



Melco Crown Entertainment
新濠博亞娛樂

ALTIRA
新濠鋒

CITY OF DREAMS 新濠天地

CITY OF DREAMS

STUDIO CITY

ANNUAL REPORT 2014
MELCO CROWN ENTERTAINMENT LIMITED
Listed on the Hong Kong Stock Exchange (Code: 6883)
and NASDAQ (Symbol: MPEL)
(Incorporated in the Cayman Islands with limited liability)

Financial Highlights

NET REVENUES

US\$4.80 billion

Net revenues for the year ended December 31, 2014 were US\$4.80 billion, a decrease of US\$0.28 billion, or 5.6%, as compared with US\$5.09 billion for the year ended December 31, 2013.

BASIC NET INCOME PER SHARE

US\$0.369

Basic net income per Share attributable to Melco Crown Entertainment was US\$0.369 for the year ended December 31, 2014 compared to basic net income per Share of US\$0.386 for the year ended December 31, 2013.

NET INCOME

US\$608.3 million

Net income attributable to Melco Crown Entertainment was US\$608.3 million for the year ended December 31, 2014, as compared with net income of US\$637.5 million for the year ended December 31, 2013.

ADJUSTED PROPERTY EBITDA

US\$1,285.5 million

Adjusted property EBITDA for the year ended December 31, 2014 was US\$1,285.5 million, representing a decrease of US\$93.6 million, or 6.8%, compared to US\$1,379.1 million for the year ended December 31, 2013.



THE HOUSE OF
DANCING
WATER



CITY OF DREAMS

A premier leisure and entertainment destination in Macau that offers the ultimate in innovative, highly contemporary and world-class leisure experiences that appeal to the rapidly evolving demands of the Asian-leisure consumer.





CROWN

CITY OF DREAMS 新濠天地

Hard Rock
HOTEL



A NEW ERA OF PREMIUM EXPERIENCE

The state-of-the-art fifth hotel tower at City of Dreams, designed by the "Queen of the Curve" Dame Zaha Hadid that boasts an inventive, expressive and remarkable structure; and a significant expansion of The Shops at The Boulevard, a new benchmark for retail experience awaits leisure seekers from around the world.

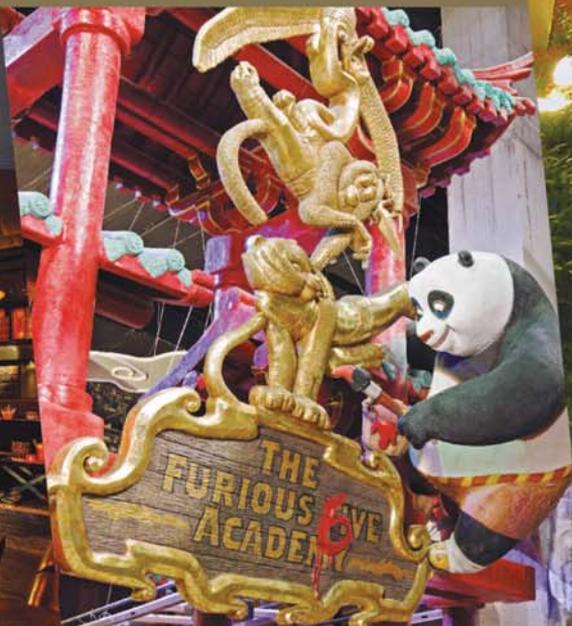






CITY OF DREAMS MANILA

A world-class entertainment-inspired leisure destination that is set to deliver sophisticated and compelling entertainment experiences to discerning travelers from around the world.







STUDIO CITY

A Hollywood-inspired, gaming and entertainment complex that will transport the visitor into a stunning cinematic world with awe-inspiring entertainment offerings, it is positioned to become Asia's entertainment capital, to open in 2015.





Market Overview and Key Highlights

MARKET OVERVIEW

Macau Market

The Macau gaming market has been through a challenging period in 2014, delivering a year-over-year decline in gross gaming revenues of 2.6% compared to those in 2013, primarily driven by a deteriorating demand environment from our key feeder market, China, as well as other restrictive policies including changes to travel and visa policies and the implementation of further smoking restrictions on the main gaming floor. According to DICJ, the rolling chip segment underperformed the broader market, declining 10.9% year-over-year in 2014, while the higher margin mass market table games segment increased 15.5% over the same period. The weak operating environment has continued into 2015, with gross gaming revenues in Macau declining approximately 35.1% on a year-over-year basis in the first two months of 2015.

The mass market table games segment accounted for 35.4% of market-wide gross gaming revenues in 2014, compared to 29.9% for 2013. Melco Crown Entertainment, with its large exposure to the mass market table games segment in the fast growing Cotai region, is well positioned to cater to this increasingly important, and more profitable, segment of the market. Melco Crown Entertainment's mass market exposure is set to increase over the foreseeable future with the opening of Studio City in the third quarter of 2015.

In 2014, visitation to Macau increased 7.5% over 2013, primarily driven by visitors from China which increased 14.1% over the same period. Visitors from China accounted for 67.4% of all visitors to Macau in 2014 compared to 63.5% in 2013.

Visitors from Hong Kong and Taiwan accounted for 20.4% and 3.0% of total visitation in 2014, respectively. Macau is anticipated to benefit from the PRC central and Macau governments' long term development plans for the region, including improved infrastructure, immigration policies and the development of Hengqin Island. This wide-reaching development plan is expected to strengthen the appeal of Macau as a multi-faceted leisure and tourism destination, offering an increasingly expanded array of entertainment attractions and amenities to drive long term growth and a more diversified tourism experience.

KEY HIGHLIGHTS

Studio City

The development of Studio City remains on track to meet its US\$2.3 billion design and construction budget and is due to open in the third quarter of 2015. Studio City, our Company's next integrated resort in Cotai, Macau, will further expand our Company's already substantial exposure to the mass market segments with its unique, cinematically-themed design and numerous interactive attractions which will further diversify Macau's leisure and tourism offerings.

City of Dreams

We are in an early stage of developing the fifth hotel tower at City of Dreams. Collaborating on the design with the award winning, internationally renowned architect, Dame Zaha Hadid, our new hotel tower will add a truly iconic landmark to Macau, further extending City of Dreams' leading position at the premium end of the market.

Market Overview and Key Highlights

In August 2014, City of Dreams officially opened SOHO, a lifestyle food and beverage and entertainment precinct located on the second floor, which is designed to further broaden the appeal of the property to a wider range of visitors to Macau.

City of Dreams is expanding its retail precinct which is anticipated to be operational in the first half of 2016. The redevelopment is anticipated to strengthen City of Dream's appeal with premium customers.

City of Dreams Manila

Melco Crown Entertainment marked the first expansion outside of Macau with the opening of City of Dreams Manila on December 14, 2014. City of Dreams Manila, an integrated resort located in Entertainment City, Manila, is expected to be one of the Philippines' leading integrated tourism resorts and will diversify the Company's exposure to the rapidly developing Asian gaming and entertainment industry, enabling Melco Crown Entertainment to further participate in the growth in the Asian middle class and the increasing consumerism of this important target market.

Other Recent Developments

On January 2, 2015, we submitted an application to the Stock Exchange for the voluntary withdrawal of the listing of our ordinary shares on the Main Board of Stock Exchange (the "Proposed De-Listing"), which has been approved by our Shareholders on March 25, 2015. The Proposed De-Listing is expected to take effect at 4:00 p.m. on Friday, July 3, 2015, subject to fulfillment of all conditions as disclosed in our circular dated March 4, 2015.

Co-Chairman & Chief Executive Officer's Statement

Melco Crown Entertainment experienced an eventful and challenging year in 2014 with significant advances towards realizing our exciting growth pipeline in Macau and abroad, including the opening of our newest integrated resort in Manila, while also competing strongly in a relatively weaker operating environment in Macau, resulting in improvements in gross gaming revenue market share in the second half of 2014.

Despite facing tougher market conditions, we have continued to focus on enhancing our unique world-class portfolio of operating assets and premium-focused, market-leading amenities and services, which positions us to compete strongly now, and in the future, ensuring we maintain our leadership position at the premium end of the market in Macau. We are also proud to once again be included on the Forbes Asia's "Fabulous 50" list for the second consecutive year, which is a continued recognition of the enterprise's excellent operating performance and exceptional innovation in the region.

Our Company has continued to play a pioneering role in delivering world-class leisure and entertainment attractions in Macau at our flagship property, City of Dreams, with our one-of-a-kind shows highlighted by the water-based extravaganza *The House of Dancing Water* and Asia's first cabaret experience *TABOO*. During 2014, which marks the fifth anniversary of City of Dreams, we introduced SOHO, the new social hub offering diverse dining, entertainment and street cultural experience that bring visitors a unique dining and entertainment experience.

We also revamped Kids' City at City of Dreams, the largest family entertainment playground in Macau.

In recognition of our exceptional hospitality and dining services, we garnered eight Forbes 5-Star awards, the most awarded to a single company in Macau. Altira Macau and Altira Spa were awarded Forbes 5-Star awards for the sixth consecutive year and Aurora at Altira Macau was once again recognized as a Forbes 5-Star restaurant. Crown Towers was awarded Forbes 5-Star awards for its hotel, spa and all its restaurants, namely Jade Dragon and The Tasting Room, for the second consecutive year, being the first hotel in Macau to achieve this status. Recently, we have proudly added yet another restaurant to our fine-dining selections by introducing the premium sushi specialist from Tokyo and the first and only in Macau — Shinji by Kanesaka — at Crown Towers, bringing visitors the most exquisite Japanese fine-dining experience in town.

City of Dreams in Macau continues to be meaningfully upgraded, with our new retail area well underway and scheduled for completion in the first half of 2016. We proudly announced our partnership with the award-winning and internationally renowned "Queen of the Curve" in architecture, Dame Zaha Hadid for the design of the fifth hotel tower at City of Dreams, which is under development.

Demonstrating our commitment to furthering Macau's appeal as a multi-faceted leisure and tourism destination, significant progress was made on Studio City which will offer the most diverse mix of mass-market focused entertainment ever seen in Macau. Studio City, the next standalone integrated resort in the city, is due to open in the third quarter of 2015 and remains on track to meet its design and construction

Co-Chairman & Chief Executive Officer's Statement

budget of US\$2.3 billion. The new property is situated less than a minute's walk from the now 24-hour operating Lotus Bridge border crossing, conveniently connecting it to visitors coming from Hengqin Island. This Hollywood-inspired gaming and entertainment complex is at the forefront of Asia's next generation of immersive, world-leading, entertainment-driven gaming and leisure destination experiences. It will offer a wide range of stunning attractions, such as Asia's highest ferris wheel embedded in the façade of the hotel tower, the world's first Batman film franchise digital ride, a large-scale family entertainment center enlivened by DC Comics and Warner Bros. characters, a 5,000-seat live performance arena managed by Comcast-Spectacor, the world-renowned Pacha Nightclub and The House of Magic hosted by acclaimed illusionist Franz Harary.

Consistent with our ambition to embrace the icons of Hollywood's entertainment industry through Studio City, we were thrilled to have enticed one of the world's most renowned directors — Martin Scorsese — to direct a short film which is set to be a historical event. This special short-movie, "The Audition", set around a Studio City storyline marks the first Hollywood-production in Macau and the very first time Leonardo DiCaprio, Robert De Niro and Brad Pitt have starred together under the direction of Mr. Scorsese. Delighted to serve as the executive producer of the film, I am also honored to be involved in this partnership between the Academy Award-winning film director and the Melco Crown Entertainment brand which is truly synergistic. "The Audition" is to premiere at the grand launch of the new resort later this year.

Melco Crown Entertainment has long been a leader in supporting the Macau government's goal of



diversifying the city's leisure and tourism offerings, through our strategic approach to emphasize diversified and leading-edge entertainment. As our current portfolio and upcoming additions fully demonstrate, we strive for a good balance between gaming and non-gaming facilities, and set high standards in innovative leisure and entertainment offerings as we create unique landmarks in Macau that attract new and returning visitors alike and substantially support local and international tourism growth. Part of our strategy also involves bringing many internationally-renowned brands and attractions to Macau which further contribute to developing Macau into a truly world-class leisure, entertainment and gaming tourism hub in Asia. We continue to strive our utmost to enrich the local tourism and entertainment scene and achieve economic diversity in Macau.

Besides enriching the mix and variety of entertainment offerings in Macau, Melco Crown Entertainment also places priority on the development of our employees, as it is key to ensuring a sustainable future for our

Co-Chairman & Chief Executive Officer's Statement

Company and Macau as a whole. We believe in life-long learning and personal development, as demonstrated by our in-house Learning Academy, allowing employees greater flexibility to achieve various qualifications for advancing their career. We also offer scholarships to our employees and their families to further their education. Internal career development is also a policy and culture of our Company. In the past six years, through meticulous planning, over 16,860 internal transfers and promotions have been offered. With competitive packages and career development opportunities, the future of our employees is in good hands.

Beyond Macau, our evolution into a leading gaming and entertainment company in Asia has taken a meaningful step forward with the successful opening of City of Dreams Manila. The new property has continued our outstanding tradition of offering unique and innovative leisure and entertainment experiences catering to a diverse clientele. It has introduced a collection of world-class brands and attractions to Manila — the luxurious Crown Towers hotel, Asia's first celebrity-inspired Nobu Hotel and the acclaimed Hyatt City of Dreams Manila; premium nightclubs Pangaea and Chaos; specialty restaurants Nobu Restaurant, The Tasting Room and The Crystal Dragon; a retail boulevard housing some of the world's most sought-after brands, as well as market-leading gaming facilities. The attractions of this integrated resort are designed to appeal to both local and international visitors. City of Dreams Manila also houses the world's first

DreamWorks-inspired, education-based interactive playspace, "DreamPlay by DreamWorks". Within the short period since its opening, City of Dreams

Manila has already won the esteemed "Integrated Resort of the Year" award at the annual International Gaming Awards which recognizes the very best casino or integrated resort, judging by its facilities offered, customer services including quality and professionalism of staff working at the venue, games offered, atmosphere, style and design of building, which together make the resort an outstanding choice for customers. With the opening of City of Dreams Manila, we have brought our highly successful flagship brand City of Dreams outside of Macau for the first time, marking a key milestone as we endeavor to expand in Asia and beyond.

With our outstanding portfolio of diversified assets and excellent staff, we are well-positioned to achieve sustainable development within the ever-evolving industry landscape and regional clientele, be it in Macau, Manila or any other potential future gaming markets such as Japan. We remain steadfast in our resolute belief that Asia, supported by a rapidly expanding middle-class and strong economic growth, continues to be the most important and exciting leisure and tourism market in the world.

Lastly, we would like to thank our Board of Directors, shareholders, employees and business associates for their dedication and support which have helped us accomplish significant progress in the past year. We look forward to scaling new heights and achieving new milestones through our ongoing and future development projects to ultimately create greater value for our shareholders and the community.

Lawrence Yau Lung Ho

Co-Chairman and Chief Executive Officer

Business Overview

We are a developer, owner and operator of casino gaming and entertainment resort facilities in Asia.

We currently have two major casino based operations in Macau, namely, City of Dreams and Altira Macau, and non-casino based operations in Macau at our Mocha Clubs. We also have a casino based operation in the Philippines, City of Dreams Manila.

We are also developing the planned Studio City project, a cinematically-themed integrated entertainment, retail and gaming resort, which is expected to open in the third quarter of 2015. We are in an early stage of developing the fifth hotel tower at City of Dreams in Cotai, Macau and are currently reviewing the development plan and schedule of this hotel tower.

Our current and future operations are designed to cater to a broad spectrum of gaming patrons, from high-stakes rolling chip gaming patrons to gaming patrons seeking a broader entertainment experience. We currently own and operate two Forbes 5-Star hotels in Macau: Altira Macau and The Crown Towers hotel. We seek to attract patrons throughout Asia and, in particular, from Greater China.

In the Philippines, MCE Leisure Philippines, a subsidiary of MCP, currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila, which opened in December 2014.

We generated a significant majority of the total revenues for the year ended December 31, 2014 from our operations in Macau, the principal market in which we compete.

City of Dreams

City of Dreams is an integrated casino resort in Cotai, Macau which opened in June 2009. City of Dreams is a premium-focused property, targeting high end

customers and rolling chip players from regional markets across Asia. As of December 31, 2014, City of Dreams featured a casino area of approximately 448,000 square feet with approximately 500 gaming tables and approximately 1,400 gaming machines.

