital expenditures mainly in construction in progress by ₱296.8 million incurred during the three months period ended March 31, 2013. The depreciation will commence when the assets are ready for their intended use.
2. Contract acquisition costs increased by ₱1.1 billion net of amortization as discussed in aforesaid paragraph.



- Other noncurrent assets increased by P170.8 million primarily as a result of recognition non-current portion of prepaid rent of P102.1 million and security deposit of P68.1 million under the Lease Agreement as detailed in Note 10 to the unaudited consolidated financial statements.
- Restricted cash increased by P2 billion due to the escrow account as required under Provisional license granted by PAGCOR as mentioned above.

#### Current Liabilities

- Accrued expenses, other payables and other current liabilities increased by P236.0 million mainly relate to increase in accruals for fit-out construction costs by P147.4 million, unpaid portion of obligation under finance lease of P80.0 million as well as increase in accruals for legal and professional fee and taxes and licenses of P33.7 million.
- Current portion of obligation under finance lease increased by P1 billion. It represented the lease payments that are due within one year. For details, please refer to Note 18 to the unaudited consolidated financial statements.
- Amounts due to affiliated companies, ultimate holding companies and intermediate holding company increased by P5.3 billion which is primarily resulted from the unpaid amount of P4.4 billion due to MCE Investments related to the Asset Acquisition Transaction and MCE Investments' funds advanced to MCP of P815 million. Please refer to note 15 to the unaudited consolidated financial statements for nature and details of the related party transactions for the period ended March 31, 2013.

#### Noncurrent Liabilities

- Non-Current portion of obligation under finance lease increased by P10.8 billion. It represented the lease payments that are due more than one year. For details, please refer to Note 18 to the unaudited consolidated financial statements.

#### Equity

- Deposit for future stock subscriptions increased by P2.8 billion as a result of subscriptions of common share by MCE Investments on March 20, 2013 which was approved by SEC subsequent to period end. For details, please refer to Note 12 to the unaudited consolidated financial statements for details.
- Equity reserve consists of the net difference between the cost of MCP to acquire MCE Holdings 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. For movement during the period, please refer to Note 12 to the unaudited consolidated financial statements.
- Deficit increased by P338.7 million to P388.5 million as of March 31, 2013 from P49.8 million as of December 31, 2012 was solely due to the net loss recognized during the period.

### LIQUIDITY AND CAPITAL RESOURCES

The table below shows the Group's unaudited consolidated cash flows for the three months ended March 31, 2013:

	For the Three Months Ended March 31, 2013
<i>In thousands Philippine peso</i>	
Net cash used in operating activities	(81,809)
Cash used in investing activities	(6,267,046)
Net cash provided by financing activities	6,502,092
Effect of foreign exchange on cash and cash equivalents	(65)
Net increase in cash and cash equivalents	153,172
Cash and cash equivalents at beginning of period	1,152,022
Cash and cash equivalents at end of period	1,305,194

Cash and cash equivalents increased by 13.3% as of March 31, 2013 mainly due to the net effect of the following:

For the three months ended March 31, 2013, the Group registered a negative cash flow from operating activities of ₱81.8 million with the primary reasons for the negative cash flow was due to a continuous development of the Project as discussed aforesaid sections.

Cash used in investing activities amounted to ₱6,267 million for the three months period ended March 31, 2013 include: (i) cash used in reverse acquisition of ₱2.8 billion as detailed in Note 1(b) and 2 to the unaudited consolidated financial statements; (ii) increase in restricted cash of ₱2 billion for escrow account as discussed in the foregoing; (iii) contract acquisition costs and security deposit payments to Belle for ₱1.3 billion as well as (iv) capital expenditure payments of ₱90.3 million.

The Group has also made significant financing activities. Cash used in the period mainly represented (i) fund transfer from MCE Investments of ₱811.7 million, (ii) deposit for future stock subscriptions of ₱2.8 billion as detailed in Note 12 to the unaudited consolidated financial statements and (iii) net proceeds from capital stock issuance of legal subsidiary of ₱2.8 billion.

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

	For the Three Months Ended March 31	For the Year Ended December 31	% Change
In Millions, except % change data	2013	2012	2013 vs 2012
(Capital Deficiency) Equity	(789.2)	1,057.6	-175%
Total (Capital Deficiency) Capital	(789.2)	1,057.6	-175%

Except for the obligations under finance lease, no debt was incurred for the three months period ended March 31, 2013 and December 31, 2012. Total capital dropped by 175% to a capital deficiency of ₱789.2 million as of March 31, 2013 from a capital of ₱1,057 million as of December 31, 2012. The decrease was the result of (i) the net loss of ₱338.7 million during the period and (ii) 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, partially offset by the deposit for future stock subscriptions of ₱2.8 billion as discussed above.

#### Shareholder Loan Facility

On April 12, 2013, MCE Leisure entered into a commitment letter (the "Commitment Letter") with MCE Investments or an affiliate, acting as the lender, for a senior secured shareholder loan facility ("Shareholder Loan Facility") in an aggregate amount up to US\$ 342.0 million (approximately ₱13.9 billion) or such greater amount as may be agreed between MCE Investments and MCE Leisure, which is denominated in US dollars. The Commitment Letter sets out the terms and conditions on which MCE Investments are willing to act as a lender of the Shareholder Loan Facility to be provided to MCE Leisure. These terms and conditions include the principal terms of the Shareholder Loan Facility and conditions precedent to entering into definitive documentation of the Shareholder Loan Facility. The proceeds of the Shareholder Loan Facility are expected to fund fit-out and other costs of the Project.

An expected condition precedent to drawdowns under the Shareholder Loan Facility is that any indebtedness under the Shareholder Loan Facility is guaranteed by the Parent Company and its subsidiaries (the "Guarantors") and is secured by first priority security over the issued share capital of each Guarantors and MCE Leisure (other than the Parent Company) and first priority asset security from all Guarantors and MCE Leisure. The Shareholder Loan Facility matures on date which is seven years after the signing date of the definitive documentation of the Shareholder Loan Facility (the "Signing Date") and is subject to quarter amortization payments commencing on the earlier of (i) six

months after the opening of the Project and (ii) two years after the Signing Date. The individual drawdowns under the Shareholder Loan Facility are expected to be subject to certain conditions precedents, including certification as to uses 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 is expected to include a tax gross up provision requiring MCE Leisure to pay without any deduction or withholding for or on account of tax.

#### Top up placement

On April 24, 2013, MCP entered into a subscription agreement (the "Subscription Agreement") with MCE Investments, whereas, concurrently with the execution of the Subscription Agreement, i) MCP and MCE Investments executed a placing agreement (the "Placing Agreement") with certain third parties (the "Joint Lead Managers"), with respect to the offer (the "Offer") and sale to purchasers procured by the Joint Lead Managers of 981,183,700 common shares of MCP (the "Firm Shares"), with par value of ₱1 per share, at the offer price of ₱14 per Offer Share (the "Offer Price"), and ii) MCE Investments executed a greenshoe agreement (the "Greenshoe Agreement") with respect to the grant of an over-allotment option (the "Over-allotment Option"), which may be exercised by one of the Joint Lead Managers as the stabilizing agent. Under the Over-allotment Option, MCE Investments may be required to sell up to an additional 117,075,000 common shares of MCP, at a price equivalent to the Offer Price per share, solely to cover over-allotments (the "Option Shares"). The Firm Shares and as many of the Option Shares as are required to be sold are referred to as the "Offer Shares".

MCP did not receive any proceeds directly from the Offer, but MCE Investments agreed to subscribe for, and MCP agreed to issue, new common shares of MCP in an amount equal to the aggregate number of Firm Shares sold by MCE Investments in the Offer (the "Subscription Shares") and the aggregate number of Options Shares actually sold by MCE Investments as a result of the exercise by the stabilizing agent of its Over-allotment Option (the "Additional Subscription Shares") at a price equivalent to the aggregate Offer Price as described in the Placing Agreement.

Pursuant to the terms and conditions of the Subscription Agreement, MCE Investments agreed to subscribe to the Subscription Shares and the Additional Subscription Shares, if any, out of the authorized capital stock of MCP with par value of ₱1 per share, at the offer price of ₱14 per Subscription Share and Additional Subscription Share. The listing of the Subscription Shares and the Additional Subscription Shares, if any, will be subject to the PSE's approval. As of April 29, 2013, MCP received approximately ₱13,378 million from the sales of Subscription Shares to MCE Investments.

#### **RISKS RELATED TO FINANCIAL INSTRUMENTS**

The Group's principal financial instruments consist mainly restricted cash of which will be used for the Project. The Group has other 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 intermediate holding company which arise directly from its operations.

The main risks arising from the Group's financial instruments as of and for the three months period ended March 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. For details, please refer to note 21 to the unaudited consolidated financial statements.

The following are the Company's top 20 stockholders as of May 10, 2013:

	NAME	NO. OF SHARES HELD	% TO TOTAL OUTSTANDING SHARES
1	PCD NOMINEE CORPORATION (NON-FILIPINO)	2,918,289,334	66.47
2	MCE (PHILIPPINS) INVESTMENTS LIMITED	981,183,700	22.35
3	PCD NOMINEE CORPORATION (FILIPINO)	485,872,792	11.07
4	JOSE CUISIA	187,500	00.00
5	VICTOR SY	187,500	00.00
6	LEONARDO CHUA LIAN	150,000	00.00
7	LUMEN TIAOQUI	150,000	00.00
8	ALBERTO ANGUSTIA AND/OR FRANCISCO C. GONZALEZ	135,000	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	
	<b>TOTAL</b>	<b>4,387,177,076</b>	<b>99.93</b>

**Dividends Per Share.** No cash dividend was declared for the years 2004-2012. A twelve centavos (₱ 0.12) per share cash dividend was declared by the Board of Directors in its Regular Meeting held on May 23, 2001 in favor of the stockholders of record as of June 28, 2001 and was paid last July 12, 2001.

**Sale of Unregistered or Exempt Securities / Exempt Transactions.** The Company's Board of Directors on January 14, 2013, and the shareholders on February 19, 2013 approved the increase in the Company's authorized capital stock to ₱5.9 billion divided into 5.9 billion shares with par value of ₱1 per share from authorized capital stock of ₱900 million divided into 900 million shares with par value of ₱1 per share. Pursuant to the increase, 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.

The issuance of new shares in an increase in authorized capital stock is an exempt transaction under SRC Rule Section 10.1 (i).

Furthermore pursuant to the Placing and Subscription Transaction of the Company and MCE Investments, a total of 981,183,700 shares of stock were offered and sold by MCE Investments in 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).

**Undertaking to Provide Annual Report**

The Corporation undertakes to provide without charge to each stockholder with a copy of its Annual Report upon written request to the Registrant addressed to:

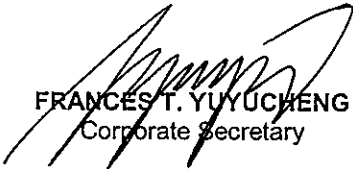
MELCO CROWN (PHILIPPINES) RESORTS CORPORATION  
OFFICE OF THE CORPORATE SECRETARY  
21<sup>st</sup> Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on this 21<sup>st</sup> day of May 2013.

**MELCO CROWN (PHILIPPINES) RESORTS  
CORPORATION**

By:

  
**FRANCES T. YUYUCHENG**  
Corporate Secretary

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**  
**FOR FINANCIAL STATEMENTS**

The management of Melco Crown (Philippines) Resorts Corporation is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, 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 in 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 shareholders, 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.

  
A handwritten signature in black ink, consisting of a stylized 'Y' and 'C' intertwined, with a vertical line extending downwards from the bottom of the signature.

YUK MAN CHUNG  
President & Chairman of the Board

  
A handwritten signature in black ink, appearing to be 'GSD' followed by a flourish.

GEOFFREY STUART DAVIS  
Treasurer

Signed this 9<sup>th</sup> day of April 2013



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  
10<sup>th</sup> Floor, Liberty Center, 104 H.V. dela Costa St.  
Salcedo Village, Makati City

We have audited the accompanying consolidated financial statements of Melco Crown (Philippines) Resorts Corporation (formerly Manchester International Holdings Unlimited Corporation) and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 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 (formerly Manchester International Holdings Unlimited Corporation) and Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended 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-A (Group A),

February 3, 2011, valid until February 2, 2014

Tax Identification No. 191-180-015

BIR Accreditation No. 08-001998-95-2011,

February 4, 2011, valid until February 3, 2014

PTR No. 3669694, January 2, 2013, Makati City

April 9, 2013





**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND  
SUBSIDIARIES**

**(Formerly Manchester International Holdings Unlimited Corporation)**

**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6, 21 and 22)	₱1,143,767,970	₱381,099,825
Trade and other receivables (Notes 7, 16, 21 and 22)	–	281,815,862
Inventories (Note 8)	–	190,440,252
Advances to suppliers and other current assets (Note 9)	512,078	32,883,061
<b>Total Current Assets</b>	<b>1,144,280,048</b>	<b>886,239,000</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment (Note 10)	–	418,459,062
Land at revalued amount (Note 11)	–	112,195,000
Retirement benefit asset (Note 18)	–	4,534,651
Other noncurrent assets (Notes 12, 21 and 22)	–	15,026,714
<b>Total Noncurrent Assets</b>	<b>–</b>	<b>550,215,427</b>
	<b>₱1,144,280,048</b>	<b>₱1,436,454,427</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 13, 21 and 22)	₱46,838,317	₱306,331,341
Output tax payable	–	21,817,568
<b>Total Current Liabilities</b>	<b>46,838,317</b>	<b>328,148,909</b>
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities -- net (Note 17)	–	9,610,140
Long-term sick leave benefit liability (Note 18)	–	34,971,400
<b>Total Noncurrent Liabilities</b>	<b>–</b>	<b>44,581,540</b>
<b>Equity</b>		
Capital stock (Note 14)	562,500,000	562,500,000
Additional paid-in capital (Note 14)	92,679,327	51,629,327
Revaluation increment in land – net of deferred tax liability (Note 11)	–	60,617,200
Retained earnings (Note 14)	730,776,531	677,491,578
Cost of treasury shares held (Note 14)	(288,514,127)	(288,514,127)
<b>Total Equity</b>	<b>1,097,441,731</b>	<b>1,063,723,978</b>
	<b>₱1,144,280,048</b>	<b>₱1,436,454,427</b>

*See accompanying Notes to Consolidated Financial Statements.*



**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND  
SUBSIDIARIES**

**(Formerly Manchester International Holdings Unlimited Corporation)**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31,		
	2012	2011	2010
INTEREST INCOME (Note 6)	P1,278,976	P1,221,593	P1,401,231
LOSS ON SALE OF SUBSIDIARIES (Note 5)	(43,808,475)	-	-
OPERATING EXPENSES (Note 15)	(2,328,496)	(364,440)	(114,596)
(LOSS) INCOME BEFORE INCOME TAX	(44,857,995)	857,153	1,286,635
PROVISION FOR INCOME TAX (Note 17)	-	-	-
(LOSS) INCOME FROM CONTINUING OPERATIONS	(44,857,995)	857,153	1,286,635
NET INCOME FROM DISCONTINUED OPERATIONS, AFTER TAX (Note 5)	11,546,948	88,694,190	133,294,153
NET (LOSS) INCOME	(33,311,047)	89,551,343	134,580,788
OTHER COMPREHENSIVE INCOME	-	-	-
<b>TOTAL COMPREHENSIVE (LOSS) INCOME</b>	<b>(33,311,047)</b>	<b>P89,551,343</b>	<b>P134,580,788</b>
Basic/Diluted Net (Loss) Income Per Share for Continuing Operations (Note 19)	(P0.109)	P0.002	P0.003
Basic/Diluted Net Income Per Share for Discontinued Operations (Note 19)	P0.028	P0.215	P0.323

*See accompanying Notes to Consolidated Financial Statements.*



**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES**  
 (Formerly Manchester International Holdings Unlimited Corporation)  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 14)		Additional Paid-in Capital	Revaluation Increment in Land (Note 11)	Retained Earnings (Note 14)	Cost of Treasury Shares Held (Note 14)	Total
	Class A	Class B					
Balance at January 1, 2012	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱677,491,578	(₱288,514,127)	₱1,063,723,978
Net loss	-	-	-	-	(33,311,047)	-	(33,311,047)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(33,311,047)	-	(33,311,047)
Additional contribution (Note 14)	-	-	41,050,000	-	-	-	41,050,000
Effect of deconsolidation (see Notes 5 and 11)	-	-	-	(60,617,200)	86,596,000	-	25,978,800
Balance at December 31, 2012	₱337,500,000	₱225,000,000	₱92,679,327	₱-	₱730,776,531	(₱288,514,127)	₱1,097,441,731
Balance at January 1, 2011	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱587,940,235	(₱288,514,127)	₱974,172,635
Net income	-	-	-	-	89,551,343	-	89,551,343
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	89,551,343	-	89,551,343
Balance at December 31, 2011	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱677,491,578	(₱288,514,127)	₱1,063,723,978
Balance at January 1, 2010	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱453,359,447	(₱288,514,127)	₱839,591,847
Net income	-	-	-	-	134,580,788	-	134,580,788
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	134,580,788	-	134,580,788
Balance at December 31, 2010	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱587,940,235	(₱288,514,127)	₱974,172,635

See accompanying Notes to Consolidated Financial Statements.



