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SECURITIES AND EXCHANGE COMMISSION

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Company Type Stock Corporation

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2014**
2. Commission identification number **58648** 3. BIR Tax Identification No. **000-410-840-000**
4. Exact name of issuer as specified in its charter
Melco Crown (Philippines) Resorts Corporation
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code
Aseana Boulevard cor. Roxas Boulevard., Brgy. Tambo **1701**
Paranaque City

8. Issuer's telephone number, including area code
(02) 866-9888
9. Former name, former address and former fiscal year, if changed since last report
N.A.

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>Common</u>	<u>4,911,480,300</u>
	Outstanding Debt: ₱15 billion note facility

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

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

Common

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements as of June 30, 2014 and for the three and six months ended June 30, 2014 and 2013 and the audited consolidated balance sheet as of December 31, 2013 and the related notes to unaudited condensed consolidated financial statements of Melco Crown (Philippines) Resorts Corporation (the “**Company**” or “**MCP**”) and its subsidiaries (collectively referred to as “**the Group**” or “**we**”) are filed as part of this Form 17-Q as Appendix I.

There are no other material events subsequent to the end of this interim period that had not been reflected in the unaudited condensed consolidated financial statements filed as part of this report.

Review of Unaudited Interim Financial Information

The Group’s unaudited condensed 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 the Philippines. The Group’s unaudited condensed consolidated financial statements are included as part of this Form 17-Q, which have been reviewed and approved by the Company’s Board of Directors.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management’s discussion and analysis relate to the consolidated financial information and pre-operating results of the Group and should be read in conjunction with the accompanying consolidated financial statements and related notes of the Group as of June 30, 2014 and December 31, 2013, and for the three and six months ended June 30, 2014 and 2013.

Overview and Plan of Operation

The Company, through its subsidiaries, is engaged in the development and, upon opening, the operation of an integrated hotel, gaming, retail and entertainment complex within the Bagong Nayong Pilipino-Entertainment City Manila. The Company’s subsidiaries, MCE Holdings (Philippines) Corporation (“**MCE Holdings**”), MCE Holdings No. 2 (Philippines) Corporation (herein referred to as “**MCE Holdings No. 2**”), and MCE Leisure (Philippines) Corporation (herein referred to as “**MCE Leisure**”), together with SM Investments Corporation (“**SMIC**”), Belle Corporation (“**Belle**”) and PremiumLeisure Amusement, Inc. (“**PLAI**”) are the holders of the provisional license (“**Provisional License**”) issued by the Philippine Amusement and Gaming Corporation (“**PAGCOR**”) for the development of City of Dreams Manila as defined on page 5. The Company is an indirect subsidiary of Melco Crown Entertainment Limited (“**MCE**”), a leading developer of integrated gaming resorts in Macau and other parts of Asia, and its subsidiary, MCE Leisure, is responsible for the furniture, fixtures and equipment (including gaming equipment), working capital expenses, non-real property improvements and personal property, as well as the management and operation of City of Dreams Manila. Belle, one of the largest conglomerates in the Philippines with interests in retail, real estate development and banking, among others, is responsible for construction of the principal structures and fixtures of City of Dreams Manila.

City of Dreams Manila is located on an approximately 6.2-hectare site within Entertainment City, which is close to Metro Manila’s international airport, central business districts and the Mall of Asia, one of the world’s largest shopping malls. As of the date hereof, construction on the main building is substantially complete, while fit-out is ongoing. The Company believes that upon its expected completion this year, City of Dreams Manila will comprise a luxury integrated tourism resort and gaming complex, offering a premium gaming experience and differentiated and innovative non-gaming facilities and entertainment experiences to its customers in a world-class facility.

On October 9, 2013, with the execution of a trade mark licensing agreement between MCP and MCE (IP) Holdings Limited, a subsidiary of MCE, the Company announced that its new integrated casino resort at Entertainment City, Manila, was branded “City of Dreams Manila”. Furthermore, following various amendments to gaming regulations in the Philippines by PAGCOR, with the most recent one dated April 4,

2014, City of Dreams Manila is now anticipated to be able to operate up to approximately 375 gaming tables, 1,699 slot machines and 1,699 electronic table games upon opening.

On January 27, 2014, the Company announced the introduction of internationally acclaimed Nobu Hospitality at City of Dreams Manila marking the first Nobu Hotel in Asia. The Nobu Hotel will feature a Nobu restaurant with the unique cuisine of celebrated Chef Nobu.

On May 22, 2014, the Company announced a collaboration with global branded entertainment company DreamWorks Animation (NASDAQ: DWA) to develop the world's first DreamWorks-inspired "Edutainment" center at City of Dreams Manila. In collaboration with DreamWorks Animation, the Group introduced the education-based, interactive entertainment concept, "DreamPlay by DreamWorks", which will be the first of its kind in the world when it opens later this year at City of Dreams Manila.

On June 4, 2014, Hyatt Hotels & Resorts and the Company announced that a Hyatt affiliate and the Company have entered into a management agreement for Hyatt City of Dreams Manila, which will consist of two hotel towers and is expected to open in 2014.

Currently, the Group has a total manpower of 2,480 employees as of June 30, 2014, from 340 employees as of March 31, 2014, accounting for a 629% increase in total manpower from the first to the second quarter of the year. The Group is expected to further increase its manpower by 107% at the end of the third quarter, and by an additional 3% at the end of the year, to complete its total manpower complement.

Subsidiaries of MCP and group reorganization

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

As of June 30, 2014 and December 31, 2013, MCP's wholly-owned subsidiaries include the MCE Holdings Group. MCE Holdings, MCE Holdings No. 2 and MCE Leisure were all incorporated in the Philippines and were registered with the SEC on August 13, 2012, August 22, 2012 and August 30, 2012, respectively. The primary purpose of MCE Holdings and MCE Holdings No. 2 is investment holding, while the primary purpose of MCE Leisure is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components, which were further expanded to include casino gaming activities.

Activities of the Group

On July 5, 2012, MCE, through its indirect subsidiary, MPEL Projects Limited, entered into a memorandum of agreement (the "MOA") with SMIC, SM Land, Inc., SM Hotels and Conventions Corporation, SM Commercial Properties, Inc., and SM Development Corporation (collectively, the "**SM Group**"), Belle and PLAI (collectively, together with the SM Group, the "**Philippine Parties**") for the development of City of Dreams Manila. Further to the MOA, on October 25, 2012, the MCE Holdings Group i) together with certain of its affiliated companies, entered into a closing arrangement agreement (the "**Closing Arrangement Agreement**"); and ii) entered into the cooperation agreement and other related arrangements with the Philippine Parties. MCE Leisure also entered into the lease agreement on October 25, 2012 with Belle for City of Dreams Manila (the "**Lease Agreement**").

On March 13, 2013, the date on which the conditions to closing under the Closing Arrangement Agreement were fulfilled, or waived, the cooperation agreement and the Lease Agreement became effective, with minor changes to the original terms. In addition, the MCE Holdings Group and the Philippine Parties entered into the operating agreement on March 13, 2013, pursuant to which MCE Leisure has been granted the exclusive right to manage, operate and control City of Dreams Manila (the "**Operating Agreement**").

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

On June 24, 2014, MCP and MCE Investments completed a placing and subscription transaction (the “**2014 Placing and Subscription Transaction**”), under which MCE Investments offered and sold in a private placement to various institutional investors 485,177,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱11.30 per share (the “**2014 Offer**”). MCE Investments then used the proceeds from the 2014 Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of ₱11.30 per share. The issued common shares of MCP increased from 4,426,303,300 to 4,911,480,300 after the 2014 Placing and Subscription Transaction.

Pre-Operating Results

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

- a. Adjusted EBITDA: Earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, and other non-operating income and expenses.
- b. Revenue Growth: Measures the percentage change in revenue over a period of time. It is regularly monitored on a per product and per client basis.
- c. Net Income: Measures the profitability of the Group.
- d. Basic Earnings Per Share: Measures how much a stockholder earns in the Net Income of the Group. Basic Earnings per share is calculated by dividing Net Income by the weighted number of common shares issued and outstanding during a particular period of time.
- e. Rolling chip volume: the amount of non-negotiable chips wagered and lost by the rolling chip market segment.
- f. Rolling chip win rate: rolling chip table games win as a percentage of rolling chip volume.
- g. Mass market table games drop: the amount of table games drop in the mass market table games segment.
- h. Mass market table games hold percentage: mass market table games win as a percentage of mass market table games drop.
- i. Table games win: the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.
- j. Gaming machine handle: the total amount wagered in gaming machines (including both slot machines and electronic table games).
- k. Gaming machine win rate: gaming machine win expressed as a percentage of gaming machine handle.
- l. Average daily rate: calculated by dividing total room revenues (less service charges, if any) by total rooms occupied, i.e., average price of occupied rooms per day.
- m. Occupancy rate: the average percentage of available hotel rooms occupied during a period.
- n. Revenue per available room, or REVPAR: calculated by dividing total room revenues (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

These performance indicators are not applicable as of June 30, 2014 when the Company and the Group had no commercial operations.

Pre-Operating Results for the Three Months Ended June 30, 2014 Compared to the Three Months ended June 30, 2013

The following table shows a summary of the pre-operating results of the Group for the three months ended June 30, 2014 and the three months ended June 30, 2013 as derived from the accompanying consolidated financial statements:

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	% Change
Revenue (₱000)	23,672	-	N/A
Operating costs and expenses (₱000)	(810,211)	(216,601)	274%
Non-operating expenses, net (₱000)	(643,776)	(455,842)	41%
Net loss (₱000)	(1,430,315)	(672,443)	113%
Basic/diluted loss per share (₱)	(0.32)	(0.17)	88%

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

Consolidated comprehensive loss for the three months ended June 30, 2014 was ₱1,430.3 million, an increase of ₱757.9 million, or 113%, from ₱672.4 million for the three months ended June 30, 2013, which is primarily related to pre-opening costs, general and administrative expenses, as well as the interest expenses (net of capitalized interest) as a result of continuous development of City of Dreams Manila.

Revenue

Revenue for the three months ended June 30, 2014 amounted to ₱23.7 million, primarily representing the reimbursement for the share-based compensation costs for certain MCP directors, based on the share incentive plan launched in June 2013, recharged to MCE.

Operating costs and expenses

Total operating costs and expenses were ₱810.2 million for the three months ended June 30, 2014, representing an increase of ₱593.6 million, from ₱216.6 million for the three months ended June 30, 2013. The increase in operating costs was mainly related to the pre-opening costs, depreciation and general and administrative expenses, which are further discussed below.

General and administrative expenses for the three months ended June 30, 2014 amounted to ₱44.9 million, as compared to ₱37.3 million for the three months ended June 30, 2013. The increase was primarily due to a higher legal and professional fee for corporate matters incurred for the three months ended June 30, 2014 as compared to the three months ended June 30, 2013.

Amortization of contract acquisition costs for the three months ended June 30, 2014 and 2013 remained stable at ₱13.0 million for both periods and represented the consideration paid to Belle for the 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.

Development costs for the three months ended June 30, 2013 amounted to ₱15.2 million, which is primarily consisted of the listing and filing fee and other costs for Project funding. There were no such fees incurred for the three months ended June 30, 2014.

Pre-opening costs were ₱736.5 million for the three months ended June 30, 2014, as compared to ₱151.1 million for the three months ended June 30, 2013, primarily related to staff cost, consultancy fee in consideration for share awards, project management fee charged from MCE or its subsidiaries, share-based payments, rental expenses, advertising and marketing expenses, legal and other professional fee for pre-operating corporate matters as well as other operating expenses incurred during the period. The increase in pre-opening costs were mainly attributable to (i) increase in staff cost by ₱369.4 million, which was in line with the increase in headcount; (ii) an increase of ₱124.3 million share-based compensation for consultants and employees as a result of full quarter effect of share-based compensation for the share options and restricted shares granted in June 2013, as well as the one month expenses for the newly granted share options and restricted shares on May 30, 2014; (iii) an increase of ₱9.0 million legal and professional fee mainly for pre-opening corporate matters; (iv) an increase of ₱24.3 million rental expenses mainly due to rental of additional office/training space and office furniture; (v) an increase of ₱17.4 million in advertising and marketing expenses as a result of more public relation events for City of Dreams Manila Project held during the quarter; (vi) net increase in others by ₱41.0 million, mainly for repair and maintenances, communication and office supplies, which was in line with the active development of City of Dreams Manila.

Non-operating expenses, net

Interest income of ₱12.8 million for the three months ended June 30, 2014, as compared to ₱12.6 million for the three months ended June 30, 2013, represented the bank interest income mainly generated from short-term fixed deposits. There was no material fluctuation noted.

Interest expenses (net of capitalized interest) amounted to ₱516.0 million for the three months ended June 30, 2014, as compared to ₱420.0 million for the three months ended June 30, 2013. The increase was primarily due to the full quarter recognition of interest expense on Senior Notes issued on January 24, 2014. The interest expenses for the three months ended June 30, 2013 represented interest on obligation under finance lease in relation to a Lease Agreement of the building with Belle.

Other finance costs amounted to ₱11.7 million for the three months ended June 30, 2014, representing the gross receipt tax in relation to the Senior Notes issued in January 2014. No such cost in 2013.

Amortization of deferred financing costs amounted to ₱15.1 million for the three months ended June 30, 2014, relating the Senior Notes issued in January 2014. There were no such costs in 2013.

Foreign exchange loss – net of ₱113.8 million for the three months ended June 30, 2014 mainly resulted from the translation of foreign currency denominated bank balances and payables at the period end closing rate. Because Philippine Peso appreciated against H.K. Dollar and U.S. Dollar during the three months period, therefore foreign exchange loss increased by ₱49.8 million from ₱64.0 million for the three months ended June 30, 2013 as a result of the foreign exchange revaluation on the USD denominated bank accounts, which were offset in part by foreign exchange revaluation on foreign currencies payables during the quarter.