The Crown Towers hotel, a Forbes 5-Star hotel, and the Hard Rock Hotel each offers approximately 300 guest rooms, and the Grand Hyatt Macau hotel offers approximately 800 guest rooms. City of Dreams, together with SOHO, includes around 30 restaurants and bars, approximately 70 retail outlets, recreation and leisure facilities, including health and fitness clubs, three swimming pools, spas and salons, and banquet and meeting facilities. The Club Cubic nightclub offers approximately 26,200 square feet of live entertainment space. SOHO, a lifestyle entertainment and dining precinct located on the second floor of City of Dreams which had its grand opening in August 2014, offers customers a wide selection of food and beverage and other non-gaming offerings.

The Dancing Water Theater, a wet stage performance theater with approximately 2,000 seats features the internationally acclaimed and award winning "The House of Dancing Water" show.

We are expanding our retail precinct at City of Dreams, which is anticipated to open in the first half of 2016. We are also in an early stage of developing the fifth hotel tower at City of Dreams. We are currently reviewing the development plan and schedule of this hotel tower by taking into account a range of factors, including the current and expected future operating environment in Macau and other potential uses of cash and future cash flow.

Altira Macau

Altira Macau is designed to provide a casino and hotel experience that caters to Asian rolling chip customers and players sourced primarily through gaming promoters.

Business Overview

As of December 31, 2014, Altira Macau featured a casino area of approximately 173,000 square feet with a total of approximately 120 gaming tables. Altira Macau's multi-floor layout comprises primarily designated gaming areas and private gaming rooms for rolling chip players, together with a general gaming area for the mass market that offers various table limits to cater to a wide range of mass market patrons. Our multi-floor layout allows us the flexibility to reconfigure Altira Macau's gaming areas to meet the changing demands of our patrons and target specific customer segments.

We consider Altira Hotel, located within the 38-storey Altira Macau, to be one of the leading hotels in Macau as evidenced by its long-standing Forbes 5-star recognition. The top floor of the hotel serves as the hotel lobby and reception area, providing guests with views of the surrounding area. The hotel comprises approximately 230 guest rooms, including suites and villas. A number of restaurants and dining facilities are available at Altira Macau, including a leading Italian restaurant Aurora, several Chinese and international restaurants and several bars. Altira Hotel also offers several non-gaming amenities, including a spa, gymnasium, outdoor garden podium and sky terrace lounge.

Altira Macau offers a luxurious hotel experience with its internationally acclaimed accommodation and guest services. It has been awarded the "Forbes 5-Star" rating in both Lodging and Spa categories by the Forbes Travel Guide for the sixth year in February 2015.

Mocha Clubs

Mocha Clubs comprise the largest non-casino based operations of gaming machines in Macau. As of December 31, 2014, Mocha Clubs had eight clubs with a total of 1,321 gaming machines in operation, which represented 10.1% of the total machine installation in

the market, according to the DICJ. Mocha Clubs focus on general mass market players, including day-trip customers, outside the conventional casino setting. Except for Mocha Altira located at Altira Macau, we operate Mocha Clubs at leased or sub-leased premises or under right-to-use agreements.

In addition to slot machines, each Mocha Club site offers electronic table games without dealers. The gaming facilities at our Mocha Clubs include what we believe is the latest technology for gaming machines and offer both single-player machines with a variety of games, including progressive jackpots, and multi-player games where players on linked machines play against the house in electronic roulette, baccarat and sicbo, a traditional Chinese dice game.

Studio City

Studio City is a large-scale cinematically-themed integrated entertainment, retail and gaming resort which is expected to open in the third quarter of 2015. Studio City, upon completion, will include gaming facilities, five-star hotel offerings and various entertainment, retail and food and beverage outlets to attract a diverse range of customers. Studio City is designed to capture the increasingly important mass market segment, with its destination theming, unique and innovative interactive attractions, including Asia's highest ferris wheel, a Warner Bros.-themed family entertainment center, a fully-operational TV broadcast studio, the world's first Batman film franchise digital ride, a 5,000-seat multi-purpose live performance arena and a live magic venue, as well as approximately 1,600 hotel rooms, a vast array of food and beverage outlets and approximately 350,000 square feet of themed and innovative retail space.

The Studio City's site is on a plot of land of 130,789 square meters (equivalent to approximately 1.4 million square feet) in Cotai, Macau and is located directly adjacent to the Lotus Bridge immigration checkpoint

Business Overview

and one of the proposed light rail stations. We believe that the location of Studio City, in addition to its vast array of entertainment and leisure offerings, is a key competitive advantage.

Studio City has an approved gross construction area of 707,078 square meters (equivalent to approximately 7.6 million square feet). We currently estimate that the design and construction cost for the first phase of Studio City will be approximately US\$2.3 billion. Our plans for the expansionary phase at Studio City are under review.

City of Dreams Manila

City of Dreams Manila is one of the leading integrated tourism resorts in the Philippines. The property is located on an approximately 6.2-hectare site at the gateway of Entertainment City, Manila, close to Metro Manila's international airport and central business district. City of Dreams Manila opened in December 2014 and represents our first entry into an entertainment and gaming market outside of Macau and an incremental source of earnings and cash flow outside of Macau.

The property has approximately 14,026 square meters (approximately 150,727 square feet) of aggregate gaming space and total gross floor area of approximately 300,100 square meters (approximately 3.2 million square feet).

We are authorized by PAGCOR to operate up to approximately 1,700 slot machines, 1,700 electronic table games and 380 gaming tables. As of December 31, 2014, we have approximately 1,508 slot machines, 158 electronic table games and 188 gaming tables in operation.

City of Dreams Manila has three hotels comprising Crown Towers hotel, Nobu Hotel and Hyatt City of Dreams Manila, with approximately 950 rooms in aggregate. City of Dreams Manila also features three

separate entertainment venues: DreamPlay, a family entertainment center (which is expected to open in the first half of 2015); Centerplay, a live performance central lounge within the casino; and Chaos and Pangaea Ultra-Lounge, two night clubs encapsulated within the Fortune Egg. City of Dreams Manila also features a retail boulevard.

Corporate Environmental, Social and Governance Report

With deep roots in Macau, Melco Crown Entertainment's foundation philosophy on corporate social responsibility (CSR) is about giving back to the community it serves. The Company has devoted its greatest efforts in contributing to the society through a proactive and innovative approach, yet at the same time taking care the welfare of our employees in different aspects and understanding the views of our various stakeholders.

Last year, we reported about the development of an unique and one-of-its-kind corporate social responsibility program across six major pillars — youth, education, women, culture/heritage, environment and responsible gaming, all of these aim to address and facilitate solutions on social issues in Macau, and to support local charitable organizations guided by the vision of making a difference in people's lives. This year, apart from disclosing our continual achievements on these social fronts in 2014, we also enhanced our level of disclosure to a more comprehensive coverage on our corporate environmental, social and governance ("ESG") efforts to include measures that we have taken to look after welfare of our employees as well as the anti-corruption policy that we have implemented to secure and maintain a level-playing field for all our stakeholders.

Social Responsibility

We believe that everyone in the society deserves the right to reach their full potential. With our focus on youth development, we support the aspirations of all young people who may not have the opportunity to pursue a higher education with scholarships and other forms of assistance.

"Dare to Dream" is the Company's signature series to

encourage innovation and inculcate an appreciation for the arts, by providing the youths of Macau with an exposure to world-renowned and prestigious artists and maestros. The purpose is to inspire to aspire, and to reach for their maximum potential. This year, in partnership with the Macau government, the Company organized architecture design competition for Macau students studying Architecture locally and overseas, giving sponsorship and internship abroad opportunities with Dame Zaha Hadid, the internationally renowned architect and the architect and designer of City of Dreams' new hotel tower.

We believe that encouraging learning and higher education is a must. To enable our colleagues to pursue their high school education while still working, we have launched the general education program "Back to School" in partnership with the Education and Youth Affairs Bureau of Macau. This unique program brings the high school diploma in-house through our Learning Academy, which eases transportation and time issues for our colleagues.

We also provide various scholarships to complete a full 4-year degree program in any universities in Macau, in order to encourage the concept of life-long learning. These scholarships are provided for our employees, and their families, we believe the importance of family. One category of the scholarship is the "Hope Scholarship", which is offered for those who are facing extraordinary circumstances which would otherwise prevent them from meeting the relevant academic criteria.

Outside Macau and at City of Dreams Manila, our first ever CSR activity "Fulfill A Dream" was held at the City of Parañaque (our host city) in November 2014. Around 30 children from Bahay Aruga, a home for transient

Corporate Environmental, Social and Governance Report

and abandoned children, were invited to join in this gift-giving, games and entertainment project. Some 50 employees from City of Dreams Manila participated in the event.

Subsequently, 20 children from Bahay Aruga were also invited to watch Dreamworks movies together with 120 employees from City of Dreams Manila.

City of Dreams Manila also launched a 2-day fun-filled event, "Colourful Dreams", that brought smiles to 610 students of Parañaque Elementary School Central and San Dionisio Elementary School. More than just storytelling, "Colorful Dreams" also immersed the children in art activities, gift-giving and bonding experiences and aimed to encourage children to develop their interest in books. Around 70 employees of City of Dreams Manila participated in the event and showed their generosity in time and effort.

In Japan, we have also been active in various cultural, educational and community events in recent years. A project called "AURA" (Alternative Urbanism Realized by the Arts) has been inaugurated in April 2014. "AURA" is the collaboration project between Tokyo University of the Arts and the Company for the perpetuation and evolution of Japanese traditional cultures. The project consists of research on a new urban development model, as well as a series of activities to perpetuate Japanese traditional culture, aiming at creating new arts and cultures for the future generations.

The "Dare to Dream" Design Awards has been specifically launched by Melco Crown Entertainment to perpetuate Japanese culture. Launched during Tokyo Designers Week 2014, the Kimono themed awards received an overwhelming response of over

one thousand entries. Subsequently, an exhibit featuring 100 Kimono-inspired artworks selected from award entries was displayed together with creations by renowned designers and artists, as part of Melco Crown Entertainment's overall cultural campaign in Japan - "着物 × きもの × KIMONO - preserve the legacy, create the future". The finalist for "Dare to Dream" Design Awards received an internship with JUNKO KOSHINO Inc. and was provided with a special exhibition opportunity, which is truly a dream come true for aspiring designers.

On the environmental front, operating resort hotels inevitably involves the consumption of energy, water and other resources as well as waste generation. To mitigate our impacts, we monitor our use of resources, waste and paper consumption, and take appropriate remedial action. We also examine the greenhouse gas (GHG) emissions generated from our properties in Macau, including Altira Macau and City of Dreams, which covers the electricity and fresh water consumption from energy center. The total GHG emissions were approximately 207,000 tonnes in 2013, and reduced to approximately 202,000 tonnes in 2014.

Among all the general office management activities undertaken by Melco Crown Entertainment, management established environmental policy and communicated measurable environmental objectives and targets on recycle waste, energy and paper consumption, for example, reducing 1.5% of electricity consumption and increasing 4% of recycle waste. We also ensured that all corporate stationery and publications, such as brochures, results reports, circulars and newsletters, are printed on recyclable materials. This recyclable printing practice does not only support the Company's vision of contributing to

Corporate Environmental, Social and Governance Report

the growth and future of the communities we serve, but also helps building a sustainable environment for us and the generations to come. City of Dreams Manila's environmental CSR initiatives aim to help protect our planet and to incorporate environmental sustainability into the Group's business function and processes.

City of Dreams Manila uses an energy efficient air cooling system, which is 13.5% more efficient than traditional centralized chillers. We also use a system that conserves energy by controlling fresh air dampers. Heat pumps are also being used to heat tap and shower water, which has 70% energy efficiency versus traditional electric heaters. LED lights are installed in most parts of the property, which is 60% more energy efficient than fluorescent lights. To conserve water, we also use automatic sensors in faucets.

As an environmentally responsible company, during the period between 2007 and 2014, we have invested over MOP100 million in "green" technology in Macau to ensure better energy management and address environmental concerns. Below are some of the examples and achievements.

(i) Energy Efficient Systems

Given the size of our operations, it is vital that we manage our use of energy resources efficiently and wisely. City of Dreams, with one of the largest Centralized Cooling Systems in the South China hospitality industry, is at least 20–35% more energy-efficient than traditional air-conditioning.

City of Dreams also has a state-of-the-art indoor air purification system that conserves energy by reducing the need for outdoor fresh air. The Building Management System is also highly

advanced. Monitoring indoor temperatures throughout the day, it converts the heat generated from the air-conditioning system to heat tap and shower water. Energy-efficient LED lights are used extensively, both on the façade and for interior illumination. T5 tubes, the most energy efficient option in the market, are used in the Heart of the House, while outdoor light fixtures are controlled by photo sensors.

(ii) Conserving Water

"The House of Dancing Water" show at City of Dreams makes use of a sophisticated filtration system that allows us to use and reuse pool water indefinitely.

Similarly, the grey water system at Altira Macau recycles treated guestroom sink, shower and bath water as flush water, which saves more than half of the freshwater normally required for flushing.

At all of our properties, we have installed many other state-of-the-art facilities for conserving water, including automatic sensors in all faucets and a rainwater recovery system to store rainwater for irrigation.

Employees are also educated in reducing water use when cleaning guestrooms and public areas.

(iii) Recognitions and Achievements

To recognize the Company's continuous efforts to fulfill its corporate social responsibilities, Melco Crown Entertainment has garnered the "Best CSR Award" in Asiamoney magazine's Corporate Governance Poll 2014 and the "Caridade Social Award 2014" from the Macau

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Association of Chinese Young Entrepreneurs and the Youth Committee of the Macao Chamber of Commerce. In its relentless effort to conduct business in an environmentally responsible manner, Melco Crown Entertainment's flagship property, City of Dreams, also attained the "ISO 14064 Greenhouse Gas (GHG) Emissions Inventories and Verification" certification from SGS Hong Kong Limited. This is another pioneering achievement based on the Company's adoption of the international management standards for continuous environmental performance after being the first resort-hotel company in Macau to receive the ISO 14001:2004 Environmental Management Certification and Indoor Environmental Quality Certificate also accredited by SGS Hong Kong Limited.

In addition, Melco Crown Entertainment was also granted the "Best Environmental Responsibility" award from Corporate Governance Asia magazine and the "Outstanding Award – Environmental Performance" in Macau Business Award 2014.

As the global leisure and entertainment industry is increasingly recognizing that it has a responsibility towards its stakeholders who may be at risk for gambling addiction, we continued our responsible gaming ("RG") initiatives during the year under the leadership of our Co-Chairman and Chief Executive Officer, Mr. Lawrence Ho, who serves as the executive sponsor of the MCE RG Steering Committee.

These include full RG training as part of the orientation process for new staff members, a video promoting RG through our internal GTV channel, and employee intranet and support of RG Awareness Week organized

by the government of Macau. We also distribute posters and brochures on RG at all of our properties and provide support to customers who have a gambling problem. The other aspects of our social responsibility encompass both volunteerism and philanthropy throughout the entire organization. We are proud of volunteers who devote their personal time to the causes benefitting youth, education, women, environment responsible gaming, culture/heritage, resulting in over 40 volunteer activities or community events during 2014 involving hundreds of employees. Such events include donation of food-bags (i.e. rice, cooking oil, dried and canned food as well as other daily commodity) to hundreds of Macau local needy households in which there are handicapped, ailing and elderly members without adequate care and subsidy, together with a warm touch by our volunteer team in delivering them individually.

We will continue our endeavors to contribute to a better society, and persevere in a unique approach to corporate social responsibility in integrating the business and community issues as a win/win approach.

Employees Welfare

Total Workforce

We promote the diversity of our workforce. Currently we have employees of more than 20 different nationalities promoting our international family who, regardless of age, nationality and gender, have been provided with exciting opportunities to work with us.

We work with clearly established work processes, with careful review and inbuilt approval mechanisms which are formalised in appropriate policies and processes.

Corporate Environmental, Social and Governance Report

These are clearly communicated to relevant employees to ensure we consistently comply with all regulations, ordinances and employment laws, thereby ensuring that we are able to operate within professional and ethical labour practices. We insist on high standards of ethical practices and governance and our Company is committed to complying with all government labour standards. We believe in the fair treatment of all employees and we are committed to being an employer that strives to provide equal opportunities for employees. We are proud of our diverse workforce and work hard to ensure that discriminatory practices and behavior at the workplace are eradicated. We believe that our employees bring their own life experiences, culture, talents and perspective to the Company so that together, we generate new ideas, promote improved decision making and a shared commitment to our customers and our community.