**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND  
SUBSIDIARIES**

**(Formerly Manchester International Holdings Unlimited Corporation)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,		
	2012 (Note 5)	2011 (Note 5)	2010 (Note 5)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) income before tax from continuing operations	(P44,857,995)	P857,153	P1,286,635
Income before tax from discontinued operations (Note 5)	15,262,583	123,188,148	186,626,988
Net (loss) income before tax	(29,595,412)	124,045,301	187,913,623
Adjustments for:			
Loss on sale of subsidiaries (Note 5)	43,808,475	-	-
Interest income (Note 6)	(1,278,976)	(1,221,593)	(1,401,231)
Operating income before working capital changes	12,934,087	122,823,708	186,512,392
Changes in current assets and liabilities:			
Increase in advances to suppliers and other current assets	(212,858)	(149,219)	(150,000)
Increase (decrease) in trade and other payables	2,204,284	(177,500)	287,500
Net cash generated from operations	14,925,513	122,496,989	186,649,892
Income tax paid	-	-	-
Interest received	1,278,976	1,221,593	1,401,231
Net cash provided by operating activities	16,204,489	123,718,582	188,051,123
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>			
Net proceeds from sale of investments in subsidiaries (Note 5)	784,824,976	-	-
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>			
Additional paid-in capital (Note 14)	41,050,000	-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>842,079,465</b>	<b>123,718,582</b>	<b>188,051,123</b>
<b>NET CASH FLOWS FROM DISCONTINUED OPERATIONS (Note 5)</b>	<b>(79,411,320)</b>	<b>(84,649,711)</b>	<b>(95,293,047)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>381,099,825</b>	<b>342,030,954</b>	<b>249,272,878</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P1,143,767,970</b>	<b>P381,099,825</b>	<b>P342,030,954</b>

*See accompanying Notes to Consolidated Financial Statements.*



**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND  
SUBSIDIARIES**

**(Formerly Manchester International Holdings Unlimited Corporation)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Organization and Business**

**(a) Corporate Information**

Melco Crown (Philippines) Resorts Corporation (formerly Manchester International Holdings Unlimited Corporation (herein referred to as "MCP" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") 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 and its registered office address is Canlubang Industrial Estate, Bo. Pittland, Cabuyao, Laguna.

On March 5, 2013, the SEC approved the amendments to the articles of incorporation of MCP for change of its corporate name to Melco Crown (Philippines) Resorts Corporation and its registered address 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 December 19, 2012, immediately after the Acquisition Transaction as disclosed in Note 1(b), the ultimate holding company of MCP 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 9, 2013.

**(b) Change in 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 major shareholders of MCP, Interpharma Holdings & Management Corporation ("Interpharma") and Pharma Industries Holdings Limited (collectively referred to as the "Selling Shareholders"), companies incorporated under the Philippine laws, subject to certain conditions precedent, to acquire from the Selling Shareholders an aggregate of 93.06% of the issued share capital of MCP (the "Proposed Acquisition").



On December 7, 2012, pursuant to the terms of the Acquisition Agreement, MCP entered into a deed of assignment with Interpharma in respect of the sale of its ownership interest in its wholly-owned subsidiary, Interphil Laboratories, Inc. ("Interphil"). On the same date, MCP also entered into a similar deed of assignment with Mercator Holdings and Management Corporation, in respect of the sale of its ownership interest in its wholly-owned subsidiary, Lancashire Realty Holding Corporation ("Lancashire") (the "Subsidiaries Sale Transaction").

Immediately before the completion of the Proposed Acquisition on December 19, 2012, pursuant to the terms of the Acquisition Agreement, the Selling Shareholders of MCP transferred cash of ₱41,050,000 to MCP as its capital contribution.

The Proposed 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.

As of December 31, 2012, MCE through MCE Investments and MCE Investments No.2, held an indirect ownership in MCP of 88.16%.

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for land which is carried at revalued amount and available-for-sale financial asset which is carried at fair value. The consolidated financial statements are presented in Philippine peso, the Group's functional and presentation currency. All values are rounded off to the nearest peso, unless otherwise indicated.

### 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").

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries up to the period ended December 6, 2012 as a result of the Subsidiaries Sale Transaction as disclosed in Note 1(b):

Company	Percentage of Effective Ownership		Nature of Business
	2012	2011	
Interphil	-	100%	Manufacturing
Lancashire	-	100%	Real Estate

All of the Parent Company's subsidiaries were incorporated in the Philippines.



The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-company balances, income and expenses and unrealized gains and losses resulting from intra-company transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases.

Deconsolidation of subsidiaries due to loss of control is accounted for as follows:

- Derecognize the assets and liabilities of the subsidiaries
- Derecognize the revaluation increment in land, recorded in equity
- Recognize the fair value of the consideration received
- Recognize any surplus or deficit in profit or loss
- Reclassify results of operations of the subsidiaries under net income from discontinued operations

#### Cash and Cash Equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisitions and that are subject to an insignificant risk of change in value.

#### Financial Assets and Liabilities

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

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

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or 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 and held-to-maturity investments as of December 31, 2012 and 2011 and has no available-for-sale financial assets as of December 31, 2012 after the Subsidiaries Sale Transaction.

*Determination of Fair Value.* The fair value of financial instruments traded in active markets at 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 observable market 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.

This category includes cash and cash equivalents, trade and other receivables and deposits. The carrying values and fair values of loans and receivables are disclosed in Note 22.

*Available-for-sale Financial Assets.* Available-for-sale financial assets are those nonderivative financial assets that are not classified as fair value through profit or loss, loans and receivable or held-to-maturity investments. These are purchased and held indefinitely, and maybe sold in response to liquidity requirements or changes in market conditions. After initial recognition, available-for-sale financial assets are measured at fair value with unrealized gains or losses being recognized in the "Other comprehensive income" under the consolidated statements of comprehensive income. When the investment is disposed of, the cumulative gain or loss previously recorded in other comprehensive income is recorded as part of profit or loss in the consolidated statements of comprehensive income. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on investments are recognized in the consolidated statements of comprehensive income when the right to receive payment has been established. Available-for-sale financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from balance sheet date.

The fair value of available-for-sale financial assets consisting of any investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

The Group classified its investment in shares of a certain country club as available-for-sale financial asset. The carrying value and fair value of the available-for-sale financial asset, which is presented as part of "Other noncurrent assets" account in the consolidated balance sheet, is disclosed in Note 22.





*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 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 trade and other payables. The carrying values and fair values of other financial liabilities are disclosed in Note 22.

#### Impairment of Financial Assets

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

*Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of 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.



*Available-for-sale Financial Assets.* In the case of equity investment classified as available-for-sale financial assets, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investment below its cost. When a decline in the fair value of an available-for-sale financial asset has been recognized in the other comprehensive income account and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income account is reclassified to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument are not reversed in profit or loss. Subsequent increases in the fair value after impairment are recognized directly in "Other comprehensive income" account.

#### 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.

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

#### Offsetting of Financial Instruments

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



Inventories

Inventories are carried at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Goods in process - cost includes direct materials and labor, determined using the specific identification method, and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; and
- Finished goods, raw and packaging materials and supplies - cost determined on a first-in, first-out basis.

Net realizable value of goods in process is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of finished goods, raw and packaging materials and supplies is the current replacement cost.

Property, Plant and Equipment and Land at Revalued Amount

Property, plant and equipment, except land (presented as "Land at revalued amount" account in the consolidated balance sheets), are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. Revaluation of the land is generally made every three to five years, depending on the movement of the fair value. Any increase in the carrying amount of the land as a result of the revaluation is recognized in other comprehensive income and accumulated in equity under the heading "Revaluation increment in land", net of the related deferred tax liability.

The initial cost of property, plant 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, plant and equipment when that cost is incurred and the recognition criteria are met. The cost of buildings and leasehold improvements is inclusive of capitalized borrowing costs incurred in connection with the construction. Property, plant and equipment also includes, if any, costs of dismantlement, removal or restoration, the obligation for which the entity incurs when it installs or uses the assets.

Depreciation and amortization are computed using the straight-line basis over the following estimated useful lives of the assets:

<u>Classification</u>	<u>Estimated Useful Life</u>
Buildings	30 years
Leasehold improvements	5 years or term of lease, whichever is shorter
Machinery and equipment	3-7 years
Office furniture, fixtures and equipment	3 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, plant and equipment.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant 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 is charged to current operations.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Investment in Gel Pacific, Inc. ("GPI") (included under "Other noncurrent assets" account)  
Interphil has a 33.33% ownership interest in GPI, a joint venture company. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group recognized its interest in GPI using the equity method. Under the equity method, the investment in joint venture was carried in the consolidated balance sheets at cost adjusted for post-acquisition changes in the Group's share in net assets of the joint venture, less any impairment in value. The consolidated statements of comprehensive income reflected the Group's share in the results of operations of the joint venture. Unrealized gains arising from transactions with the joint venture were eliminated to the extent of the Group's interest in the joint venture against the related investment. Unrealized losses were eliminated similarly but only to the extent that there was no evidence of impairment of the asset transferred.

The Group discontinued recognizing its share of further losses when its share equals or exceeds its interest in the joint venture. The Group's interest was the carrying amount of the investment in the joint venture together with any long-term interests that, in substance, form part of the Group's net investment. Losses recognized under the equity method in excess of the Group's investment in ordinary shares were applied to the other components of the Group's interest in the reverse order of their seniority (i.e. priority in liquidation).

The financial statements of GPI were prepared for the same reporting period as the Group, using consistent accounting policies.

#### Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets (e.g., property, plant and equipment and investment in GPI) 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 or 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, except for land carried at revalued amount where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.



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 (in case of property, plant and equipment), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of comprehensive income except for land carried at revalued amount, in which case the reversal is treated as a revaluation increase. 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 pre-tax 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 consideration received in excess of par value, if any, are recognized as additional paid-in capital.

#### Retained Earnings

Retained earnings represent the Group's net accumulated earnings less cumulative dividends declared. Retained earnings 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 Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all its revenue arrangements.



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

- Revenues from rendering tolling, planning, materials procurement and other technical and quality control services are recognized by reference to the completion of physical units of a contract.
- Revenue from sale of goods are recognized at fair value of the consideration received when the rewards of ownership of the goods have passed to the buyer upon delivery.
- Rent income (shown as part of "Other income") is recognized on straight-line basis over the lease term. For income tax reporting purposes, rent revenue under operating lease arrangements are treated as taxable income in conformity with the terms of the lease agreements or upon receipt of payment, whichever comes first.
- Interest income is recognized on a time proportionate basis that reflects the effective yield on the asset.

#### Discontinued Operations

In the consolidated statements of comprehensive income of the reporting period, and of the comparable period of the previous years, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes.

#### 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 period these are incurred.

#### Retirement Benefits

Interphil has a funded, defined noncontributory retirement plan covering all regular full-time employees, which is administered by a Board of Trustees. Retirement expense is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The past service cost, if any, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits immediately vest following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The retirement benefits liability is the aggregate of the present value of the defined benefit obligation and net actuarial gains and losses not recognized, reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.



If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that these exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

#### 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 lessor.* Leases where the Group does not transfer substantially all the risks and benefits incidental to ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which they are earned.

*As a lessee.* Operating lease payments are recognized as an 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.



#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. For income tax reporting purposes, borrowing costs are treated as deductible expense in the year such are incurred.

#### Foreign Currency Transactions

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

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

#### Income Tax

*Current Tax.* Current tax assets and liabilities for the current and prior periods 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 and interests in joint ventures, 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 excess of minimum corporate income tax ("MCIT") over regular corporate income tax ("RCIT") and net operating loss carryover ("NOLCO"), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused excess of MCIT over RCIT and NOLCO 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 and interests in joint ventures, 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.

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

Deferred tax relating to items recognized outside 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 value-added tax 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, or payable to, the tax authority is included under "Advances to suppliers and other current assets" or "Output tax payable" accounts, respectively, in the consolidated balance sheets.

#### Net (Loss) Income Per Share

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

Since the Group has no potential dilutive common shares, basic and diluted net (loss) income per share are stated at the same amount.



### 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.

Immediately before the Subsidiaries Sale Transaction on December 7, 2012, for management purposes, the Group is organized and managed under a single business segment, the manufacturing business, which is the basis upon which the Group reports its segment information. Revenue from sales and cost of sales and services are presented in the consolidated statements of comprehensive income.

After the Subsidiaries Sale Transaction, the Group did not present the segment reporting as the Group had no revenue and incurred insignificant expenses for the period from December 7, 2012 to December 31, 2012.

### 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.

### 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.

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### **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 year, except for adoption of the following amendments to existing PFRS and PAS as of January 1, 2012. The adoption of these amended PFRS and PAS had no significant impact on the consolidated financial statements:

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)

### Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the consolidated financial statements 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 PFRS and Philippine Interpretations to have significant impact on the Group's financial position or performance.



▪ **PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)***

The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group’s financial position or performance.

The amendment becomes effective for annual periods beginning on or after July 1, 2012.

▪ **PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)***

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or ‘similar agreement’, irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated balance sheet;
- c) The net amounts presented in the consolidated balance sheet;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
  - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
  - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and will have no impact on the Group’s financial position or performance.

▪ **PFRS 10, *Financial Statements***

PFRS 10 replaces the portion of PAS 27, *and Separate Financial Statements*, that addresses the accounting for financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.



The adoption of this standard will have no impact on the Group's financial position or performance.

▪ **PFRS 11, *Joint Arrangements***

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The adoption of this standard will have no impact on the Group's financial position or performance.

▪ **PFRS 12, *Disclosure of Interests in Other Entities***

PFRS 12 includes all of the disclosures related to financial statements that were previously in PAS 27, *Separate Financial Statements* as well as all the disclosures that were previously included in PAS 31, *Interests in Joint Ventures* and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The adoption of this standard will affect disclosures only and will have no impact on the Group's financial position or performance.

▪ **PFRS 13, *Fair Value Measurement***

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position or performance.

▪ **PAS 19, *Employee Benefits (Revised)***

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013.

The adoption of this standard will have no impact on the Group's financial position or performance.



▪ **PAS 27, *Separate Financial Statements* (as revised in 2011)**

As a consequence of the issuance of the new PFRS 10, *Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

The adoption of this standard will have no impact on the Group's financial position or performance.

▪ **PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)**

As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28, *Investments in Associates* has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

The amendment will have no impact on the Group's financial position or performance.

▪ **Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine***

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013.

This new interpretation is not relevant to the Group.

▪ **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.

The amendments affect presentation only and will have no impact on the Group's financial position or performance.



▪ **PFRS 9, *Financial Instruments***

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing 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, 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 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 into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The standard becomes effective for annual periods beginning on or after January 1, 2015.

The adoption of the first phase of this standard will have no impact on the Group’s financial position or performance.

▪ **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.

The adoption of the interpretation when it becomes effective will have no impact on the Group’s financial position or performance.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs (2009-2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

▪ **PFRS 1, *First-time Adoption of PFRS – Borrowing Costs***

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening consolidated balance sheet at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*.

The amendment does not apply to the Group as it is not a first-time adopter of PFRS.



▪ **PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information***

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

▪ **PAS 16, *Property, Plant and Equipment - Classification of servicing equipment***

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

The amendment will not have any significant impact on the Group's financial position or performance.

▪ **PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments***

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

The Group expects that this amendment will not have any impact on its financial position or performance.

▪ **PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities***

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment.

The amendment affects disclosures only and will have no impact on the Group's financial position or performance.



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#### 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.

*Contingencies.* Interphil is a defendant in certain legal cases still pending with the courts. Management believes that the ultimate resolution of these cases will not have a material effect on the consolidated financial statements immediately before the Subsidiaries Sale Transaction (see Note 20).

*Discontinued Operations.* The Group classified Interphil and Lancashire's results of operations until December 6, 2012 in the consolidated statements of comprehensive income as discontinued operations. The comparative consolidated statements of comprehensive income and consolidated statements of cash flows were restated, as if the operation had been discontinued from the start of the comparative periods, so as to provide some form of comparability with the new presentation (see Note 5).

*Impairment of Available-for-sale Financial Asset.* The Group treats available-for-sale equity investments as impaired when there has been a significant and prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than six months for quoted equity securities.

The carrying value of available-for-sale financial asset amounted to nil and ₱0.3 million as of December 31, 2012 and 2011 (see Note 12). No impairment losses were recognized in 2012, 2011 and 2010.