Pre-Operating Results for the Six Months Ended June 30, 2014 Compared to the Six Months ended June 30, 2013

The following table shows a summary of the pre-operating results of the Group for the six months ended June 30, 2014 and the six months ended June 30, 2013 as derived from the accompanying consolidated financial statements:

	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013	% Change
Revenue (₱000)	45,006	-	N/A
Operating costs and expenses (₱000)	(1,262,526)	(409,757)	208%
Non-operating expenses, net (₱000)	(1,182,861)	(601,362)	97%
Net loss (₱000)	(2,400,381)	(1,011,119)	137%
Basic/diluted loss per share (₱)	(0.54)	(0.46)	17%

Consolidated comprehensive loss for the six months ended June 30, 2014 was ₱2,400.4 million, an increase of ₱1,389.3 million, or 137%, from ₱1,011.1 million for the six months ended June 30, 2013, which is primarily related to pre-opening costs, general and administrative expenses, as well as the interest expenses (net of capitalized interest) as a result of continuous development of City of Dreams Manila.

Revenue

Revenue for the six months ended June 30, 2014 amounted to ₱45.0 million, primarily representing the reimbursement for the share-based compensation costs for certain MCP directors, based on the share incentive plan launched in June 2013, recharged to MCE.

Operating costs and expenses

Total operating costs and expenses were ₱1,262.5 million for the six months ended June 30, 2014, representing an increase of ₱852.8 million, from ₱409.8 million for the six months ended June 30, 2013. The increase in operating costs were mainly related to the pre-opening costs, depreciation, as well as amortization of contract acquisition costs, which were partially offset by the decrease in general and administrative expenses and development costs, which were further discussed below.

General and administrative expenses for the six months ended June 30, 2014 amounted to ₱50.8 million, as compared to ₱103.5 million for the six months ended June 30, 2013. The decrease was primarily due to the higher non-recurring documentary stamp duty and SEC filing fee related to increase in share capital of the MCE Holdings Group companies, as well as the legal and other professional fees incurred for the project funding during the six months ended June 30, 2013 as compared to the six months ended June 30, 2014.

Amortization of contract acquisition costs for the six months ended June 30, 2014 and 2013 amounted to ₱26.0 million and ₱17.4 million, respectively. The increase was due to the full period effect when compared to the six months ended June 30, 2013.

Development costs for the six months ended June 30, 2013 amounted to ₱95.1 million, which is primarily consisted of legal and other professional fees incurred during the closing of the Closing Arrangement Agreement, as well as certain regulatory fees. There were no such fees incurred for the six months ended June 30, 2014.

Pre-opening costs were ₱1,162.9 million for the six months ended June 30, 2014, as compared to ₱193.8 million for the six months ended June 30, 2013, which is primarily related to staff cost, consultancy fee in consideration for share awards, project management fee charged from MCE or its subsidiaries, share-based payments, land rental charges on the Lease Agreement with Belle, as well as legal and other professional fees for pre-operating corporate matters incurred during the period. The increase in pre-opening costs were mainly attributable to (i) increase in staff costs by ₱533.9 million, which was in line with the increase in headcount; (ii) an increase of ₱238.1 million share-based compensation for consultants and employees as a result of full period effect of share-based compensation for the share options and restricted shares granted in June 2013, as well as the one month expenses for the newly granted share options and restricted shares on May 30, 2014; (iii) an increase of ₱7.4 million legal and professional fee mainly for pre-opening corporate matters; (iv) an increase of ₱88.9 million rental expenses mainly due to rental of additional office/training space and office furniture; (v) an increase of ₱31.7 million advertising and marketing expenses as a result of more public relation events for City of Dreams Manila Project held during the period; (vi) net increase in others by ₱69.1 million, mainly for repair and maintenances, rental expenses, communication, which was in line with the active development of City of Dreams Manila.

Non-operating expenses, net

Interest income of ₱29.4 million for the six months ended June 30, 2014, as compared to ₱14.0 million for the six months ended June 30, 2013, represented the bank interest income mainly generated from short-term fixed deposits. The increase was primarily driven by more short-term fixed deposits being placed at the bank as a result of the increase in bank balances due to the aforesaid funding activities.

Interest expenses (net of capitalized interest) amounted to ₱1,027.2 million for the six months ended June 30, 2014, as compared to ₱562.6 million for the six months ended June 30, 2013. The increase was primarily due to the recognition of interest expense on Senior Notes issued on January 24, 2014 since the first quarter amounted to ₱411.4 million. The interest expense for the six months ended June 30, 2013

represented interest on obligation under finance lease in relation to the Lease Agreement of the building with Belle.

Other finance costs amounted to ₱20.6 million for the six months ended June 30, 2014, representing the gross receipt tax in relation to the Senior Notes issued in January 2014. No such cost in 2013.

Amortization of deferred financing costs amounted to ₱26.2 million for the six months ended June 30, 2014, representing deferred financing costs capitalized for the Senior Notes which effective from January 2014. There were no such costs in 2013.

Foreign exchange loss – net of ₱138.3 million for the six months ended June 30, 2014 mainly due to the translation of foreign currency denominated bank balances and payables at the period end closing rate. Because Philippine Peso appreciated against H.K. Dollar and U.S. Dollar during the six months period, foreign exchange loss increased by ₱70.0 million from ₱68.2 million for the six months ended June 30, 2013 as a result of the foreign exchange revaluation on the USD denominated bank accounts, which were offset in part by foreign exchange revaluation on foreign currencies payables during the quarter.

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, taxes, 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 Sheets

Significant change in the consolidated balance sheets of the Company as of June 30, 2014 versus December 31, 2013 mainly included:

- (i) The issuance of the Senior Notes by MCE Leisure on January 24, 2014, which was priced at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019.
- (ii) The 2014 Placing and Subscription Transaction by MCE Investments, which offered and sold 485,177,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱11.30 per share, on June 24, 2014.
- (iii) On May 30, 2014, MCP has granted to certain employees and directors of the Company and MCP and other eligible participants under the share incentive plan of MCP (the "**Share Incentive Plan**") (i) share options to subscribe for a total of 4,861,003 common shares with a par value of ₱1.00 each of MCP (the "**MCP Shares**") and (ii) restricted shares in respect of a total of 4,738,684 MCP Shares, pursuant to the MCP Share Incentive Plan.

The consolidated balance sheet of the Company as of June 30, 2014, with variance of plus or minus 5% against of December 31, 2013, is discussed as follows:

<i>In thousands of Philippine peso, except % change data</i>	June 30, 2014	December 31, 2013	% Change
Current assets	20,868,792	8,996,407	132%
Noncurrent assets	27,150,661	19,146,328	42%
Total assets	48,019,453	28,142,735	71%
Current liabilities	5,106,293	3,481,369	47%
Noncurrent liabilities	26,356,623	11,327,675	133%
Total liabilities	31,462,916	14,809,044	112%
Equity	16,556,537	13,333,691	24%

Current assets

Cash and cash equivalents increased by ₱11,160.7 million, which is the net result of the net proceeds from issuance of the Senior Notes and 2014 Placing and Subscription Transaction, partially offset by the payments made for the capital and operating expenditures during the period presented.

Prepayments and other current assets increased by ₱711.6 million, which was primarily due to the increase in (i) input VAT mainly arising from the payments of constructions costs and rental expenses; (ii) prepaid staff benefits primarily related to housing allowances and (iii) prepaid license fee mainly pertaining to the usage of IT software and certain license.

Noncurrent assets

Property and equipment increased by ₱6,117.8 million, mainly due to the additional capital expenditures mainly in construction in progress of ₱4,561.9 million and recognition of operating equipment of ₱1,585.5 million incurred during the six months ended June 30, 2014, which were partially offset by the depreciation of ₱29.6 million for these operating equipment during the period.

Contract acquisition costs decreased by ₱26.0 million, mainly due to the amortization for the six months ended June 30, 2014.

Other intangible assets representing the license fees incurred for the right to the use of certain third party trademarks for City of Dreams Manila. The balance remained stable as at June 30, 2014 as compared to December 31, 2013.

Other noncurrent assets increased by ₱1,937.4 million primarily due to (i) the recognition of advance payment and deposit for property and equipment of ₱1,886.4 million; (ii) increase in other deposits of ₱52.8 million, mainly for electricity supply and tour and transportation service for our casino resort, both deposits to be refunded upon termination of such service; (iii) the long term prepayment on license fee of ₱17.8 million mainly pertaining to the usage of Information Technology ("IT") software and certain license; which are offset in part by (iv) the capitalization of prepayment of deferred financing costs of ₱20.9 million, which have been net with Senior Notes which became effective in January 2014.

The ₱37.7 million decrease in restricted cash resulted from the appreciation of Philippine Peso against the U.S. Dollar. Therefore less Philippine Peso are required to fulfill the US\$50 million minimum requirement on the escrow account as required under the Provisional License granted by PAGCOR.

Current liabilities

Accrued expenses, other payables and other current liabilities increased by ₱1,494.2 million, which is mainly related to increase in accruals for fit-out construction costs by ₱905.9 million, increase in interest expenses payable of ₱329.2 million as a result of the aforesaid issuance of the Senior Notes, increase in accruals for staff costs of ₱111.9 million, as well as a net increase in others of ₱147.2 million.

Current portion of obligations under finance lease is comprised of the building lease portion and the finance lease for IT infrastructure service. It represented the lease payments that are due within one year.

Amounts due to affiliated companies, ultimate holding company and immediate holding company increased by ₱54.6 million, which primarily resulted from project management fee and payroll recharged from affiliates/holding companies, as well as funds advance from MCE Investments, which partially offset by the share-based compensation costs for MCP directors recharged to MCE, during the six months ended June 30, 2014. Please refer to Note 15 to the unaudited condensed consolidated financial statements for the nature and details of the related party transactions for the six months ended June 30, 2014.

Noncurrent liabilities

Non-current portion of obligations under finance lease increased by ₱319.7 million. It represented the lease payments that are due more than one year.

Long-term debt of ₱14.7 billion representing the Senior Notes which will mature in 2019 and priced at par of 100% of the principal amount of ₱15.0 billion, net with ₱326.0 million unamortized deferred financing costs, and offered to certain primary institutional lenders as noteholders through a private placement in the Philippines, issued on January 24, 2014.

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

Equity

Capital stock and additional paid-in capital increased by ₱485.2 million and ₱4,895.4 million, respectively, as of June 30, 2014 as compared to December 31, 2013, which was mainly due to the aforesaid 2014 Placing and Subscription Transaction.

Share-based compensation reserve increased by ₱242.7 million mainly due to the recognition of share-based payments during the six months ended June 30, 2014.

Equity reserve consisted of the net difference between the cost of MCP to acquire MCE Holdings Group and the legal capital of the latter at the date of reverse acquisition, plus the retained earnings of MCP as of December 19, 2012, the date when MCP was acquired by MCE. The amount remained unchanged as of June 30, 2014 as compared to December 31, 2013.

Deficit increased by ₱2,400.4 million to ₱4,913.6 million as of June 30, 2014, from ₱2,513.2 million as of December 31, 2013, which was solely due to the net loss recognized during the six months ended June 30, 2014.

Liquidity and Capital Resources

The table below shows the Group's consolidated cash flows for the six months ended June 30, 2014 and 2013, respectively:

	For The Six Months Ended June 30, 2014	For The Six Months Ended June 30, 2013	% Change
<i>In thousands of Philippine peso, except % change data</i>			
Net cash used in operating activities	(1,422,556)	(267,661)	431%
Net cash used in investing activities	(6,782,566)	(10,949,432)	-38%
Net cash provided by financing activities	19,571,442	22,173,581	-12%
Effect of foreign exchange on cash and cash equivalents	(205,571)	398	-51751%
Net increase in cash and cash equivalents	11,160,749	10,956,886	2%
Cash and cash equivalents at beginning of period	8,599,842	1,152,022	646%
Cash and cash equivalents at end of period	19,760,591	12,108,908	63%

Cash and cash equivalents increased by 130% as of June 30, 2014 compared to December 31, 2013 mainly due to the net effect of the following:

- For the six months ended June 30, 2014, the Group registered negative cash flow from operating activities of ₱1,422.6 million primarily due to a continuous development of City of Dreams Manila as discussed aforesaid sections.
- Net cash used in investing activities amounted to ₱6,782.6 million for the six months ended June 30, 2014, which primarily includes: (i) capital expenditure payments of ₱4,688.2 million; and (ii) advance payment and deposit for acquisition of property and equipment of ₱2,129.7 million, which was partially offset by (iii) a decrease in restricted cash of ₱37.7 million for the escrow account as discussed in the foregoing.
- Net cash provided by financing activities for the six months ended June 30, 2014 mainly represented: (i) net proceeds from the 2014 Placing and Subscription Transaction of ₱5,391.5 million; (ii) proceeds from the issuance of Senior Notes of ₱15,000 million; partially offset by (iii) payment of deferred financing costs related to the issuance of Senior Notes of ₱321.2 million; (iv) payment for transaction costs of issuance of share capital during the year ended December 31, 2013 of ₱6.1 million during the six months ended; and (v) repayments of obligations under the finance lease of ₱492.9 million.

The table below shows the Group's capital resources as of June 30, 2014 and December 31, 2013:

	As of June 30, 2014	As of December 31, 2013	% Change
<i>In thousands of Philippine peso, except % change data</i>			
Long-term debt	14,673,953	-	N/A
Equity	16,556,537	13,333,691	24%
	31,230,490	13,333,691	134%

Total debt and capital increased by 134% to ₱31,230.5 million as of June 30, 2014, from ₱13,333.7 million as of December 31, 2013. The increase was due to (i) the 2014 Placing and Subscription Transaction in June 2014; (ii) the issuance of the Senior Notes; (iii) recognition of share-based compensation reserve of ₱242.7 million; partially offset by (iv) the net loss of ₱2,400.4 million during the six months ended June 30, 2014.