We strongly oppose the use of forced and child labour and remain committed towards creating a work environment which respects all human rights.

Promotion and Retention Programs

As part of our regular communications with employees, all staff will receive annual performance appraisals to review their work performance and career development. We also have a remuneration policy in place, which includes the Company's performance as one of the factors contributing to salary reviews, bonuses and promotion.

As at December 31, 2014, we employed a total of 18,367 employees in all of our properties, including City of Dreams Manila and the Grand Hyatt properties. We believe that our employees are valuable assets to our Company to be groomed, developed and retained.

With all the above measures in place, our employee average annual turnover rate for the Group was 13.6%.

Staff Training and Development

At Melco Crown Entertainment, we promote the long-term development of our staff by providing them with learning opportunities that broaden their skills and make them valuable assets to our Company.

In addition to the education programs and scholarships as discussed above to support employees enrolling in degree-bearing programs offered by educational institutions and training and development courses offered by external training companies, every year we provide in-house training courses that range from executive management to technical skills, based on individual and corporate needs, to our employees. Programs are offered in various tracks including not only the orientation programs for new employees, but also human resources, marketing, finance, governance, lifestyle and life skills, supervisory/managerial skills, as well as various technical training programs related to their jobs

As part of the "Wholesome" development philosophy in Macau, employees are welcome to participate in any training courses of interest to them. In 2014, 40% of general employees, 47% of supervisory staff and 41% of managerial colleagues had received training. The average training hour per employee was 36 hours per annum.

City of Dreams Manila successfully opened on February 2, 2015. With the Group's hiring philosophy of "Hire for Image, Attitude and Potential; Train for Skills," City of Dreams Manila set about hiring for service-oriented individuals.

Corporate Environmental, Social and Governance Report

In 2014, we endeavored to build on and enhance our existing culture of excellence in our operation of City of Dreams Manila. In addition to skill enhancement, we emphasized on-boarding training for each employee, such as general introductory orientation, occupational safety knowledge and procedures, industry knowledge for those without gaming or hotel background, know-how required to build a world class integrated resort, as well as corporate governance and responsible gaming orientation.

Staff Health and Safety

We have implemented major changes to the air conditioning and ventilation systems in designated smoking areas in light of the smoking ban regulations related to casinos implemented in Macau since January 2013. These areas now achieve a very high rate of fresh air intake and utilize additional independent supply air and exhaust systems with some built-in purifier installed into the air curtain gaming tables to significantly improve the indoor air quality to meet and exceed the requirements set out by code and best engineering practice. Indoor air pollutants, which include more than those from cigarette smoke, are measured on a monthly basis and have been significantly reduced. We invested over MOP 100 million on design and works in relation to the above mentioned changes in all of our properties in Macau.

Governance

Business Ethics and Corporate Governance

The Company has in place a number of policies addressing corporate governance and anti-corruption which are either issued by the Board of Directors or management.

Two corporate governance guidelines have been adopted to facilitate effective management of the business and affairs of the Company under the Board's direction with a high standard of corporate governance, and to satisfy the relevant corporate governance requirements as prescribed by NASDAQ rules and the Listing Rules. Please refer to the Corporate Government Report of this annual report for more details on our corporate governance practices.

Our Code of Business Conduct and Ethics (the "Code of Conduct") and Ethical Business Practices Program ("EBPP") are the key policies made use by the Company for cultivating a culture of clean and ethical business practices. These policies cover the compliance of the relevant anti-corruption laws that the Company and its employees are subject to and are advised to comply with at all times.

The Company is bound by the laws of the places where it or its business operates. Through the Company's policies on anti-bribery and prevention of fraud and money laundering (such as the Code of Conduct, the EBPP and our Corporate Anti-Money Laundering Policy), the Company aims to maintain a reputable record of high compliance of the relevant laws and regulations.

There has been no case brought against the Company for any alleged corrupt practices since our incorporation.

The Board also issued procedures for handling complaints and whistleblowing, and further guidelines are given by our Human Resources Department on the report of suspected breach of any policy on corporate governance, and the means such report may be submitted to the Company.

Corporate Environmental, Social and Governance Report

Through regular dissemination of the Code of Conduct to the employees and the publicity at workplaces on how to make use of the whistleblowing channels, our employees are kept informed of the assistance that the Company is offering to any informant. Strict confidentiality is given to the informant and the reports, and there is a strong commitment by the Company that there will be no retaliation against any informant. The reports are investigated by our Internal Audit Department with assistance from the Human Resources Department and where appropriate, participation by the Legal Department.

Stakeholder Engagement

Understanding the views of stakeholders is critical to aligning our ESG and sustainability agenda with the issues they have identified as being of material interest. For our Company, the key stakeholders and communication channels include:

Stakeholders	Communication Channels
Customers	<ul style="list-style-type: none"> • Property front office • Customer service hotline and email • Official social media platforms
Staff	<ul style="list-style-type: none"> • "Heart of House" (back of house area) Employee concierge desk • New hire orientation • Intranet • Regular internal communications email
Shareholders	<ul style="list-style-type: none"> • Annual General Meetings • Earnings release calls
Investors	<ul style="list-style-type: none"> • Investor meetings
NGOs	<ul style="list-style-type: none"> • Regular meetings with green and charitable organizations
Partners (the government, service companies, academia)	<ul style="list-style-type: none"> • Meetings • Tendering process
Suppliers and contractors	<ul style="list-style-type: none"> • Project manager meetings
Mass Media	<ul style="list-style-type: none"> • Press conferences • Media gala dinner

On an on-going basis, dedicated staff members and communication channels allow stakeholders, including employees, to provide recommendations and comments to the highest governing body of our Company, the aim of this is to:

- (i) collect views and assess the expectations of stakeholders with regards to our ESG performance;
- (ii) identify and prioritise key sustainability issues; and
- (iii) summarise stakeholders' views and provide recommendations to further enhance our ESG performance and reporting status.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number 001-33178

MELCO CROWN ENTERTAINMENT LIMITED

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

36th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong

(Address of principal executive offices)

Desmond Wong Kar Pang, Director, Financial Compliance Tel +852 2598 3600, Fax +852 2537 3618

36th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

American depositary shares
each representing three ordinary shares

The NASDAQ Stock Market LLC
(The NASDAQ Global Select Market)

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None.

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None.

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

1,633,701,920 ordinary shares outstanding as of December 31, 2014

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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INTRODUCTION

In this annual report on Form 20-F, unless otherwise indicated:

- “2010 Senior Notes” refers to the US\$600 million aggregate principal amount of 10.25% senior notes due 2018 issued by MCE Finance on May 17, 2010 and fully redeemed on March 28, 2013;
- “2011 Credit Facilities” refers to the credit facilities entered into pursuant to an amendment agreement dated June 22, 2011, as amended from time to time, between, among others, Melco Crown Macau, Deutsche Bank AG, Hong Kong Branch as agent and DB Trustees (Hong Kong) Limited as security agent, comprising a term loan facility and a revolving credit facility, for a total amount of HK\$9.36 billion (equivalent to approximately US\$1.2 billion);
- “2013 Senior Notes” refers to the US\$1.0 billion aggregate principal amount of 5.00% senior notes due 2021 issued by MCE Finance on February 7, 2013;
- “2013 Top-up Placement” refers to the placing and top-up subscription of 981,183,700 MCP shares (including over allotment option) conducted by MCP in April 2013, which raised approximately US\$338.5 million as net proceeds;
- “2014 Top-up Placement” refers to the placing and top-up subscription of 485,177,000 MCP shares conducted by MCP in June 2014, which raised approximately US\$122.2 million as net proceeds;
- “ADSs” refers to our American depositary shares, each of which represents three ordinary shares;
- “Aircraft Term Loan” refers to the US\$43.0 million term loan credit facility entered into by MCE Transportation in June 2012 for the purpose of funding the acquisition of an aircraft;
- “Altira Developments” refers to our subsidiary, Altira Developments Limited, a Macau company through which we hold the land and building for Altira Macau;
- “Altira Hotel” refers to our subsidiary, Altira Hotel Limited, a Macau company through which we currently operate the hotel and other non-gaming businesses at Altira Macau;
- “Altira Macau” refers to an integrated casino and hotel development that caters to Asian rolling chip customers, which opened in May 2007 and owned by Altira Developments;
- “Articles” refers to our amended and restated memorandum and articles of association adopted on May 23, 2012;
- “board” refers to the board of directors of our Company or a duly constituted committee thereof;
- “China” and “PRC” refer to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan from a geographical point of view;
- “City of Dreams” refers to a casino, hotel, retail and entertainment integrated resort located on two adjacent pieces of land in Cotai, Macau, which opened in June 2009, and currently features casino areas and three luxury hotels, including a collection of retail brands, a wet stage performance theater and other entertainment venues, and owned by Melco Crown (COD) Developments;
- “City of Dreams Manila” refers to a casino, hotel, retail and entertainment integrated resort located within Entertainment City, Manila operated and managed by MCE Leisure Philippines;
- “Cotai” refers to an area of reclaimed land located between the islands of Taipa and Coloane in Macau;
- “Crown” refers to Crown Resorts Limited, an Australian-listed corporation, which completed its acquisition of the gaming businesses and investments of PBL, now known as Consolidated Media Holdings Limited, on December 12, 2007;
- “Crown Asia Investments” refers to Crown Asia Investments Pty, Ltd., which is 100% indirectly owned by Crown, and was incorporated in the Cayman Islands but is now a registered Australian company;

- “Crown Entertainment Group Holdings” refers to Crown Entertainment Group Holdings Pty, Ltd., a company incorporated on June 19, 2007 under the laws of Australia and a subsidiary of Crown;
- “Deposit-Linked Loan” refers to a deposit linked facility for HK\$2.7 billion (equivalent to approximately US\$353.3 million based on exchange rate on transaction date) entered into on May 20, 2011, which is secured by a deposit of RMB2.3 billion (equivalent to approximately US\$353.3 million based on exchange rate on transaction date) from the proceeds of the RMB Bonds and fully repaid in March 2013;
- “DICJ” refers to the Direcção de Inspeccão e Coordenação de Jogos (the Gaming Inspection and Coordination Bureau), a department of the Public Administration of Macau;
- “Greater China” refers to mainland China, Hong Kong and Macau, collectively;
- “HIBOR” refers to Hong Kong Interbank Offered Rate;
- “HK\$” and “H.K. dollars” refer to the legal currency of Hong Kong;
- “HKSE” refers to The Stock Exchange of Hong Kong Limited;
- “Hong Kong” refers to the Hong Kong Special Administrative Region of the PRC;
- “LIBOR” refers to London Interbank Offered Rate;
- “Macau” refer to the Macau Special Administrative Region of the PRC;
- “MCE Finance” refers to our subsidiary, MCE Finance Limited, a Cayman Islands exempted company with limited liability;
- “MCE Holdings No. 2” refers to our subsidiary, MCE Holdings No. 2 (Philippines) Corporation, a corporation incorporated in the Philippines and one of the Philippine Licensees holding the Provisional License;
- “MCE Holdings Philippines” refers to our subsidiary, MCE Holdings (Philippines) Corporation, a corporation incorporated in the Philippines and one of the Philippine Licensees holding the Provisional License;
- “MCE Leisure Philippines” refers to our subsidiary, MCE Leisure (Philippines) Corporation, a corporation incorporated in the Philippines and one of the Philippine Licensees holding the Provisional License;
- “MCE Philippine Parties” refers to MCE Leisure Philippines, MCE Holdings Philippines and MCE Holdings No. 2;
- “MCE Transportation” refers to our subsidiary, MCE Transportation Limited, a company incorporated under the laws of the British Virgin Islands;
- “MCP” refers to our subsidiary, Melco Crown (Philippines) Resorts Corporation, the shares of which are listed on the Philippine Stock Exchange;
- “MCP Share(s)” refers to the common shares of MCP of par value PHP1.00 per share;
- “Melco” refers to Melco International Development Limited, a Hong Kong listed company;
- “Melco Crown (COD) Developments” refers to our subsidiary, Melco Crown (COD) Developments Limited, a Macau company through which we hold the land and buildings for City of Dreams;
- “Melco Crown (COD) Hotels” refers to our subsidiary, Melco Crown (COD) Hotels Limited, a Macau company through which we currently operate the non-gaming businesses at City of Dreams;
- “Melco Crown Macau” refers to our subsidiary, Melco Crown (Macau) Limited, a Macau company and the holder of our gaming subconcession;

- “Melco Leisure” refers to Melco Leisure and Entertainment Group Limited, a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of Melco;
- “Mocha Clubs” collectively refers to clubs with gaming machines, the first of which opened in September 2003, and are now the largest non-casino based operations of electronic gaming machines in Macau, and operated by Melco Crown Macau;
- “New Cotai Holdings” refers to New Cotai Holdings, LLC, a company incorporated in Delaware, the United States on March 24, 2006 under the laws of Delaware, primarily owned by U.S. investment funds managed by Silver Point Capital, L.P. and Oaktree Capital Management, L.P.;
- “our subconcession” and “our gaming subconcession” refer to the Macau gaming subconcession held by Melco Crown Macau;
- “PAGCOR” refers to Philippines Amusement and Gaming Corporation, the Philippines regulatory body with jurisdiction over all gaming activities in the Philippines except for lottery, sweepstakes, cockfighting, horse racing and gaming inside the Cagayan Export Zone;
- “Patacas” and “MOP” refer to the legal currency of Macau;
- “PBL” refers to Publishing and Broadcasting Limited, an Australian listed corporation that is now known as Consolidated Media Holdings Limited;
- “Philippine Cooperation Agreement” refers to the cooperation agreement (as amended) entered into between the Philippine Parties and the MCE Philippine Parties on October 25, 2012, which became effective on March 13, 2013;
- “Philippine Licensees” refers to holders of the Provisional License, which include the MCE Philippine Parties and the Philippine Parties;
- “Philippine Notes” refers to the PHP15 billion aggregate principal amount of 5.00% senior notes due 2019 issued by MCE Leisure Philippines on January 24, 2014;
- “Philippine Parties” refers to SM Investments Corporation, Belle Corporation and PremiumLeisure and Amusement, Inc.;
- “Philippine peso” and “PHP” refers to the legal currency of the Philippines;
- “Philippine Stock Exchange” refers to The Philippine Stock Exchange, Inc.;
- “Provisional License” refers to the provisional license issued by PAGCOR on December 12, 2008 for the development of an integrated tourism resort and to establish and operate a casino within Entertainment City in Manila, the Philippines; the MCE Philippine Parties and the Philippine Parties are co-licensees under the Amended Certificate of Affiliation and Provisional License dated January 28, 2013; references to the Provisional License include, where the context requires, any regular license issued to replace the provisional license as described in “The Provisional License.”;
- “Renminbi” and “RMB” refer to the legal currency of China;
- “RMB Bonds” refers to the RMB2.3 billion (equivalent to approximately US\$353.3 million based on exchange rate on transaction date) aggregate principal amount of 3.75% bonds due 2013 issued by our Company on May 9, 2011 and fully redeemed on March 11, 2013;
- “SCI” refers to Studio City International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability that is 60% owned by one of our subsidiaries and 40% owned by New Cotai Holdings through its wholly owned subsidiary New Cotai, LLC;
- “share(s)” and “ordinary share(s)” refer to our ordinary share(s), par value of US\$0.01 each;
- “Studio City” refers to a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau;

- “Studio City Developments” refers to our subsidiary, Studio City Developments Limited, a Macau company in which we own 60% of the equity interest;
- “Studio City Finance” refers to Studio City Finance Limited, which is a company incorporated in the British Virgin Islands with limited liability, is also an indirect subsidiary of SCI and the issuer of the Studio City Notes;
- “Studio City Notes” refers to the US\$825.0 million aggregate principal amount of 8.50% senior notes due 2020 issued by Studio City Finance on November 26, 2012;
- “Studio City Project Facility” refers to the senior secured project facility, dated January 28, 2013, entered into between, among others, Studio City Company Limited as borrower and certain subsidiaries as guarantors for a total sum of HK\$10,855,880,000 and consisting of a delayed draw term loan facility and a revolving credit facility;
- “TWD” and “New Taiwan dollars” refer to the legal currency of Taiwan;
- “US\$” and “U.S. dollars” refer to the legal currency of the United States;
- “U.S. GAAP” refers to the accounting principles generally accepted in the United States; and
- “we”, “us”, “our”, “our Company”, “the Company”, “MCE” and “Melco Crown Entertainment” refer to Melco Crown Entertainment Limited and, as the context requires, its predecessor entities and its consolidated subsidiaries.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY

“average daily rate” or “ADR”	calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms occupied, including complimentary rooms, i.e., average price of occupied rooms per day
“cage”	a secure room within a casino with a facility that allows patrons to exchange cash for chips required to participate in gaming activities, or to exchange chips for cash
“chip”	round token that is used on casino gaming tables in lieu of cash
“concession”	a government grant for the operation of games of fortune and chance in casinos in Macau under an administrative contract pursuant to which a concessionaire, or the entity holding the concession, is authorized to operate games of fortune and chance in casinos in Macau
“dealer”	a casino employee who takes and pays out wagers or otherwise oversees a gaming table
“drop”	the amount of cash to purchase gaming chips and promotional vouchers that are deposited in a gaming table’s drop box, plus gaming chips purchased at the casino cage
“drop box”	a box or container that serves as a repository for cash, chips, chip purchase vouchers, credit markers and forms used to record movements in the chip inventory on each table game
“electronic table games”	electronic multiple-player gaming seats
“gaming machine”	slot machine and/or electronic table games
“gaming machine handle”	the total amount wagered in gaming machines
“gaming machine win rate”	gaming machine win expressed as a percentage of gaming machine handle
“gaming promoter”	an individual or corporate entity who, for the purpose of promoting rolling chip and other gaming activities, arranges customer transportation and accommodation, provides credit in its sole discretion if authorized by a gaming operator, and arranges food and beverage services and entertainment in exchange for commissions or other compensation from a gaming operator
“integrated resort”	a resort which provides customers with a combination of hotel accommodations, casinos or gaming areas, retail and dining facilities, MICE space, entertainment venues and spas
“junket player”	a player sourced by gaming promoters to play in the VIP gaming rooms or areas
“marker”	evidence of indebtedness by a player to the casino or gaming operator
“mass market patron”	a customer who plays in the mass market segment
“mass market segment”	consists of both table games and gaming machines played by mass market patrons for cash stakes that are typically lower than those in the rolling chip segment
“mass market table games drop”	the amount of table games drop in the mass market table games segment
“mass market table games hold percentage”	mass market table games win as a percentage of mass market table games drop

“mass market table games segment”	the mass market segment consisting of mass market patrons who play table games
“MICE”	Meetings, Incentives, Conventions and Exhibitions, an acronym commonly used to refer to tourism involving large groups brought together for an event or specific purpose
“net rolling”	net turnover in a non-negotiable chip game
“non-negotiable chip”	promotional casino chip that is not to be exchanged for cash
“non-rolling chip”	chip that can be exchanged for cash, used by mass market patrons to make wagers
“occupancy rate”	the average percentage of available hotel rooms occupied, including complimentary rooms, during a period
“premium direct player”	a rolling chip player who is a direct customer of the concessionaires or subconcessionaires and is attracted to the casino through direct marketing efforts and relationships with the gaming operator
“progressive jackpot”	a jackpot for a gaming machine or table game where the value of the jackpot increases as wagers are made; multiple gaming machines or table games may be linked together to establish one progressive jackpot
“revenue per available room” or “REVPAR”	calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy
“rolling chip”	non-negotiable chip primarily used by rolling chip patrons to make wagers
“rolling chip patron”	a player who is primarily a VIP player and typically receives various forms of complimentary services from the gaming promoters or concessionaires or subconcessionaires
“rolling chip segment”	consists of table games played in private VIP gaming rooms or areas by rolling chip patrons who are either premium direct players or junket players
“rolling chip volume”	the amount of non-negotiable chips wagered and lost by the rolling chip market segment
“rolling chip win rate”	rolling chip table games win (calculated before discounts and commissions) as a percentage of rolling chip volume
“slot machine”	traditional slot or electronic gaming machine operated by a single player
“subconcession”	an agreement for the operation of games of fortune and chance in casinos between the entity holding the concession, or the concessionaire, a subconcessionaire and the Macau government, pursuant to which the subconcessionaire is authorized to operate games of fortune and chance in casinos in Macau
“table games win”	the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues
“VIP gaming room”	gaming rooms or areas that have restricted access to rolling chip patrons and typically offer more personalized service than the general mass market gaming areas
“wet stage performance theater”	the approximately 2,000-seat theater specifically designed to stage <i>The House of Dancing Water</i> show

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. The forward-looking statements are contained principally in the sections entitled “Item 3. Key Information — D. Risk Factors,” “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects.” Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. See “Item 3. Key Information — D. Risk Factors” for a discussion of some risk factors that may affect our business and results of operations. Moreover, because we operate in a heavily regulated and evolving industry, may become highly leveraged, and operate in Macau, a high-growth market with intense competition and the Philippines, a market that is expected to experience growth over the next several years, new risk factors may emerge from time to time. It is not possible for our management to predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed or implied in any forward-looking statement.

In some cases, forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. We have based the forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- our ability to raise additional financing;
- our future business development, results of operations and financial condition;
- growth of the gaming market in and visitation to Macau and the Philippines;
- our anticipated growth strategies;
- the liberalization of travel restrictions on PRC citizens and convertibility of the Renminbi;
- the availability of credit for gaming patrons;
- the uncertainty of tourist behavior related to spending and vacationing at casino resorts in Macau and the Philippines;
- fluctuations in occupancy rates and average daily room rates in Macau and the Philippines;
- increased competition and other planned casino hotel and resort projects in Macau and elsewhere in Asia, including in Macau from Sociedade de Jogos de Macau, S.A., or SJM, Venetian Macau, S.A., or VML, Wynn Resorts (Macau) S.A., or Wynn Macau, Galaxy Casino, S.A., or Galaxy, and MGM Grand Paradise, S.A., or MGM Grand Paradise;
- the formal grant of an occupancy permit for certain areas of City of Dreams that remain under construction or development;
- the development of Studio City and the fifth hotel tower and retail precinct at City of Dreams;
- our entering into new development and construction projects and new ventures in or outside of Macau or the Philippines;
- construction cost estimates for our development projects, including projected variances from budgeted costs;

- government regulation of the casino industry, including gaming table allocation, gaming license approvals and the legalization of gaming in other jurisdictions;
- the completion of infrastructure projects in Macau and the Philippines;
- the outcome of any current and future litigation; and
- other factors described under “Item 3. Key Information — D. Risk Factors.”

The forward-looking statements made in this annual report on Form 20-F relate only to events or information as of the date on which the statements are made in this annual report on Form 20-F. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report on Form 20-F and the documents that we referenced in this annual report on Form 20-F and have filed as exhibits with the U.S. Securities and Exchange Commission, or the SEC, completely and with the understanding that our actual future results may be materially different from what we expect.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The following selected consolidated statement of operations data for the years ended December 31, 2014, 2013 and 2012 and balance sheet data as of December 31, 2014 and 2013 have been derived from our audited consolidated financial statements included elsewhere in this annual report beginning on page F-1.

The selected consolidated statement of operations data for the years ended December 31, 2011 and 2010 and the balance sheet data as of December 31, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements not included in this annual report. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. You should read the selected consolidated financial data in conjunction with our consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. The historical results are not necessarily indicative of the results of operations to be expected in the future.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	<i>(In thousands of US\$, except share and per share data and operating data)</i>				
Consolidated Statements of Operations Data:					
Net revenues	\$ 4,802,309	\$ 5,087,178	\$ 4,078,013	\$ 3,830,847	\$ 2,641,976
Total operating costs and expenses	\$ (4,116,949)	\$ (4,247,354)	\$ (3,570,921)	\$ (3,385,737)	\$ (2,549,464)
Operating income	\$ 685,360	\$ 839,824	\$ 507,092	\$ 445,110	\$ 92,512
Net income (loss)	\$ 527,386	\$ 578,013	\$ 398,672	\$ 288,844	\$ (10,525)
Net loss attributable to noncontrolling interests	\$ 80,894	\$ 59,450	\$ 18,531	\$ 5,812	\$ —
Net income (loss) attributable to Melco Crown Entertainment	\$ 608,280	\$ 637,463	\$ 417,203	\$ 294,656	\$ (10,525)
Net income (loss) attributable to Melco Crown Entertainment per share					
— Basic	\$ 0.369	\$ 0.386	\$ 0.254	\$ 0.184	\$ (0.007)
— Diluted	\$ 0.366	\$ 0.383	\$ 0.252	\$ 0.182	\$ (0.007)
Net income (loss) attributable to Melco Crown Entertainment per ADS ⁽¹⁾					
— Basic	\$ 1.108	\$ 1.159	\$ 0.761	\$ 0.551	\$ (0.020)
— Diluted	\$ 1.099	\$ 1.149	\$ 0.755	\$ 0.547	\$ (0.020)
Weighted average shares used in net income (loss) attributable to Melco Crown Entertainment per share calculation					
— Basic	1,647,571,547	1,649,678,643	1,645,346,902	1,604,213,324	1,595,552,022
— Diluted	1,660,503,130	1,664,198,091	1,658,262,996	1,616,854,682	1,595,552,022
Dividends declared per share	\$ 0.2076	\$ —	\$ —	\$ —	\$ —

	December 31,				
	2014	2013	2012	2011	2010
	<i>(In thousands of US\$)</i>				
Consolidated Balance Sheets Data:					
Cash and cash equivalents	\$ 1,597,655	\$1,381,757	\$1,709,209	\$1,158,024	\$ 441,923
Bank deposits with original maturity over three months	110,616	626,940	—	—	—
Restricted cash	1,816,583	1,143,665	1,414,664	364,807	167,286
Total assets	10,432,563	8,813,639	7,947,466	6,269,980	4,884,440
Total current liabilities	1,316,657	1,237,970	1,721,666	603,119	675,604
Total debts ⁽²⁾	3,902,781	2,533,539	3,194,864	2,325,980	1,839,931
Total liabilities	5,390,893	3,888,657	4,206,710	3,082,328	2,361,249
Noncontrolling interests	755,529	678,312	354,817	231,497	—
Total equity	5,041,670	4,924,982	3,740,756	3,187,652	2,523,191
Ordinary shares	16,337	16,667	16,581	16,531	16,056

(1) Each ADS represents three ordinary shares.

(2) Includes amounts due to shareholders within one year, loans from shareholders and current and non-current portion of long-term debt.

The following events/transactions affect the year-to-year comparability of the selected financial data presented above:

- On July 27, 2011, we acquired a 60% equity interest in SCI, the developer of Studio City. Studio City was in development stage during the year
- On November 26, 2012, Studio City Finance issued the Studio City Notes
- On December 19, 2012, we completed the acquisition of a majority interest in the issued share capital of MCP
- On February 7, 2013, MCE Finance issued the 2013 Senior Notes
- On March 11, 2013, we completed the early redemption of the RMB Bonds in full
- On March 13, 2013, the cooperation agreement and the lease agreement between us and the Philippine Parties became effective
- On March 28, 2013, we completed the early redemption of our 2010 Senior Notes
- In April 2013, MCP completed the 2013 Top-up Placement, including the over-allotment option
- On January 24, 2014, MCE Leisure Philippines issued the Philippine Notes
- On June 24, 2014, MCP completed the 2014 Top-up Placement
- On July 28, 2014, we drew down the entire delayed draw term loan facility under our Studio City Project Facility
- On December 14, 2014, City of Dreams Manila started operations with its grand opening on February 2, 2015

Exchange Rate Information

The majority of our current revenues are denominated in H.K. dollars, whereas our current expenses are denominated predominantly in Patacas, H.K. dollars and Philippine peso. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars and from U.S. dollars to H.K. dollars in this annual report on Form 20-F were made at a rate of HK\$7.78 to US\$1.00.

The H.K. dollar is freely convertible into other currencies (including the U.S. dollar). Since October 17, 1983, the H.K. dollar has been officially linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The market exchange rate has not deviated materially from the level of HK\$7.80 to US\$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has stated its intention to maintain the link at that rate, and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. However, no assurance can be given that the Hong Kong government will maintain the link at HK\$7.75 to HK\$7.85 per U.S. dollar or at all.

The noon buying rate on December 31, 2014 in New York City for cable transfers in H.K. dollar per U.S. dollar, as certified for customs purposes by the H.10 weekly statistical release of the Federal Reserve Board of the United States, or the Federal Reserve Board, was HK\$7.7531 to US\$1.00. On April 2, 2015, the noon buying rate was HK\$7.7525 to US\$1.00. We make no representation that any H.K. dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or H.K. dollars, as the case may be, at any particular rate, the rates stated below, or at all.

The following table sets forth the exchange rate as set forth in the statistical release of the Federal Reserve Board for and as of period ends indicated through April 2, 2015.

<u>Period</u>	<u>Noon Buying Rate</u>			
	<u>Period End</u>	<u>Average ⁽¹⁾</u>	<u>High</u>	<u>Low</u>
		<i>(H.K. dollar per US\$1.00)</i>		
April 2015 (through April 2, 2015)	7.7525	7.7525	7.7525	7.7524
March 2015	7.7540	7.7584	7.7686	7.7534
February 2015	7.7559	7.7551	7.7584	7.7517
January 2015	7.7529	7.7531	7.7563	7.7508
December 2014	7.7531	7.7541	7.7616	7.7509
November 2014	7.7548	7.7543	7.7572	7.7519
October 2014	7.7551	7.7572	7.7645	7.7541
2014	7.7531	7.7545	7.7669	7.7495
2013	7.7539	7.7565	7.7654	7.7503
2012	7.7507	7.7569	7.7699	7.7493
2011	7.7663	7.7841	7.8087	7.7634
2010	7.7810	7.7692	7.8040	7.7501

- (1) Annual averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

The Pataca is pegged to the H.K. dollar at a rate of HK\$1.00 = MOP1.03. All translations from Patacas to U.S. dollars in this annual report on Form 20-F were made at the exchange rate of MOP8.0134 = US\$1.00. The Federal Reserve Board does not certify for customs purposes a noon buying rate for cable transfers in Patacas.

This annual report on Form 20-F also contains translations of certain Renminbi, New Taiwan dollar and Philippine peso amounts into U.S. dollars. Unless otherwise stated, all translations from Renminbi to U.S. dollars in this annual report on Form 20-F were made at the noon buying rate on December 31, 2014 in New York City for cable transfers in RMB per U.S. dollar, as certified for customs purposes by the H.10 weekly statistical release of the Federal Reserve Board, which was RMB6.2046 to US\$1.00. Unless otherwise stated, all translations from New Taiwan dollars to U.S. dollars in this annual report on Form 20-F were made at the noon buying rate on December 31, 2014 in New York City for cable transfers in New Taiwan dollars per U.S. dollar, as certified for customs purposes by the H.10 weekly statistical release of the Federal Reserve Board, which was TWD31.6000 to US\$1.00. Unless otherwise stated, all conversion from Philippine peso to U.S. dollars in this

annual report on Form 20-F were made based on the volume weighted average exchange rate quoted through the Philippine Dealing System, which was PHP44.7400 to US\$1.00 on December 31, 2014. We make no representation that any RMB, TWD, PHP or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB or TWD or PHP, as the case may be, at any particular rate or at all. On April 2, 2015, the noon buying rate was RMB6.1968 to US\$1.00 and TWD31.0500 to US\$1.00 and the volume weighted average exchange rate quoted was PHP44.6230 to US\$1.00.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Our business, financial condition and results of operations can be affected materially and adversely by any of the following risk factors.

Risks Relating to Our Business and Operations

Our operating history may not serve as an adequate basis to judge our future operating results and prospects. We have significant projects in various phases of development and therefore are subject to significant risks and uncertainties.

Our business operating history is shorter than some of our global competitors and therefore may not serve as an adequate basis for your evaluation of our business and prospects. City of Dreams, which contributed 80.1% of our total net revenues for the year ended December 31, 2014, commenced operations on June 1, 2009 and the site is still under ongoing development. City of Dreams Manila recently commenced its operations in December 2014. In addition, we have significant projects, such as Studio City and the fifth hotel tower and retail precinct at City of Dreams, which are in various phases of design or development and will not generate any revenue until their openings. We will face certain risks, expenses and challenges in operating gaming businesses in an intensely competitive market. Some of the risks relate to our ability to:

- fulfill conditions precedent to draw down or roll over funds from current and future credit facilities;
- comply with covenants under our debt issuances and credit facilities;
- raise additional capital, as required;
- respond to changing financing requirements;
- operate, support, expand and develop our operations and our facilities;
- attract and retain customers and qualified employees;
- maintain effective control of our operating costs and expenses;
- maintain internal personnel, systems, controls and procedures to assure compliance with the extensive regulatory requirements applicable to the gaming business as well as regulatory compliance as a public company;
- respond to competitive and/or deteriorating market conditions;
- respond to changes in our regulatory environment and government policy;
- identify suitable locations and enter into new leases or right to use agreements for new Mocha Clubs; and
- renew or extend lease agreements or right to use agreements for existing Mocha Clubs.