##### 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 Allowances for Doubtful Accounts.* Provisions are made for specific and groups of accounts where objective evidence of impairment exists. The Group evaluates these accounts, based on available facts and circumstances that affect the collectibility of the accounts. The review is accomplished using a combination of specific and collective assessments. The Group considers factors such as the age of the receivable, payment status and collection experience in determining individually impaired financial assets. For the purpose of collective assessment of impairment, financial assets are group on the basis of such credit risk characteristics as the length of the Group's relationship with customers, customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amounts and timing of recorded provision for doubtful accounts for any period would differ if the Group made different assumptions or utilized different estimates.





The allowance is established by charges to income in the form of provision for doubtful accounts. An increase in the allowance for doubtful accounts would increase the recorded operating expenses and decrease current assets. As a result of the Subsidiaries Sale Transaction, the movement of the allowance for doubtful accounts is recognized under discontinued operations in the consolidated statements of comprehensive income.

Trade and other receivables, net of allowance for doubtful accounts, amounted to nil and ₱281.8 million as of December 31, 2012 and 2011, respectively (see Note 7).

*Estimating Net Realizable Values of Inventories.* The Group carries its inventories at net realizable value when these become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a monthly basis to reflect the accurate valuation in the financial records. There were no provision for inventory obsolescence in 2012, 2011 and 2010.

The carrying value of inventories amounted to nil and ₱190.4 million as of December 31, 2012 and 2011, respectively (see Note 8).

*Estimating Useful Lives of Property, Plant and Equipment.* The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for operational use. The estimated useful lives of property, plant 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, plant 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, plant 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, plant and equipment. The carrying values of property, plant and equipment amounted to nil and ₱418.5 million as of December 31, 2012 and 2011, respectively (see Note 10).

*Impairment of Property, Plant and Equipment and Investment in GPI.* PFRS requires that an impairment review be performed when certain impairment indicators are present. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. Determining the value of property, plant and equipment and investment in GPI, 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 operations 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.



The carrying values of property, plant and equipment amounted to nil and ₦418.5 million as of December 31, 2012 and 2011, respectively (see Note 10). The carrying values of investment and advances amounted to nil and ₦6.0 million as of December 31, 2012 and 2011, respectively (see Note 12). No impairment losses were recognized in 2012, 2011 and 2010.

*Estimating Fair Value of Land.* The Group used the services of an independent professional appraiser in estimating the fair value of land. The fair value is determined based on recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transaction. The amount and timing of recorded changes in fair value for any period would differ if the Group made a different judgment and estimate or utilized a different basis for determining fair value. Management has determined that there is no significant movement in the fair value of the land since its last appraisal.

The fair value of the land amounted to nil and ₦112.2 million as of December 31, 2012 and 2011, respectively (see Note 11).

*Estimating Realizability of Deferred Tax Assets and Creditable Withholding Tax.* The Group reviews its deferred tax assets and creditable withholding tax at each balance sheet date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets or creditable withholding tax to be utilized (see Note 17). The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on forecasted taxable income of the subsequent reporting period. The forecast is based on past results and future expectations on revenues and expenses. However, there is no assurance that the Group will generate sufficient taxable profit to allow all part of its deferred tax assets to be utilized in the future.

The carrying value of deferred tax assets amounted to nil and ₦29.4 million as of December 31, 2012 and 2011, respectively (see Note 17). The carrying value of creditable withholding tax amounted to nil as of December 31, 2012 and 2011.

The Group also has unrecognized deferred tax assets arising from NOLCO and certain provisions amounting to ₦1.8 million and ₦5.3 million as of December 31, 2012 and 2011, respectively (see Note 17).

*Retirement and Long-term Sick Leave Benefits.* The determination of the Group's obligation and cost for retirement and long-term sick leave benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions described in Note 18 to the consolidated financial statements include among others, discount rates, expected rates of return on plan assets and rates of salary increase. In conformity with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

As a result of the Subsidiaries Sale Transaction, the Group has no retirement benefits liability and long-term sick-leave benefits liability as of December 31, 2012. As of December 31, 2011, the retirement benefits asset and long-term sick leave benefits liability amounted to ₦4.5 million and ₦35.0 million, respectively (see Note 18).



## 5. Discontinued Operations

On December 7, 2012, the Parent Company sold its ownership interests in its wholly-owned subsidiaries, Interphil and Lancashire, as disclosed under the Subsidiaries Sale Transaction in Note 1(b). The results of operations for the period from January 1, 2012 to December 6, 2012 were classified as discontinued operations. Prior years presentations were also restated for comparability purposes. The results of operations attributable to the manufacturing business of Interphil and the real estate business of Lancashire are as follows:

	For the years ended December 31,		
	2012*	2011	2010
Revenues	₱1,766,139,478	₱1,767,314,256	₱1,832,976,274
Cost of sales and services	(1,485,908,894)	(1,462,155,996)	(1,466,576,205)
Gross income	280,230,584	305,158,260	366,400,069
Operating expenses (Note 15)	(263,989,253)	(203,507,352)	(186,943,967)
Foreign exchange loss - net (Note 21)	(19,161,103)	(4,307,517)	(14,570,183)
Interest income (Note 6)	3,772,350	3,522,137	1,808,399
Equity in net income of a joint venture (Note 12)	13,820	3,549,881	7,709,043
Interest expense	-	-	(4,966,992)
Other income - net	14,396,185	18,772,739	17,190,619
Income before income tax	15,262,583	123,188,148	186,626,988
Provision for income tax			
Current	(6,159,412)	(30,632,709)	(48,337,879)
Deferred	2,443,777	(3,861,249)	(4,994,956)
	(3,715,635)	(34,493,958)	(53,332,835)
Net income from discontinued operations	₱11,546,948	₱88,694,190	₱133,294,153
Basic/diluted net income per share from discontinued operations	₱0.028	₱0.215	₱0.323

\*Representing operations of Interphil and Lancashire for the period from January 1, 2012 to December 6, 2012.

The net cash flows attributable to discontinued operations are as follows:

	For the years ended December 31,		
	2012*	2011	2010
Cash flows (used in) provided by:			
Operating activities	(₱62,142,778)	(₱35,758,524)	₱54,435,965
Investing activities	(17,466,017)	(49,290,094)	(14,945,813)
Financing activities	-	-	(134,966,992)
Effect of exchange rate changes on cash and cash equivalents	197,475	398,907	183,793
Net decrease in cash and cash equivalents	(₱79,411,320)	(₱84,649,711)	(₱95,293,047)

\*Representing operations of Interphil and Lancashire for the period from January 1, 2012 to December 6, 2012.



Loss on the sale of subsidiaries is derived as follows:

Selling price - net of transaction cost	₱1,014,540,243
Major classes of assets and liabilities of Interphil and Lancashire as of December 7, 2012:	
Cash and cash equivalents	274,239,300
Trade and other receivables	372,724,217
Advances to suppliers and other current assets	91,282,934
Inventories	259,396,170
Property, plant and equipment	377,707,209
Land at revalued amount	112,195,000
Retirement benefit asset	8,091,972
Deferred tax assets - net	18,812,436
Other noncurrent assets	17,559,565
Trade and other payables	(394,175,198)
Output tax payable	(44,537,052)
Long-term sick leave benefit liability	(34,947,835)
Net carrying value of Interphil and Lancashire as of December 7, 2012	1,058,348,718
	₱43,808,475

Selling price is net of capital gains tax amounting to ₱44,524,033.

## 6. Cash and Cash Equivalents

	December 31,	
	2012	2011
Cash on hand and in banks	₱1,143,767,970	₱101,603,553
Cash equivalents	-	279,496,272
	₱1,143,767,970	₱381,099,825

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments, which are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

The Parent Company's interest income from bank deposits amounted to ₱1.3 million, ₱1.2 million and ₱1.4 million in 2012, 2011 and 2010, respectively, and the interest income from bank deposits and short term investments for the discontinued operations amounted to ₱3.8 million, ₱3.5 million and ₱1.8 million in 2012, 2011 and 2010, respectively, are disclosed under discontinued operations in the consolidated statements of comprehensive income (see Note 5).



## 7. Trade and Other Receivables

As of December 31, 2012, there were no trade and other receivables in the Parent Company's balance sheet subsequent to the deconsolidation as mentioned in Note 5.

As of December 31, 2011, this account consists of:

Trade	₱260,222,076
Receivables from related parties (see Note 16)	2,784,464
Others	25,005,005
	<u>288,011,545</u>
Less: allowance for doubtful accounts	(6,195,683)
	<u>₱281,815,862</u>

Trade and other receivables are noninterest-bearing and are generally on 1 to 30 days' terms.

Movements of allowance for doubtful accounts pertaining to specifically impaired receivables are as follow:

	Trade Receivables		Receivable from a Related Party	
	December 31,			
	2012	2011	2012	2011
Balance at beginning of year	₱4,763,483	₱14,149,814	₱1,432,200	₱1,432,200
Provision	4,594,587	4,196,752	-	-
Recovery of prior year allowance	(1,515,686)	(452,875)	-	-
Write-off	(2,147,237)	(13,130,208)	-	-
Effect of deconsolidation (see Note 5)	(5,695,147)	-	(1,432,200)	-
Balance at end of year	<u>₱-</u>	<u>₱4,763,483</u>	<u>₱-</u>	<u>₱1,432,200</u>

No collective impairment was provided in 2012 and 2011.

## 8. Inventories

As of December 31, 2012, there was no inventory in the Group's consolidated balance sheet subsequent to the deconsolidation as mentioned in Note 5.

As of December 31, 2011, this account consists of:

At net realizable value -	
Raw and packaging materials	₱160,843,796
At cost:	
Goods in process	27,000,941
Supplies	2,595,515
	<u>₱190,440,252</u>

The cost of raw and packaging materials amounted to ₱164.3 million as of December 31, 2011.



9. Advances to Suppliers and Other Current Assets

	December 31,	
	2012	2011
Input VAT – net	₱465,878	₱–
Deferred input VAT	46,200	–
Prepaid insurance	–	11,820,832
Advances to suppliers	–	10,234,675
Other prepaid expenses	–	10,827,554
	<b>₱512,078</b>	<b>₱32,883,061</b>

10. Property, Plant and Equipment

	December 31, 2012					Total
	Buildings and Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress		
<b>Cost:</b>						
Balance at beginning of year	₱801,760,558	₱600,508,656	₱85,363,327	₱11,062,106		₱1,498,694,647
Additions	5,483,825	18,703,117	550,491	–		24,737,433
Disposals	–	(14,170,755)	–	–		(14,170,755)
Reclassification	–	11,062,106	–	(11,062,106)		–
Effect of deconsolidation (see Note 5)	(807,244,383)	(616,103,124)	(85,913,818)	–		(1,509,261,325)
Balance at end of year	–	–	–	–		–
<b>Accumulated depreciation and amortization:</b>						
Balance at beginning of year	(473,624,711)	(525,867,250)	(80,743,624)	–		(1,080,235,585)
Depreciation and amortization	(25,942,799)	(26,168,776)	(3,587,265)	–		(55,698,840)
Disposals	–	4,380,309	–	–		4,380,309
Effect of deconsolidation (see Note 5)	499,567,510	547,655,717	84,330,889	–		1,131,554,116
Balance at end of year	–	–	–	–		–
<b>Net book value</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>		<b>₱–</b>

	December 31, 2011					Total
	Buildings and Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress		
<b>Cost:</b>						
Balance at beginning of year	₱801,760,558	₱572,593,248	₱83,957,196	₱–		₱1,458,311,002
Additions	–	30,080,408	1,526,131	11,062,106		42,668,645
Disposals	–	(2,165,000)	(120,000)	–		(2,285,000)
Balance at end of year	801,760,558	600,508,656	85,363,327	11,062,106		1,498,694,647
<b>Accumulated depreciation and amortization:</b>						
Balance at beginning of year	(446,684,457)	(500,492,896)	(74,043,929)	–		(1,021,221,282)
Depreciation and amortization	(26,940,254)	(27,539,354)	(6,819,695)	–		(61,299,303)
Disposals	–	2,165,000	120,000	–		2,285,000
Balance at end of year	(473,624,711)	(525,867,250)	(80,743,624)	–		(1,080,235,585)
<b>Net book value</b>	<b>₱328,135,847</b>	<b>₱74,641,406</b>	<b>₱4,619,703</b>	<b>₱11,062,106</b>		<b>₱418,459,062</b>



Amortization of capitalized borrowing cost amounted to ₱5.3 million in 2012, and ₱5.6 million in 2011 and 2010, respectively are included in discontinued operations in the consolidated statements of comprehensive income (see Note 5). There were no borrowing costs capitalized in 2012, 2011 and 2010.

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#### 11. Land at Revalued Amount

As of December 31, 2011, this account consists of:

Land - at cost	₱25,599,000
Appraisal increase	86,596,000
	<u>₱112,195,000</u>

The appraised value of the land, which is held by Lancashire, was determined by an independent firm of appraisers as of December 31, 2008. The appraised value of the land was estimated based on sales and listings of comparable property registered within the vicinity.

As a result of the Subsidiaries Sale Transaction, the account was deconsolidated on December 7, 2012 and the related appraisal increase was closed to retained earnings.

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#### 12. Other Noncurrent Assets

As of December 31, 2012, there were no other noncurrent assets in the Group's balance sheet subsequent to the deconsolidation as mentioned in Note 5.

As of December 31, 2011, this account consists of:

Investment in GPI - net	₱6,028,754
Deposits	3,214,262
Available-for-sale financial asset	330,000
Others	5,453,698
	<u>₱15,026,714</u>

On February 20, 1997, Interphil, Active Research and Management Corporation and Mercury Group of Companies established GPI, a joint venture, to manufacture and sell softgel products in the Philippines. Each company has a 33.33% interest in the joint venture.



As of December 31, 2012 and 2011, the details and movements of the investment in GPI are as follows:

	December 31,	
	2012	2011
Acquisition cost	₱25,000,000	₱25,000,000
Effect of deconsolidation (see Note 5)	(25,000,000)	-
	-	25,000,000
Accumulated equity in net loss:		
Balance at beginning of period	18,971,246	22,521,127
Equity in net income	(13,820)	(3,549,881)
Effect of deconsolidation (see Note 5)	(18,957,426)	-
Balance at end of period	-	18,971,246
	₱-	₱6,028,754

Interphil's proportionate share in the assets, liabilities, revenues and net income of GPI as of December 7, 2012, December 31, 2011 and 2010 and for the period/year then ended is as follows:

	December 7, 2012	December 31, 2011	December 31, 2010
Current assets	₱16,091,873	₱11,713,918	₱4,802,732
Noncurrent assets	9,344,253	11,188,974	12,811,412
Current liabilities	5,231,349	2,711,935	973,067
Revenue	13,417,409	15,487,769	16,067,230
Net income	13,820	3,549,881	7,709,043

Deposits, available-for-sale financial asset and other noncurrent assets were also deconsolidated on December 7, 2012 as a result of Subsidiaries Sale Transaction.

### 13. Trade and Other Payables

	December 31,	
	2012	2011
Trade	₱-	₱229,441,385
Nontrade	379,114	5,504,377
Capital gains tax payable (see Note 5)	44,524,033	-
Accruals for:		
Personnel costs	-	54,296,169
Others	1,926,731	6,916,987
Withholding tax payable	8,439	2,098,754
Others	-	8,073,669
	₱46,838,317	₱306,331,341

Trade and other payables are non-interest bearing and are due for payment within 12 months.





#### 14. Equity

- (a) The two classes of common stock are identical in all respects except that Class A shares are restricted in ownership to Philippine nationals. Both common stocks have ₱1 par value.
- (b) 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:

Shares Registered		Issue Price		Date of SEC Approval
Common Class A	Common Class B	Class A	Class B	
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			

- (c) The Parent Company's issued and fully paid shares are as follows:

Class A	337,500,000
Class B	225,000,000

- (d) Treasury shares held totaled 150,435,404 shares as of December 31, 2012 and 2011.
- (e) The retained earnings balance as of December 31, 2012 and 2011 is restricted for dividend declaration for the cost of shares held in treasury.
- (f) On December 19, 2012, pursuant to the terms of the Acquisition Agreement, the Selling Shareholders of MCP transferred cash of ₱41,050,000 to MCP as its capital contribution as disclosed in Note 1(b).
- (g) As of December 31, 2012, the Parent Company has 471 stockholders.