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

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

On June 24, 2014, MCP and MCE Investments completed the 2014 Placing and Subscription Transaction, under which MCE Investments offered and sold in a private placement to various institutional investors 485,177,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱11.30 per share. MCE Investments then used the proceeds from the 2014 Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of ₱11.30 per share. The aggregate net proceeds from aforementioned equity transactions, after deducting the underwriting commissions and other expenses of ₱102.0 million, was ₱5,380.5 million.

Risks Related to Financial Instruments

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

The main risks arising from the Group's financial instruments as of and for six months ended June 30, 2014 are interest rate risk, credit risk, liquidity risk and foreign exchange risk. Management reviews and approves policies for managing each of these risks. Refer to Note 22 to the unaudited condensed consolidated financial statements for detail.

Other Financing and Liquidity Matters

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

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

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

The total budget for the City of Dreams Manila project up to the time of opening is estimated to be approximately ₱37 billion (or US\$832.0 million based on an exchange rate of US\$1.00 to ₱44.50), 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.

The development of City of Dreams Manila may be subject to further financing and a number of other factors, many of which are beyond our control. Our investment plans are preliminary and subject to change based upon the execution of our business plan, the progress of our capital projections, market conditions and outlook on future business.

As of June 30, 2014, we had capital commitments mainly for the fit-out construction costs of City of Dreams Manila totaling ₱8,737.8 million including advance payment for construction costs of ₱1,258.4 million. For further details on our commitments and contingencies, please refer to Note 21 to the unaudited condensed consolidated financial statements included in this quarterly report.

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

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

CONSOLIDATED BALANCE SHEETS

(In thousands of Philippine peso, except % change data)

	June 30,	December 31,	VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes (With 5% as a Threshold)
			% to Total Assets		% of Change in Prior Period	
ASSETS	2014	2013	2014	2013	2014	
Current assets						
Cash and cash equivalents	19,760,591	8,599,842	41%	31%	130%	The increase is attributed to the net result of the net proceeds from issuance of Senior Notes and 2014 Placing and Subscription Transaction, partially offset by the payments made for the capital and operating expenditures.
Prepayments and other current assets	1,102,776	391,140	2%	1%	182%	The increase is attributable to the increase in (i) input VAT mainly arising from the payments of constructions costs and rental expenses; (ii) prepaid license fee mainly pertaining to the usage of IT software and certain license; (iii) prepaid staff benefits primarily related to housing allowances and (v) increase in rental deposit which will be refundable within the next twelve months from other noncurrent assets.
Amount due from a shareholder	5,425	5,425	0%	0%	0%	
Total current assets	20,868,792	8,996,407	43%	32%	132%	
Noncurrent assets						
Property and equipment	21,112,824	14,995,010	44%	53%	41%	The increase is attributable to the continuous development of City of Dreams Manila.
Contract acquisition costs	994,104	1,020,151	2%	4%	-3%	
Other intangible assets	8,698	8,698	0%	0%	0%	
Other noncurrent assets	2,833,147	895,795	6%	3%	216%	The increase is mainly attributable to the recognition of advance payment and deposit for acquisition of property and equipment, offset in part by the capitalization of prepayment of deferred financing costs, which have been net with Senior Notes which became effective in January 2014.
Restricted cash	2,189,000	2,226,674	5%	8%	-2%	The decrease was mainly resulted from the appreciation of PHP against USD and therefore less PHP are required to fulfill the US\$50m minimum requirement on the escrow account.
Deferred tax asset	12,888	-	0%	0%	N/A	
Total noncurrent assets	27,150,661	19,146,328	57%	68%	42%	
Total assets	48,019,453	28,142,735	100%	100%	71%	

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

	June 30, 2014	December 31, 2013	VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes (With 5% as a Threshold)
			% to Total Assets 2014	2013	% of Change in Prior Period 2014	
LIABILITIES AND EQUITY						
Current liabilities						
Accrued expenses, other payables and other current liabilities	2,412,633	918,389	5%	3%	163%	The increase is primarily attributable to the increase in accruals for fit-out construction costs, increase in interest expenses payables as a result of the issuance of Senior Notes as well as increase in accruals for staff costs and others.
Current portion of obligations under finance lease	1,288,633	1,214,187	3%	4%	6%	The increase was primarily due to the finance lease charges recognized during the quarter and the reclassification of non-current portion of the obligation under finance leases for a certain leased asset to current portion as a result of early termination of agreement to be made in August 2014, partially offset by the lease payments made for the building lease with Belle during the period.
Amount due to ultimate holding company	80,753	107,787	0%	0%	-25%	
Amount due to immediate holding company	872,499	887,415	2%	3%	-2%	
Amounts due to affiliated companies	450,131	353,591	1%	1%	27%	The increase is resulted from project management fee and payroll recharged from affiliates/holding companies as well as funds advance from MCE Investments for the development of City of Dreams Manila, which partially offset by the share based compensation costs for MCP directors recharged to MCE, during the six months ended June 30, 2014.
Income tax payable	1,644	-	0%	0%	N/A	
Total current liabilities	5,106,293	3,481,369	11%	11%	47%	
Noncurrent liabilities						
Long-term debt	14,673,953	-	31%	0%	N/A	The increase was due to the issuance of Senior Notes in January 2014.
Noncurrent portion of obligations under finance lease	11,587,986	11,268,283	24%	40%	3%	The increase represents the finance lease charges recognized during the quarter for the building lease portion.
Deferred rent liability	90,663	59,392	0%	0%	53%	
Other non-current liabilities	4,021	-	0%	0%	N/A	The increase represents the difference between the amount of effective rent and the actual payment.
Total noncurrent liabilities	26,356,623	11,327,675	55%	40%	133%	
Equity						
Capital stock	4,911,480	4,426,303	10%	17%	11%	
Additional paid-in capital	19,651,787	14,756,430	41%	53%	33%	The increase represents the 2014 Placing and Subscription Transaction made during the period.
Share-based compensation reserve	520,844	278,151	1%	1%	87%	The increase is attributable to recognition of share-based payments during the six months ended June 30, 2014.
Equity reserve	(3,613,990)	(3,613,990)	-8%	-13%	0%	The amount represents the net difference between the cost of MCP to acquire MCE Holdings Group and the legal capital of the latter at the date of reverse acquisition plus the retained earnings of MCP.
Accumulated deficits	(4,913,584)	(2,513,203)	-10%	-9%	96%	The increase is due to the net loss recognized during the period.
Total equity	16,556,537	13,333,691	34%	49%	24%	
Total equity and liabilities	48,019,453	28,142,735	100%	100%	71%	

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

			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes (With 5% as a Threshold)
	For the three months ended June 30,	For the three months ended June 30,	% to Revenues		% of Change in Prior Period	
	2014	2013	2014	2013	2014	
Revenue						
Management fee income	23,672	-	100%	N/A	N/A	The increase is attributable to the management fee income for the share based compensation costs for certain MCP directors recharged to MCE.
Operating costs and expenses						
General and administrative expenses	(44,943)	(37,324)	-190%	N/A	20%	The increase was primarily due to a higher legal and professional fee for corporate matters incurred for Q2'2014 as compared to Q2'2013.
Pre-opening costs	(736,516)	(151,064)	-3111%	N/A	388%	The increase is attributable to the continuous development of City of Dreams Manila.
Development costs	-	(15,190)	0%	N/A	-100%	The decrease was primarily due to the project related legal and professional fee incurred during Q2'2013, whereas no such expenses noted during the period.
Amortization of contract acquisition costs	(13,023)	(13,023)	-55%	N/A	0%	
Depreciation	(15,729)	-	-66%	N/A	N/A	The increase is attributable to the increase in furniture, fixture and equipment which were already in use.
Total operating costs and expenses	(810,211)	(216,601)	-3423%	N/A	274%	
Non-operating income (expenses)						
Interest income	12,830	12,640	54%	N/A	2%	
Interest expenses, net of capitalized interest	(515,998)	(419,998)	-2180%	N/A	23%	The increase is attributable to the interest on Senior Notes issued in January 2014, partially offset by a higher capitalized interest.
Other finance costs	(11,719)	-	-50%	N/A	N/A	The increase is attributable to the gross receipt tax in relation to Senior Notes issued in January 2014.
Foreign exchange loss, net	(113,839)	(64,027)	-481%	N/A	78%	The increase is attributable to the appreciation of Philippine Peso against U.S. Dollar.
Amortization of deferred financing costs	(15,050)	-	-64%	N/A	N/A	
Other, net	-	15,543	0%	N/A	-100%	
Total non-operating expenses, net	(643,776)	(455,842)	-2720%	N/A	41%	
Net loss	(1,430,315)	(672,443)	-6042%	N/A	113%	
Other comprehensive income	-	-	0%	N/A	N/A	
Total comprehensive loss	(1,430,315)	(672,443)	-6042%	N/A	113%	The increase is attributable to the increase in pre-opening costs, G&A and depreciation as discussed above.
Basic/diluted loss per share	(P 0.32)	(P 0.17)	0%	N/A	-73%	

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

			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes (With 5% as a Threshold)
	For the six months ended June 30,	For the six months ended June 30,	% to Revenues		% of Change in Prior Period	
	2014	2013	2014	2013	2014	
Revenue						
Management fee income	45,006	-	100%	N/A	N/A	The increase is attributable to the management fee income for the share based compensation costs for certain MCP directors recharged to MCE.
Operating costs and expenses						
General and administrative expenses	(50,778)	(103,494)	-113%	N/A	-51%	The sharp decrease was primarily due to the non-recurring G&A incurred during the 1H 2013, whereas no such expenses noted during the period.
Pre-opening costs	(1,162,925)	(193,809)	-2584%	N/A	500%	The increase is attributable to the continuous development of City of Dreams Manila.
Development costs	-	(95,090)	0%	N/A	-100%	The decrease was primarily due to the project related legal and professional fee incurred during the 1H 2013, whereas no such expenses noted during the period.
Amortization of contract acquisition costs	(26,047)	(17,364)	-58%	N/A	50%	The increase is attributable to the full period amortization of the consideration paid to Belle as part of the closing condition during the period.
Depreciation	(22,776)	-	-51%	N/A	N/A	The increase is attributable to the increase in furniture, fixture and equipment which were already in use.
Total operating costs and expenses	(1,262,526)	(409,757)	-2805%	N/A	208%	
Non-operating income (expenses)						
Interest income	29,373	13,955	65%	N/A	110%	The increase is attributable to more short-term fixed deposits being placed at the bank as a result of the increase in bank balances due to the aforesaid funding activities.
Interest expenses, net of capitalized interest	(1,027,224)	(562,622)	-2282%	N/A	83%	The increase is attributable to the interest on Senior Notes issued in January 2014, partially offset by a higher capitalized interest.
Other finance costs	(20,573)	-	-46%	N/A	N/A	The increase is attributable to the gross receipt tax in relation to Senior Notes issued in January 2014.
Foreign exchange loss, net	(138,256)	(68,238)	-307%	N/A	103%	The increase is attributable to the appreciation of Philippine Peso against U.S. Dollar.
Amortization of deferred financing costs	(26,181)	-	-58%	N/A	N/A	
Other income	-	15,543	0%	N/A	-100%	
Total non-operating expenses, net	(1,182,861)	(601,362)	-2628%	N/A	97%	
Net loss	(2,400,381)	(1,011,119)	-5333%	N/A	137%	
Other comprehensive income	-	-	0%	N/A	N/A	
Total comprehensive loss	(2,400,381)	(1,011,119)	-5333%	N/A	137%	The increase is attributable to the increase in depreciation, interest expenses, net of capitalized interest as discussed above.
Basic/diluted loss per share	(P 0.54)	(P 0.46)	0%	N/A	-73%	

PART II-OTHER INFORMATION

There is no other information which has not been previously reported in SEC Form 17-C that needs to be reported in this section.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION

(Issuer)



Clarence Yuk Man Chung
President

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION
(Issuer)



Adrian Hsen Bin Au
Treasurer

Melco Crown (Philippines) Resorts Corporation and
Subsidiaries

Condensed Consolidated Financial Statements
June 30, 2014 (Unaudited) and December 31, 2013
and For The Three and Six Months Ended June 30, 2014 and 2013 (Unaudited)

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2014 AND DECEMBER 31, 2013
(In thousands of Philippine peso, except share and per share data)

	June 30, 2014 (Unaudited) (Note 2)	December 31, 2013 (Audited) (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 22 and 23)	₱19,760,591	₱8,599,842
Prepayments and other current assets	1,102,776	391,140
Amount due from a shareholder (Notes 15, 22 and 23)	5,425	5,425
Total Current Assets	20,868,792	8,996,407
Noncurrent Assets		
Property and equipment (Note 5)	21,112,824	14,995,010
Contract acquisition costs (Note 6)	994,104	1,020,151
Other intangible assets (Note 7)	8,698	8,698
Other noncurrent assets (Note 8)	2,833,147	895,795
Restricted cash (Notes 9, 22 and 23)	2,189,000	2,226,674
Deferred tax asset (Note 17)	12,888	-
Total Noncurrent Assets	27,150,661	19,146,328
	₱48,019,453	₱28,142,735
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses, other payables and other current liabilities (Notes 10, 22 and 23)	₱2,412,633	₱918,389
Current portion of obligations under finance lease (Notes 18, 22 and 23)	1,288,633	1,214,187
Amount due to ultimate holding company (Notes 15, 22 and 23)	80,753	107,787
Amount due to immediate holding company (Notes 15, 22 and 23)	872,499	887,415
Amounts due to affiliated companies (Notes 15, 22 and 23)	450,131	353,591
Income tax payable (Note 17)	1,644	-
Total Current Liabilities	5,106,293	3,481,369
Noncurrent Liabilities		
Long-term debt (Notes 19, 22 and 23)	14,673,953	-
Noncurrent portion of obligations under finance lease (Notes 18, 22 and 23)	11,587,986	11,268,283
Deferred rent liability	90,663	59,392
Other noncurrent liabilities (Notes 22 and 23)	4,021	-
Total Noncurrent Liabilities	26,356,623	11,327,675
Equity		
Capital stock (Note 11)	4,911,480	4,426,303
Additional paid-in capital	19,651,787	14,756,430
Share-based compensation reserve (Note 26)	520,844	278,151
Equity reserve (Notes 2 and 11)	(3,613,990)	(3,613,990)
Accumulated deficits	(4,913,584)	(2,513,203)
Total Equity	16,556,537	13,333,691
	₱48,019,453	₱28,142,735