If we are unable to complete any of these tasks, we may be unable to operate our businesses in the manner we contemplate and generate revenues from such projects in the amounts and by the times we anticipate. We may also be unable to meet the conditions to draw on our existing or future financing facilities in order to fund various activities or may result in a default under our existing or future financing facilities. If any of these events were to occur, it would cause a material adverse effect on our business and prospects, financial condition, results of operations and cash flows.

We generate a substantial portion of our cash flow from our properties in Macau and the Philippines and, as a result, are subject to greater risks than a gaming company which operates in more geographical regions.

We primarily depend on our properties in Macau and City of Dreams Manila, which commenced operations in December 2014, for our cash flow. Given that our operations are and will be conducted based on

our principal properties in Macau and one property in Manila, we are and will be subject to greater risks resulting from limited diversification of our businesses and sources of revenues as compared to gaming companies with more operating properties in various geographic regions. These risks include:

- dependence on the gaming and leisure market in Macau, China and the Philippines and limited diversification of businesses and sources of revenues;
- a decline in market, economic, competitive and political conditions in Macau, China, the Philippines or generally in Asia;
- inaccessibility to Macau or the Philippines due to inclement weather, road construction or closure of primary access routes;
- a decline in air or ferry passenger traffic to Macau or the Philippines due to fears concerning travel or otherwise;
- travel restrictions to Macau imposed now or in the future by China;
- changes in Macau, China and Philippine governmental laws and regulations, or interpretations thereof, including gaming laws and regulations, such as China travel and visa policies, anti-smoking legislation as well as gaming table allocation policies in Macau;
- natural and other disasters, including typhoons, earthquakes, outbreaks of infectious diseases or terrorism, affecting Macau or the Philippines;
- lower rate of increase in the number of visitors to Macau or the Philippines than expected;
- relaxation of regulations on gaming laws in other regional economies that would compete with the Macau and the Philippine markets;
- a decrease in gaming activities at our properties; and
- government restrictions on growth of gaming markets in the form of table cap or otherwise.

Any of these conditions or events could have a material adverse effect on our business, cash flows, financial condition, results of operations and prospects.

All our current and future construction projects will be subject to significant development and construction risks, which could have a material adverse impact on related project timetables, costs and our ability to complete the projects.

All our current projects, including Studio City, and future construction projects will be subject to a number of risks, including:

- changes to plans and specifications;
- engineering problems, including defective plans and specifications;
- shortages of, and price increases in, energy, materials and skilled and unskilled labor, and inflation in key supply markets;
- delays in obtaining or inability to obtain necessary permits, licenses and approvals;
- lack of sufficient, or delays in availability of, financing;
- changes in laws and regulations, or in the interpretation and enforcement of laws and regulations, applicable to gaming, leisure, residential, real estate development or construction projects;
- labor disputes or work stoppages;

- shortage of qualified contractors and suppliers or inability to enter into definitive contracts with contractors with sufficient skills, financial resources and experience on commercially reasonable terms, or at all;
- disputes with and defaults by contractors and subcontractors;
- personal injuries to workers and other persons;
- environmental, health and safety issues, including site accidents and the spread of viruses;
- weather interferences or delays;
- fires, typhoons and other natural disasters;
- geological, construction, excavation, regulatory and equipment problems; and
- other unanticipated circumstances or cost increases.

The occurrence of any of these development or construction risks could increase the total costs, delay or prevent the construction or opening or otherwise affect the design and features of any future construction projects which we might undertake. We cannot guarantee that our construction costs or total project costs for future projects will not increase beyond amounts initially budgeted.

We could encounter substantial cost increases or delays in the development of our projects, which could prevent or delay the opening of such projects.

We have certain projects under development or intended to be developed pursuant to our expansion plan. The completion of these projects is subject to a number of contingencies, such as those mentioned above in the risk factor on development and construction risks including, in particular, adverse developments in applicable legislation, delays or failures in obtaining necessary government licenses, permits or approvals. The occurrence of any of these developments could increase the total costs or delay or prevent the construction or opening of new projects, which could materially adversely affect our business, financial condition and results of operations. We may also require additional financing to develop our projects. Our ability to obtain such financing depends on a number of factors beyond our control, including market conditions, investors' and lenders' perceptions of, and demand for, debt and equity securities of gaming companies, credit availability and interest rates.

There is no assurance that the actual construction costs related to our projects will not exceed the costs we have projected and budgeted. In addition, construction costs, particularly labor costs, are increasing in Macau and the Philippines and we believe that they are likely to continue to increase due to the significant increase in building activity and the ongoing labor shortage in Macau and the Philippines. In addition, immigration and labor regulations in Macau may limit or restrict our contractors' ability to obtain sufficient laborers from China to make up for any gaps in available labor in Macau and help reduce construction costs. Continuing increases in construction costs in Macau or the Philippines will increase the risk that construction will not be completed on time, within budget or at all, which could materially and adversely affect our business, cash flow, financial condition, results of operations and prospects.

The main construction contractor that we have engaged for Studio City may not have sufficient financial resources to fund cost overruns for which it is contractually responsible, which may result in delays in completing the construction of Studio City and subject us to other risks.

We cannot assure you that the main construction contractor that we have engaged for Studio City will have sufficient financial resources to fund any cost overruns for which they are responsible under the main construction contract. If our main construction contractor does not have the resources to meet its obligations or we are unable to obtain sufficient funds under the performance and payment bonds or other insurance posted by the contractors in a timely manner, we may incur increased costs for the construction of Studio City. This may

require us to raise additional funding, which may not be available on satisfactory terms or at all. Any such additional funding, if available, may not be permitted under the Studio City Project Facility or the Studio City Notes and may require us to obtain consents or waivers from the lenders under the Studio City Project Facility and/or the holders of the Studio City Notes.

In addition, no assurances can be given that our main construction contractor and its subcontractors will perform their obligations under their contracts or contractual warranties of work. If the opening of Studio City is delayed or does not occur due to any of the above or other factors, it could materially adversely affect our construction and development plan, plan of operations, business and prospects, financial condition and cash flows.

Construction is subject to hazards that may cause personal injury or loss of life, thereby subjecting us to liabilities and possible losses, which may not be covered by insurance.

The construction of large scale properties such as Studio City and the fifth hotel tower at City of Dreams can be dangerous. Construction workers at such sites are subject to hazards that may cause personal injury or loss of life, thereby subjecting the contractors and us to liabilities, possible losses, delays in completion of the projects and negative publicity. We believe that our contractors will take safety precautions that are consistent with industry practice, but these safety precautions may not be adequate to prevent serious personal injuries or loss of life, damage to property or delays. If further accidents occur during the construction of any of our projects, we may be subject to delays, including delays imposed by regulators, liabilities and possible losses, which may not be covered by insurance, and our business, prospects and reputation may be materially and adversely affected.

We are developing the fifth hotel tower at City of Dreams and the Studio City project under the terms of land concession contracts which require us to fully develop the City of Dreams complex and the Studio City site by January 28, 2018 and July 24, 2018, respectively. If we do not complete development by that time and the Macau government does not grant us an extension of the development period, we could be forced to forfeit all or part of our investment in the City of Dreams or the Studio City site, along with our interest in the City of Dreams complex and the Studio City project.

Land concessions in Macau are issued by the Macau government and generally have terms of 25 years, with extensions of 10 years thereafter. Land concessions further stipulate a period within which the development of the land must be completed. In accordance with the City of Dreams land concession contract and the Studio City land concession contract, the City of Dreams complex and the Studio City project must be fully developed by January 28, 2018 and July 24, 2018, respectively. We are in an early stage of developing the fifth hotel tower at City of Dreams and currently reviewing its development plan and schedule. While the first phase of the Studio City project is expected to be completed by the third quarter of 2015, we must complete the remaining phase of Studio City by July 24, 2018 in order to comply with the terms of the Studio City land concession contract. Our plan for the remaining phase of Studio City project is preliminary and currently under review. There is no guarantee we will complete the development of the new hotel or the Studio City project by the relevant deadline. In the event that additional time is required to complete the development of such new hotel or the remaining phase of Studio City, we will have to apply for an extension of the relevant development period. While the Macau government may grant such extension if we meet certain legal requirements and the application for extension is made in accordance with the relevant rules and regulations, there can be no assurance that the Macau government will grant us the necessary extension of the development period or not exercise its right to terminate the City of Dreams land concession or the Studio City land concession. In the event that no extension is granted or either the City of Dreams land concession or the Studio City land concession are terminated, we could lose all or substantially all of our investment in the City of Dreams complex or the Studio City project and may not be able to continue to operate the City of Dreams or operate the Studio City project as planned, which will materially adversely affect our business and prospects, results of operations and financial condition.

Inadequate transportation infrastructure in the Philippines or Macau may hinder the increase in visitation to the Philippines or Macau.

City of Dreams Manila is located within Entertainment City, Manila, an area in the city of Manila which is currently under development. Other than Solaire, there are currently no other integrated tourism resorts which have begun operations in Entertainment City, Manila. It is unlikely that Manila's existing transportation infrastructure is capable of handling the increased number of tourist arrivals that may be necessary to support visitor traffic to large scale integrated resorts within Entertainment City, such as City of Dreams Manila. Although the Philippine government is currently examining viable alternatives to ease traffic congestion in Manila, including construction of new highways and expressways, there is no guarantee that these measures will succeed, or that they will sufficiently alleviate traffic congestion or other deficiencies in Manila's transportation infrastructure. Traffic congestion and other problems in Manila's transportation infrastructure could adversely affect the tourism industry in the Philippines and reduce the number of potential visitors to City of Dreams Manila, which could, in turn, adversely affect our business and prospects, financial condition and results of our operations.

Macau consists of a peninsula and two islands and is connected to China by two border crossings. Macau has an international airport and connections to China and Hong Kong by road, ferry and helicopter. To support Macau's planned future development as a gaming and leisure destination, the frequency of bus, plane and ferry services to Macau will need to increase. While various projects are under development to improve Macau's internal and external transportation links, these projects may not be approved, financed or constructed in time to handle the projected increase in demand for transportation or at all, which could impede visitation to Macau and adversely affect our projects in Macau.

Conducting business in Macau and the Philippines is subject to certain regional and global political and economic risks that may significantly affect visitation to our properties and have a material adverse effect on our results of operations.

Most of our properties are located in Macau and a significant number of our gaming customers come from mainland China. Accordingly, our business development plans, results of operations and financial condition may be materially and adversely affected by significant political, social and economic developments in Macau and China or changes in laws and regulations. In particular, our operating results may be adversely affected by:

- changes in Macau's and China's political, economic and social conditions;
- tightening of travel or visa restrictions to Macau which may be imposed by China;
- changes in policies of the government or changes in laws and regulations, or in the interpretation or enforcement of these laws and regulations, particularly anti-smoking legislation, gaming table allocation policies, exchange control regulations, regulations relating to repatriation of capital or measures to control inflation and monetary transfers;
- measures that may be introduced to control inflation, such as interest rate increases or bank account withdrawal controls; and
- changes in the tax laws and regulations.

For example, our business and operations are affected by the travel or visa restrictions imposed by China on its citizens from time to time. The Chinese government imposes restrictions on exit visas granted to resident citizens of mainland China for travel to Macau. The government further restricts the number of days that resident citizens of mainland China may spend in Macau for certain types of travel. Such travel and visa restrictions, and any changes imposed by the Chinese government from time to time, could disrupt the number of visitors from mainland China to our property.

Our operations in Macau are also exposed to the risk of changes in laws and policies that govern operations of Macau-based companies. Tax laws and regulations may also be subject to amendment or different interpretation and implementation, thereby adversely affecting our profitability after tax. Further, certain terms of our gaming subconcession may be subject to renegotiations with the Macau government in the future, including amounts we will be obligated to pay the Macau government in order to continue operations. The results of any renegotiations could have a material adverse effect on our results of operations and financial condition.

The demand for gaming activities and related services and luxury amenities that we provide through our operations is dependent on discretionary consumer spending and, as with other forms of entertainment, is susceptible to downturns in economic conditions. An economic downturn may reduce consumers' willingness to travel and reduce their spending overseas, which would adversely impact us as we depend on visitors from mainland China and other countries to generate a substantial portion of our revenues. Changes in discretionary consumer spending or consumer preferences could be driven by factors such as perceived or actual general economic conditions, high energy and food prices, the increased cost of travel, weak segments of the job market, perceived or actual disposable consumer income and wealth, fears of recession and changes in consumer confidence in the economy, or fears of armed conflict or future acts of terrorism. In addition, our business and results of operations may be materially and adversely affected by any changes in China's economy, including the decrease in the pace of economic growth. In 2014, the economy in China grew at a slower pace compared to the five preceding years. There is no guarantee that economic downturns or further decrease of economic growth in China will not occur in the future, that they will not be protracted or that governments will respond adequately to control and reverse such conditions, any of which could materially and adversely affect our business, financial condition and results of operations.

City of Dreams Manila is located in the Philippines and is subject to certain economic, political and social risks within the Philippines. The Philippines has in the past experienced severe political and social instability, including acts of political violence. Any future political or social instability in the Philippines could adversely affect the business operations and financial conditions of City of Dreams Manila.

In addition, demand for, and the prices of, gaming and entertainment products are directly influenced by economic conditions in the Philippines, including growth levels, interest rates, inflation, levels of business activity and consumption, and the amount of remittances received from overseas Filipino workers. Any deterioration in economic and political conditions in the Philippines or elsewhere in Asia could materially and adversely affect our Company's business in the Philippines, as well as the prospects, financial condition, and results of our operations in the Philippines.

Our business in the Philippines will also depend substantially on revenues from foreign visitors and may be disrupted by events that reduce foreigners' willingness to travel to or create substantial disruption in Metro Manila and raise substantial concerns about visitors' personal safety, such as power outages, civil disturbances, terrorist attacks, among others. The Philippines has also experienced a significant number of major catastrophes over the years, including typhoons, volcanic eruptions and earthquakes. We cannot predict the extent to which our business in the Philippines and tourism in Metro Manila in general will be affected by any of the above occurrences or fears that such occurrences will take place. We cannot guarantee that any disruption to our Philippine operations will not be protracted, that City of Dreams Manila will not suffer any damages, and that any such damage will be completely covered by insurance or at all. Any of these occurrences may disrupt our operations in the Philippines.

Certain policies and campaigns implemented by the Chinese government may lead to a decline in the number of patrons visiting our properties and, in turn, materially and adversely affect our business, financial condition and results of operations.

The number of patrons visiting our properties in Macau, and the spending of such patrons, may be affected by changes in policies and campaigns of the Chinese government. For example, recent initiatives and

campaign undertaken by the Chinese government have resulted in an overall dampening effect on the behavior of Chinese consumer and a decrease in their spending, particularly in luxury good sales and other discretionary spending. In addition, the number of patrons visiting our properties in Macau may be affected by the Chinese government's focus on deterring marketing of gambling to Chinese mainland residents by foreign casinos and its initiatives to tighten monetary transfer regulations and increase monitoring of various transactions related to Macau, including bank or credit card transactions.

Our Macau gaming business is dependent on visitors from China and any campaigns or initiatives which impact Chinese consumers' willingness to spend may have a material effect on Macau's gaming market and materially and adversely affect our business, financial condition and results of operations.

We derive a significant majority of our revenues from our Macau gaming business and any disruptions or downturns in the Macau gaming market may have a material impact on our business.

Prior to 2014, we derived substantially all of our revenues from our business and operations in Macau. Although we now also generate revenues from our Philippine operations, we continue to derive a significant majority of our revenues from our Macau gaming business and may be materially affected by any disruptions or downturns in the Macau gaming market. According to DICJ, the Macau gaming market experienced a decline in gross gaming revenues as compared to 2013, and the decline has continued into 2015, with gross gaming revenues in Macau declining by approximately 35.1% on a year-over-year basis in the first two months of 2015. We believe such decline was primarily driven by a deterioration in gaming demand from China, which provides a core customer base for the Macau gaming market, as well as other restrictions including the imposition of travel restrictions and the implementation of smoking restrictions in casinos. Our business, financial condition and results of operations may be materially and adversely affected by such decline or other disruptions in the Macau gaming market.