#### 15. Operating Expenses

	For the years ended December 31,		
	2012	2011	2010
Professional fees	₱2,289,002	₱364,440	₱100,000
Taxes and licenses	39,094	—	—
Others	400	—	14,596
From continuing operations	2,328,496	364,440	114,596
From discontinued operations (see Note 5)	263,989,253	203,507,352	186,943,967
	₱266,317,749	₱203,871,792	₱187,058,563



## 16. Related Party Transactions

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

Category	December 31,	Amount of transactions during the year	Outstanding balance	Terms	Conditions
<b>Affiliates</b>					
<b>Zuellig Pharma Corporation*</b>					
(1) Tolling and other service fees income	2012	₹-	₹-	30 days; non-interest bearing	Unsecured, no impairment
	2011	12,774,168	34,064		
	2010	37,456,281	15,435,157		
(2) Rent expense	2012	28,378,924	-	Within first five days of the month; non-interest bearing	Unsecured, no impairment
	2011	30,270,852	-		
	2010	29,608,574	-		
<b>Bridgebury Realty Corporation*</b>					
(1) Sale of vehicle	2012	-	-	30 days; non-interest bearing	Unsecured, fully provided with allowance
	2011	-	1,432,200		
	2010	-	1,432,200		
<b>Acette Insurance Brokerage**</b>					
(1) Insurance expense	2012	-	-	30 days; non-interest bearing	Unsecured, no impairment
	2011	6,603,868	-		
	2010	6,604,744	-		
<b>GPI*</b>					
(1) Tolling and other service fees income	2012	3,345,600	-	30 days; non-interest bearing	Unsecured, no impairment
	2011	1,315,646	361,990		
	2010	2,896,101	428,720		
(2) Rent income	2012	4,403,720	-	30 days; non-interest bearing	Unsecured, no impairment
	2011	4,542,165	956,210		
	2010	3,561,320	502,920		

\* Under the then common ultimate stockholders as of December 18, 2012.

\*\* Under the then common ultimate stockholders until November 30, 2011.

### Compensation of Key Management Personnel

Before the change in ownership of the Parent Company, the compensation of key management personnel of the Group are as follows:

	For the years ended December 31,		
	2012	2011	2010
Short-term employee benefits	₹90,850,208	₹78,061,746	₹70,657,037
Post-employment benefits:			
Retirement benefits	910,844	765,077	873,237
Long-term sick leave benefits	744,375	714,100	589,541
	₹92,505,427	₹79,540,923	₹72,119,815

After the change in ownership of the Parent Company, the remuneration of the key management personnel of the Group is borne by MCE.



**17. Income Tax**

No provision for current income tax from continuing operations has been recognized in 2012 since the Group is in a tax loss position. Provision for current income tax from discontinued operations represents RCIT. The following are the components of the Group's provision for current income tax:

	For the years ended December 31,		
	2012	2011	2010
From continuing operations	₱-	₱-	₱-
From discontinued operations (see Note 5)	6,159,412	30,632,709	48,337,879
	<u>₱6,159,412</u>	<u>₱30,632,709</u>	<u>₱48,337,879</u>

As of December 31, 2011, the components of the Group's net deferred tax liabilities pertain to the tax effects of the following:

Deferred tax liabilities:		
Revaluation increment in land		₱25,978,800
Unamortized portion of capitalized interest		12,877,870
Unrealized foreign exchange gain - net		119,672
		<u>38,976,342</u>
Deferred tax assets:		
Accrued personnel expenses		21,929,867
Allowance for:		
Doubtful accounts		1,858,705
Excess of cost of inventories over the net realizable value		1,023,694
Unamortized past service costs on contributions		4,553,936
		<u>29,366,202</u>
Deferred tax liabilities -- net		<u>₱9,610,140</u>

As a result of the Subsidiaries Sale Transaction, the Group's net deferred tax liabilities were deconsolidated on December 7, 2012.

The Parent Company's unrecognized deferred tax asset on NOLCO amounting to ₱1.8 million and ₱0.8 million as of December 31, 2012 and 2011, respectively. Management believes that it is not yet probable that there will be future taxable profit prior to the expiration of the carryforward benefits of NOLCO.

In 2011, Interphil also has unrecognized deferred tax assets on certain provisions amounting to ₱4.5 million.

Details of NOLCO which can be claimed as deduction from regular taxable income are as follows:

Year Incurred	Expiry Year	Amount
2010	2013	₱1,364,596
2011	2014	1,264,440
2012	2015	3,209,751
		<u>₱5,838,787</u>



A reconciliation of provision for (benefit from) income tax expense computed at the statutory tax rates to provision for income tax for the years ended December 31 is as follows:

	For the years ended December 31,		
	2012	2011	2010
Provision for (benefit from) income tax on continuing operations computed at statutory rates	(₱13,457,399)	₱257,146	₱385,991
Income tax effects of:			
Loss on sale of subsidiaries subjected to capital gains tax	13,142,543	-	-
Changes in unrecognized deferred tax assets	962,925	379,332	409,379
Interest income subjected to final tax	(383,693)	(366,478)	(420,369)
Others	(264,376)	(270,000)	(375,001)
	₱-	₱-	₱-

#### 18. Retirement and Long-term Sick Leave Benefits

Interphil has a defined benefit, noncontributory retirement plan covering all of regular full-time employees which require contribution to be made to the administered fund.

The following tables summarize the components of net retirement benefit expense recognized under discontinued operations in the consolidated statements of comprehensive income and the unfunded status and amounts recognized in the consolidated balance sheets for the plan:

Net retirement benefit expense consists of:

	For the years ended December 31,		
	2012*	2011	2010
Current service cost	₱13,187,455	₱11,940,000	₱11,881,000
Interest cost	13,949,975	16,188,229	17,802,497
Expected return on plan assets	(22,527,058)	(21,684,214)	(14,899,438)
Net actuarial gain recognized	(166,173)	(1,666,925)	(2,586,234)
Amortization for non-vested past service cost	371,200	371,200	-
Net retirement benefit expense	₱4,815,399	₱5,148,290	₱12,197,825

\*Representing amounts of Interphil for the period from January 1, 2012 to December 6, 2012.

Details of retirement benefit asset are as follows:

	December 31,	
	2012	2011
Fair value of plan assets	₱320,425,678	₱293,991,380
Present value of defined benefit obligation	(263,535,055)	(263,963,900)
Funded status	56,890,623	30,027,480
Net cumulative unrecognized actuarial gain	(53,995,451)	(31,060,829)
Unrecognized past service cost	5,196,800	5,568,000
Effect of deconsolidation (see Note 5)	(8,091,972)	-
Retirement benefit asset	₱-	₱4,534,651



Changes in the present value of defined benefits obligation are as follow:

	For the years ended December 31,		
	2012*	2011	2010
Balance at beginning of year	₱263,963,900	₱228,647,300	₱204,626,400
Current service cost	13,187,455	11,940,000	11,881,000
Interest cost	13,949,975	16,188,229	17,802,497
Past service cost - non-vested	—	5,939,200	—
Actuarial loss (gain)	(404,691)	14,385,657	34,353,205
Benefits paid	(27,161,584)	(13,136,486)	(40,015,802)
Effect of deconsolidation (see Note 5)	(263,535,055)	—	—
Balance at end of year	₱—	₱263,963,900	₱228,647,300

\*Representing amounts of Interphil for the period from January 1, 2012 to December 6, 2012.

Changes in the fair value of plan assets are as follows:

	For the years ended December 31,		
	2012*	2011	2010
Balance at beginning of year	₱293,991,380	₱271,052,673	₱248,323,966
Expected return on plan assets	22,527,058	21,684,214	14,899,438
Benefits paid	(27,161,584)	(13,136,486)	(40,015,802)
Contributions	8,372,720	11,052,121	17,825,816
Actuarial gain	22,696,104	3,338,858	30,019,255
Effect of deconsolidation (see Note 5)	(320,425,678)	—	—
Balance at end of year	₱—	₱293,991,380	₱271,052,673

Actual return on plan assets	₱45,223,162	₱25,023,072	₱44,918,693
------------------------------	-------------	-------------	-------------

\*Representing amounts of Interphil for the period from January 1, 2012 to December 6, 2012.

Plan assets are composed of equity securities.

Movements of retirement benefits asset (liability) are as follows:

	December 31,	
	2012	2011
Balance at beginning of year	₱4,534,651	(₱1,369,180)
Net retirement benefit	(4,815,399)	(5,148,290)
Actual contributions	8,372,720	11,052,121
Effect of deconsolidation (see Note 5)	(8,091,972)	—
Balance at end of year	₱—	₱4,534,651



The principal assumptions used in determining retirement benefit obligations of the Group's plan are shown below:

	For the years ended December 31,		
	2012	2011	2010
Discount rate	5.61%	5.65%	7.08%
Expected rate of return on plan assets	8.00%	8.00%	8.00%
Rate of salary increase	5.00%	6.00%	6.00%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous period are as follows:

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	₹- 263,963,900	₹228,647,300	₹204,626,400	₹102,090,700	
Fair value of plan assets	- 293,991,380	271,052,673	248,323,966	202,373,242	
Experience adjustment on defined benefit obligation	5,144,309	(2,401,543)	8,055,505	(15,757,668)	1,569,884
Experience adjustment on plan assets	22,696,104	3,338,858	30,019,255	21,674,727	(37,201,265)

The Group's policy provides that unused sick leave credits equivalent to 60 to 90 days is accumulated and the cash equivalent is payable upon separation of the employee. The Group recognized the related long-term sick leave benefits expense of ₹5.2 million in 2012, ₹3.5 million in 2011 and income of ₹0.6 million in 2010 under discontinued operations in the consolidated statements of comprehensive income.

Movements of long-term sick leave benefits liability are as follows:

	December 31,	
	2012	2011
Balance at beginning of year	₹34,971,400	₹33,653,100
Long-term sick leave benefits expense	6,102,739	3,470,038
Benefits paid	(6,126,304)	(2,151,738)
Effect of deconsolidation	(34,947,835)	-
Balance at end of year	₹-	₹34,971,400

The principal assumptions used in determining sick leave benefits liability of the Group are shown below:

	For the years ended December 31,		
	2012	2011	2010
Discount rate	5.61%	5.65%	7.08%
Rate of salary increase	5.00%	6.00%	6.00%



## 19. Basic/Diluted Net (Loss) Income Per Share

	For the years ended December 31,		
	2012	2011	2010
Net (loss) income from:			
Continuing operations (a)	(₱44,857,995)	₱857,153	₱1,286,635
Discontinued operations (b)	11,546,948	88,694,190	133,294,153
Weighted average number of shares outstanding (c)	412,064,596	412,064,596	412,064,596
Basic/diluted net (loss) income per share for:			
Continuing operations (a/c)	(₱0.109)	₱0.002	₱0.003
Discontinued operations (b/c)	₱0.028	₱0.215	₱0.323

There are no common stock equivalents that would have a dilutive effect on basic net (loss) income per share.

## 20. Commitment and Contingencies

Subsequent to the Subsidiaries Sale Transaction, the Parent Company has no operating, capital commitment nor be a party of legal proceeding as of December 31, 2012.

As of December 31, 2011, the Group has the following commitments and contingencies:

- (a) As of December 31, 2011, the Group has a lease agreement with Novartis Healthcare Philippines, Inc. ("Novartis") covering the manufacturing facilities in Canlubang for an annual rental of ₱10.0 million, inclusive of VAT. The lease agreement was renewed annually and the lease is accounted for as operating lease. Rental expense on this lease contract amounted to ₱9.2 million in 2012, and ₱8.9 million on 2011 and 2010 are recognized under discontinued operations in the consolidated statements of comprehensive income.

The Group has also entered into various lease agreements for one year renewable every year covering various warehouse, and machineries and equipment. Rental expense on these lease agreements amounted to ₱3.1 million in 2012, ₱3.8 million on 2011 and ₱2.1 million on 2010 are recognized under discontinued operations in the consolidated statements of comprehensive income.

- (b) Interphil is a defendant in certain legal cases still pending with the courts. Management is of the opinion that the ultimate resolution of such cases will not have a material effect on the consolidated financial statements.



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## 21. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of this financial instrument is to finance the Group's operations. Immediately before the Subsidiaries Sale Transaction, the Group has various other financial assets and liabilities such as trade and other receivables, deposits, available-for-sale financial asset and trade and other payables which arise directly from its operations.

Before the change of ownership of the Parent Company, the main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign exchange risk, the Group's overall risk management program was carried out by former management under policies approved by the former BOD, to identify and evaluate financial risks in coordination with the Group's operating units and to minimize these risks on the Group's financial performance.

After the change of ownership of the Parent Company, the main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. The new management reviews and approves policies for managing each of these risks.

### Interest Rate Risk

After the change in ownership of the Parent Company, 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, the management is of the opinion that the Group does not have significant interest rate risk and no sensitivity analysis is performed.

### Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Immediately before the Subsidiaries Sale Transaction, the Group former management manages credit risk by following strict credit policies and procedures in granting of credit to customers and monitoring of schedule of aged receivables.

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

With respect to credit risk from other financial assets of the Group, which mainly composed of cash and cash equivalents and receivables from related parties, the exposure of the Group to credit risk arises from the default of the counterparty, 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, 2012 and 2011.

*Credit Quality per Class of Financial Assets.* As of December 31, 2012, the Group's financial assets consist of cash in bank amounting to ₱1,143.8 million, which is considered as high grade by class of credit quality, as this pertains to deposit made to reputable banks in the Philippines.





The table below shows the credit quality by class of financial asset as of December 31, 2011:

	December 31, 2011				
	Neither Past Due nor Impaired High Grade	Standard Grade	Past Due but not Impaired	Impaired	Total
Cash and cash equivalents*	₱381,004,825	₱-	₱-	₱-	₱381,004,825
Trade and other receivables:					
Trade Receivables from related parties	57,584,813	53,352,381	144,521,399	4,763,483	260,222,076
Others	1,320,126	-	32,138	1,432,200	2,784,464
Deposits**	10,581,394	6,818,598	7,605,013	-	25,005,005
Available-for-sale financial asset**	3,214,262	-	-	-	3,214,262
	330,000	-	-	-	330,000
	₱454,035,420	₱60,170,979	₱152,158,550	₱6,195,683	₱672,560,632

\*Excluding cash on hand

\*\*Included as part of "Other noncurrent assets"

High grade trade and other receivables represent good paying customer accounts with no history of default and are normally settled before the due date. Standard grade trade and other receivables include average paying customer accounts with no history of default and are normally settled on the due date. Cash and cash equivalents are considered as high grade and include deposits or placements made to top 10 banks in the Philippines. Available-for-sale financial asset pertains to quoted club membership shares traded in an active market and is considered as high grade. Deposits are also classified as high grade since these include deposits to reputable companies with positive financial performance.

The table below shows the aging analysis of past due but not impaired loans and receivables per class that the Group held as of December 31, 2011. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	December 31, 2011				Total
	1 to 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	
Trade and Other Receivables:					
Trade Receivables from related parties	₱89,942,486	₱24,296,752	₱7,661,370	₱22,620,791	₱144,521,399
Others	4,480	-	-	27,658	32,138
	1,290,777	2,359,882	220,084	3,734,270	7,605,013
	₱91,237,743	₱26,656,634	₱7,881,454	₱26,382,719	₱152,158,550

#### 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.

Before the change of ownership of the Parent Company, the objective of the Group was to maintain a balance between continuity of funding and flexibility through the use of credit lines available from local banks. The Group former management managed its liquid funds through cash planning on a monthly basis. The Group used historical data and forecasts from its collection and disbursement. The Group also placed funds in the money market only when exceeding the Group's cash requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.



After the change of ownership of the Parent Company, the Parent Company obtains funding from ultimate holding company and intermediate holding company and manages its liquid funds through cash planning on a monthly basis. The Parent Company uses historical data and forecasts from its collection and disbursement.

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and financial liabilities as of December 31, 2012 and 2011 based on undiscounted contractual cash flows.

	December 31, 2012			Total
	Due and Demandable	Less than 3 Months	3 to 12 Months	
<b>Financial Assets</b>				
Cash and cash equivalents	₱1,143,767,970	₱-	₱-	₱1,143,767,970
<b>Financial Liability</b>				
Trade and other payables*	₱2,305,845	₱-	₱-	₱2,305,845
<b>December 31, 2011</b>				
	Due and Demandable	Less than 3 Months	3 to 12 Months	Total
<b>Financial Assets</b>				
Cash and cash equivalents	₱381,099,825	₱-	₱-	₱381,099,825
Trade and other receivables	129,657,312	125,775,831	26,382,719	281,815,862
	₱510,757,137	₱125,775,831	₱26,382,719	₱662,915,687
<b>Financial Liability</b>				
Trade and other payables*	₱-	₱124,365,104	₱172,556,197	₱296,921,301

\*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.

Immediately before the Subsidiaries Sale Transaction, the Group has transactional currency exposures arising from sales or purchases in foreign currencies. Foreign exchange risks are considered minimal. The Group's former management decided not to hedge these immaterial currency exposures considering the cost of hedging being higher than the currency exposure.

As of December 31, 2012, the Parent Company has no foreign currency-denominated financial assets and liabilities, hence not subject to foreign currency risk.



The following table shows the Group's foreign currency-denominated financial assets and liabilities and their peso equivalents as of December 31, 2011:

	Foreign Currency	Philippine Peso
<b>Current Financial Asset</b>		
Cash and cash equivalents	US\$5,360,118	₱234,987,583
<b>Current Financial Liabilities</b>		
Trade and other payables:		
United States dollar ("US\$")	US\$17,023	746,288
Swiss franc ("CHF")	CHF 7,418	369,639
		1,115,927
<b>Net Foreign Currency-denominated Financial Assets</b>		₱233,871,656

In translating the foreign currency-denominated financial assets and liabilities into peso amounts, the Group used the following rates of exchange as of December 31, 2011:

Philippine Peso to 1 unit of foreign currency:	
US\$	43.84
CHF	49.83

The Group recognized net foreign exchange loss of ₱19.2 million in 2012, ₱4.3 million in 2011 and ₱14.6 million in 2010. The amounts are recognized under discontinued operations in the consolidated statements of comprehensive income (see Note 5).