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(In thousands of Philippine peso, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	<u>(Note 2)</u>	<u>(Note 2)</u>	<u>(Note 2)</u>	<u>(Note 2)</u>
REVENUE				
Management fee income (Note 15)	₱23,672	₱-	₱45,006	₱-
OPERATING COSTS AND EXPENSES				
General and administrative expenses (Note 12)	(44,943)	(37,324)	(50,778)	(103,494)
Pre-opening costs (Note 13)	(736,516)	(151,064)	(1,162,925)	(193,809)
Development costs (Note 14)	-	(15,190)	-	(95,090)
Amortization of contract acquisition costs (Note 6)	(13,023)	(13,023)	(26,047)	(17,364)
Depreciation (Note 5)	(15,729)	-	(22,776)	-
Total Operating Costs and Expenses	(810,211)	(216,601)	(1,262,526)	(409,757)
NON-OPERATING INCOME (EXPENSES)				
Interest income	12,830	12,640	29,373	13,955
Interest expenses, net of capitalized interest	(515,998)	(419,998)	(1,027,224)	(562,622)
Other finance fees	(11,719)	-	(20,573)	-
Foreign exchange loss, net	(113,839)	(64,027)	(138,256)	(68,238)
Amortization of deferred financing costs	(15,050)	-	(26,181)	-
Other income	-	15,543	-	15,543
Total Non-operating Expenses, Net	(643,776)	(455,842)	(1,182,861)	(601,362)
NET LOSS	(1,430,315)	(672,443)	(2,400,381)	(1,011,119)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE LOSS	(₱1,430,315)	(₱672,443)	(₱2,400,381)	(₱1,011,119)
Basic/Diluted Loss Per Share (Note 16)	(₱0.32)	(₱0.17)	(₱0.54)	(₱0.46)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(In thousands of Philippine peso, except share and per share data)

	Capital Stock (Note 11)			Subtotal Capital Stock	Additional Paid-in Capital	Share-based Compensation Reserve	Equity Reserve (Note 11)	Accumulated Deficits	Cost of Treasury Shares Held (Note 11)	Total
	Class A	Class B	Common Stock							
Balance as of January 1, 2014	₱-	₱-	₱4,426,303	₱4,426,303	₱14,756,430	₱278,151	(₱3,613,990)	(₱2,513,203)	₱-	₱13,333,691
Net loss	-	-	-	-	-	-	-	(2,400,381)	-	(2,400,381)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	-	(2,400,381)	-	(2,400,381)
Shares issued, net of offering expenses (Note 11)	-	-	485,177	485,177	4,895,357	-	-	-	-	5,380,534
Share-based compensation (Note 26)	-	-	-	-	-	242,693	-	-	-	242,693
Balance as of June 30, 2014	₱-	₱-	₱4,911,480	₱4,911,480	₱19,651,787	₱520,844	(₱3,613,990)	(₱4,913,584)	₱-	₱16,556,537
Balance as of January 1, 2013	₱337,500	₱225,000	₱-	₱562,500	₱92,679	₱-	₱740,763	(₱49,786)	(₱288,514)	₱1,057,642
Net loss	-	-	-	-	-	-	-	(1,011,119)	-	(1,011,119)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	-	(1,011,119)	-	(1,011,119)
Declassification of Class A shares and Class B shares (Note 11)	(337,500)	(225,000)	562,500	-	-	-	-	-	-	-
Shares issued, net of offering expenses (Note 11)	-	-	3,863,803	3,863,803	12,816,082	-	-	-	-	16,679,885
Sale of treasury shares (Note 11)	-	-	-	-	1,847,669	-	-	-	288,514	2,136,183
Share-based compensation (Note 26)	-	-	-	-	-	4,642	-	-	-	4,642
Movement of equity reserve (Note 2)	-	-	-	-	-	-	(4,354,753)	-	-	(4,354,753)
Balance as of June 30, 2013	₱-	₱-	₱4,426,303	₱4,426,303	₱14,756,430	₱4,642	(₱3,613,990)	(₱1,060,905)	₱-	(₱14,512,480)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(In thousands of Philippine peso, except share and per share data)

	Six Months Ended June 30,	
	2014	2013
	<u>(Note 2)</u>	<u>(Note 2)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(₱2,400,381)	(₱1,011,119)
Adjustments for:		
Interest income	(29,373)	(13,955)
Interest expenses, net of capitalized interest	1,027,224	562,622
Unrealized foreign exchange loss, net	175,686	65,148
Consultancy fee in consideration for share awards recognized as pre-opening costs (Note 13)	149,298	2,943
Share-based compensation expenses recognized as pre-opening costs (Note 13)	93,395	1,699
Amortization of deferred financing costs	26,181	–
Amortization of contract acquisition costs (Note 6)	26,047	17,364
Depreciation (Note 5)	22,776	–
Other finance fees	20,573	–
Amortization of prepaid rent	2,644	1,763
Contract acquisition costs written off to development costs (Note 14)	–	64,721
Operating loss before working capital changes	(885,930)	(308,814)
Changes in assets and liabilities:		
Increase in prepayments and other current assets	(717,373)	(75,301)
Increase in other noncurrent assets	(82,105)	–
(Decrease) increase in amount due to ultimate holding company	(24,014)	33,248
Increase (decrease) in accrued expenses, other payables and other current liabilities	147,690	(10,558)
Increase in amounts due to affiliated companies	71,436	64,519
Increase in deferred rent liability	31,271	21,750
Increase in other noncurrent liabilities	4,021	–
Increase in amount due from a shareholder	–	(5,272)
Net cash used in operations	(1,455,004)	(280,428)
Interest received	32,448	12,767
Net cash used in operating activities	(1,422,556)	(267,661)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property and equipment	(4,688,180)	(414,831)
Advance payment and deposit for acquisition of property and equipment	(2,129,743)	(844)
Payment for acquisition of other intangible assets	(1,317)	–
Payment for other noncurrent assets	(1,000)	–
Decrease (increase) in restricted cash	37,674	(2,030,800)
Cash used in reverse acquisition (Notes 1(c) and 2)	–	(7,198,590)
Payment for contract acquisition costs	–	(1,128,768)
Payment for security deposit	–	(175,599)
Net cash used in investing activities	(₱6,782,566)	(₱10,949,432)

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS –
continued
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(In thousands of Philippine peso, except share and per share data)

	Six Months Ended June 30, 2014 <i>(Note 2)</i>	2013 <i>(Note 2)</i>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt (Note 19)	₱15,000,000	₱–
Net proceeds from issuance of share capital (Note 11)	5,385,477	16,702,028
Increase in amount due to immediate holding company	154	811,660
Repayments of obligations under finance lease	(492,948)	(320,127)
Payment for deferred financing costs	(321,241)	–
Net proceeds from capital stock issuance of legal subsidiary (Notes 1(c) and 11)	–	2,843,837
Proceeds from sale of treasury shares	–	2,136,183
Net cash provided by financing activities	19,571,442	22,173,581
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	(205,571)	398
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,160,749	10,956,886
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,599,842	1,152,022
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱19,760,591	₱12,108,908

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
(In thousands of Philippine peso, except share and per share data)

1. Organization and Business

(a) Corporate Information

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

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

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

The ultimate holding company of the Parent Company is Melco Crown Entertainment Limited (referred to as “MCE”), a company incorporated in the Cayman Islands with its American depository shares are traded on the NASDAQ Global Select Market in the United States of America and its ordinary shares are traded on the Main Board of The Stock Exchange of Hong Kong Limited in the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”).

(b) Change in Capital Structure and Ownership of MCP

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

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS – continued
(In thousands of Philippine peso, except share and per share data)

1. **Organization and Business – continued**

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

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

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

On April 24, 2013, MCP and MCE Investments completed a placing and subscription transaction (the “Placing and Subscription Transaction”), under which MCE Investments offered and sold in a private placement to various institutional investors of 981,183,700 common shares of MCP with par value of ₱1 per share, at the offer price of ₱14 per share (the “Offer”). In connection with the Offer, MCE Investments granted an over-allotment option (the “Over-allotment Option”) of up to 117,075,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱14 per share to a stabilizing agent (the “Stabilizing Agent”). MCE Investments then used the proceeds from the Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of ₱14 per share.

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

In March and April 2014, there are minor changes in ownership of MCP by MCE and its subsidiaries. As a result of change in directors for MCP, MCE (Philippines) Investments No.2 Corporation (“MCE Investments No.2”), an indirect subsidiary of MCE and a minority shareholder of MCP, acquired additional 400 shares and 3,000 shares of MCP under trust arrangements on March 13, 2014 and April 11, 2014, respectively. On March 31, 2014, MCE Investments sold 200 shares in MCP to two independent directors of the Parent Company.

On June 24, 2014, MCP and MCE Investments completed a placing and subscription transaction (the “2014 Placing and Subscription Transaction”), under which MCE Investments offered and sold in a private placement to various institutional investors of 485,177,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱11.30 per share (the “2014 Offer”). MCE Investments then used the proceeds from the 2014 Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of ₱11.30 per share.

After the series of transactions as above and as of June 30, 2014 and December 31, 2013, MCE Investments became the immediate holding company of MCP.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS – continued
(In thousands of Philippine peso, except share and per share data)

1. **Organization and Business – continued**

(c) Subsidiaries of MCP and Group Reorganization

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

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS – continued
(In thousands of Philippine peso, except share and per share data)

1. **Organization and Business – continued**

(d) Activities of MCE Holdings Group

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

(e) Provisional License

On October 25, 2012, further to the Cooperation Agreement as mentioned above, the Philippine Amusement and Gaming Corporation (“PAGCOR”) acknowledged the inclusion of, amongst others, MCE Leisure as a co-licensee, as well as the “special purpose entity”, to take effect as of the effective date of the Cooperation Agreement, allowing MCE Leisure to be the operator to operate the casino business and as representative for itself and on behalf of the other co-licensees under a provisional license (the “Provisional License”) in their dealings with PAGCOR. The Cooperation Agreement became effective on March 13, 2013, the date on which closing under the Closing Arrangement Agreement dated October 25, 2012 occurred. As a result, MCE Holdings Group and the Philippine Parties together became co-licensees (the “Licensees”) under the Provisional License granted by PAGCOR for the establishment and operation of City of Dreams Manila. The Provisional License, as well as any regular license to be issued to replace it upon satisfaction of certain conditions, is concurrent with section 13 of Presidential Decree No. 1869 (the “PAGCOR Charter”), will expire on July 11, 2033.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS – continued
(In thousands of Philippine peso, except share and per share data)

1. Organization and Business – continued

(f) Status of Operations for City of Dreams Manila

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

City of Dreams Manila is located on an approximately 6.2-hectare site in Entertainment City. As of June 30, 2014, the construction on the main building structures of City of Dreams Manila is substantially complete, while the construction of the connecting structures and the fit-out construction of City of Dreams Manila are ongoing.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL****STATEMENTS – continued****(In thousands of Philippine peso, except share and per share data)****2. Summary of Significant Accounting Policies – continued**Basis of Preparation – continued

Because the unaudited condensed 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;
- (b) the combined results of the MCE Holdings Group for full period together with the post-combination results of MCP from December 19, 2012, the date when MCP was acquired by MCE through MCE Investments and MCE Investments No.2 (i.e. not those of MCP);
- (c) the total equity is that of the MCE Holdings Group and MCP, but the legal capital would be that of MCP;
- (d) any difference between (1) the consolidated net assets of the MCE Holdings Group and MCP, and (2) the combined results of the MCE Holdings Group for full period together with the post-combination results of MCP from December 19, 2012 and the sum of legal capital of MCP and the consideration of the Asset Acquisition Transaction, shall be accounted for as Equity reserve in the condensed consolidated balance sheets as of June 30, 2014 (unaudited) and December 31, 2013 (audited), respectively; and
- (e) the unaudited condensed consolidated statements of comprehensive income for the six months ended June 30, 2014 and 2013 reflect that of the 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 of June 30, 2014 and December 31, 2013.

Statement of Compliance

The Group's unaudited condensed consolidated financial statements have been prepared in conformity with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*.

The Group's unaudited condensed consolidated financial statements as of June 30, 2014 do not include all the information and disclosures required in the annual consolidated financial statements and the results of operations are not necessarily indicative of the results for full year, and should be read in conjunction with the Group's consolidated financial statements as of December 31, 2013 and 2012 and for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS – continued
(In thousands of Philippine peso, except share and per share data)

2. Summary of Significant Accounting Policies – continued

Significant Accounting Judgments, Estimates and Assumptions

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

In preparing the unaudited condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements as of December 31, 2013 and 2012 and for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012.