The gaming industries in the Philippines and Macau are highly regulated.

Gaming is a highly regulated industry in Macau. Our Macau gaming business is subject to various laws, such as those relating to licensing, tax rates and anti-money laundering measures, which may change or become more stringent. Changes in laws may result in additional regulations being imposed on our gaming operations in Macau and our future projects, including Studio City project. Our operations in Macau are also exposed to the risk of changes in the Macau government's policies that govern operations of Macau-based companies and the Macau government's interpretation of or amendments to our gaming subconcession. Any such adverse developments in the regulation of the Macau gaming industry could be difficult to comply with and could significantly increase our costs, which could cause our projects to be unsuccessful. See "— Gaming is a highly regulated industry in Macau and adverse changes or developments in gaming laws or regulations could be difficult to comply with or may significantly increase our costs, which could cause our projects to be unsuccessful."

The Philippine gaming industry is also highly regulated. City of Dreams Manila may legally operate under the Provisional License, which requires a number of periodic approvals from and reports to PAGCOR. PAGCOR may refuse to approve proposals by us and our gaming promoters or modify previously approved proposals and may require us and/or our gaming promoters to perform acts with which we disagree. The Provisional License requires 95.0% of City of Dreams Manila's total employees to be locally hired. PAGCOR could also exert a substantial influence in our human resource policies, particularly with respect to the qualifications and salary levels for gaming employees, especially in light of the fact that employees assigned to the gaming operations are required by PAGCOR to obtain a Gaming Employment License. As a result, PAGCOR could have influence over City of Dreams Manila's gaming operations. Moreover, because PAGCOR is also an operator of casinos and gaming establishments in the Philippines, it is possible that conflicts in relation to PAGCOR's operating and regulatory functions may exist or may arise in the future. In addition, we and our gaming promoters may not be able to obtain, or maintain, all requisite approvals, permits and licenses that various Philippine and local government agencies may require. Any of the foregoing could adversely affect our business, financial condition and results of operations in the Philippines.

In addition, our licenses and permits from various Philippine government agencies, such as those related to labor, public works, safety, fire, buildings, health and environmental, are required to be renewed annually. There is no guarantee that the requirements for the said permits and licenses will remain the same, or that the relevant Philippine government agencies will not impose additional and more onerous requirements. This may affect our ability to renew our licenses and permits, which could adversely affect our business in the Philippines.

We face intense competition in Macau, the Philippines and elsewhere in Asia and may not be able to compete successfully.

The hotel, resort and gaming businesses are highly competitive. The competitors of our business in Macau, the Philippines and elsewhere in Asia include many of the largest gaming, hospitality, leisure and resort companies in the world. Some of these current and future competitors are larger than we are and may have more diversified resources and greater access to capital to support their developments and operations in Macau, the Philippines, and elsewhere.

In the Philippine gaming market, we will compete with hotels and resorts owned by both Philippine nationals and foreigners. PAGCOR, an entity owned and controlled by the government of Philippines, also operates gaming facilities across the Philippines. We expect our operations in the Philippines to face competition from gaming operators in other more established gaming centers across the region, particularly those of Macau and Singapore, and other major gaming markets located around the world, including Australia and Las Vegas, as we expect to target similar pools of customers and tourists. A number of such other operators have a longer track record of gaming operations and such other markets have more established reputations as gaming markets. Our operations in the Philippines may not be successful in its efforts to attract foreign customers and independent gaming promoters to City of Dreams Manila, and to promote Manila as a gaming destination.

In Macau, some competitors have announced intentions for further expansion and developments in Cotai, where City of Dreams is, and Studio City will be, located. For example, Galaxy opened Galaxy Macau Resort in Cotai in May 2011 and has announced the opening of Phase 2 of the Galaxy Macau Resort in May 2015, Sands China Ltd., a subsidiary of Las Vegas Sands Corporation, opened Sands Cotai Central in Cotai in April 2012 and has announced the opening of the Parisian in Cotai in 2016. Wynn Macau, MGM Grand Paradise and SJM have each begun construction of additional projects in Cotai which have been announced to open in the first half of 2016, 2016 and 2017 respectively. See “Item 4. Information on the Company — B. Business Overview — Market and Competition.”

We also compete to some extent with casinos located in other countries, such as Malaysia, Singapore, North Korea, South Korea, Cambodia, Australia, New Zealand, Vietnam, and elsewhere in the world, including Las Vegas and Atlantic City in the United States. In addition, certain countries, such as Japan, Taiwan and Thailand, may in the future legalize casino gaming. We also compete with cruise ships operating out of Hong Kong and other areas of Asia that offer gaming. The proliferation of gaming venues in Southeast Asia could also significantly and adversely affect our business, financial condition, results of operations, cash flows and prospects.

Our regional competitors also include Crown’s Crown Melbourne in Melbourne, Australia and Crown Perth in Perth, Australia and other casino resorts that Melco and Crown may develop elsewhere in Asia outside Macau. Melco and Crown may develop different interests and strategies for projects in Asia under their joint venture which conflict with the interests of our business in Macau, or otherwise compete with us for Asian gaming and leisure customers. See “— Risks Relating to Our Corporate Structure and Ownership.”

The governments in Macau and the Philippines could grant additional rights to conduct gaming in the future, which could significantly increase competition and cause us to lose or be unable to gain market share.

In Macau, Melco Crown Macau is one of six companies authorized by the Macau government to operate gaming activities. Pursuant to the terms of Macau Law No. 16/2001, or the Macau Gaming Law, the

Macau government is precluded from granting more than three gaming concessions. The Macau government has announced that until further assessment of the economic situation in Macau there will not be any increase in the number of concessions or subconcessions. However, the policies and laws of the Macau government could change and the Macau government could grant additional concessions or subconcessions, and we could face additional competition which could significantly increase the competition in Macau and cause us to lose or be unable to maintain or gain market share.

PAGCOR has issued the Provisional License to the Philippine Licensees and additional provisional gaming licenses to three other companies in the Philippines for the development and operation of integrated casino resorts. PAGCOR has also licensed private casino operators in special economic zones, including four in Clark Ecozone, one in Poro Point, La Union, one in Binangonan, Rizal and one in Newport City CyberTourism Zone, Pasay City, the Philippines. The Provisional License granted by PAGCOR to the Philippine Licensees is non-exclusive, and PAGCOR has given no assurances to the Philippine Licensees that it will not issue additional gaming licenses, or that it will limit the number of licenses it issues. Any additional gaming licenses issued by PAGCOR could increase competition in the Philippine gaming industry, which could diminish the value of the Philippine Licensees' Provisional License and the regular license that the Philippine Licensees expect to obtain upon City of Dreams Manila's completion. This could materially and adversely affect our business, financial condition and results of operations in the Philippines.

Any simultaneous planning, design, construction and development of any future projects may stretch our management time and resources, which could lead to delays, increased costs and other inefficiencies in the development of these projects.

There may be overlap of the planning, design, development and construction periods of our future projects. Members of our senior management will be involved in planning and developing our future projects at the same time, in addition to overseeing our day-to-day operations. Our management may be unable to devote sufficient time and attention to such projects, as well as our operating properties, and that may delay the construction or opening of any of our future projects, cause construction cost overruns or cause the performance of our operating properties to be lower than expected, which could have a material adverse effect on our business, financial condition and results of operations.

Our business depends substantially on the continuing efforts of our senior management, and our business may be severely disrupted if we lose their services.

We place substantial reliance on the gaming, project development and hospitality industry experience and knowledge of the Macau and Philippine markets possessed by members of our senior management team. The loss of the services of one or more members of our senior management team could hinder our ability to effectively manage our business and implement our growth and development strategies. Finding suitable replacements for members of our senior management could be difficult, and competition for personnel of similar experience could be intense in Macau and the Philippines. In addition, we do not currently carry key person insurance on any members of our senior management team.

The success of our business may depend on our ability to attract and retain adequate qualified personnel. A limited labor supply and increased competition could cause labor costs to increase.

The pool of experienced gaming and other skilled and unskilled personnel in Macau and the Philippines is limited. Many of our new personnel occupy sensitive positions requiring qualifications sufficient to meet gaming regulatory and other requirements, or are required to possess other skills for which substantial training and experience are needed. Moreover, competition to recruit and retain qualified gaming and other personnel is expected to continue, as well as our demand for qualified personnel. In addition, we are not currently allowed under Macau government policy to hire non-Macau resident dealers and supervisors.

We cannot assure you that we will be able to attract and retain a sufficient number of qualified individuals to operate our properties, or that costs to recruit and retain such personnel will not increase

significantly. The inability to attract and retain qualified employees and operational management personnel could have a material adverse effect on our business. Further, the Macau government is currently enforcing a labor policy pursuant to which the ratio of local to foreign workers that may be recruited is determined on a case by case basis and for construction works it shall have to be at least 1:1, unless otherwise authorized by the Macau government. This could have a material adverse effect on our ability to complete future works on our properties, for example, Studio City, or the fifth hotel tower at City of Dreams. Moreover, if the Macau government enforces similar restrictive ratios in other areas, such as the gaming, hotel and entertainment industries, this could have a materially adverse effect on the operation of our properties.

In the Philippines, the Provisional License requires that at least 95.0% of City of Dreams Manila's total employees shall be locally hired. Our inability to recruit a sufficient number of employees in the Philippines to meet this provision or to do so in a cost-effective manner may cause us to lower our hiring standards, which may have an adverse impact on City of Dreams Manila's service levels, reputation and business.

Moreover, casino resort employers may also contest the hiring of their former employees by us. There can be no assurance that such claim will not be successful or other similar or claims will not be brought against us or any of our affiliates in the future. In the event any such claim is found to be valid, we could suffer losses and face difficulties in recruiting from competing operators. If found to have basis by courts, these allegations could also result in possible civil liabilities on us or our relevant officers if such officers are shown to have deliberately and willfully condoned a patently unlawful act of the corporation.

Our insurance coverage may not be adequate to cover all losses that we may suffer from our operations. In addition, our insurance costs may increase and we may not be able to obtain the same insurance coverage in the future.

We currently have various insurance policies providing certain coverage typically required by gaming and hospitality operations in Macau. In addition, we maintain various types of insurance policies for our Philippine business and operations, including property damage, business interruption, general liability and a standard all risk insurance policies, and a surety bond required by PAGCOR, which secures the prompt payment by MCE Leisure Philippines of the monthly Licensee Fees due to PAGCOR. These insurance policies provide coverage that is subject to policy terms, conditions and limits. There is no assurance that we will be able to renew such insurance coverage on equivalent premium cost, terms, conditions and limits upon policy renewals. The cost of coverage may in the future become so high that we may be unable to obtain the insurance policies we deem necessary for the operation of our projects on commercially practicable terms, or at all, or we may need to reduce our policy limits or agree to certain exclusions from our coverage.

We cannot assure you that any such insurance policies we may obtain will be adequate to protect us from material losses. Certain acts and events could expose us to significant uninsured losses. In addition to the damages caused directly by a casualty loss such as fire or natural disasters, we may suffer a disruption of our business as a result of these events or be subject to claims by third parties who may be injured or harmed. While we intend to carry business interruption insurance and general liability insurance, such insurance may not be available on commercially reasonable terms, or at all, and, in any event, may not be adequate to cover all losses that may result from such events.

There is limited available insurance in Macau and the Philippines and our insurers in Macau and the Philippines may need to secure reinsurance in order to provide adequate cover for our property and development projects. Our credit agreements, Melco Crown Macau's subconcession contract with Wynn Macau relating to the gaming concession in Macau (the "Subconcession Contract"), the Provisional License granted by PAGCOR and certain other material agreements require a certain level of insurance to be maintained, which must be obtained in Macau and the Philippines respectively, unless otherwise authorized by the respective government(s). Failure to maintain adequate coverage could be an event of default under our credit agreements, the Subconcession Contract or the Provisional License and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

The winnings of our patrons could exceed our casino winnings at particular times during our operations.

Our revenues are mainly derived from the difference between our casino winnings and the winnings of our casino patrons. Since there is an inherent element of chance in the gaming industry, we do not have full control over our winnings or the winnings of our casino patrons. If the winnings of our patrons exceed our casino winnings, we may record a loss from our gaming operations, and our business, financial condition and results of operations could be materially and adversely affected.

Win rates for our casino operations depend on a variety of factors, some beyond our control, which, at particular times, adversely impact our results of operations.

In addition to the element of chance, theoretical win rates are also affected by other factors, including players' skill and experience, the mix of games played, the financial resources of players, the spread of table limits, the volume of bets placed by our players and the amount of time players spend on gambling — thus our actual win rates may differ greatly over short time periods, such as from quarter to quarter, and could cause our quarterly results to be volatile. Each of these factors, alone or in combination, have the potential to negatively impact our win rates, and our business, financial condition and results of operations could be materially and adversely affected.

Our gaming business is subject to the risk of cheating and counterfeiting.

All gaming activities at our table games are conducted exclusively with gaming chips which, like real currency, are subject to the risk of alteration and counterfeiting. We incorporate a variety of security and anti-counterfeit features to detect altered or counterfeit gaming chips. Despite such security features, unauthorized parties may try to copy our gaming chips and introduce, use and cash in altered or counterfeit gaming chips in our gaming areas. Any negative publicity arising from such incidents could also tarnish our reputation and may result in a decline in our business, financial condition and results of operation.

Our existing surveillance and security systems, designed to detect cheating at our casino operations, may not be able to detect all such cheating in time or at all, particularly if patrons collude with our employees. In addition, our gaming promoters or other persons could, without our knowledge, enter into betting arrangements directly with our casino patrons on the outcomes of our games of chance, thus depriving us of revenues.

Our operations are reviewed to detect and prevent cheating. Each game has a theoretical win rate and statistics are examined with these in mind. Cheating may give rise to negative publicity and such action may materially affect our business, financial condition, operations and cash flows.

Terrorism and the uncertainty of war, crime, natural disasters and other factors affecting discretionary consumer spending and leisure travel may reduce visitation to Macau and the Philippines and harm our operating results.

The strength and profitability of our business depends on consumer demand for casino resorts and leisure travel in general. Terrorist acts could have a negative impact on international travel and leisure expenditures, including lodging, gaming and tourism. Disruptive incidents in Manila in previous years include widespread demonstrations that compelled a president to resign, widespread strikes by labor federations, attempted coups d'état and military rebellions, and kidnappings and murders. Widely-publicized criminal acts that have resulted in numerous deaths and injuries have also taken place in Metro Manila. We cannot predict the extent to which future terrorist acts and crimes may affect us, directly or indirectly.

In addition to acts of terrorism, Metro Manila has experienced severe natural disasters and its authorities may not be prepared or equipped to respond to such disasters. Macau, consisting of a peninsula and two islands off the coast of mainland China, is also susceptible to extreme weather condition. Unfavorable weather conditions, severe typhoon or other natural disasters in Macau could prevent or discourage guests from traveling to Macau.

We cannot guarantee that any disruption to our operations will not be protracted nor that any damage we incur from such disruption would be completely covered by insurance or at all. Any of these occurrences may disrupt our operations and could materially and adversely affect our business, financial condition and results of operations. Furthermore, any of the above occurrences may also destabilize the economy and business environment in Macau and the Philippines, which could also materially and adversely affect our business, financial condition and results of operations.

An outbreak of widespread health epidemic, contagious disease or other outbreaks may have an adverse effect on the economies of certain Asian countries and may have material adverse effect on our business, financial condition and results of operations.

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome (SARS) or Ebola. The occurrence of such health epidemic, prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. Such events could also significantly impact our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Guangdong Province, PRC, which is located across the Zhuhai Border from Macau, has confirmed several cases of avian flu. Fully effective avian flu vaccines have not been developed and there is evidence that the H5N1 virus is constantly evolving so there can be no assurance that an effective vaccine can be discovered or commercially manufactured in time to protect against the potential avian flu pandemic. In the first half of 2003, certain countries in Asia experienced an outbreak of SARS, a highly contagious form of atypical pneumonia, which seriously interrupted economic activities and caused the demand for goods and services to plummet in the affected regions.