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 income before income tax as of December 31, 2011. There is no other impact on the Group's equity other than those already affecting the profit and loss.

	% Change Currency Rate	Effect on Income Before Tax
US\$	+0.09%	(₱211,489)
	(0.09%)	211,489
CHF	+12.61%	46,611
	(12.61%)	(46,611)

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences.

Positive change in currency rate reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

*Capital Risk Management.* The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group manages and maintains its capital structure by adjusting dividend payment to shareholders, returning capital to shareholders or issuing new shares. Capital includes equity attributable to the equity holders of the Group.



## 22. Financial Instruments

### Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments as of December 31:

	December 31, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	₱1,143,767,970	₱1,143,767,970	₱381,099,825	₱381,099,825
Trade and other receivables:				
Trade	--	--	255,458,593	255,458,593
Receivables from related parties	--	--	1,352,264	1,352,264
Others	--	--	25,005,005	25,005,005
Deposits*	--	--	3,214,262	3,214,262
	1,143,767,970	1,143,767,970	666,129,949	666,129,949
Available-for-sale financial asset*	--	--	330,000	330,000
	₱1,143,767,970	₱1,143,767,970	₱666,459,949	₱666,459,949
<b>Financial Liabilities</b>				
Other financial liability:				
Trade and other payables**	₱2,305,845	₱2,305,845	₱296,921,301	₱296,921,301

\*Included as part of "Other noncurrent assets"

\*\*Excluding government and statutory liabilities

*Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payables.* The fair values approximate their carrying values due to the relatively short-term maturities of these financial instruments.

*Deposits.* Carrying amounts are deemed to approximate fair values since the fair values of certain deposits cannot be reasonably and reliably estimated.

*Available-for-sale Financial Asset.* The fair value of the financial asset is based on its quoted market price at balance sheet date.

### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value 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, 2012, the Group has no financial instrument which is measured at fair value. As of December 31, 2011, the only financial instrument of the Group measured at fair value is its available-for-sale financial asset. This is classified under Level 1.

During the years ended December 31, 2012 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

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### 23. Subsequent Events

- (a) On March 5, 2013, other than the amendments of the articles of incorporation of MCP for change of its corporate name and registered office address as disclosed in Note 1(a), the SEC also approved the following:-
- (i) a share incentive plan (the "Share Incentive Plan") which was adopted by MCP on February 19, 2013 and became effective upon SEC's approval. Under the Share Incentive Plan, MCP may grant various share based awards to individuals including members of the Board, employees and consultants of the Group. 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 5% of the issued capital stock of MCP from time to time over 10 years; and
  - (ii) 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, which was approved by the stockholders of MCP on February 19, 2013.
- (b) On March 20, 2013, MCP entered into a subscription and share sale agreement (the "Subscription and Share Sale Agreement") with MCE Investments, which required MCE Investments to issue a subscription notice on the same date to MCP for subscription of 2,846,595,000 common shares of MCP at par value of ₱1 per share at total consideration of ₱2,846,595,000 (the "Share Subscription Transaction"). On January 30, 2013, MCE Investments paid ₱711,648,943 to MCP as initial subscription amount, with the remaining outstanding subscription amount of ₱2,134,946,057 which has been fully settled in three instalments on March 22, March 25 and March 26, 2013 by MCE Investments to MCP in respect of 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 disclosed in item (e) below, was completed on April 8, 2013.
- (c) 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 (Philippines) Corporation (herein referred to as "MCE Holdings"), consisting of 147,894,500 issued and outstanding common shares with a par value of ₱1 per share, 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 become wholly-owned subsidiaries of MCP.



MCE Holdings Group companies were all incorporated in the Philippines. Before the Asset Acquisition Transaction, MCE Holdings Group entered into a closing arrangement agreement, a cooperation agreement and a lease agreement (both of which became effective on March 13, 2013) and other related arrangements with certain Philippine third parties (the "Philippine Parties") for the development of an integrated resort project located within Entertainment City, Manila comprising a casino, hotel, retail and entertainment complex (the "Philippines Project"). On March 13, 2013, MCE Holdings Group and the Philippine Parties together became co-licensees under a provisional license (the "Provisional License") granted by the Philippine Amusement and Gaming Corporation (the "PAGCOR") for the establishment and operation of the Philippines Project. PAGCOR had pursuant to a letter dated October 25, 2012, acknowledged, amongst other things, MCE Leisure as 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, which took effect on March 13, 2013. The Provisional License, as well as any regular license to be issued to replace it upon satisfaction of certain conditions, will expire on July 11, 2033.

- (d) On April 3, 2013, the BOD of MCP, subject to the SEC approval for the increase in MCP's authorized capital stock on April 8, 2013 as disclosed in item (e) below, approved the maximum no. of share options and restricted shares of 131,578,947 common shares with maximum equity value of USD25.0 million (equivalent to ₱1,022.6 million) to be granted to the eligible employees under the Share Incentive Plan upon successful listing and offering of new shares of MCP.
- (e) On April 8, 2013, the SEC approved the increase in MCP's authorized capital stock to ₱5.9 billion divided into 5.9 billion shares with par value of ₱1 per share from authorized capital stock of ₱900 million divided into 900 million shares with par value of ₱1 per share, which was approved by the stockholders of MCE on February 19, 2013.
- (f) On April 8, 2013, MCP issued all of its treasury shares, representing 150,435,404 common shares to third parties at ₱14.2 per share and on the same date, MCE Investments and MCE Investments No.2 also sold 60,607,382 common shares and 81,435,888 common shares of MCP, respectively, to the aforesaid third parties.

Following the series of transactions as mentioned above (including the impact on the Share Subscription Transaction) on April 8, 2013, MCE through MCE Investments and MCE Investments No.2, held an indirect ownership in MCP increased from 88.16% to 89.99%.





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 ON SUPPLEMENTARY SCHEDULES

Melco Crown (Philippines) Resorts Corporation  
10<sup>th</sup> Floor, Liberty Center, 104 H.V. dela Costa St.  
Salcedo Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Melco Crown (Philippines) Resorts Corporation (formerly Manchester International Holdings Unlimited Corporation) and Subsidiaries as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, included in this Form 17-A and have issued our report thereon dated April 9, 2013. 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 the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These 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-A (Group A),  
February 3, 2011, valid until February 2, 2014

Tax Identification No. 191-180-015

BIR Accreditation No. 08-001998-95-2011,  
February 4, 2011, valid until February 3, 2014

PTR No. 3669694, January 2, 2013, Makati City

April 9, 2013



**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION**  
(formerly MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION)

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2012		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not adopted</b>	<b>Not Applicable</b>
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		X			
PFRSs Practice Statement Management Commentary					X
<b>Philippine Financial Reporting Standards</b>					
<b>PFRS 1 (Revised)</b>	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
<b>PFRS 2</b>	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
<b>PFRS 3 (Revised)</b>	Business Combinations				X
<b>PFRS 4</b>	Insurance Contracts				X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				X
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations				X
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources				X
<b>PFRS 7</b>	Financial Instruments: Disclosures	X			
	Amendments to PFRS 7: Transition	X			
	Amendments to PAS 39 and PFRS 7:	X			



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2012		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not adopted</b>	<b>Not Applicable</b>
	Reclassification of Financial Assets				
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X			
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		X		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		X		
<b>PFRS 8</b>	Operating Segments	X			
<b>PFRS 9</b>	Financial Instruments	X			
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		X		
<b>PFRS 10</b>	Consolidated Financial Statements	X			
<b>PFRS 11</b>	Joint Arrangements		X		
<b>PFRS 12</b>	Disclosure of Interests in Other Entities		X		
<b>PFRS 13</b>	Fair Value Measurement		X		
<b>Philippine Accounting Standards</b>					
<b>PAS 1 (Revised)</b>	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		
<b>PAS 2</b>	Inventories	X			
<b>PAS 7</b>	Statement of Cash Flows	X			
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	X			
<b>PAS 10</b>	Events after the Balance Sheet Date	X			
<b>PAS 11</b>	Construction Contracts				X
<b>PAS 12</b>	Income Taxes	X			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets				X
<b>PAS 16</b>	Property, Plant and Equipment	X			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early Adopted	Not adopted	Not Applicable
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 (Amended)	Employee Benefits		X		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance				X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X			
	Amendment: Net Investment in a Foreign Operation				X
PAS 23 (Revised)	Borrowing Costs	X			
PAS 24 (Revised)	Related Party Disclosures	X			
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			
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			

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2012		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not adopted</b>	<b>Not Applicable</b>
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	X			
<b>PAS 38</b>	Intangible Assets				X
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	X			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions				X
	Amendments to PAS 39: The Fair Value Option				X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives				X
	Amendment to PAS 39: Eligible Hedged Items				X
<b>PAS 40</b>	Investment Property	X			
<b>PAS 41</b>	Agriculture				X
<b>Philippine Interpretations</b>					
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities				X
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments				X
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	X			
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds				X
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment				X
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies				X
<b>IFRIC 8</b>	<i>Scope of PFRS 2</i>				X

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2012		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not adopted</b>	<b>Not Applicable</b>
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives				X
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives				X
<b>IFRIC 10</b>	<i>Interim Financial Reporting and Impairment</i>				X
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions	X			
<b>IFRIC 12</b>	Service Concession Arrangements				X
<b>IFRIC 13</b>	Customer Loyalty Programmes				X
<b>IFRIC 14</b>	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
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate		X		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation				X
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners				X
<b>IFRIC 18</b>	Transfers of Assets from Customers				X
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments				X
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine		X		
<b>SIC-7</b>	Introduction of the Euro				X
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities				X
<b>SIC-12</b>	Consolidation - Special Purpose Entities	X			
	Amendment to SIC - 12: Scope of SIC 12	X			
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers				X
<b>SIC-15</b>	Operating Leases - Incentives				X
<b>SIC-21</b>	Income Taxes - Recovery of Revalued Non-Depreciable Assets				X
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders				X
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X			
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.				X
<b>SIC-31</b>	Revenue - Barter Transactions Involving				X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early Adopted	Not adopted	Not Applicable
	Advertising Services				
SIC-32	Intangible Assets - Web Site Costs				X

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION  
 (formerly MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP)  
 Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)  
 December 31, 2012

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts Collected		Deductions		Effect of Deconsolidation	Current	Non Current	Balance at end of period
			Written-Off	Amount	Written-Off	Amount				
Guinto, Dominador	₱ 125,000	₱ -	₱ -	₱ -	₱ -	₱ -	₱ 125,000	₱ -	₱ -	-
Hitchon, Rupert	734,608	-	-	-	-	-	734,608	-	-	-
Mangulabnan, Julie	207,500	-	-	-	-	-	207,500	-	-	-
Roasa, Alvin Ronan	210,000	-	-	-	-	-	210,000	-	-	-
Punongbayan, Alan	54,753	-	-	-	-	-	54,753	-	-	-
Ramirez, Raquel	280,000	-	-	-	-	-	280,000	-	-	-
Soliven, Mario Carlo	110,000	-	-	-	-	-	110,000	-	-	-
	₱ 1,721,861	₱ -	₱ -	₱ -	₱ -	₱ -	₱ 1,721,861	₱ -	₱ -	-

Note: These receivables from officers and employees are presented as part of "Others" under "Trade and other receivables" account in the balance sheets.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION  
 (formerly MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP)  
 Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements  
 As of December 7, 2012

Name & Designation of debtor	Balance at the Beginning of the Period	Additions	Deductions				Effect of Deconsolidation <sup>iii</sup>	Current	Non-Current	Balance at the End of Period
			Amounts Collected <sup>i</sup>	Amounts Written off <sup>ii</sup>	Amounts Collected <sup>i</sup>	Amounts Written off <sup>ii</sup>				
Lancashire Realty Holding Corporation	-	4,752,219.12	4,752,219.12	-	-	-	-	-	-	-
MCP	-	856,474.16	212,467.87	-	-	644,006.29	-	-	-	-

i. If collection is other than cash, explain: *Combination of Cash and Application of AR Vs AP*  
 Breakdown of Amounts collected above  
 Offset against AP 4,752,219.12  
 Offset against AP 212,467.87

ii. Give reasons for write off  
 iii. Balance deconsolidated as a result of sale of subsidiaries by MCP on December 7, 2012.  
 Note: Receivable of Interphil Laboratories Inc from MCP and Lancashire Realty Holding Corporation

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION  
 (formerly MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP)  
 Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements  
 As of December 7, 2012

Name & Designation of debtor	Balance at the Beginning of the Period	Additions	Deductions				Effect of Deconsolidation <sup>iii</sup>	Current	Non-Current	Balance at the End of Period
			Amounts Collected <sup>i</sup>	Amounts Written off <sup>ii</sup>	Amounts Collected <sup>i</sup>	Amounts Written off <sup>ii</sup>				
Interphil Laboratories Inc	1,025,074.45	6,062,686.88	5,752,219.12	-	-	1,335,542.21	-	-	-	-
Interphil Laboratories Inc	212,467.87	-	212,467.87	-	-	-	-	-	-	-

i. If collection is other than cash, explain: *Combination of Cash and Application of AR Vs AP*  
 Breakdown of Amounts collected  
 Lancashire Cash payment 1,000,000.00  
 Offset against AR 4,752,219.12  
 Manchester Offset against AR 212,467.87

ii. Give reasons for write off  
 iii. Balance deconsolidated as a result of sale of subsidiaries by MCP on December 7, 2012.  
 Note: Receivable of MCP and Lancashire Realty Holding Corporation from Interphil Laboratories Inc

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION  
 (formerly MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP)  
 Schedule H. Capital Stock  
 December 31, 2012

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	Directors, Officers and Employees	Others
Class A	540,000,000	272,696,551	-	255,272,656	18,850	17,405,045
Class B	360,000,000	139,368,045	-	108,019,704	9,775	31,338,566
Total	900,000,000	412,064,596	-	363,292,360	28,625	48,743,611

\* Net of 150,435,404 shares in treasury consisting of:  
 - 64,803,449 Class "A" shares  
 - 85,631,955 Class "B" shares



## RECONCILIATION OF RETAINED EARNINGS

As of December 31, 2012

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION  
(formerly MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION)  
10<sup>th</sup> floor, Liberty Center, 104 H.V. dela Costa St,  
Salcedo Village, Makati City

<b>Unappropriated Retained Earnings per financial statements, beginning</b>	<b>₱</b>	<b>331,891,010</b>
<b>Adjustments: Cost of treasury shares held</b>		<b>(288,514,127)</b>
<b>Unappropriated Retained Earnings as adjusted to available for dividend declaration, beginning</b>	<b>₱</b>	<b>43,376,883</b>
<b>Net Income based on the face of AFS</b>		<b>312,289,521</b>
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain		
Fair Value adjustment (M2M gains)		
Fair Value adjustment of Investment Property resulting to gain		
Adjustment due to deviation from PFRS/GAAP-gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		<b>86,596,000</b>
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Adjustment due to deviation from PFRS/GAAP - loss		
Loss on fair value adjustment of Investment property (after tax)		
<b>Net Income Actual/Realized</b>	<b>₱</b>	<b>442,262,404</b>
<b>UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, AS ADJUSTED, ENDING</b>	<b>₱</b>	<b>442,262,404</b>