Property and Equipment

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

Capitalization of Interest and Amortization of Deferred Financing Costs

Interest and amortization of deferred financing costs incurred on funds used to construct the Group's casino gaming and entertainment resort facilities during the active construction period is capitalized. Interest subject to capitalization primarily includes interest paid or payable on obligations under finance lease and the Group's ₱15,000,000 5.00% senior notes, due 2019 (the "Senior Notes") issued on January 24, 2014. The capitalization of interest and amortization of deferred financing costs ceases once a project is substantially completed or development activity is suspended for more than a brief period.

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued

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

2. Summary of Significant Accounting Policies – continued

Capitalization of Interest and Amortization of Deferred Financing Costs – continued

For the three months ended June 30, 2014 and 2013, total interest expenses incurred amounted to ₱675,735 and ₱443,559, of which ₱159,737 and ₱23,561 were capitalized, respectively. For the six months ended June 30, 2014 and 2013, total interest expenses incurred amounted to ₱1,297,324 and ₱588,770, of which ₱270,100 and ₱26,148 were capitalized, respectively. No amortization of deferred financing costs was capitalized for the three and six months ended June 30, 2014.

Deferred Financing Costs

Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are capitalized and amortized over the terms of the related debt agreements using the effective interest method. Deferred financing costs of ₱15,050 and nil were amortized for the three months ended June 30, 2014 and 2013, respectively; and ₱26,181 and nil were amortized for the six months ended June 30, 2014 and 2013, respectively.

Loss Per Share

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of common shares outstanding used in the calculation of basic net loss per share	4,463,624,608	3,927,185,529	4,445,067,051	2,179,335,342
Incremental weighted average number of common shares from assumed vesting of restricted shares and exercise of share options	-	-	-	-
Weighted average number of common shares outstanding used in the calculation of diluted net loss per share	4,463,624,608	3,927,185,529	4,445,067,051	2,179,335,342

For the three and six months ended June 30, 2014, 125,427,218 outstanding share options and 65,021,790 outstanding restricted shares as of June 30, 2014 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive. For the three and six months ended June 30, 2013, 120,826,336 outstanding share options and 60,413,167 outstanding restricted shares as of June 30, 2013 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive.

Share-based Compensation Expenses

The Group issued restricted shares and share options under its share incentive plan for the three and six months ended June 30, 2014 and 2013.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS – continued
(In thousands of Philippine peso, except share and per share data)

2. Summary of Significant Accounting Policies – continued

Share-based Compensation Expenses – continued

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

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

Further information on the Group's share-based compensation arrangement is included in Note 26.

Contingencies

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

Segment Reporting

As of June 30, 2014 and December 31, 2013, the Group did not present the segment reporting as City of Dreams Manila is currently in an early phase of development, and mainly incurred pre-opening expenses and other non-operating expenses for the three and six months ended June 30, 2014 and 2013.

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 unaudited condensed consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to unaudited condensed consolidated financial statements when material.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS – continued
(In thousands of Philippine peso, except share and per share data)

3. Accounting Policies Effective During the Period and Future Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those new and amended PAS and Philippine Financial Reporting Standards (“PFRS”) adopted as of January 1, 2014 followed in the preparation of the Group’s audited consolidated financial statements as of December 31, 2013 and 2012 and for the year ended December 31, 2013 and for the period from August 13, 2012 to December 31, 2012 except for adoption of the following new and amended PAS, PFRS and Philippine Interpretations as of January 1, 2014. The adoption of these new and amended PAS, PFRS and Philippine Interpretations had no significant impact on the unaudited condensed consolidated financial statements:

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments)
- PAS 36, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
- PAS 39, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)

4. Cash and Cash Equivalents

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Cash on hand	₱902	₱687
Cash in banks	19,759,689	8,599,155
	₱19,760,591	₱8,599,842

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5. Property and Equipment

	<u>June 30, 2014 (Unaudited)</u>						
	<u>Building under</u> <u>Finance Lease</u>	<u>Leasehold</u> <u>Improvements</u>	<u>Motor</u> <u>Vehicles</u>	<u>Furniture, Fixtures</u> <u>and Equipment</u>	<u>Plant and</u> <u>Gaming</u> <u>Machinery</u>	<u>Construction</u> <u>in Progress</u>	<u>Total</u>
Costs:							
Balance at beginning of period	₱11,820,440	₱186,536	₱14,293	₱258,289	₱-	₱2,731,558	₱15,011,116
Additions	-	655,278	463	780,130	149,600	4,555,119	6,140,590
Capitalization of depreciation	-	-	-	-	-	6,804	6,804
Balance at end of period	<u>11,820,440</u>	<u>841,814</u>	<u>14,756</u>	<u>1,038,419</u>	<u>149,600</u>	<u>7,293,481</u>	<u>21,158,510</u>
Accumulated Depreciation:							
Balance at beginning of period	-	(109)	(1,620)	(14,377)	-	-	(16,106)
Depreciation	-	(880)	(1,434)	(27,255)	(11)	-	(29,580)
Balance at end of period	<u>-</u>	<u>(989)</u>	<u>(3,054)</u>	<u>(41,632)</u>	<u>(11)</u>	<u>-</u>	<u>(45,686)</u>
Net Book Value	<u>₱11,820,440</u>	<u>₱840,825</u>	<u>₱11,702</u>	<u>₱996,787</u>	<u>₱149,589</u>	<u>₱7,293,481</u>	<u>₱21,112,824</u>
	<u>December 31, 2013 (Audited)</u>						
	<u>Building under</u> <u>Finance Lease</u>	<u>Leasehold</u> <u>Improvements</u>	<u>Motor</u> <u>Vehicles</u>	<u>Furniture, Fixtures</u> <u>and Equipment</u>	<u>Plant and</u> <u>Gaming</u> <u>Machinery</u>	<u>Construction</u> <u>in Progress</u>	<u>Total</u>
Costs:							
Balance at beginning of year	₱-	₱-	₱-	₱423	₱-	₱38,859	₱39,282
Additions	11,820,440	186,536	14,293	257,866	-	2,684,703	14,963,838
Capitalization of depreciation	-	-	-	-	-	7,996	7,996
Balance at end of year	<u>11,820,440</u>	<u>186,536</u>	<u>14,293</u>	<u>258,289</u>	<u>-</u>	<u>2,731,558</u>	<u>15,011,116</u>
Accumulated Depreciation:							
Balance at beginning of year	-	-	-	-	-	-	-
Depreciation	-	(109)	(1,620)	(14,377)	-	-	(16,106)
Balance at end of year	<u>-</u>	<u>(109)</u>	<u>(1,620)</u>	<u>(14,377)</u>	<u>-</u>	<u>-</u>	<u>(16,106)</u>
Net Book Value	<u>₱11,820,440</u>	<u>₱186,427</u>	<u>₱12,673</u>	<u>₱243,912</u>	<u>₱-</u>	<u>₱2,731,558</u>	<u>₱14,995,010</u>

Furniture, fixtures and equipment with net book value amounted to ₱38,189 and ₱44,382 were held under finance lease as of June 30, 2014 and December 31, 2013, respectively.

As of June 30, 2014 and December 31, 2013, construction in progress included interest paid or payable on the obligations under finance lease which amounted to ₱417,653 and ₱147,553, respectively.

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6. Contract Acquisition Costs

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Balance at beginning of period/year	₱1,020,151	₱58,427
Additions	–	1,134,576
Amortization	(26,047)	(43,410)
Capitalized in building under finance lease	–	(64,721)
Written off to development costs (Note 14)	–	(64,721)
Balance at end of period/year	₱994,104	₱1,020,151

As of March 13, 2013, this account consists of legal and other professional fees, documentary stamps tax and other directly attributable costs incurred by the Group in negotiating the Lease Agreement and management contracts for City of Dreams Manila amounting to ₱129,442. Upon the Lease Agreement becoming effective on March 13, 2013, the Group had written off the portion of the contract acquisition costs amounting to ₱64,721 incurred in relation to the contract negotiations classified as operating lease to development costs (Note 14), while the remaining portion amounting to ₱64,721 incurred in relation to the contract negotiations classified as building under finance lease is capitalized in building under finance lease. On the same date, the Group paid ₱1,063,561 to Belle as consideration for termination of various agreements with a third party in accordance with the Closing Arrangement Agreement and this amount is amortized over the lease term.

7. Other Intangible Assets

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Balance at beginning of period/year	₱8,698	₱–
Additions	–	8,698
Balance at end of period/year	₱8,698	₱8,698

The other intangible assets represent the license fees incurred by MCE Leisure for right to use of certain trademarks for City of Dreams Manila and are amortized on a straight-line basis over the term of the license agreement which expires in 5 years from the opening of City of Dreams Manila.

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This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Advance payment and deposit for acquisition of property and equipment	₱2,564,881	₱678,472
Noncurrent portion of prepaid rent	103,400	106,044
Security and rental deposits (Notes 22 and 23)	93,254	90,342
Other noncurrent deposits	52,824	–
Other noncurrent assets	18,788	–
Prepayment of deferred financing costs	–	20,937
	₱2,833,147	₱895,795

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

Upon the Lease Agreement becoming effective on March 13, 2013, a security deposit of ₱175,599 was paid to Belle. As of June 30, 2014, part of prepaid rent amounting to ₱95,453 represented the noncurrent portion of excess of principal amount of the security deposit paid pursuant to the Lease Agreement over its fair value at inception, and is amortized on a straight-line basis over the lease term while part of the current portion of prepaid rent of ₱5,289 is included in prepayments and other current assets.

9. Restricted Cash

Under the Provisional License granted by PAGCOR, it is a requirement that the Licensees set-up an escrow account with an amount of US\$100 million with a universal bank mutually agreed by PAGCOR and the Licensees. All funds for the development of the casino project shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to City of Dreams Manila. The escrow account should have a maintaining balance of US\$50 million until the completion of City of Dreams Manila. As of June 30, 2014 and December 31, 2013, MCE Leisure, as one of the Licensees maintained a balance of ₱2,189,000 and ₱2,226,674, respectively, in the escrow account for US\$ equivalent of US\$50 million in each of those periods based on prevailing exchange rates. The escrow account will be closed at completion of City of Dreams Manila and funds held in the escrow account will be released to MCE Leisure.

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10. Accrued Expenses, Other Payables and Other Current Liabilities

The account consists of:

	June 30, 2014 <u>(Unaudited)</u>	December 31, 2013 <u>(Audited)</u>
Accruals for:		
Fit-out construction costs	₱1,612,610	₱706,686
Staff costs	155,839	43,971
Legal and other professional fees	81,613	87,671
Taxes and licenses	3,958	7,225
Operating expenses and others	63,025	42,416
Interest expenses payable	329,167	–
Other finance fees payable	20,573	–
Withholding tax payable	142,894	26,668
Other payables and liabilities	2,954	3,752
	<u>₱2,412,633</u>	<u>₱918,389</u>

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

11. Equity

Authorized Capital Stock

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

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

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

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

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

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

Issued Capital Stock

As of June 30, 2014 and December 31, 2013, the Parent Company's issued capital stock consists of 4,911,480,300 and 4,426,303,300 common shares with par value of ₱1 per share, respectively.

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

On April 24, 2013, MCP and MCE Investments completed the Placing and Subscription Transaction, under which MCE Investments offered and sold in a private placement to various institutional investors of 981,183,700 common shares of MCP with par value of ₱1 per share, at the offer price of ₱14 per share. MCE Investments then used the proceeds from the Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of ₱14 per share.

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

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

On June 24, 2014, MCP and MCE Investments completed the 2014 Placing and Subscription Transaction, under which MCE Investments offered and sold in a private placement to various institutional investors of 485,177,000 common shares of MCP with par value of ₱1 per share, at the offer price of ₱11.30 per share. MCE Investments then used the proceeds from the 2014 Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of ₱11.30 per share. The net proceeds from the 2014 Offer, after deducting the underwriting commissions and other expenses of ₱101,966, was ₱5,380,534.

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As of December 31, 2012, the total number of treasury shares held by MCP was 150,435,404 shares, representing 64,803,449 Class A shares and 85,631,955 Class B shares, and the total cost of treasury shares in aggregate was ₱288,514. The declassification of Class A and Class B treasury shares to a single class of common stock treasury share were approved by the SEC on March 5, 2013. On April 8, 2013, MCP sold all of its treasury shares, representing 150,435,404 common shares to third parties at ₱14.2 per share. As of June 30, 2014 and December 31, 2013, MCP does not have any remaining treasury shares.

Equity Reserve

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

The equity reserve is accounted for as follows:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Retained earnings of MCP as of December 19, 2012	₱732,453	₱732,453
Consideration to MCP for the acquisition of MCE Holdings Group	(7,198,590)	(7,198,590)
Legal capital of MCE Holdings Group as of March 20, 2013*	2,852,147	2,852,147
	(₱3,613,990)	(₱3,613,990)

*Including share issuance costs of ₱2,094

As of June 30, 2014 and December 31, 2013, the Parent Company has 439 and 436 stockholders, respectively.