There can be no assurance that an outbreak swine flu, avian influenza, SARS, Ebola, or other contagious disease or the measures taken by the governments of affected countries against such potential outbreaks will not seriously interrupt our gaming operations. The perception that an outbreak of health epidemic or contagious disease may occur may also have an adverse effect on the economic conditions of countries in Asia. In addition, our operations could be disrupted if any of our employees or others involved in our operations were suspected of having the swine flu, avian influenza, SARS or Ebola as this could require us to quarantine some or all of such employees or persons or disinfect the facilities used for our operations. In addition, our revenues and profitability could be materially reduced to the extent that a health epidemic or other outbreak harms the global or PRC economy in general.

Unfavorable fluctuations in the currency exchange rates of the H.K. dollar, U.S. dollar, Pataca, or Philippine peso and other risks related to foreign exchange and currencies, could adversely affect our indebtedness, expenses, profitability and financial condition.

Our exposure to foreign exchange rate risk is associated with the currency of our operations and our indebtedness and as a result of the presentation of our financial statements in U.S. dollars. The majority of our current revenues are denominated in H.K. dollars, given the H.K. dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau. Our current expenses are denominated predominantly in Patacas, H.K. dollars and Philippine peso. In addition, we have revenues, assets, debt and expenses denominated in Philippine peso relating to our business in the Philippines. We also have subsidiaries, branch offices and assets in various countries, including Taiwan, which are subject to foreign exchange fluctuations and local regulations that may impose, among others, limitations, restrictions or approval requirements on conversions and/or repatriation of foreign currencies. In addition, a significant portion of our indebtedness, after giving effect to the issuance of the 2013 Senior Notes and Studio City Notes, and certain expenses, are denominated in U.S. dollars, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollars.

The value of the H.K. dollar, Patacas and Philippine peso against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. While the H.K. dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the H.K. dollar and the exchange rates between these currencies has remained relatively stable over the past several years, we cannot assure you that the current peg or linkages between the U.S. dollar, H.K. dollar and Pataca will not be broken or modified and subjected to fluctuation. Any significant fluctuations in the exchange rates between H.K. dollars, Patacas or Philippine peso to U.S. dollars may have a material adverse effect on our revenues and financial condition. For example, to the extent that we are required to convert U.S. dollar financings into H.K. dollars or Patacas for our operations, fluctuations in the exchange rates between H.K. dollars or Patacas against the U.S. dollar could have an adverse effect on the amounts we receive from the conversion.

While we maintain a certain amount of our operating funds in the same currencies in which we have obligations to reduce our exposure to currency fluctuations, we have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations during the years ended December 31, 2014 and 2013. In addition, we may face regulatory, legal and other risks in connection with our assets and operations in certain jurisdictions that may impose limitations, restrictions or approval requirements on conversions and/or repatriation of foreign currencies. We will consider our overall procedure for managing our foreign exchange risk from time to time, but we cannot assure you that any such procedures will enable us to obtain and achieve effective hedging of our foreign exchange risk, which could materially and adversely affect our financial condition and operating results.

We may undertake mergers, acquisitions or strategic transactions that could result in operating difficulties and distraction from our current business and subject us to regulatory and legal inquiries and proceedings.

We have made, and may in the future make, acquisitions and investments in companies or projects to expand or complement our existing operations. From time to time, we engage in discussions and negotiations with companies regarding acquisitions or investments in such companies or projects. We may, from time to time, receive inquiries from regulatory and legal authorities and become subject to regulatory and legal proceedings in connection with such acquisitions and investments in companies or projects. In addition, if we acquire or invest in another company or project, the integration process following the completion of such acquisition may prove more difficult than anticipated. We may be subject to liabilities or claims that we are not aware of at the time of the investment or acquisition, and we may not realize the benefits anticipated at the time of the investment or acquisition. These difficulties could disrupt our ongoing business, distract our management and employees, increase our expenses and liabilities and adversely affect our business, financial condition and operating results. Even if we do identify suitable opportunities, we may not be able to make such acquisitions or investments on commercially acceptable terms or adequate financing may not be available on commercially acceptable terms, if at all, and we may not be able to consummate a proposed acquisition or investment.

We are subject to risks relating to litigation, disputes and regulatory investigations which may adversely affect our profitability and financial condition.

We are, and may be in the future, subject to legal actions, disputes and regulatory investigations in the ordinary course of our business. We are also subject to risks relating to legal and regulatory proceedings and investigations which we or our affiliates may be a party to from time to time, or which could develop in the future. Our reputation may be adversely affected by our involvement or the involvement of our affiliates in litigation and regulatory proceedings. In addition, we and our affiliates operate in a number of jurisdictions in which regulatory and government authorities have a wide discretion to take procedural actions in support of their investigations and regulatory proceedings, including seizures and freezing of assets and other properties that are perceived to be connected or related to such investigations or regulatory proceedings. Given such wide discretion, regulatory or government authorities may take procedural actions that may affect our assets and properties in connection with any investigation or legal or regulatory proceeding involving us or any of our affiliates, which may materially affect our business, financial condition or results of operations.

For example, the Taipei District Prosecutors Office brought an indictment in August 2014 against our Taiwan branch office of a subsidiary and certain of its employees for alleged violations of certain Taiwan banking and foreign exchange laws. In January 2013, the same Prosecutors Office froze one of such Taiwan branch office's deposit accounts, which had a balance of approximately New Taiwan dollar 2.98 billion (equivalent to approximately US\$102.2 million) at the time the account was frozen, in connection with the investigation related to this indictment. If we fail to successfully defend the claims made by the Taipei District Prosecutors Office, we may be subject to certain statutory penalties including, but not limited to, fines and confiscation of illegal proceeds. In addition, if we are unsuccessful in defending one of our subsidiaries against certain claims alleging that it received misappropriated or misapplied funds, this may require further improvements to our existing anti-money laundering procedures, systems and controls and our business operations may be subject to greater scrutiny from relevant regulatory authorities, all of which may increase our compliance costs. No assurance can be provided that any provisions we have made for such matters will be sufficient. Litigation and regulatory proceedings and investigation are inherently unpredictable and our results of operations or cash flows may be adversely affected by an unfavorable resolution of any pending or future litigation, disputes and regulatory investigation.

We extend credit to a portion of our customers, and we may not be able to collect gaming receivables from our credit customers.

We conduct, and expect to continue to conduct, our table gaming activities at our casinos on a credit basis as well as a cash basis. As is common practice in Macau, we grant credit to our gaming promoters and certain of our premium direct players. The gaming promoters bear the responsibility for issuing to, and subsequently, collecting credit from their players. We intend to selectively extend credit to certain VIP patrons in the Philippines whose level of play and financial resources warrant such an extension in our opinion. This credit is often unsecured, as is customary in our industry. High-end patrons typically are extended more credit than patrons who wager lower amounts. Any slowdown in the economy could adversely impact our VIP patrons, which could in turn increase the risk that these clients may default on credit extended to them.

We may not be able to collect all of our gaming receivables from our credit customers. We expect that we will be able to enforce our gaming receivables only in a limited number of jurisdictions, including Macau and under certain circumstances, Hong Kong. As most of our gaming customers in Macau are visitors from other jurisdictions, principally Hong Kong and China, we may not have access to a forum in which we will be able to collect all of our gaming receivables because, among other reasons, courts of many jurisdictions, including China, do not enforce gaming debts. Further, we may be unable to locate assets in other jurisdictions against which to seek recovery of gaming debts. The collectability of receivables from international customers could be negatively affected by future business or economic trends or by significant events in the countries in which these customers reside. We may also, in given cases, have to determine whether aggressive enforcement actions against a customer will unduly alienate the customer and cause the customer to cease playing at our casinos. We could suffer a material adverse impact on our operating results if receivables from our credit customers are deemed uncollectible. In addition, in Macau, in the event a patron has been extended credit and has lost back to us the amount borrowed and the receivable from that patron is deemed uncollectible, Macau gaming tax will still be payable on the resulting gaming revenues, notwithstanding our uncollectible receivable. An estimated allowance for doubtful debts is maintained to reduce our receivables to their carrying amounts, which approximate fair values.

The current credit environment may limit availability of credit and may negatively impact our business and financial plans.

Our business and financing plans may be dependent upon completion of future financings. Any severe contraction of liquidity in the global credit markets may make it difficult and costly to obtain new lines of credit or to refinance existing debt, and may place broad limitations on the availability of credit from credit sources as well as lengthening the recovery cycle of extended credit. If the credit environment worsens, it may be difficult

to obtain any additional financing on acceptable terms, which could adversely affect our ability to complete development projects. Continued tightening of liquidity conditions in credit markets may constrain revenue generation and growth and could have a material adverse effect on our business, financial condition and results of operations.

Rolling chip patrons and VIP gaming customers may cause significant volatility in our revenues and cash flows.

A substantial proportion of our casino revenues in Macau is generated from the rolling chip segment of the gaming market. Similarly, we intend to attract foreign gaming visitors to City of Dreams Manila, particularly VIP players who typically place large individual wagers. Revenues and cash flows derived from high-end gaming of this type are typically more volatile than those from other forms of gaming primarily due to high bets and the resulting high winnings and losses. As a result, our business and results of operations and cash flows from operations may be more volatile from quarter to quarter than that of our competitors and may require higher levels of cage cash in reserve to manage this volatility.

We depend upon gaming promoters for a portion of our gaming revenues and if we are unable to establish, maintain and increase the number of successful relationships with gaming promoters, our ability to attract rolling chip patrons may be adversely affected.

Gaming promoters, who organize tours for rolling chip patrons to casinos in Macau, are responsible for a portion of our gaming revenues in Macau. With the rise in casino operations in Macau, the competition for relationships with gaming promoters has increased. As of December 31, 2014, we had agreements in place with approximately 97 gaming promoters. If we are unable to utilize and develop relationships with gaming promoters, our ability to grow our gaming revenues will be hampered and we will have to seek alternative ways to develop and maintain relationships with rolling chip patrons, which may not be as profitable as relationships developed through gaming promoters. As competition intensifies, we may therefore need to offer better terms of business to gaming promoters, including extensions of credit, which may increase our overall credit exposure. If our gaming promoters are not able to maintain relationships with patrons, our ability to maintain or grow casino revenues may be adversely affected.

We are impacted by the reputation and integrity of the parties with whom we engage in business activities and we cannot assure you that these parties will always maintain high standards or suitability throughout the term of our association with them. Failure to maintain such high standards or suitability may cause us and our shareholders to suffer harm to our own and our shareholders' reputation, as well as impaired relationships with, and possibly sanctions from, gaming regulators.

The reputation and integrity of the parties with whom we engage in business activities are important to our own reputation and our ability to continue to operate in compliance with the permits and licenses required for our business. These parties include, but are not limited to, those who are engaged in gaming related activities, such as gaming promoters, and developers and hotel operators with whom we have or may enter into services agreements. Under Macau Gaming Law, Melco Crown Macau has an obligation to supervise its gaming promoters to ensure compliance with applicable laws and regulations and serious breaches or repeated misconduct by its gaming promoters could result in the termination of its subconcession. For parties we deal with in gaming related activities, where relevant, the gaming regulators undertake their own probity checks and will reach their own suitability findings in respect of the activities and parties which we intend to associate with. In addition, we also conduct our internal due diligence and evaluation process prior to engaging such parties. Notwithstanding such regulatory probity checks and our own due diligence, we cannot assure you that the parties with whom we are associated will always maintain the high standards that gaming regulators and we require or that such parties will maintain their suitability throughout the term of our association with them. If we were to deal with any party whose probity was in doubt, this may be negatively perceived when assessed by the gaming regulators. Also, if a party associated with us falls below the gaming regulators' suitability standards, we and our shareholders may suffer reputational harm, as well as impaired relationships with, and possibly sanctions from, the relevant gaming regulators with authority over our operations.

Any violation of FCPA could have a negative impact on us.

We are subject to regulations imposed by the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws which if violated may result in severe criminal and civil sanctions as well as other penalties. There has been a general increase in FCPA enforcement activity in recent years by the SEC and U.S. Department of Justice. Both the number of FCPA cases and sanctions imposed have risen dramatically. We cannot assure you that our ongoing FCPA compliance program would be effective or that our employees, contractors and agents will continually adhere to our compliance programs. Should they not follow our programs, we could be subject to investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions, any of which may result in a material adverse effect on our financial condition.

A failure to establish and protect our intellectual property rights could have an adverse effect on our business, financial condition and results of operations.

We have applied for and/or registered the trademarks “Altira,” “Mocha Club,” “City of Dreams”, “City of Dreams Manila”, “Studio City”, “Melco Crown Entertainment” and “Melco Crown Philippines” in, as the case may be, Macau, the Philippines and other jurisdictions. We have also registered in Macau, the Philippines and other jurisdictions certain other trademarks and service marks used in connection with the operations of our hotel casino projects in Macau and City of Dreams Manila. We endeavor to establish and protect our intellectual property rights and our goods and services through trademarks and service marks, domain names, licenses and other contractual provisions. The brands we use in connection with our properties are beginning to gain recognition. Failure to possess, obtain or maintain adequate protection of our intellectual property rights could negatively impact the development of our brands and have a material adverse effect on our business, financial condition and results of operations. For example, if a third party claims we have infringed, currently infringe, or could in the future infringe its intellectual property rights, we may need to cease use of such intellectual property or incur substantial expenses to defend against such allegations, or if third parties misappropriate or infringe our intellectual property, we may need to take steps to protect our intellectual property, which may result in substantial expenses, all of which may adversely affect our business, financial condition and results of operations.

The infringement or alleged infringement of intellectual property rights belonging to third parties could adversely affect our business.

We face the potential risk of claims that we have infringed intellectual property rights of third parties, which could be expensive and time-consuming to defend. Upon such claims, we may be required to cease using certain intellectual property rights or selling certain products or services, to pay significant damages or to enter into costly royalty or licensing agreements, which may not be available at all, any of which could have a negative impact on our business, financial condition and future prospects.

We cannot assure you that anti-money laundering policies that we have implemented, and compliance with applicable anti-money laundering laws, will be effective to prevent our casino operations from being exploited for money laundering purposes.

Macau’s free port, offshore financial services and free movements of capital has created an environment whereby Macau’s casinos could be exploited for money laundering purposes. We have implemented anti-money laundering policies in compliance with all applicable anti-money laundering laws and regulations in Macau and the Philippines. We cannot assure you that any such policies will be effective in preventing our casino operations from being exploited for money laundering purposes, including from jurisdictions outside of Macau. In the normal course of business, we expect to be required by regulatory authorities from Macau and other jurisdictions to attend meetings and interviews from time to time to discuss our operations as they relate to anti-money laundering laws and regulations. We deal in significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations.

In the Philippines, we will deal with significant amounts of cash during the initial stages of regular operations. We are required to comply with all applicable anti-money laundering laws and regulations in the Philippines, as well as international standards. In the normal course of business, we expect to be required by regulatory authorities from the Philippines and other jurisdictions to attend meetings and interviews from time to time to discuss our operations as they relate to anti-money laundering laws and regulations. While we expect to expend time and cost in connection with such regulatory compliance matters, we cannot provide any assurance that any such regulatory compliance matters will be effective in preventing our casino operations from being exploited for money laundering purposes, including from jurisdictions outside of the Philippines.

Any incident of money laundering, accusation of money laundering or regulatory investigations into possible money laundering activities involving us, our employees, our gaming promoters or our customers could have a material adverse impact on our reputation, business, cash flows, financial condition, prospects and results of operations. Any serious incident of or repeated violation of laws related to money laundering or any regulatory investigation into money laundering activities may cause a revocation or suspension of the subconcession or the Provisional License. For more information regarding anti-money laundering regulations in Macau and the Philippines, see “Item 4. Information on the Company — B. Business Overview — Regulations — Macau Regulations — Anti-Money Laundering Regulations in Macau” and “Item 4. Information on the Company — B. Business Overview — Regulations — Philippines Regulations — Anti-Money Laundering Regulations in the Philippines”.

Our business requires the collection and retention of customer data, which could expose us to regulatory and other risks associated with information technology system.

Our business requires the collection and retention of customer data, including credit card numbers and other personally identifiable information of our customers. We are also required under applicable law to collect and retain personal data in respect of our employees. While we believe that our system and practices are generally adequate to meet applicable legal and regulatory requirements in Macau and the Philippines with regard to the collection, retention and processing of personal data, our information technology system may be unable to satisfy changing regulatory requirements, or may require additional investments or time in order to do so. In addition, our information technology system and records may be subject to security breaches, system failures, viruses, operator error or inadvertent releases of personal data. A significant loss, theft or fraudulent use of personal data maintained by us or any breach by us of the applicable regulatory requirements in Macau or the Philippines could adversely affect our reputation and could result in criminal or administrative penalties, in addition to any civil liability and other expenses.