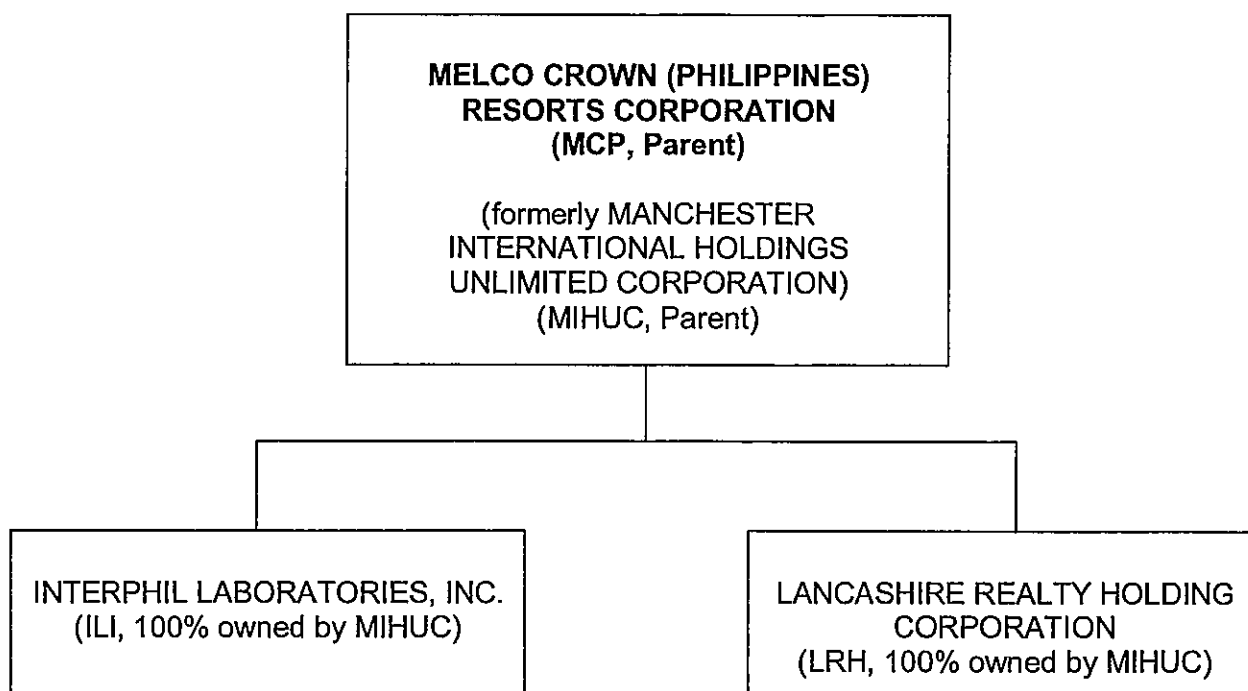
**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION**  
**(formerly MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP)**  
**Key Performance Indicators**  
**For the years ended December 31, 2012 and 2011**

		2012	2011
Current ratio	Current assets over current liabilities	24.43	2.70
Debt-to-equity ratio	Total liabilities over total equity	0.04	0.35
Asset to equity ratio	Total assets over total equity	1.04	1.35
Interest rate coverage ratio	Earnings before interest expense and taxes over interest expense	-	-
Return on assets	Net income over total assets	-2.91%	6.23%
Return on equity	Net income over total equity	-3.04%	8.42%

**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION**  
(formerly MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED 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 6, 2012**



**As of December 31, 2012**



Melco Crown (Philippines) Resorts Corporation and  
Subsidiaries (*Formerly Manchester International Holdings  
Unlimited Corporation*)

Consolidated Financial Statements  
March 31, 2013 (Unaudited) and December 31, 2012  
and For The Three Months Ended March 31, 2013 (Unaudited)

**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND  
SUBSIDIARIES**

**(Formerly Manchester International Holdings Unlimited Corporation)**

**CONSOLIDATED BALANCE SHEETS**

**MARCH 31, 2013 AND DECEMBER 31, 2012**

	March 31, 2013 (Unaudited) (Note 2)	December 31, 2012 (Audited) (Note 2)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 5, 21 and 22)	₱1,305,193,913	₱1,152,021,960
Prepayments and other current assets (Note 6)	17,121,225	701,512
<b>Total Current Assets</b>	<b>1,322,315,138</b>	<b>1,152,723,472</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 7)	12,165,531,347	39,282,296
Contract acquisition costs (Note 9)	1,059,220,198	58,426,475
Other noncurrent assets (Note 10)	170,794,214	-
Restricted cash (Notes 8, 20(c), 21 and 22)	2,030,800,000	-
<b>Total Noncurrent Assets</b>	<b>15,426,345,759</b>	<b>97,708,771</b>
	<b>₱16,748,660,897</b>	<b>₱1,250,432,243</b>
<b>LIABILITIES AND (CAPITAL DEFICIENCY) EQUITY</b>		
<b>Current Liabilities</b>		
Accrued expenses, other payables and other current liabilities (Notes 11, 21 and 22)	₱316,408,857	₱80,453,170
Current portion of obligation under finance lease (Notes 18, 21 and 22)	1,000,345,982	-
Amounts due to affiliated companies (Notes 15, 21 and 22)	126,604,266	21,902,555
Amount due to ultimate holding company (Notes 15, 21 and 22)	106,860,493	90,434,179
Amount due to intermediate holding company (Notes 15, 21 and 22)	5,167,081,225	-
<b>Total Current Liabilities</b>	<b>6,717,300,823</b>	<b>192,789,904</b>
<b>Noncurrent Liability</b>		
Noncurrent portion of obligation under finance lease (Notes 18, 21 and 22)	10,820,551,658	-
<b>(Capital Deficiency) Equity</b>		
Capital stock (Note 12)	562,500,000	562,500,000
Additional paid-in capital	92,679,327	92,679,327
Deposit for future stock subscriptions (Note 12)	2,846,595,000	-
Equity reserve (Notes 2 and 12)	(3,613,990,097)	740,762,969
Deficit	(388,461,687)	(49,785,830)
Cost of treasury shares held (Note 12)	(288,514,127)	(288,514,127)
<b>Total (Capital Deficiency) Equity</b>	<b>(789,191,584)</b>	<b>1,057,642,339</b>
	<b>₱16,748,660,897</b>	<b>₱1,250,432,243</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND  
SUBSIDIARIES**

**(Formerly Manchester International Holdings Unlimited Corporation)**

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

	For the Three Months Ended March 31, 2013 (Note 2)
<b>OPERATING COSTS AND EXPENSES</b>	
General and administrative expenses (Note 13)	(₱66,170,408)
Amortization of contract acquisition costs (Note 9)	(4,341,066)
Development costs (Note 14)	(79,900,169)
Pre-opening costs	(42,744,520)
<b>Total Operating Costs and Expenses</b>	<b>(193,156,163)</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>	
Interest income	1,314,393
Interest expenses	(142,623,505)
Foreign exchange loss – net	(4,210,582)
<b>Total Non-operating Expenses</b>	<b>(145,519,694)</b>
<b>NET LOSS</b>	<b>(338,675,857)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>–</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱338,675,857)</b>
<b>Basic/Diluted Loss Per Share (Note 16)</b>	<b>(₱0.822)</b>

*See accompanying Notes to Unaudited Consolidated Financial Statements.*

**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES**  
**(Formerly Manchester International Holdings Unlimited Corporation)**

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013**

	Class A	Class B	Common Stock	Subtotal Capital Stock	Additional Paid-in Capital	Deposit for Stock Subscriptions	Equity Reserve	Deficit	Treasury Shares Held	Total
	Class A	Class B	Common Stock	Subtotal Capital Stock	Additional Paid-in Capital	Deposit for Stock Subscriptions	Equity Reserve	Deficit	Treasury Shares Held	Total
Balance at January 1, 2013	₱337,500,000	₱225,000,000	₱-	₱562,500,000	₱92,679,327	₱-	₱740,762,969	(₱49,785,830)	(₱288,514,127)	₱1,057,642,339
Net loss	-	-	-	-	-	-	-	(338,675,857)	-	(338,675,857)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	-	(338,675,857)	-	(338,675,857)
Declassification of Class A shares and Class B shares (Note 12)	(337,500,000)	(225,000,000)	562,500,000	-	-	-	-	-	-	-
Deposit for future stock subscriptions (Note 12)	-	-	-	-	-	2,846,595,000	-	-	-	2,846,595,000
Movement of equity reserve (Note 2)	-	-	-	-	-	-	(4,354,753,066)	-	-	(4,354,753,066)
Balance at March 31, 2013	₱-	₱-	₱562,500,000	₱562,500,000	₱92,679,327	₱2,846,595,000	(₱3,613,990,097)	(₱388,461,687)	(₱288,514,127)	(₱789,191,584)

See accompanying Notes to Unaudited Consolidated Financial Statements.

**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND  
SUBSIDIARIES**

**(Formerly Manchester International Holdings Unlimited Corporation)**

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

For the Three  
Months Ended  
March 31, 2013  
(Note 2)

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net loss	(₱338,675,857)
Adjustments for:	
Interest income	(1,314,393)
Interest expenses	142,623,505
Amortization of contract acquisition costs	4,341,066
Amortization of prepaid rent	440,797
Contract acquisition costs written off to development costs (Note 9)	64,720,977
Unrealized foreign exchange loss – net	2,677,132
Operating loss before working capital changes	(125,186,773)
Changes in current assets and liabilities:	
Increase in prepayments and other current assets	(11,130,490)
Decrease in accrued expenses, other payables and other current liabilities	(2,170,326)
Increase in amounts due to affiliated companies	38,474,350
Increase in amount due to ultimate holding company	17,159,115
Net cash used in operations	(82,854,124)
Interest received	1,045,352
Net cash used in operating activities	(81,808,772)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash used in reverse acquisition (Notes 1(b) and 2)	(2,846,595,000)
Increase in restricted cash	(2,030,800,000)
Increase in contract acquisition costs	(1,123,068,504)
Increase in security deposit	(175,599,470)
Acquisitions of property and equipment	(90,327,098)
Increase in deposit for acquisition of property and equipment	(655,723)
Cash used in investing activities	(6,267,045,795)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Deposit for future stock subscriptions (Note 12)	2,846,595,000
Net proceeds from capital stock issuance of legal subsidiary	2,843,836,934
Amount due to intermediate holding company	811,659,686
Net cash provided by financing activities	6,502,091,620
<b>EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS</b>	
	(65,100)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>153,171,953</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,152,021,960</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱1,305,193,913</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.



**MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND  
SUBSIDIARIES**  
**(Formerly Manchester International Holdings Unlimited Corporation)**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Organization and Business**

**(a) Corporate Information**

Melco Crown (Philippines) Resorts Corporation (formerly Manchester International Holdings Unlimited 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 and its registered office address is Canlubang Industrial Estate, Bo. Pittland, Cabuyao, Laguna.

On March 5, 2013, the SEC approved the amendments to the articles of incorporation of the Parent Company for change of its corporate name to Melco Crown (Philippines) Resorts Corporation and its registered office address 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 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").

**(b) Change in 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").

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 million authorized capital stock of MCP, consisting of 60% Class A shares and 40% Class B shares to a single class of common stock and denial of pre-emptive rights and the increase in MCP's authorized capital stock to ₱5.9 billion divided into 5.9 billion shares with par value of ₱1 per share from authorized capital stock of ₱900 million 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, which required MCE Investments to issue a subscription notice on the same date to MCP for subscription of 2,846,595,000 common shares of MCP at par value of ₱1 per share at total consideration of ₱2,846,595,000 (the "Share Subscription Transaction"). The total consideration of ₱2,846,595,000 in respect of the Share Subscription Transaction was fully settled by MCE Investments to MCP in four instalments on January 30, March 22, March 25 and March 26, 2013. The amount was shown as Deposit for future stock subscriptions in the unaudited consolidated balance sheet as of March 31, 2013. 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.

As of March 31, 2013 and December 31, 2012, MCE through MCE Investments and MCE Investments No.2, held an indirect ownership in MCP of 88.16%.

(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 ₱200,000,000 divided into 200,000,000 common shares with par value of ₱1 per share from authorized capital stock of ₱33,240,000 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 ₱2,845,930,703 (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, 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 become wholly-owned subsidiaries of MCP.

As of March 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.

(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 (formerly SM Hotels 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 (the "Philippines Project"). 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 the Philippines Project. 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, 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 the Philippines Project. Details of these agreements are further discussed in Note 19.

(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 the Philippines Project 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 the Philippines Project. 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 20(c).

(f) Status of Operations for the Philippines Project

The Group and the Philippine Parties are the joint developers of the Philippines Project. 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 the Philippines Project, and Belle is responsible for construction of the building structures of the Philippines Project.

The Philippines Project is located on an approximately 6.2-hectare site in Entertainment City. As of March 31, 2013, the construction on the main building structures of the Philippines Project is substantially completed, while the construction of the connecting structures and the fit-out construction of the Philippines Project are ongoing.

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The unaudited consolidated financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The unaudited 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 peso, unless otherwise indicated.

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

On March 20, 2013, MCP completed the Asset Acquisition Transaction for acquiring 100% ownership interests in MCE Holdings Group with net assets value of ₱2,609,588,776 from MCE Investments for a consideration of ₱7,198,590,000 (see Note 1(c)). Because MCP does 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 unaudited 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 as of March 31, 2012 has not been presented in the unaudited consolidated financial statements as all companies within the MCE Holdings Group were incorporated on or after August 13, 2012. The audited consolidated balance sheet as of December 31, 2012 presented in the unaudited consolidated financial statements as of March 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 unaudited and audited consolidated balance sheets as of March 31, 2013 and December 31, 2012, respectively.

Because the unaudited 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 - ₱1,143,864,492; Prepayments and other current assets - ₱530,154 and Accrued expenses and other current liabilities - ₱45,276,477);
- (b) the combined deficit 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 (i.e., not those of MCP);
- (c) the total capital deficiency is that of the MCE Holdings Group and MCP, but the legal capital would be that of MCP;
- (d) any difference between (1) the consolidated net assets of the MCE Holdings Group and the net assets (liabilities) of MCP, and (2) the combined deficit 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 Assets Acquisition Transaction, shall be accounted for as Equity reserve in the unaudited and audited consolidated balance sheets as of March 31, 2013 and December 31, 2012, respectively; and
- (e) the unaudited consolidated statement of comprehensive income for the three months ended March 31, 2013 reflects that of MCE Holdings Group together with MCP for the full period.

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 at March 31, 2013 and December 31, 2012.

#### Statement of Compliance

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

#### 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 the Philippines Project.

#### Financial Assets and Liabilities

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

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

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date. The Group has no financial assets or liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets as of March 31, 2013 and December 31, 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 unaudited consolidated statement 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 unaudited consolidated statement 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 unaudited consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date, otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents, restricted cash and security deposit included under other noncurrent assets (see Note 10). The carrying values and fair values of loans and receivables are disclosed in Note 22.

*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 unaudited consolidated statement 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 11), current and noncurrent portion of obligation under finance lease (see Note 18), amounts due to affiliated companies, ultimate holding company and intermediate holding company (see Note 15). The carrying values and fair values of other financial liabilities are disclosed in Note 22.

#### Impairment of Financial Assets

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the unaudited consolidated statement 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.

*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 unaudited consolidated statement of comprehensive income.



Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the unaudited and audited 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 unaudited and audited consolidated balance sheets.

Property and Equipment

Property and equipment including buildings (classified as finance lease) 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 includes, 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:

<u>Classification</u>	<u>Estimated Useful Life</u>
Building under finance lease	25 years or over the term of the lease agreement, whichever is shorter
Motor vehicle	5 years
Office equipment	3 to 4 years

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

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited or charged to the unaudited consolidated statement 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 the Philippines Project'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 to 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 that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

#### 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 as 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 14), 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 March 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.

#### Impairment of Non-financial Assets

The carrying values of non-financial assets, including property and equipment and contract acquisition costs, 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 or 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 unaudited consolidated statement 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 unaudited consolidated statement 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.

#### Deposit for Future Stock Subscription

Deposit for future stock subscriptions represents the additional capital invested by the stockholders that will be credited to capital stock upon approval by the SEC of the Parent Company's application for increase in its authorized capital stock, which was subsequently approved by the SEC on April 8, 2013.

#### 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 12.

#### Deficit

Deficit represents the Group's cumulative net losses. Deficit 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 unaudited consolidated statement 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:

*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 unaudited consolidated statement of comprehensive income in the 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.

#### 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 in finance costs in the unaudited consolidated statement 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 unaudited consolidated statement 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 Group. 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 unaudited consolidated statement 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 unaudited consolidated statement of comprehensive income in the period in which the differences arise.

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

#### Income Tax

*Current Tax.* Current tax assets and liabilities for the current and prior periods 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 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the 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 loss 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 value-added tax, 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 unaudited and audited 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 period by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is computed in the same manner, adjusted for the dilutive effect of any potential common shares.

Since the Parent Company has no potential dilutive common shares, basic and diluted loss per share are stated at the same amount.

#### Contingencies

Contingent liabilities are not recognized in the unaudited consolidated financial statements. These are disclosed in the notes to unaudited consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the unaudited consolidated financial statements but are disclosed in the notes to unaudited 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, whose 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. As of March 31, 2013 and December 31, 2012, the Group did not present the segment reporting as the Group's Philippines Project which is currently in an early phase of development, had no revenue and incurred insignificant expenses for the three months ended March 31, 2013.

#### Subsequent Events

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

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### **3. Accounting Policies Effective During the Period 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 PFRS as at January 1, 2013. The adoption of these new and amended PFRS and Philippine Interpretations had no significant impact on the unaudited 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, PFRS11 and PFRS12 on transitional guidance

Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the unaudited 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 PFRS and Philippine Interpretations to have significant impact on the Group's financial position or performance.

▪ **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.

▪ **PFRS 9, *Financial Instruments***

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing 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, 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 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 into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The standard becomes effective for annual periods beginning on or after January 1, 2015.

▪ **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.