12. General and Administrative Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Legal and other professional fees	₱39,413	₱26,107	₱43,537	₱44,784
Taxes and licenses	2,824	11,324	3,152	45,418
Management fee expenses (Note 15)	1,067	–	1,942	3,842
Rental expenses (Note 21(b))	–	–	–	8,209
Operating expenses and others	1,639	(107)	2,147	1,241
	₱44,943	₱37,324	₱50,778	₱103,494

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2014 <u>(Unaudited)</u>	2013 <u>(Unaudited)</u>	2014 <u>(Unaudited)</u>	2013 <u>(Unaudited)</u>
Staff costs	₱389,573	₱20,172	₱554,052	₱20,172
Consultancy fee in consideration for share awards (Note 26)	76,988	2,943	149,298	2,943
Rental expenses (Note 21(b))	71,350	47,069	135,927	47,069
Share-based compensation expenses (Note 26)	51,917	1,699	93,395	1,699
Project management fee expenses (Note 15)	46,189	40,561	88,845	83,311
Legal and other professional fees	27,814	18,813	26,189	18,813
Advertising and marketing expenses	17,744	314	31,992	314
Taxes and licenses	5,867	17,937	6,119	17,937
Operating expenses and others	49,074	1,556	77,108	1,551
	₱736,516	₱151,064	₱1,162,925	₱193,809

14. Development Costs

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014 <u>(Unaudited)</u>	2013 <u>(Unaudited)</u>	2014 <u>(Unaudited)</u>	2013 <u>(Unaudited)</u>
Written off from contract acquisition costs (Note 6)	₱–	₱–	₱–	₱64,721
Legal and other professional fees	–	13,686	–	28,865
Project management fee expenses	–	1,504	–	1,504
	₱–	₱15,190	₱–	₱95,090

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

In addition to those transactions disclosed in Notes 1(b), 1(c), 1(d), 11, 24(a), 24(c) and 24(f), the Group entered into the following significant related party transactions:

<u>Category</u>	Amount of transactions for the three months ended June 30, 2014 <u>(Unaudited)</u>	Amount of transactions for the six months ended June 30, 2014 <u>(Unaudited)</u>	Outstanding balance <u>(Unaudited)</u>	<u>Terms</u>	<u>Conditions</u>
<i>Amount due from a shareholder</i> MCE Investments No.2 Balance as of January 1, 2014 and June 30, 2014			₱5,425	Repayable on demand; non-interest bearing	Unsecured, no impairment
<i>Amount due to ultimate holding company</i> MCE Balance as of January 1, 2014			₱107,787	Repayable on demand; non-interest bearing	Unsecured
Project management fee expenses recognized as pre-opening costs	₱10,401	₱20,992	20,992		
Management fee income ⁽¹⁾	(23,672)	(45,006)	(45,006)		
Revaluation of outstanding balances	(4,288)	(3,020)	(3,020)		
Balance as of June 30, 2014			₱80,753		
<i>Amount due to immediate holding company</i> MCE Investments Balance as of January 1, 2014			₱887,415	Repayable on demand; non-interest bearing	Unsecured
Funds advance to MCP	₱–	₱154	154		
Revaluation of outstanding balances	(22,265)	(15,070)	(15,070)		
Balance as of June 30, 2014			₱872,499		

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15. Related Party Transactions – continued

<u>Category</u>	Amount of transactions for the three months ended June 30, 2014 <u>(Unaudited)</u>	Amount of transactions for the six months ended June 30, 2014 <u>(Unaudited)</u>	Outstanding balance <u>(Unaudited)</u>	<u>Terms</u>	<u>Conditions</u>
<i>Amounts due to affiliated companies</i>					
MCE's subsidiaries					
Balance as of January 1, 2014			₱345,449	Repayable on demand; non-interest bearing	Unsecured
Project management fee expenses capitalized in construction in progress	₱812	₱31,321	31,321		
Project management fee expenses capitalized in deferred financing costs	–	622	622		
Project management fee expenses recognized as pre-opening costs	35,788	67,853	67,853		
Management fee expenses recognized as general and administrative expenses	1,067	1,942	1,942		
Settlement of payables on behalf of MCP	634	1,217	1,217		
Revaluation of outstanding balances	(10,752)	(8,219)	(8,219)		
Balance as of June 30, 2014			<u>₱440,185</u>		
A subsidiary of Crown Resorts Limited (“Crown”) ⁽²⁾					
Balance as of January 1, 2014			₱5,874	Repayable on demand; non-interest bearing	Unsecured
Acquisition of property and equipment	₱187	₱1,438	1,438		
Balance as of June 30, 2014			<u>₱7,312</u>		

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15. Related Party Transactions – continued

<u>Category</u>	Amount of transactions for the three months ended June 30, 2014 <u>(Unaudited)</u>	Amount of transactions for the six months ended June 30, 2014 <u>(Unaudited)</u>	Outstanding balance <u>(Unaudited)</u>	<u>Terms</u>	<u>Conditions</u>
<i>Amounts due to affiliated companies – continued</i>					
Melco International Developments Limited (“Melco”) ⁽²⁾ , its subsidiary and associated company			₱2,268	Repayable on demand; non-interest bearing	Unsecured
Balance as of January 1, 2014					
Deposit for acquisition of property and equipment	₱57,232	₱59,437	–		
Acquisition of property and equipment	4,416	4,416	–		
Settlement of payables on behalf of MCP	808	1,556	422		
Revaluation of outstanding balances	(61)	(53)	(56)		
Balance as of June 30, 2014			₱2,634		

Notes:

(1) The amount represents the recharge of share-based compensation expenses for certain directors of MCP for the three and six months ended June 30, 2014 to MCE.

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

Directors’ Remuneration

For the three and six months ended June 30, 2014, the remuneration of directors of the Group were borne by MCE.

16. Basic/Diluted Loss Per Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014 <u>(Unaudited)</u>	2013 <u>(Unaudited)</u>	2014 <u>(Unaudited)</u>	2013 <u>(Unaudited)</u>
Net loss (a)	(₱1,430,315)	(₱672,443)	(₱2,400,381)	(₱1,011,119)
Weighted average number of shares outstanding of legal parent (b)	4,463,624,608	3,927,185,529	4,445,067,051	2,179,335,342
Basic/Diluted loss per share (a)/(b)*1,000	(₱0.32)	(₱0.17)	(₱0.54)	(₱0.46)

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For the three and six months ended June 30, 2014, 125,427,218 outstanding share options and 65,021,790 outstanding restricted shares as of June 30, 2014 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive. For the three and six months ended June 30, 2013, 120,826,336 outstanding share options and 60,413,167 outstanding restricted shares as of June 30, 2013 were excluded from the computation of diluted net loss per share as their effect would have been anti-dilutive.

17. Income Tax

The provision for income tax for the three and six months ended June 30, 2014 and 2013 consisted of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Provision for current income tax	₱8,325	₱–	₱12,888	₱–
Benefit from deferred income tax	(8,325)	–	(12,888)	–
	₱–	₱–	₱–	–

The provision for current income tax for the three and six months ended June 30, 2014 represents the tax provided by the Parent Company on its income for these periods. The benefit from deferred income tax represents the deferred tax asset, which is recognized up to the amount of income tax recognized for the three and six months ended June 30, 2014 to the extent of the amount of the reversing deductible temporary difference arising from share-based compensation expenses.

No provision for current income tax was provided by the subsidiaries for the three and six months ended June 30, 2014 and 2013 as the subsidiaries incurred tax losses.

The components of the Group's net deferred tax assets as of June 30, 2014 and December 31, 2013 are as follows:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Deferred tax assets:		
Deferred rent under PAS 17	₱123,830	₱44,265
Share-based compensation expenses	12,888	–
Deferred tax liability:		
Capitalized interest expenses	(123,830)	(44,265)
	₱12,888	₱–

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17. **Income Tax** – continued

The Group has the following temporary differences for which no deferred tax assets have been recognized since management believes that the Group may not be able to realize the benefits from this deferred tax assets in the future.

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Net operating loss carryover (“NOLCO”)	₱840,143	₱468,301
Deferred rent under PAS 17	246,227	178,446
Share-based compensation expenses	143,365	83,445
Interest expenses	123,437	–
Other finance fees	6,172	–
Unrealized foreign exchange loss, net	84,488	31,782
Others	39,060	8,530
	₱1,482,892	₱770,504

As of June 30, 2014, the Group’s NOLCO can be carried forward and claimed as deduction from regular taxable income are as follows:

<u>Year Incurred</u>	<u>Expiry Year</u>	<u>Amount</u>
2012	2015	₱48,224
2013	2016	1,440,046
2014	2017	1,312,205
		₱2,800,475

No NOLCO has been utilized for the three months ended June 30, 2014. NOLCO incurred in 2013, 2012, and 2011 amounting ₱8,742, ₱3,210 and ₱1,264, respectively have been utilized for the six months ended June 30, 2014. The amounts utilized included the NOLCO of ₱1,264 and ₱1,429 incurred by former business of MCP in 2011 and 2012, respectively. NOLCO incurred by former business of MCP in 2010 amounting to ₱1,365 expired in 2013.

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17. **Income Tax** – continued

As of June 30, 2014 and December 31, 2013, the Group has income tax payable as follows:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Balance at beginning of period/year	₱–	₱–
Provision for current income tax	12,888	–
Under provision for income tax for prior year	1,722	–
Less: Utilization of creditable withholding tax	(11,244)	–
Less: Utilization of tax credit from minimum corporate income tax (“MCIT”)	(1,722)	–
Balance at end of period/year	<u>₱1,644</u>	<u>₱–</u>

MCIT tax credit incurred for the prior year amount to ₱1,722 has been utilized for the six months ended June 30, 2014.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Income tax benefit computed at statutory income tax rate	(₱429,094)	(₱201,733)	(₱720,114)	(₱303,336)
Income tax effects of:				
Change in unrecognized deferred tax assets	432,730	185,738	716,353	287,654
Change in unrecognized deferred tax asset in prior year	–	–	14,598	–
Expenses not deductible for tax	213	19,544	1,940	19,544
Utilization of tax loss previously not recognized	–	–	(3,965)	–
Interest income subject to final tax	(3,849)	(3,549)	(8,812)	(3,862)
	<u>₱–</u>	<u>₱–</u>	<u>₱–</u>	<u>₱–</u>

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17. Income Tax – continued

Section 13(2)(a) of the PAGCOR Charter grants PAGCOR an exemption from tax, income or otherwise, as well as exemption from any form of charges, fees, levies of whatever nature, whether national or local, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations under the franchise. Such tax shall be in lieu of all taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority. Section 13(2)(a) of the PAGCOR Charter which provides that the exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to the corporations, associations, agencies or individuals with whom PAGCOR, or operator has any contractual relationship in connection with the operations of the casino authorized to be conducted under the franchise and to those receiving compensation of other remuneration from PAGCOR or operator as a result of essential facilities furnished and/or technical services rendered to PAGCOR or operator. Management believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of, and extend to corporations, associations and agencies, individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter as of March 31, 2013.

The Bureau of Internal Revenue (“BIR”) issued Revenue Memorandum Circular (“RMC”) No. 33-2013 on April 17, 2013. The RMC clarifies that PAGCOR is no longer exempt from corporate income tax and is thus subject to corporate income tax under the National Internal Revenue Code (the “Tax Code”) on its operations of gambling, casinos, gaming clubs and other similar recreation or amusement places, gaming pools and other related operations as well as on other income. The RMC further provided that PAGCOR’s licensees and contractees, which are entities duly authorized and licensed by PAGCOR to perform gambling casinos, gaming clubs and other similar recreation or amusement places, and gaming pools, are likewise subject to income tax under the Tax Code.

To address the additional exposure to corporate income tax brought by BIR RMC No. 33-2013, PAGCOR and the Licensees have agreed during the three and six months ended June 30, 2014 to adjust the license fees commencing April 1, 2014 by 10% of gross gaming revenues, further details please refer to Note 21(c).

As of June 30, 2014, management believes that the RMC No. 33-2013 does not have any material financial impact to the unaudited condensed consolidated financial statements for the three and six months ended June 30, 2014.

On August 23, 2013, MCE Leisure was issued a certificate of registration by Philippine Economic Zone Authority (“PEZA”) as a tourism economic zone enterprise (“Tourism Economic Zone Enterprise”) for the development and operation of tourist facilities, particularly: (a) hotels, including facilities relating thereto, such as spas, fitness centers, restaurants, etc; (b) retail areas; (c) theme amusement and entertainment complexes; (d) ballroom, function room, and conference facilities; and (e) food and beverage outlets, at the Belle Grande Manila Bay (now rebranded as City of Dreams Manila), pursuant to the terms and conditions of a registration agreement signed between PEZA and MCE Leisure on August 22, 2013. As a Tourism Economic Zone Enterprise, MCE Leisure was granted the following fiscal incentives: (a) tax and duty free importation of capital equipment to be used as part of the registered activity; and (b) VAT zero rating on local purchase of capital equipment in accordance with the PEZA rules and regulations.

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18. Obligations Under Finance Lease

On October 25, 2012, MCE Leisure and Belle entered into the Lease Agreement, where Belle agreed to lease to MCE Leisure the land and certain of the building structures for City of Dreams Manila for the period from March 13, 2013 (i.e. the date when relevant obligations and other conditions to give effect to the Lease Agreement were satisfied) until the termination of the Operating Agreement, currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms. The Group made an assessment at inception of the lease and recorded the portion related to the lease of certain of the building structures under finance lease, with the amount of obligation under finance lease recognized being the lower of the fair value of the building structures and present value of the minimum lease payments. Interest rate underlying the obligations under finance lease was 14.92% per annum at inception of the Lease Agreement.

On July 31, 2013, MCE Leisure and Belle signed an addendum to the Lease Agreement to reduce the monthly rental payments with effective from July 1, 2013 with total discount for each twelve month rolling period with a cap of the Philippine peso equivalent of US\$1,000,000, with the first twelve month period beginning from March 1, 2013. As a result of the discount in monthly rental payments, the interest rate underlying the obligations under finance lease was revised to 14.63% per annum. As of June 30, 2014, after subsequent minor changes to the terms of the Lease Agreement, the interest rate underlying the obligations under finance lease was revised to 14.38% per annum.

As of June 30, 2014, the minimum lease payments and present value of minimum lease payments on obligations under finance lease of the Group on the Lease Agreement were as follows:

	June 30, 2014		December 31, 2013	
	(Unaudited)		(Audited)	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
Amounts payable under finance lease:				
Within one year	₱1,349,770	₱1,247,064	₱1,305,472	₱1,206,198
In more than one year and not more than five years	6,780,398	4,371,481	6,490,353	4,170,746
In more than five years	35,120,663	7,216,505	36,160,760	7,059,327
	43,250,831	12,835,050	43,956,585	12,436,271
Less: Finance charges	(30,415,781)	-	(31,520,314)	-
Present value of lease obligations	₱12,835,050	12,835,050	₱12,436,271	12,436,271
Less: Current portion of obligations under finance lease		(1,247,064)		(1,206,198)
Noncurrent portion of obligations under finance lease		₱11,587,986		₱11,230,073

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18. Obligations Under Finance Lease – continued

Apart from the lease of certain of the building structures under finance lease as mentioned above, MCE Leisure signed a master service agreement with a third party in 2013 to set up certain information technology infrastructure (the “IT Equipment”) for City of Dreams Manila and provide maintenance and support service to MCE Leisure for the period from August 2013 to November 2018. The ownership and title of the IT Equipment will be transferred to MCE Leisure upon expiry of the term or when MCE Leisure agrees to purchase the IT Equipment at agreed prices at different time periods if the master service agreement is early terminated. The Group made an assessment at inception of the master service agreement and recorded the portion related to the IT Equipment under finance lease. Interest rate underlying the obligations under finance lease for the IT Equipment was 8% per annum at inception of the master service agreement.

On April 30, 2014, MCE Leisure exercised the termination clause of the master service agreement by serving a 120-day notice, and accordingly, the effective date of termination is August 28, 2014. Upon termination of the agreement, MCE Leisure would settle the buy-out option at a price of ₱36,173.

As of June 30, 2014, the minimum lease payments and present value of minimum lease payments on obligations under finance lease for the IT Equipment were as follows:

	June 30, 2014		December 31, 2013	
	(Unaudited)		(Audited)	
	Minimum Lease	Present Value of	Minimum Lease	Present Value of
	Payments	Minimum Lease	Payments	Minimum Lease
	Payments	Payments	Payments	Payments
Amounts payable under finance lease:				
Within one year	₱49,481	₱41,569	₱11,396	₱7,989
In more than one year and not more than five years	–	–	44,635	38,210
	49,481	41,569	56,031	46,199
Less: Finance charges	(7,912)	–	(9,832)	–
Present value of lease obligations	₱41,569	41,569	₱46,199	46,199
Less: Current portion of obligations under finance lease		(41,569)		(7,989)
Noncurrent portion of obligations under finance lease		₱–		₱38,210

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19. Long-term Debt

The account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Senior Notes	₱15,000,000	₱–
Less: Deferred financing costs, net	(326,047)	–
	14,673,953	–
Current portion of long-term debt	–	–
	₱14,673,953	₱–

(a) Senior Notes

On January 24, 2014, MCE Leisure issued the ₱15,000,000 Senior Notes at par of 100% of the principal amount and offered to certain primary institutional lenders as noteholders via private placement in the Philippines which was priced on December 19, 2013.

The Senior Notes are general obligations of MCE Leisure, secured on a first-ranking basis by pledge of shares of all present and future direct and indirect subsidiaries of MCP, rank equally in right of payment to all existing and future senior indebtedness of MCE Leisure (save and except for any statutory preference or priority) and rank senior in right of payment to any existing and future subordinated indebtedness of MCE Leisure.

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

The Senior Notes mature on January 24, 2019. Interest on the Senior Notes is accrued at a rate of 5.00% per annum and is payable semi-annually in arrears on January 24 and July 24 of each year, commencing on July 24, 2014. In addition, the Senior Notes includes a tax gross up provision requiring MCE Leisure to pay without any deduction or withholding for or on account of tax.

The net proceeds from the offering of the Senior Notes, after deducting the underwriting commissions and other expenses of ₱230,769, was ₱14,769,231. MCE Leisure used the net proceeds from the offering to fund the City of Dreams Manila project, refinancing of debt and for general corporate purposes.

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19. Long-term Debt – continued

(a) Senior Notes – continued

MCE Leisure has the option to redeem all or a portion of the Senior Notes at any time prior to January 24, 2015 at 100% of the principal amount plus applicable premium as defined in the notes facility and security agreement (the “Notes Facility and Security Agreement”) governing the Senior Notes. Thereafter, MCE Leisure has the option to redeem all or a portion of the Senior Notes at any time at fixed prices that decline ratably over time.

The Notes Facility and Security Agreement contains certain covenants that, subject to certain exceptions and conditions, limit the ability of MCP and its subsidiaries’ ability, including MCE Leisure to, among other things: (i) incur or guarantee additional indebtedness; (ii) sell assets; (iii) create liens; and (iv) effect a consolidation and merger.

The Senior Notes are exempted from registration with SEC under the Philippine Securities Regulation Code Rule (“SRC Rule”) 9.2.2(B) promulgated by SEC as the Senior Notes were offered via private placement to not more than nineteen primary institutional lenders, accordingly, the Senior Notes is subject to the conditions of the said SRC Rule 9.2.2(B) which limit the assignment and transfer of the Senior Notes to primary institutional lenders only and to be held by not more than nineteen primary institutional lenders at any time before maturity of the Senior Notes.

(b) Shareholder Loan Facility

On December 23, 2013, MCE Leisure, as borrower (the “Borrower”), signed the definitive agreement of the senior secured shareholder loan facility (the “Shareholder Loan Facility”) in an aggregate amount of up to US\$340,000,000 (the “Shareholder Loan”) with MCE Investments as lender (the “Lender”) with reference to certain terms and conditions set out in a commitment letter (the “Commitment Letter”) entered by MCE Leisure with MCE Investments on April 12, 2013. The Shareholder Loan Facility is a term loan facility denominated in the United States dollars. MCP, MCE Holdings, MCE Holdings No. 2 (together with the Borrower, the “Obligors”) have provided a guarantee under the Shareholder Loan Facility in favour of the Lender in relation to the obligations of the Obligors under the Shareholder Loan. The Lender may require such security as is notified by the Lender to the Borrower, including a pledge of shares (legally and beneficially held) over each of the present and future direct and indirect subsidiaries of MCP to be provided as a condition precedent to the initial utilization of the Shareholder Loan.

The Shareholder Loan Facility availability period is to be notified by the Lender prior to the initial utilization of the Shareholder Loan, and is subject to quarterly amortization payments commencing on six months after the opening of City of Dreams Manila. The individual drawdowns under the Shareholder Loan Facility are subject to certain conditions precedents, including completion of a utilization request of proposed drawdown and issuance of promissory note in favor of the Lender with the same amount of proposed drawdown. Borrowings under the Shareholder Loan Facility bear interest at a fixed rate of 5% per annum, accrued prior to the first interest payment date. The Shareholder Loan Facility includes a tax gross up provision requiring MCE Leisure to pay without any deduction or withholding for or on account of tax.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued****(In thousands of Philippine peso, except share and per share data)****19. Long-term Debt – continued****(b) Shareholder Loan Facility – continued**

As of June 30, 2014 and December 31, 2013, the Shareholder Loan Facility has not been drawn as it was originally intended to be a back-up facility arrangement and will only be utilized by the Borrower if the issuance of the Senior Notes is not completed.

(c) Deferred Financing Costs, Net

Direct and incremental costs of ₱352,228 incurred in connection with the issuance of the Senior Notes are capitalized as deferred financing costs. For the three and six months ended June 30, 2014, deferred financing costs of ₱15,050 and ₱26,181 were amortized to the unaudited condensed consolidated statements of comprehensive income, respectively. As of June 30, 2014, the unamortized deferred financing costs of ₱326,047 were net off and included in the amount of long-term debt as shown in the unaudited condensed consolidated balance sheet.

Interest expenses on long-term debt consisted of interest for the Senior Notes amounted to ₱231,423 and ₱411,458 for the three and six months ended June 30, 2014, respectively. No interest on long-term debt was capitalized for the three and six months ended June 30, 2014.

For the three and six months ended June 30, 2014, the Group's borrowing rates were approximately 6.25% per annum in each of those periods, including a tax gross up impact on interest on the Senior Notes which required MCE Leisure to pay without any deduction or withholding for or on account of tax.

Other finance fees on long-term debt represents the gross receipt tax on interest, including a tax gross up impact which required MCE Leisure to pay without any deduction or withholding for or on account of tax amounted to ₱11,719 and ₱20,573 for the three and six months ended June 30, 2014, respectively.

20. Cooperation Agreement, Operating Agreement and Lease Agreement

For the three and six months ended June 30, 2014, there is no significant change to the terms and conditions of the Cooperation Agreement, the Operating Agreement and the Lease Agreement as disclosed in the Group's consolidated financial statements as of December 31, 2013.

21. Commitments and Contingencies**(a) Capital Commitments**

As of June 30, 2014, the Group had capital commitments mainly for the fit-out construction costs of City of Dreams Manila totaling ₱8,737,802 including advance payment for construction costs of ₱1,258,389 as disclosed in Note 8.

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21. **Commitments and Contingencies – continued**

(b) Operating Lease Commitments

MCE Leisure leased a portion of land under the Lease Agreement for City of Dreams Manila with non-cancellable operating lease term that will expire on July 11, 2033. The Lease Agreement provides for periodic rental increases based on both contractually agreed incremental rates and on the general inflation rate once agreed by MCE Leisure and Belle. In addition, MCE Leisure leased certain office spaces, warehouses and staff quarter. For the three months ended June 30, 2014 and 2013, the Group incurred total rental expenses amounting to ₱78,154 and ₱47,069, of which ₱71,350 and ₱47,069 were recognized as pre-opening costs and ₱6,804 and nil were capitalized in construction in progress, respectively. For the six months ended June 30, 2014 and 2013, the Group incurred total rental expenses amounting to ₱149,460 and ₱55,278, of which nil and ₱8,209 were recognized as general and administrative expenses, ₱135,927 and ₱47,069 were recognized as pre-opening costs and ₱13,533 and nil were capitalized in construction in progress, respectively.

As of June 30, 2014, minimum lease payments under non-cancellable leases are as follows:

	June 30, 2014 (Unaudited)
Year ending December 31,	
2014	₱108,953
2015	190,182
2016	196,954
2017	215,005
2018	161,151
Over 2018	2,584,156
	₱3,456,401

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21. Commitments and Contingencies – continued

(c) Other Commitments and Guarantees

For the three and six months ended June 30, 2014, there is no significant change to the terms of other commitments and guarantees for the Provisional License, the Cooperation Agreement and the Lease Agreement as disclosed in the Group's consolidated financial statements as of December 31, 2013, except for the below:

For taxable periods prior to April 1, 2014, under Article IV, Section 20 of the Provisional License, PAGCOR and the Licensees agreed the license fees that are paid to PAGCOR by the Licensees are in lieu of all taxes with reference to the income component of the gross gaming revenues. PAGCOR and the Licensees have agreed to adjust the license fees commencing April 1, 2014 by 10% of gross gaming revenues. This adjustment will address the additional exposure to corporate income tax on the Licensees brought by BIR RMC No. 33-2013 as disclosed in Note 17. The 10% license fee adjustment is a temporary measure to address the unilateral BIR action and is not intended to modify, amend or revise the Provisional License. PAGCOR and the Licensees agreed to revert to the original license fee structure under the Provisional License in the event the BIR action is permanently restrained, corrected or withdrawn. PAGCOR and the Licensees also agreed that the 10% license fee adjustment is not an admission of the validity of BIR RMC No. 33-2013 and it is not a waiver of any of the remedies against any assessments by the BIR for corporate income tax on the gaming revenue of the Licensees.

Under the terms of the Provisional License, it requires each Licensees to maintain a debt-to-equity ratio under the definition as agreed with PAGCOR of not more than 70:30. As of June 30, 2014, MCE Holdings Group as one of the parties as Licensees has complied with the required debt-to-equity ratio.

(d) Litigation

As of June 30, 2014, the Group is a party to certain legal proceedings which relate to matters arising out of the ordinary course of its business. Management does not believe that the outcome of such proceedings will have a material effect on the Group's financial position, results of operations or cash flows.

22. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist mainly of cash and cash equivalents and restricted cash which will be used for City of Dreams Manila. The Group has other financial assets and liabilities such as security deposit, other deposits and receivables, amount due from a shareholder, accrued expenses, other payables and other current liabilities, amount due to ultimate holding company, amount due to immediate holding company, amounts due to affiliated companies and other noncurrent liabilities which arise directly from its operations.

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued****(In thousands of Philippine peso, except share and per share data)****22. Financial Risk Management Objectives and Policies – continued**Interest Rate Risk

Other than the bank balances which carry interest at market rates and the Senior Notes which carries interest at fixed rate, the Group has no other significant interest-bearing assets and liabilities and its operating cash flows are substantially independent of changes in market interest rates. Accordingly, management are of the opinion that the Group does not have significant interest rate risk.

Credit Risk

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

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

With respect to credit risk from the financial assets of the Group, which are composed of cash and cash equivalents, restricted cash, security deposit, other deposits and receivables and amount due from a shareholder, the exposure of the Group to credit risk arises from the default of bank where the Group's cash and cash equivalents and restricted cash were deposited, the default of the counterparty of which the security deposit and other deposits and receivables were held and the default of repayment from a shareholder, with a maximum exposure equal to the carrying amount of these instruments. There is no significant concentration of credit risk in the Group.

Credit Risk Exposures. The carrying values of the Group's financial assets represent the maximum exposure to credit risk since the financial assets have no collateral or credit enhancements as of June 30, 2014 and December 31, 2013.