▪ **PFRS 7 and PFRS9, Mandatory Effective Date of PFRS 9 and Transitional Disclosure (Amendment)**

Following the IASB's decision in December 2011 to defer the effective date of International Financial Reporting Standard ("IFRS") 9, the standard is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. IASB issued IFRS 9 and IFRS 7 (Amendments) – "Mandatory Effective Date of IFRS 9 and Transitional Disclosure".

Accordingly, FRSC adopted this amendment as PFRS 9 and PFRS 7 (Amendments) - "Mandatory Effective Date of PFRS 9 and Transitional Disclosure".

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

The preparation of the Group's unaudited consolidated financial statements requires management to make judgments, estimates and assumptions. The estimates and assumptions used in the unaudited consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited 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 unaudited 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 the Philippines Project.

*Evaluating Lease Agreement.* The Group has entered into the Lease Agreement with Belle for the Philippines Project 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 19(c)).

##### 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 ₱12.17 billion and ₱39.3 million as of March 31, 2013 and December 31, 2012, respectively (see Note 7).

*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 and contract acquisition costs, 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 unaudited 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 loss was recognized for the three months ended March 31, 2013. The carrying values of property and equipment amounted to ₱12.17 billion and ₱39.3 million as of March 31, 2013 and December 31, 2012, respectively (see Note 7), while the carrying values of contract acquisition costs amounted to ₱1.06 billion and ₱58.4 million as of March 31, 2013 and December 31, 2012, respectively (see Note 9).

*Recognition of Deferred Tax Assets.* The Group reviews the carrying amounts 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.

Management believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of, and extend to the Group in accordance with the PAGCOR Charter as of March 31, 2013 and December 31, 2012 (see Note 17).

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 ₱116.9 million and ₱15.0 million as of March 31, 2013 and December 31, 2012, respectively (see Note 17).

## 5. Cash and Cash Equivalents

This account consists of:

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
Cash on hand	₱205,228	₱-
Cash in banks	1,304,988,685	1,152,021,960
	<u>₱1,305,193,913</u>	<u>₱1,152,021,960</u>

Cash in banks earn interest at the respective bank deposit rates. Interest income from bank deposits amounted to ₱1,045,352 for the three months ended March 31, 2013.

## 6. Prepayments and Other Current Assets

This account consists of:

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
Input VAT – net	₱11,785,802	₱465,878
Current portion of prepaid rent (Note 10)	5,289,223	-
Deferred input VAT	46,200	46,200
Prepayment of legal and professional fees	-	189,434
Others	-	-
	<u>₱17,121,225</u>	<u>₱701,512</u>

## 7. Property and Equipment

	March 31, 2013 (Unaudited)				
	Building under Finance Lease	Motor Vehicle	Office Equipment	Construction in Progress	Total
Cost:					
Balance at beginning of period	₱-	₱-	₱423,076	₱38,859,220	₱39,282,296
Additions	11,820,439,760	7,275,000	1,743,872	296,790,419	12,126,249,051
Capitalization of depreciation of office equipment	-	-	-	55,762	55,762
Balance at end of period	<u>11,820,439,760</u>	<u>7,275,000</u>	<u>2,166,948</u>	<u>335,705,401</u>	<u>12,165,587,109</u>
Accumulated Depreciation:					
Balance at beginning of period	-	-	-	-	-
Depreciation	-	-	(55,762)	-	(55,762)
Balance at end of period	-	-	<u>(55,762)</u>	-	<u>(55,762)</u>
Net Book Value	<u>₱11,820,439,760</u>	<u>₱7,275,000</u>	<u>₱2,111,186</u>	<u>₱335,705,401</u>	<u>₱12,165,531,347</u>
	December 31, 2012 (Audited)				
	Building under Finance Lease	Motor Vehicle	Office Equipment	Construction in Progress	Total
Cost:					
Balance at beginning of period	₱-	₱-	₱-	₱-	₱-
Additions	-	-	423,076	38,859,220	39,282,296
Balance at end of period	-	-	<u>423,076</u>	<u>38,859,220</u>	<u>39,282,296</u>
Accumulated Depreciation:					
Balance at beginning of period	-	-	-	-	-
Depreciation	-	-	-	-	-
Balance at end of period	-	-	-	-	-
Net Book Value	<u>₱-</u>	<u>₱-</u>	<u>₱423,076</u>	<u>₱38,859,220</u>	<u>₱39,282,296</u>

On October 25, 2012, Belle and MCE Leisure 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 the Philippines Project (see Note 19(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 18 being the lower of the fair value and present value of the minimum lease payments) as well as capitalized the portion of the contract acquisition costs of ₱64,720,977 to building under finance lease incurred in relation to the contract negotiations classified as building under finance lease (see Note 9).

Construction in progress represents the design and development cost for fit-out of the Philippines Project which included direct incidental costs capitalized (representing travelling expenses, salaries and wages, intercompany management fee incurred, depreciation of equipment and applicable interest cost).

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#### 8. 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 the Philippines Project. The escrow account should have a maintaining balance of US\$50 million until the Philippines Project's completion. During the three months ended March 31, 2013, MCE Leisure, as one of the Licensees, established a new escrow account replacing the existing escrow account and deposited ₱2,030,800,000 (equivalent to US\$50 million) to the new escrow account. The escrow account will be closed at completion of the Philippines Project (which is scheduled to complete in mid-2014) and funds held in the escrow account will be released to MCE Leisure (see Note 20(c)).

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#### 9. Contract Acquisition Costs

This account consists of:

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
Balance at beginning of period	₱58,426,475	₱-
Additions	1,134,576,743	58,426,475
Amortization	(4,341,066)	-
Capitalized to building under finance lease (Note 7)	(64,720,977)	-
Written off to development costs (Note 14)	(64,720,977)	-
Balance at end of period	<u>₱1,059,220,198</u>	<u>₱58,426,475</u>

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 its lease agreement and management contracts for the Philippines Project amounting to ₱129,441,954 and ₱58,426,475, 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 ₱64,720,977 incurred in relation to the contract negotiations classified as operating lease to Development costs (Note 14), while the remaining portion amounting to ₱64,720,977 incurred in relation to the contract negotiations classified as building under finance lease is capitalized to building under finance lease (Note 7). On the same date, the Group paid ₱1,063,561,264 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.

#### 10. Other Noncurrent Assets

This account consists of:

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
Noncurrent portion of prepaid rent	₱102,064,339	₱-
Security deposit (Notes 21 and 22)	68,074,152	-
Deposit for acquisition of property and equipment	655,723	-
	<u>₱170,794,214</u>	<u>₱-</u>

Upon the Lease Agreement becoming effective on March 13, 2013, a security deposit with carrying amount of ₱175,599,470 was paid to Belle. As of March 31, 2013, prepaid rent represented the excess of principal amount of the security deposit paid pursuant to the Lease Agreement over its fair value at inception, and amortized on a straight-line basis over the lease term. The current portion of prepaid rent of ₱5,289,223 is included in Prepayments and other current assets (see Note 6).

#### 11. Accrued Expenses, Other Payables and Other Current Liabilities

The amount consists of:

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
Accruals for:		
Fit-out construction costs	₱152,996,769	₱5,594,451
Unpaid portion of obligation under finance lease	80,031,835	-
Legal and other professional fees	52,735,061	28,251,084
Rental expenses (including VAT)	13,913,914	-
Taxes and licenses	9,772,569	583,271
Others	768,235	1,491,893
Withholding tax payable	6,190,474	8,438
Capital gains tax payable	-	44,524,033
	<u>₱316,408,857</u>	<u>₱80,453,170</u>

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

## 12. Equity

### 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			Date of SEC Approval
Common Class A	Common Class B	Common share	Class A	Class B	Common share	
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*
-	-	900,000,000	-	-	₱1.00	

*\*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 common stocks have ₱1 par value per share.

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

The Parent Company's issued shares as of March 31, 2013 and December 31, 2012 are as follows:

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
Class A – issued	-	337,500,000
Class B – issued	-	225,000,000
Common share – issued	562,500,000	-

### Deposit for Future Stock Subscriptions

On March 20, 2013, pursuant to the Subscription and Share Sale Agreement, MCE Investments agreed to subscribe to 2,846,595,000 common shares of MCP at par value of ₱1 per share for a total consideration of ₱2,846,595,000. As of March 31, 2013, MCP received the total consideration of ₱2,846,595,000 in four instalments on January 30, March 22, March 25 and March 26, 2013 from MCE investments as deposit for future stock subscription in respect of the Share Subscription Transaction. The Share Subscription Transaction was completed upon SEC's approval of the increase in MCP's authorized capital stock on April 8, 2013.

Treasury Shares

As of December 31, 2012, the total number of treasury shares held by the Parent Company 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 ₱288,514,127. 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. As of March 31, 2013, the total number of treasury shares held by the Parent Company was 150,435,404 common shares.

Equity Reserve

The amount of equity reserve consists of the net difference between the cost of MCP to acquire MCE Holdings Group and the legal capital of the latter (i.e., common stock and additional paid-in capital) at the date of reverse acquisition plus the retained earnings of MCP as of December 19, 2012, the date when MCP was acquired by MCE.

The equity reserve is accounted for as follows:

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
Retained earnings of MCP as of December 19, 2012	(₱732,452,969)	(₱732,452,969)
Consideration to MCP for the acquisition of MCE Holdings Group	7,198,590,000	-
Legal capital of MCE Holdings Group:		
As of March 20, 2013*	(2,852,146,934)	-
As of December 31, 2012	-	(8,310,000)
	<u>₱3,613,990,097</u>	<u>(₱740,762,969)</u>

\* Including share issuance costs of ₱2,093,769

As of March 31, 2013 and December 31, 2012, the Parent Company has 437 and 471 stockholders, respectively.

**13. General and Administrative Expenses**

	For the Three Months Ended March 31, 2013 (Unaudited)
Taxes and licenses	₱34,093,822
Legal and other professional fees	18,677,250
Rental expenses	8,208,736
Management fee expenses	3,842,246
Travel and entertainment	852,027
Bank service fees	154,100
Others	342,227
	<u>₱66,170,408</u>

#### 14. Development Costs

	For the Three Months Ended March 31, 2013 (Unaudited)
Written off from contract acquisition costs (Note 9)	₱64,720,977
Legal and other professional fees	15,179,192
	<u>₱79,900,169</u>

#### 15. 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.

The Group entered into the following significant related party transactions:

Category		Amount of transactions during the period	Outstanding balance	Terms	Conditions
<i>Amounts due to affiliated companies</i>					
<i>MCE's subsidiaries</i>					
For the Three Months Ended March 31, 2013 (Unaudited)	Project management fee capitalized in construction in progress	₱35,179,626	₱56,522,682	Repayable on demand; non-interest bearing	Unsecured
	Project management fee recognized as pre- opening costs	27,032,715	27,032,715		
	Management fee recognized as general and administrative expenses	3,842,246	3,842,246		
	Settlement of payables on behalf of MCP	37,753,798	38,313,297		
	Balance as of March 31, 2013 (Unaudited)		<u>₱125,710,940</u>		
<i>Melco International Developments Limited ("Melco")<sup>(1)</sup> and its subsidiary</i>					
For the Three Months Ended March 31, 2013 (Unaudited)	Settlement of payables on behalf of MCP	₱893,326	₱893,326	Repayable on demand; non-interest bearing	Unsecured
		Balance as of March 31, 2013 (Unaudited)			



Category		Amount of transactions during the period	Outstanding balance	Terms	Conditions
<i>Amounts due to ultimate holding company</i>					
MCE					
For the Three Months Ended March 31, 2013 (Unaudited)	Project management fee recognized as pre-opening costs	₱15,717,008	₱15,717,008	Repayable on demand; non-interest bearing	Unsecured
	Settlement of payables on behalf of MCP	709,306	91,143,485		
	Balance as of March 31, 2013 (Unaudited)		<u>₱106,860,493</u>		
<i>Amount due to intermediate holding company</i>					
MCE Investments					
For the Three Months Ended March 31, 2013 (Unaudited)	Unpaid Amount Related to Asset Acquisition Transaction	₱4,351,995,000	₱4,351,995,000	Repayable on demand; non-interest bearing	Unsecured
	Funds advance to MCP	815,086,225	815,086,225		
	Balance as of March 31, 2013 (Unaudited)		<u>₱5,167,081,225</u>		

Note:

(1) Melco is one of the major shareholders of MCE.

#### Compensation of Key Management Personnel

For the three months ended March 31, 2013, the remuneration of the Group's key management was borne by MCE.

#### 16. Basic/Diluted Loss Per Share

	<b>For the Three Months Ended March 31, 2013 (Unaudited)</b>
Net loss (a)	(₱338,675,857)
Weighted average number of shares outstanding of legal parent (b)	412,064,596
Basic/Diluted loss per share (a)/(b)	<u>(₱0.822)</u>

There are no common stock equivalents that would have a dilutive effect on basic loss per share.

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## 17. Income Tax

No provision for current income tax for the three months ended March 31, 2013 was provided as the Group incurred tax losses for the period.

Deferred tax assets amounting to ₱116,885,757 as of March 31, 2013, pertain to net operating loss carryover which were not recognized as management believes that the Group may not be able to realize the benefits from these deferred tax assets in the future.

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

	<b>For the Three Months Ended March 31, 2013 (Unaudited)</b>
Income tax benefit computed at statutory income tax rate	<b>(₱101,602,757)</b>
Income tax effects of:	
Change in unrecognized deferred tax assets	<b>101,916,362</b>
Interest income subject to final tax	<b>(313,605)</b>
	<b>₱-</b>

Section 13(2)(a) of the PAGCOR Charter grants PAGCOR an exemption for tax, income or otherwise, as well as exemption from any form of charges, fees, levies, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations. 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 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 this 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 as of March 31, 2013 and December 31, 2012.

The Bureau of Internal Revenue however issued last April 17, 2013 Revenue Memorandum Circular ("RMC") No. 33-2013. 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. Management is currently evaluating the impact of the said RMC.

### 18. Obligation Under Finance Lease

On October 25, 2012, Belle and MCE Leisure 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 the Philippines Project 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 (unless terminated earlier in accordance with its terms) (currently expected to be on July 11, 2033) (see Note 19(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. Interest rate underlying the obligation under finance lease is fixed at 14.92% per annum.

Lease payments that are due within one year were presented as Current portion of obligation under finance lease under current liabilities while the noncurrent portions were presented as Noncurrent portion of obligation under finance lease separately under noncurrent liabilities in the unaudited and audited consolidated balance sheets.

As of March 31, 2013, the minimum lease payments and present value of minimum lease payments on obligation under finance lease of the Group were as follows:

	Minimum lease payments (Unaudited)	Present value of minimum lease payments (Unaudited)
Amounts payable under finance lease:		
Within one year	₱1,089,402,202	₱1,000,345,982
In more than one year and not more than five years	6,262,858,782	3,987,166,202
In more than five years	38,149,647,713	6,833,385,456
	45,501,908,697	11,820,897,640
Less: finance charges	(33,681,011,057)	-
Present value of lease obligations	₱11,820,897,640	₱11,820,897,640
Less: Current portion of obligation under finance lease		(1,000,345,982)
Noncurrent portion of obligation under finance lease		₱10,820,551,658

### 19. 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 satisfied or waived.

(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 the Philippines Project and appointed as the sole and exclusive representative of the Licensees in connection with the Provisional License and the operation and management of the Philippines Project until the expiry of the Provisional License (currently expected to be on July 11, 2033) (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 20(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 the Philippines Project, 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 19(c);
- vi) if any of the Philippines Project'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 the Philippines Project, including MCE Leisure responsibility for the fit-out, operation and management of the Philippines Project, and the Philippine Parties' responsibility for the design and construction of the buildings for the Philippines Project (through Belle); and
- x) the indemnity of the Licensees, details was disclosed in Note 20(c).

**(b) Operating Agreement**

On March 13, 2013 the Licensees entered into the Operating Agreement which governs the operation and management of the Philippines Project by MCE Leisure. The Operating Agreement was effective as at 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 the Philippines Project, and is responsible for, and has sole discretion (subject to certain exceptions) and control over, all matters relating to the management and operation of the Philippines Project (including the casino and gaming operations, hotel and retail components and all other activities necessary, desirable or incidental for the management and operation of the Philippines Project). The Operating Agreement also included terms of certain payments to be payable to PLAI upon commencement of operations of the Philippines Project, in particular, PLAI has the right to receive monthly payments from MCE Leisure, based on the performance of gaming operations of the Philippines Project, and MCE Leisure has the right to retain all revenues from non-gaming operations of the Philippines Project.

**(c) Lease Agreement**

On October 25, 2012, Belle and MCE Leisure entered into the Lease Agreement (see Notes 7 and 18), which Belle agreed to lease to MCE Leisure the land and certain of the building structures to be used in the Philippines Project. Belle has constructed on the land the phase 1 building (the "Phase 1 Building") and will construct the phase 2 building (the "Phase 2 Building") including future buildings and structures that may be constructed on the land intended for use in the Philippines Project. 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. The lease continues until termination of the Operating Agreement (unless terminated earlier in accordance with its terms) (currently expected to be on July 11, 2033). 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.