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22. Financial Risk Management Objectives and Policies – continued

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group has transactional currency exposures arising from transactions denominated in foreign currencies, mainly Hong Kong dollars, United States dollars, Macau Patacas, Australian dollars and Singapore dollars. Foreign exchange risks of the Group are regularly reviewed by the management and appropriate processes are in place to monitor and mitigate the said risks by maintaining a certain amount of operating funds in the same currencies in which the Group has obligations to pay from time to time. Management decides not to hedge the currency exposures considering the cost of hedging being higher than the currency exposure.

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

	June 30, 2014 (Unaudited)		December 31, 2013 (Audited)	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Financial Asset				
Cash and cash equivalents:				
United States dollar ("US\$")	US\$125,951,941	<u>5,514,176</u>	US\$502,697	<u>22,387</u>
Foreign Currency-denominated Financial Asset		<u><u>5,514,176</u></u>		<u><u>22,387</u></u>

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22. Financial Risk Management Objectives and Policies – continued

Foreign Exchange Risk – continued

	June 30, 2014 (Unaudited)		December 31, 2013 (Audited)	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Financial Liabilities				
Accrued expenses, other payables and other current liabilities:				
Hong Kong dollar (“HK\$”)	HK\$72,307	407	HK\$3,823,272	21,885
Macau Patacas (“MOP”)	MOP20,250	111	–	–
US\$	US\$972,822	42,590	US\$1,061,348	47,266
		<u>43,108</u>		<u>69,151</u>
Amount due to ultimate holding company:				
HK\$	HK\$2,634,522	14,825	HK\$2,634,522	15,080
MOP	MOP14,901,546	81,412	MOP11,114,897	61,770
US\$	US\$1,879,012	82,263	US\$1,879,012	83,679
		<u>178,500</u>		<u>160,529</u>
Amount due to immediate holding company:				
HK\$	HK\$155,600,000	875,600	HK\$155,600,000	890,670
		<u>875,600</u>		<u>890,670</u>
Amounts due to affiliated companies:				
Australian dollar (“AUD”)	AUD185,403	7,618	AUD7,439	294
HK\$	HK\$18,190,703	102,364	HK\$14,746,789	84,412
MOP	MOP59,081,021	322,780	MOP44,343,000	246,431
Singapore dollar (“SGD”)	SGD1,713	60	SGD1,713	60
US\$	US\$355,198	14,675	US\$320,007	14,251
		<u>447,497</u>		<u>345,448</u>
Current portion of obligations under finance lease:				
US\$	US\$949,490	41,569	US\$179,390	7,989
		<u>41,569</u>		<u>7,989</u>
Noncurrent portion of obligations under finance lease:				
US\$	–	–	US\$858,008	38,210
		<u>–</u>		<u>38,210</u>
Foreign Currency-denominated Financial Liabilities		<u>1,586,274</u>		<u>1,511,997</u>

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL****STATEMENTS – continued****(In thousands of Philippine peso, except share and per share data)****22. Financial Risk Management Objectives and Policies – continued**Foreign Exchange Risk – continued

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Group used the following rates of exchange as of June 30, 2014 and December 31, 2013:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Philippine peso to 1 unit of foreign currency:		
AUD	41.09	39.58
HK\$	5.63	5.72
MOP	5.46	5.56
SGD	34.91	35.03
US\$	43.78	44.53

The Group recognized net foreign exchange loss of ₱113,839 and ₱64,027 for the three months ended June 30, 2014 and 2013, respectively; and ₱138,256 and ₱68,238 for the six months ended June 30, 2014 and 2013, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Group's loss before income tax. There is no other impact on the Group's equity other than those already affecting the total comprehensive loss.

	June 30, 2014 (Unaudited)		December 31, 2013 (Audited)	
	% Change Currency Rate	Effect on Loss Before Income Tax	% Change Currency Rate	Effect on Loss Before Income Tax
AUD	+1.2%	₱91	+1.4%	₱4
	-1.2%	(91)	-1.4%	(4)
HK\$	+1.3%	12,912	+1.3%	13,157
	-1.3%	(12,912)	-1.3%	(13,157)
MOP	+1.3%	5,256	+1.3%	4,007
	-1.3%	(5,256)	-1.3%	(4,007)
SGD	+0.8%	–	+0.9%	1
	-0.8%	–	-0.9%	(1)
US\$	+1.3%	(69,330)	+1.3%	2,197
	-1.3%	69,330	-1.3%	(2,197)

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

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

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – continued****(In thousands of Philippine peso, except share and per share data)****22. Financial Risk Management Objectives and Policies – continued**Capital Risk Management

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

The Group considers total equity and long-term debt as its capital which amounted to ₱31,230,490 and ₱13,333,691 as of June 30, 2014 and December 31, 2013, respectively.

Under the terms of the Provisional License, it requires each Licensees to maintain a debt-to-equity ratio under the definition as agreed with PAGCOR (the "D/E Ratio") of not more than 70:30. The Group's strategy is to monitor capital and maintain the D/E Ratio to comply with the PAGCOR requirements. As of June 30, 2014 and December 31, 2013, MCE Holdings Group as one of the parties as Licensees has complied with the D/E Ratio as required by PAGCOR.

23. Financial InstrumentsFair Value of Financial Instruments

Cash and cash equivalents, Amount due from a shareholder, Other deposits and receivables, Restricted cash, Accrued expenses, other payables and other current liabilities, Amount due to ultimate holding company, Amount due to immediate holding company, Amounts due to affiliated companies and Other noncurrent liabilities. The carrying values approximate their fair values at reporting date due to the relatively short-term maturities of the transactions.

Security deposit, Current and Noncurrent portion of obligations under finance lease and Long-term debt. The carrying values approximate their fair values, which are measured by discounting estimated future cash flows to present value using a credit-adjusted discount rate.

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23. Financial Instruments – continued

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of June 30, 2014 and December 31, 2013, the Group does not have financial instruments that are carried and measured at fair value. For the three and six months ended June 30, 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

24. Note to Unaudited Consolidated Statements of Cash Flows

- (a) For the six months ended June 30, 2014, fit-out construction costs and cost of property and equipment in total of ₱1,464,402 and ₱32,757 were funded through accrued expenses, other payables and other current liabilities and amounts due to affiliated companies, respectively (For the six months ended June 30, 2013: ₱190,735 and ₱107,377, respectively).
- (b) For the six months ended June 30, 2014, interest expenses capitalized in fit-out construction costs of ₱270,100 was funded through obligations under finance lease (For the six months ended June 30, 2013: ₱26,148).
- (c) For the six months ended June 30, 2014, deferred financing costs of ₱9,428 and ₱622 were funded through accrued expenses, other payables and other current liabilities and amounts due to affiliated companies, respectively (For the six months ended June 30, 2013: nil and nil, respectively).
- (d) For the six months ended June 30, 2014, part of the transaction costs for the issuance of shares capitalized in additional paid-in capital of ₱11,001 was funded through accrued expenses, other payables and other current liabilities (For the six months ended June 30, 2013: ₱22,143).
- (e) For the six months ended June 30, 2013, building under finance lease of ₱11,755,719 was funded through obligations under finance lease.
- (f) For the six months ended June 30, 2013, contract acquisition costs of ₱651 and ₱5,157 were funded through accrued expenses, other payables and other current liabilities and amounts due to affiliated companies, respectively. For the six months ended June 30, 2013, contract acquisition costs of ₱64,721 was capitalized in building under finance lease.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL****STATEMENTS – continued****(In thousands of Philippine peso, except share and per share data)****25. Employee Benefit Plans**

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

Certain employees employed by the Group are eligible to participate in a defined contribution scheme (the “Macau Scheme”) operated by the subsidiaries of MCE in the Macau Special Administrative Region of the People’s Republic of China (“Macau”). The Group is required to contribute a fixed percentage of the employees’ base salaries or fixed amount to the Macau Scheme. The Group’s contributions to the Macau Scheme are vested to employees in accordance to a vesting schedule with full vesting in 10 years from date of employment. The Macau Scheme was established under trust with the assets of funds held separately from those of the MCE’s subsidiaries in Macau and the Group by an independent trustee in Macau.

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

For the three months ended June 30, 2014 and 2013, the Group’s contributions into the defined contribution plans were ₱4,270 and nil, respectively. For the six months ended June 30, 2014 and 2013, the Group’s contributions into the defined contribution plans were ₱6,082 and nil, respectively.

MELCO CROWN (PHILIPPINES) RESORTS CORPORATION AND SUBSIDIARIES

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26. Share Incentive Plan

On February 19, 2013, the Group adopted a share incentive plan (“Share Incentive Plan”) to promote the success and enhance the value of the Group by linking personal interests of members of the Board, employees and consultants to those of the stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the stockholders which was approved by the SEC and became effective on April 12, 2013. On June 21, 2013, the shareholders of the Parent Company approved the minor amendments on additional provisions of the Share Incentive Plan which was approved by the SEC and became effective on June 24, 2013. Under the Share Incentive Plan, the Group may grant various share-based awards, including but not limited to, options to purchase the Parent Company’s shares, restricted shares, share appreciation rights and other types of awards. The term of such awards shall not exceed 10 years from the date of grant. The maximum aggregate number of shares which may be issued pursuant to all awards under the Share Incentive Plan is 442,630,330 shares and with up to 5% of the issued capital stock of the Parent Company from time to time over 10 years. As of June 30, 2014, 55,125,007 shares remain available for the grant of various share-based awards under the Share Incentive Plan.

Share Options

The Group granted 4,861,003 and 9,543,186 share options to certain personnel under the Share Incentive Plan for the three and six months ended June 30, 2014, with the exercise price for share options granted during the three months ended June 30, 2014 determined at the higher of the closing price on the date of grant and the average closing price for the five trading dates preceding the date of grant of the Parent Company’s shares trading on the PSE. The exercise price for share options granted during the three months ended March 31, 2014 is fixed at ₱8.3 per share, with the same exercise price with the share options granted on June 28, 2013 on the bases approved by the management that these personnel will contribute significantly to the pre-opening of City of Dreams Manila and joined the Parent Company prior to March 31, 2014. These share options will become exercisable over different vesting periods of around three years. The share options granted expire 10 years after the date of grant.

The Group uses the Black-Scholes valuation model to determine the estimated fair value for each option grant issued, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Expected volatility is based on the historical volatility of a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical of expected term of publicly traded companies. The risk-free interest rate used for each period presented is based on the Philippine Government bond yield at the time of grant for the period equal to the expected term.

The fair value per option under the Share Incentive Plan was estimated at the date of grant using the following weighted average assumptions for options granted for the six months ended June 30, 2014:

Expected dividend yield	–
Expected stock price volatility	40%
Risk-free interest rate	3.77%
Expected average life of options (years)	5.18

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26. Share Incentive Plan – continued

Share Options – continued

A summary of share options activity under the Share Incentive Plan as of June 30, 2014, and changes for the six months ended June 30, 2014 are presented below:

	Number of Share Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2014.....	116,144,153	₱8.30		
Granted	9,543,186	10.82		
Forfeited	(260,121)	8.30		
Outstanding as of June 30, 2014.....	<u>125,427,218</u>	<u>₱8.49</u>	<u>9.06</u>	<u>₱380,989</u>

As of June 30, 2014, no share options granted under the Share Incentive Plan were vested and exercisable.

A summary of share options expected to vest under the Share Incentive Plan as of June 30, 2014 are presented below:

	Number of Share Options	Expected to Vest Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Exercise price per share:			
₱8.30	120,566,215	9.03	₱380,989
₱13.26	4,861,003	9.92	–
	<u>125,427,218</u>	<u>9.06</u>	<u>₱380,989</u>

The weighted average fair value of share options granted under the Share Incentive Plan for the three months and six months ended June 30, 2014 was ₱5.22 and ₱6.31 per share, respectively. As of June 30, 2014, there was ₱244,497 unrecognized compensation costs related to unvested share options under the Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.43 years.

Restricted Shares

The Group granted 4,738,684 and 7,079,775 restricted shares to certain personnel under the Share Incentive Plan for the three and six months ended June 30, 2014, respectively. These restricted shares have vesting periods of around three years. The grant date fair value is determined with reference to the market closing price of the Parent Company's common share at the date of grant.

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26. **Share Incentive Plan – continued**

Restricted Shares – continued

A summary of the status of the Share Incentive Plan's restricted shares as of June 30, 2014, and changes for the six months ended June 30, 2014 are presented below:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Unvested as of January 1, 2014.....	58,072,076	₱8.30
Granted	7,079,775	13.03
Forfeited	(130,061)	8.30
Unvested as of June 30, 2014.....	<u>65,021,790</u>	<u>₱8.82</u>

No restricted shares under the Share Incentive Plan were vested for the three and six months ended June 30, 2014. As of June 30, 2014, there was ₱294,060 unrecognized compensation costs related to restricted shares under the Share Incentive Plan and the costs were expected to be recognized over a weighted average period of 1.40 years.

The impact of share options and restricted shares for the three and six months ended June 30, 2014 recognized in the unaudited condensed consolidated financial statements were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Share Incentive Plan				
Share options	₱59,708	₱2,150	₱112,899	₱2,150
Restricted shares	69,197	2,492	129,794	2,492
Total share-based compensation expenses	<u>₱128,905</u>	<u>₱4,642</u>	<u>₱242,693</u>	<u>₱4,642</u>
Share-based compensation expenses recognized as pre-opening costs	₱51,917	₱1,699	₱93,395	₱1,699
Consultancy fee in consideration for share awards recognized as pre-opening costs	76,988	2,943	149,298	2,943
	<u>₱128,905</u>	<u>₱4,642</u>	<u>₱242,693</u>	<u>₱4,642</u>

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27. Subsequent Event

In July 2014, furniture, fixtures and equipment with carrying amount of ₱178,244 were damaged by the typhoon. As the event was a non-adjusting subsequent event and management is in the progress of recovering the replacement value of the assets from the insurance company, management considered that there is no impairment provision to be made on the unaudited condensed consolidated balance sheet as of June 30, 2014.