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**20. Commitments and Contingencies**

**(a) Capital commitments**

As of March 31, 2013, the Group had capital commitments mainly for the fit-out of the Philippines Project totaling ₱386.3 million.

**(b) Operating lease commitment**

MCE Leisure leases the portion of land to be used in the Philippines Project under non-cancellable operating lease agreement that will expire on July 11, 2033 (see Note 19(c)). The lease agreement provide for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by MCE Leisure and Belle. During the three months ended March 31, 2013, MCE Leisure incurred rental expenses amounting to ₱7,767,939.

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

	<b>March 31, 2013 (Unaudited)</b>
Year ending December 31	
2013	<b>₱69,911,676</b>
2014	<b>97,876,347</b>
2015	<b>104,727,691</b>
2016	<b>112,058,630</b>
2017	<b>123,264,493</b>
Over 2017	<b>2,719,739,610</b>
	<b><u>₱3,227,578,447</u></b>

**(c) Other Commitments**

**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 the entire Philippines Project (the "Investment Commitment") with a minimum investment of US\$650.0 million to be made prior to the opening of the Philippines Project. 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.
- (ii) For the remaining US\$350.0 million, the Philippine Parties and MCE Leisure shall make equal contributions of US\$175.0 million to the Philippines Project. 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 the Philippines Project 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 the Philippines Project 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 the Philippines Project completion.
- (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.
- (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.

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 March 31, 2013, MCE Holdings Group as one of the parties as Licensees has complied with the required debt-to-equity ratio.

#### **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.

### **(d) 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.

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## **21. Financial Risk Management Objectives and Policies**

The Group's principal financial instruments consist mainly restricted cash of which will be used for the Philippines Project. The Group has other 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 intermediate holding company which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks and they are summarized below.

### **Interest Rate Risk**

Other than the bank balances which carry interest at market rates, 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 and no sensitivity analysis is performed.

### **Credit Risk**

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 composed of cash and cash equivalents, restricted cash and security deposit, 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 and the default of the counterparty of which the security deposit were held, 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 March 31, 2013 and December 31, 2012.

*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. Security deposit is also classified as high grade since the security deposit is placed with Belle, a company listed in the PSE with positive financial performance.

	March 31, 2013 (Unaudited)					Total
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	
	High Grade	Standard Grade				
<b>Financial Assets</b>						
Cash and cash equivalents	₱1,305,193,913	₱-	₱-	₱-	₱-	₱1,305,193,913
Restricted cash	2,030,800,000	-	-	-	-	2,030,800,000
Security deposit	68,074,152	-	-	-	-	68,074,152
	<b>₱3,404,068,065</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱3,404,068,065</b>

	December 31, 2012 (Audited)					Total
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	
	High Grade	Standard Grade				
<b>Financial Asset</b>						
Cash and cash equivalents	₱1,152,021,960	₱-	₱-	₱-	₱-	₱1,152,021,960

#### 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 intermediate 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.

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and financial liabilities as of March 31, 2013 and December 31, 2012 based on undiscounted contractual cash flows.

	March 31, 2013 (Unaudited)				Total
	Within 1 Year	1-3 Years	3-5 Years	Over 5 Years	
<b>Financial Assets</b>					
Cash and cash equivalents	₱1,305,193,913	₱-	₱-	₱-	₱1,305,193,913
Restricted cash	-	2,030,800,000	-	-	2,030,800,000
Security deposit	-	-	-	68,074,152	68,074,152
<b>Financial Liabilities</b>					
Accrued expenses, other payables and other current liabilities*	₱300,445,814	₱-	₱-	₱-	₱300,445,814
Amounts due to affiliated companies	126,604,266	-	-	-	126,604,266
Amount due to ultimate holding company	106,860,493	-	-	-	106,860,493
Amount due to intermediate holding company	5,167,081,225	-	-	-	5,167,081,225
Current portion of obligation under finance lease	1,089,402,202	-	-	-	1,089,402,202
Noncurrent portion of obligation under finance lease	-	2,896,192,888	3,366,665,894	38,149,647,713	44,412,506,495

	December 31, 2012 (Audited)				Total
	Within 1 Year	1-3 Years	3-5 Years	Over 5 Years	
<b>Financial Asset</b>					
Cash and cash equivalents	₱1,152,021,960	₱-	₱-	₱-	₱1,152,021,960
<b>Financial Liabilities</b>					
Accrued expenses, other payables and other current liabilities*	₱35,337,428	₱-	₱-	₱-	₱35,337,428
Amounts due to affiliated companies	21,902,555	-	-	-	21,902,555
Amount due to ultimate holding company	90,434,179	-	-	-	90,434,179

\*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 and Australian dollars. Foreign exchange risks of the Group are regularly reviewed by the management and appropriate processes are in place to monitor and mitigate said risks. Management decides not to hedge the currency exposures considering the cost of hedging being higher than the currency exposure.

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

	March 31, 2013 (Unaudited)		December 31, 2012 (Audited)	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
<b>Financial Asset</b>				
Cash and cash equivalents:				
US dollar ("US\$")	US\$200,311	8,193,565	US\$200,196	8,253,990
		8,193,565		8,253,990
<b>Foreign Currency-denominated Financial Asset</b>		<b>8,193,565</b>		<b>8,253,990</b>
<b>Financial Liabilities</b>				
Accrued expenses, other payables and other current liabilities:				
Hong Kong dollar ("HK\$")	HK\$1,172,600	6,165,089	HK\$165,088	874,870
US\$	US\$2,858	116,905	-	-
		6,281,994		874,870
Amounts due to affiliated companies:				
Australian dollar ("AUD")	AUD7,439	317,302	-	-
HK\$	HK\$9,649,216	50,731,944	HK\$96,818	513,080
Macau Patacas ("MOP")	MOP13,434,908	68,578,339	MOP4,157,280	21,389,475
US\$	US\$170,561	6,976,681	-	-
		126,604,266		21,902,555
Amount due to ultimate holding company:				
HK\$	HK\$2,634,522	13,851,325	HK\$2,593,412	13,743,574
MOP	MOP3,098,525	15,816,388	MOP22,563	116,090
US\$	US\$1,879,012	76,859,675	US\$1,849,197	76,241,410
		106,527,388		90,101,074
Amount due to intermediate holding company:				
HK\$	HK\$155,600,000	818,086,225	-	-
		818,086,225		-
<b>Foreign Currency-denominated Financial Liabilities</b>		<b>1,057,499,873</b>		<b>112,878,499</b>

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Group used the following rates of exchange as of March 31, 2013 and December 31, 2012:

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
Philippine peso to 1 unit of foreign currency:		
AUD	42.66	N/A
HK\$	5.26	5.30
MOP	5.10	5.15
US\$	40.90	41.23

The Group recognized net foreign exchange loss of ₱4.2 million for the three months ended March 31, 2013.

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.

	March 31, 2013 (Unaudited)		December 31, 2012 (Audited)	
	% Change Currency Rate	Effect on Loss Before Tax	% Change Currency Rate	Effect on Loss Before Tax
AUD	+1.1%	₱3,490	N/A	₱N/A
	-1.1%	(3,490)	N/A	N/A
HK\$	+0.6%	5,333,007	+0.7%	105,921
	-0.6%	(5,333,007)	-0.7%	(105,921)
MOP	+0.6%	506,368	+0.7%	150,539
	-0.6%	(506,368)	-0.7%	(150,539)
US\$	+0.6%	454,558	+0.7%	475,912
	-0.6%	(454,558)	-0.7%	(475,912)

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences.

Positive change in currency rate reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

#### Capital Risk Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain advances from shareholders, ultimate holding company, intermediate holding company or issue new shares.

The Group considers total equity as its capital which amounted to a capital deficiency of ₱789,191,584 and an equity of ₱1,057,642,339 as of March 31, 2013 and December 31, 2012, respectively.

The Group monitors capital on the basis of debt-to-equity ratio. Debt-to-equity ratio is calculated as long-term debt over total equity.

The Group's strategy was to maintain a sustainable debt-to-equity ratio. The debt-to-equity ratios as of March 31, 2013 and December 31, 2012, computed based on the separate financial statements of MCP and its subsidiaries, were zero as there were no long-term debt incurred for MCP and each of its subsidiaries as of March 31, 2013 and December 31, 2012. Under the terms of the Provisional License, it requires the Licensees to maintain a debt to equity ratio of not more than 70:30 (see Note 20(c)). As of March 31, 2013, the debt-to-equity ratio was zero for MCE Holdings Group as it did not incur any long-term debt and MCE Holdings Group was in compliance with the requirement.

## 22. Financial Instruments

### Fair Value of Financial Instruments

Set out below is a comparison by category of carrying values and fair values of all of the Group's financial instruments as of March 31, 2013 and December 31, 2012:

	March 31, 2013 (Unaudited)		December 31, 2012 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
<b>Loan and receivables:</b>				
Cash and cash equivalents	₱1,305,193,913	₱1,305,193,913	₱1,152,021,960	₱1,152,021,960
Restricted cash	2,030,800,000	2,030,800,000	-	-
Security deposit	68,074,152	68,074,152	-	-
	<b>₱3,404,068,065</b>	<b>₱3,404,068,065</b>	<b>₱1,152,021,960</b>	<b>₱1,152,021,960</b>
<b>Financial Liabilities</b>				
<b>Other financial liabilities:</b>				
Accrued expenses, other payables and other current liabilities	₱316,408,857	₱316,408,857	₱80,453,170	₱80,453,170
Amounts due to affiliated companies	126,604,266	126,604,266	21,902,555	21,902,555
Amount due to ultimate holding company	106,860,493	106,860,493	90,434,179	90,434,179
Amount due to intermediate holding company	5,167,081,225	5,167,081,225	-	-
Current portion of obligation under finance lease	1,000,345,982	1,000,345,982	-	-
Noncurrent portion of obligation under finance lease	10,820,551,658	10,820,551,658	-	-
	<b>₱17,537,852,481</b>	<b>₱17,537,852,481</b>	<b>₱192,789,904</b>	<b>₱192,789,904</b>

*Cash and cash equivalents, Restricted cash, Accrued expenses, other payables and other current liabilities, amounts due to affiliated companies, amount due to ultimate holding company and amount due to intermediate holding company.* 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 obligation under finance lease.* The fair value is the estimated future cash flows, discounted to present value using a credit-adjusted discount rate.

### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) 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 March 31, 2013, and December 31, 2012, the Group does not have financial instruments that are carried and measured at fair value. During the three months ended March 31, 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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**23. Note to Unaudited Consolidated Statement of Cash Flows**

- (a) During the three months ended March 31, 2013, the Group acquired building under finance lease, with amount of ₱11,755,718,783 was funded through Obligation under finance lease as of March 31, 2013.
- (b) During the three months ended March 31, 2013, contract acquisition costs of ₱10,696,721 and ₱811,518 were funded through Accrued expenses, other payables and other current liabilities and Amounts due to affiliated companies, respectively.
- (c) During the three months ended March 31, 2013, fit-out construction costs and cost of property and equipment in total of ₱147,396,077 and ₱65,498,929 were funded through Accrued expenses, other payables and other current liabilities and Amounts due to affiliated companies, respectively.
- (d) During the three months ended March 31, 2013, part of the consideration for the Asset Acquisition Transaction of ₱4,351,995,000 was funded through amount due to intermediate holding company as of March 31, 2013.

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**24. 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 March 5, 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 5% of the issued capital stock of the Parent Company from time to time over 10 years. As of March 31, 2013, no award had been granted or agreed to be granted under the Share Incentive Plan.

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**25. Subsequent Events**

- (a) On April 3, 2013, the Board of Directors of MCP, subject to the SEC approval for the increase in MCP's authorized capital stock on April 8, 2013 as disclosed in item (b) below, approved the maximum no. of share options and restricted shares of 131,578,947 common shares with maximum equity value of USD25.0 million (equivalent to ₱1,022.6 million) to be granted to the eligible employees under the Share Incentive Plan upon successful listing and offering of new shares of MCP.

- (b) On April 8, 2013, the SEC approved the increase in MCP's authorized capital stock to ₱5.9 billion divided into 5.9 billion shares with par value of ₱1 per share from authorized capital stock of ₱900 million divided into 900 million shares with par value of ₱1 per share, which was approved by the stockholders of MCE on February 19, 2013, and the Share Subscription Transaction as disclosed in Note 1(b) to increase 2,846,595,000 common shares with par value of ₱1 per share of MCP being held by MCE Investments.
- (c) 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 by crossing through the Philippine Stock Exchange.
- (d) On April 12, 2013, MCE Leisure entered into a commitment letter (the "Commitment Letter") with MCE Investments or an affiliate, acting as the lender, for a senior secured shareholder loan facility ("Shareholder Loan Facility") in an aggregate amount of up to US\$ 342.0 million (approximately ₱13.9 billion) or such greater amount as may be agreed between MCE Investments and MCE Leisure, which is denominated in US dollars. The Commitment Letter sets out the terms and conditions on which MCE Investments are willing to act as a lender of the Shareholder Loan Facility to be provided to MCE Leisure. These terms and conditions include the principal terms of the Shareholder Loan Facility and conditions precedent to entering into definitive documentation of the Shareholder Loan Facility. The proceeds of the Shareholder Loan Facility are expected to fund fit-out and other costs of the Project.

An expected condition precedent to drawdowns under the Shareholder Loan Facility is that any indebtedness under the Shareholder Loan Facility is guaranteed by the Parent Company and its subsidiaries (the "Guarantors") and is secured by first priority security over the issued share capital of each Guarantors and MCE Leisure (other than the Parent Company) and first priority asset security from all Guarantors and MCE Leisure. The Shareholder Loan Facility matures on date which is seven years after the signing date of the definitive documentation of the Shareholder Loan Facility (the "Signing Date") and is subject to quarter amortization payments commencing on the earlier of (i) six months after the opening of the Project and (ii) two years after the Signing Date. The individual drawdowns under the Shareholder Loan Facility are expected to be subject to certain conditions precedents, including certification as to uses 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 is expected to include a tax gross up provision requiring MCE Leisure to pay without any deduction or withholding for or on account of tax.

- (e) On April 24, 2013, MCP entered into a subscription agreement (the "Subscription Agreement") with MCE Investments, whereas, concurrently with the execution of the Subscription Agreement, i) MCP and MCE Investments executed a placing agreement (the "Placing Agreement") with certain third parties (the "Joint Lead Managers"), with respect to the offer (the "Offer") and sale to purchasers procured by the Joint Lead Managers of 981,183,700 common shares of MCP (the "Firm Shares"), with par value of ₱1 per share, at the offer price of ₱14 per Offer Share (the "Offer Price"), and ii) MCE Investments executed a greenshoe agreement (the "Greenshoe Agreement") with respect to the grant of an over-allotment option (the "Over-allotment Option"), which may be exercised by one of the Joint Lead Managers as the stabilizing agent. Under the Over-allotment Option, MCE Investments may be required to sell up to an additional 117,075,000 common shares of MCP, at a price equivalent to the Offer Price per share, solely to cover over-allotments (the "Option Shares"). The Firm Shares and as many of the Option Shares as are required to be sold are referred to as the "Offer Shares".

MCP did not receive any proceeds directly from the Offer, but MCE Investments agreed to subscribe for, and MCP agreed to issue, new common shares of MCP in an amount equal to the aggregate number of Firm Shares sold by MCE Investments in the Offer (the "Subscription Shares") and the aggregate number of Options Shares actually sold by MCE Investments as a result of the exercise by the stabilizing agent of its Over-allotment Option (the "Additional Subscription Shares") at a price equivalent to the aggregate Offer Price as described in the Placing Agreement.

Pursuant to the terms and conditions of the Subscription Agreement, MCE Investments agreed to subscribe to the Subscription Shares and the Additional Subscription Shares, if any, out of the authorized capital stock of MCP with par value of ₱1 per share, at the offer price of ₱14 per Subscription Share and Additional Subscription Share. The listing of the Subscription Shares and the Additional Subscription Shares, if any, will be subject to the PSE's approval.

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## 26. Other Matter

As described in Note 2, the business combination had been accounted for similar to a reverse acquisition and the unaudited consolidated financial statements represent a continuation of the financial statements of the MCE Holdings Group and not of MCP. No comparative information for the three months ended March 31, 2012 were presented in the unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in equity and unaudited consolidated statement of cash flows because MCE Holdings Group, the accounting acquirer, was only incorporated in August 2012.

In compliance with the requested information of the SEC, the following are the condensed information relating to the three months ended March 31, 2012 of MCP before the application of the reverse acquisition discussed in Note 2. These information pertain to the previous business of MCP.

	For the Three Months Ended March 31, 2012 (Unaudited) ₱'000
Revenues	378,398
Cost of sales	346,584
Gross income	31,814
Loss before tax	(31,788)
Net loss	(31,788)
Total comprehensive loss	(31,788)
Cash used in operating activities	(43,771)
Cash used in investing activities	(20,816)
Cash flows from financing activities	-