The audit report included in this annual report has been prepared by auditors whose work may not be inspected fully by the Public Company Accounting Oversight Board and, as such, you may be deprived of the benefits of such inspection.

Deloitte Touche Tohmatsu, our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards.

Many of our auditor’s other clients have substantial operations within mainland China, and the PCAOB has been unable to complete inspections of the work of our auditor within mainland China without the approval of the Chinese authorities. Thus, our auditor is not currently inspected fully by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside mainland China have identified deficiencies in those firms’ audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections in mainland China

prevents the PCAOB from regularly evaluating our auditor’s audit procedures and quality control procedures as they relate to their work in mainland China. As a result, investors may be deprived of the benefits of such regular inspections.

The inability of the PCAOB to conduct full inspections of auditors in mainland China makes it more difficult to evaluate the effectiveness of our auditor’s audit procedures or quality control procedures as compared to auditors who primarily work in jurisdictions where PCAOB has full inspection access. Investors may lose confidence in our reported financial information and the quality of our financial statements.

Risks Relating to the Gaming Industry and Our Operations in Macau

Our gaming operations in Macau could be adversely affected by restrictions on the export of the Renminbi.

Gaming operators in Macau are currently prohibited from accepting wagers in Renminbi, the currency of China. There are currently restrictions on the export of the Renminbi outside of mainland China, including to Macau. For example, Chinese traveling abroad are only allowed to take a total of RMB20,000 plus the equivalent of up to US\$5,000 out of China. Restrictions on the export of the Renminbi may impede the flow of gaming customers from China to Macau, inhibit the growth of gaming in Macau and negatively impact our operations.

Gaming is a highly regulated industry in Macau and adverse changes or developments in gaming laws, smoking regulations or other regulations that affect our operations could be difficult to comply with or may significantly increase our costs, which could cause our projects to be unsuccessful.

Gaming is a highly regulated industry in Macau. See “—The gaming industries in the Philippines and Macau are highly regulated”.

The Macau government, from time to time, enacts legislations and imposes various regulations and restrictions that affect the gaming industry in Macau. For example, the Macau government has passed anti-smoking legislation and rules restricting smoking in our Macau properties. Recent public announcements indicate that the Macau government intends to pursue a full smoking ban within all Macau casinos. The Macau government continues to amend its legislation and rules relating to smoking in public areas and impose new restrictions and rules. From time to time, the Macau government may take enforcement actions, such as imposing fines or other penalties, against gaming operators for any violation of anti-smoking regulations and rules. The implementation of such legislation, rules and regulations may deter potential gaming patrons who are smokers from frequenting casinos in Macau, which could adversely affect our business, results of operations and financial condition. See “Item 4. Information on the Company — B. Business Overview — Regulations.”

In addition, the Macau government imposed regulations and restrictions that affect the minimum age required for entrance into casinos in Macau, location requirements for sites with gaming machine lounges, data privacy and other matters. Any such legislation, regulation or restriction imposed by the Macau government may lead to, among others, the closure of our gaming machine lounges, and have material adverse impact on our operations, business and financial performance. Furthermore, our inability to address any of these requirements or restrictions imposed by the Macau government could adversely affect our reputation and result in criminal or administrative penalties, in addition to any civil liability and other expenses.

Our activities in Macau are also subject to administrative review and approval by various departments of the Macau government. Our ability to obtain and maintain such administrative approvals may have a material impact on our business and operations.

The Macau government has established a maximum number of gaming tables that may be operated in Macau and may limit the number of new gaming tables at new gaming areas in Macau, including our development project, Studio City.

The Macau government has imposed a cap on gaming tables and restricts the number of gaming tables that may be operated in Macau. A cap of 5,500 tables up to the end of the first quarter of 2013 was implemented. In addition, for a period of 10 years from the second quarter of 2013, the number of gaming tables to be authorized by the Macau government will be limited to an average annual increase of 3%. According to the DICJ, the number of gaming tables in Macau as of December 31, 2014, was 5,711. The Macau government has reiterated further that it does not intend to authorize the operation of any new casino or gaming area that was not previously authorized by the government. Given such announcements by the Macau government, we may not be able to obtain Macau government's approval to operate a sufficient number of gaming tables at our development project, Studio City. These restrictions may have a material impact on our gaming revenues, overall business and operations and may adversely affect our development projects and the future expansion of our business. The lack of authorization to operate a sufficient number of gaming tables at Studio City may result in a breach of conditions and covenants contained in our Studio City Project Facility that could result in occurrence of events of default under the Studio City Project Facility and other debt instruments and consequential enforcement by the lenders and noteholders. See "— The Studio City Project Facility imposes certain conditions for the formal opening of Studio City and the failure to satisfy such conditions could lead to a material adverse effect on our business."

Our business and operations in Macau are dependent upon our subconcession and, if we fail to comply with the complex legal and regulation regime in Macau, we may be subject to revocation of the subconcession.

Under the terms of the Subconcession Contract, we are obligated to comply with all laws, regulations, rulings and orders promulgated by the Macau government from time to time. In addition, we must comply with all the terms of the Subconcession Contract which contains various general covenants and provisions, such as general and special duties of cooperation, special duties of information, and obligations for the execution of our investment plan, as to which the determination of compliance is subjective. We cannot assure you that we will perform such covenants in a way that satisfies the requirements of the Macau government and, accordingly, we will depend on our continuing communications and good faith negotiations with the Macau government to ensure that we are performing our obligations under the subconcession in a manner that would avoid any violations.

Under Melco Crown Macau's subconcession, the Macau government is allowed to request various changes in the plans and specifications of our Macau properties and impose business and corporate requirements that may be binding on us. For example, the Macau Chief Executive has the right to require that we increase Melco Crown Macau's share capital or that we provide certain deposits or other guarantees of performance with respect to the obligations of our Macau subsidiaries. Melco Crown Macau must first obtain the Macau government's approval before raising certain debt or equity. In addition, and the terms of our debt facilities and agreements impose restrictions on our ability to incur debt and raise capital. As a result, we cannot assure you that we will be able to comply with these requirements or any other requirements of the Macau government or with the other requirements and obligations imposed by the subconcession.

The harshest penalty that may be imposed on us for failure to comply with the complex legal and regulatory regime in Macau and the terms of the Subconcession Contract is revocation of the subconcession. Under the subconcession, the Macau government has the right to unilaterally terminate the subconcession in the event of non-compliance by Melco Crown Macau with its basic obligations under the subconcession and applicable Macau laws. If such a termination were to occur all of our casino premises and gaming equipment would revert to the Macau government automatically without compensation to us and Melco Crown Macau would be unable to operate casino gaming in Macau which would have a material adverse effect on our financial condition, results of operations and cash flows and could result in defaults under our indebtedness agreements and a partial or complete loss of our investments in our projects. We would also be unable to recover the US\$900

million consideration paid to Wynn Macau for the issue of the subconcession. For a list of termination events, please see “Item 4. Information on the Company — B. Business Overview — Regulations — Gaming Licenses — The Subconcession Contract in Macau.” These events could lead to the termination of Melco Crown Macau’s subconcession without compensation to Melco Crown Macau. In many of these instances, the Subconcession Contract does not provide a specific cure period within which any such events may be cured and, instead, we would rely on consultations and negotiations with the Macau government to remedy any such violation.

Currently, there is no precedent on how the Macau government will treat the termination of a concession or subconcession upon the occurrence of any of the circumstances mentioned above. Some of the laws and regulations summarized above have not yet been applied by the Macau government. Therefore, the scope and enforcement of the provisions of Macau’s gaming regulatory system cannot be fully assessed at this time.

Melco Crown Macau’s Subconcession Contract expires in 2022 and if we were unable to secure an extension of its subconcession in 2022 or if the Macau government were to exercise its redemption right in 2017, we would be unable to operate casino gaming in Macau.

The Subconcession Contract expires on June 26, 2022. Unless it is extended beyond this date or legislation on reversion of casino premises is amended, all of our casino premises and gaming related equipment under Melco Crown Macau’s subconcession will automatically be transferred to the Macau government without compensation and we will cease to generate revenues from such operations. Under the Subconcession Contract, beginning in 2017, the Macau government has the right to redeem the Subconcession Contract by providing us with at least one year’s prior notice. In the event the Macau government exercises this redemption right, we would be entitled to fair compensation or indemnity. The standards for the calculation of the amount of such compensation or indemnity would be determined based on the gross revenues generated by City of Dreams during the tax year immediately prior to the redemption, multiplied by the remaining term of the subconcession. We would not receive any further compensation (including for consideration paid to Wynn Macau for the subconcession). We cannot assure you that Melco Crown Macau would be able to renew or extend the Subconcession Contract on terms favorable to us, or at all. We also cannot assure you that if Melco Crown Macau’s subconcession were redeemed, the compensation paid would be adequate to compensate us for the loss of future revenues.

Melco Crown Macau’s tax exemption from complementary tax on income from gaming operations under the subconcession tax will expire in 2016, and we may not be able to extend it.

Companies in Macau are subject to complementary tax of up to 12% of taxable income, as defined in relevant tax laws. We are also subject to a 35% special gaming tax on our gaming revenues as well as other levies of 4% imposed under the Subconcession Contract. The other levies are subject to change on renegotiation of the Subconcession Contract and as a result of any change in relevant laws. The Macau government granted to Melco Crown Macau the benefit of a corporate tax holiday on gaming income in Macau for five years from 2007 to 2011 and the exemption has been extended for five years from 2012 through 2016. In addition, in 2014 the Macau government accepted an application by one of our subsidiaries in Macau for a corporate tax exemption until 2016 on amounts transferred to it by Melco Crown Macau, to the extent that such amounts result from gaming operations within Studio City and have been subject to gaming tax. The Macau government clarified that share dividends payment by such subsidiary would continue to be subject to complementary tax. However, we cannot assure you that the corporate tax holiday benefits will be extended beyond the expiration date.

Pursuant to the proposed terms issued by the Macau government in December 2013 which was accepted by Melco Crown Macau in January 2014, during the 5-year extension of the corporate tax holiday, an annual lump sum of MOP22.4 million (equivalent to approximately US\$2.8 million) is payable by Melco Crown Macau, effective retroactively from 2012 through 2016, with respect to tax due for dividend distributions to the shareholders of Melco Crown Macau from gaming profits, whether such dividends are actually distributed by

Melco Crown Macau or not, or whether Melco Crown Macau has distributable profits in the relevant year. With the payment of such lump sum the shareholders of Melco Crown Macau will not be liable to pay any other tax in Macau for dividend distributions received from gaming profits. We cannot assure you that the same arrangement will be applied beyond the expiration date of the corporate tax holiday and in case the same arrangement applies, whether we will be required to pay a higher annual sum.

Visitation to Macau may decline due to increased restrictions on visitations to Macau from citizens of mainland China.

A significant number of our gaming customers in Macau come from mainland China. Any travel restrictions imposed by China could disrupt the number of patrons visiting our properties in Macau from mainland China. Since mid-2003, under the Individual Visit Scheme, or IVS, mainland Chinese citizens from certain cities have been able to travel to Macau on an individual visa application basis and did not need to join a tour group which they would have otherwise been required to do. In mid-2008, the Chinese government adjusted its IVS visa policy toward Macau and limited the number of visits that some mainland Chinese citizens may make to Macau in a given time period. In addition, in May 2009, China placed certain restrictions on the operations of “below-cost” tour groups that involve low up-front payments and compulsory shopping. It is not known when, or if, policies similar to those implemented previously restricting visitation by mainland Chinese citizens to Macau and Hong Kong, will be put in place and visa policies may be adjusted, without notice, in the future. A decrease in the number of visitors from mainland China may adversely affect our results of operations.

Risks Relating to the Gaming Industry and Our Business in the Philippines

MCE Leisure Philippines leases the land and buildings comprising the site occupied by City of Dreams Manila.

MCE Leisure Philippines entered into a lease agreement on October 25, 2012, which became effective on March 13, 2013 (“Lease Agreement”), where it leases the land and buildings occupied by City of Dreams Manila from Belle Corporation, which, in turn, leases part of the land from the Philippine government’s social security system (the “Social Security System”). Although MCE Leisure Philippines has not encountered any issues with respect to its tenancy relationship with Belle Corporation, there can be no assurance that such good relations will continue. Numerous potential issues or causes for disputes may arise from a tenancy relationship, such as with respect to the provision of utilities on the premises and the maintenance and normal repair of the buildings, any of which could result in an arbitrable dispute between Belle Corporation and MCE Leisure Philippines. There can be no assurance that any such dispute would be resolved or settled amicably or expediently. Furthermore, during the pendency of any dispute, Belle Corporation as landlord could discontinue essential services necessary for the operation of City of Dreams Manila, or seek relief to oust MCE Leisure Philippines from possession of the leased premises. Any prolonged or substantial dispute between Belle Corporation and MCE Leisure Philippines, or any dispute arising under the lease agreement between Belle Corporation and the Social Security System, could have a material adverse effect on the operations of City of Dreams Manila, which would in turn adversely affect our business, financial condition and results of operations. In addition, any negative publicity arising from the disputes or non-compliance by Belle Corporation with the lease terms would have a material adverse effect on our business and prospects, financial condition and results of operations.

Furthermore, the Lease Agreement may be terminated under certain circumstances, including MCE Leisure Philippines’ non-payment of rent, or if either party fails to substantially perform any material covenants under the Lease Agreement and fails to remedy such breach in a timely manner which would cause a material adverse effect on our business and prospects, financial condition, results of operation and cash flows.

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

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

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

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

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

MCE Leisure Philippines' right to operate City of Dreams Manila is subject to certain limitations.

MCE Leisure Philippines' right to operate City of Dreams Manila is subject to certain limitations under the operating agreement for the management and operation of City of Dreams Manila, entered into among MCE Leisure Philippines and the Philippine Parties. For example, MCE Leisure Philippines is prohibited from entering into any contract for City of Dreams Manila outside the ordinary course of the operation and management of City of Dreams Manila with an aggregate contract value exceeding US\$3.0 million (increased by 5.0% each year on the anniversary of the date of entry into the operating agreement) without the consent of the other Philippine

Licenses. In addition, MCE Leisure Philippines is required to remit specified percentages of the mass market and VIP gaming earnings before interest, tax, depreciation and amortization or revenues derived from City of Dreams Manila to PremiumLeisure and Amusement Inc. (“PLAI”).

If MCE Leisure Philippines is unable to comply with any of the provisions of the operating agreement, the other parties to the operating agreement may bring lawsuits and seek to suspend or replace MCE Leisure Philippines as the sole operator of City of Dreams Manila, or terminate the operating agreement. Moreover, the Philippine Parties may terminate the operating agreement, if MCE Leisure Philippines materially breaches the operating agreement. Termination of the operating agreement, whether resulting from MCE Leisure Philippines’ or the Philippine Parties’ non-compliance with the operating agreement, would cause a material adverse effect on our business and prospects, financial condition, results of operations and cash flows.

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

Under the operating agreement for City of Dreams Manila, MCE Leisure Philippines must periodically calculate, on a 24-month basis, the respective amounts of VIP gaming earnings before interest, tax, depreciation and amortization derived from City of Dreams Manila (the “PLAI VIP EBITDA”) and VIP gaming net win derived from City of Dreams Manila pursuant to the operating agreement (the “PLAI VIP Net Win”) and report such amounts to the Philippine Parties. If the PLAI VIP EBITDA is less than the PLAI VIP Net Win, the Philippine Licensees must meet within 10 business days to discuss and review City of Dreams Manila’s financial performance and agree on any changes to be made to the payment terms under the operating agreement. If such an agreement cannot be reached within 90 business days, MCE Leisure Philippines must suspend VIP gaming operations at City of Dreams Manila, and the rent payable in respect of that part of the building designed primarily or exclusively for VIP gaming usage will be abated for as long as the VIP gaming operations are suspended.

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

MCP may experience difficulty in managing the operations of City of Dreams Manila.

City of Dreams Manila’s operations may need to develop rapidly as the Philippine gaming market matures and the three other holders of PAGCOR licenses in Entertainment City commence operations and develop their businesses.

MCP may not be able to implement an effective business strategy to keep pace with the development of the Philippine gaming market. It may not be able to operate additional facilities or expand City of Dreams Manila. Any failure by MCP to develop within the Philippine gaming market or take advantage of the opportunities presented by a developing market may have a material adverse effect on our business and results of operations.

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

The integrated casino resort and gaming industry in the Philippines is in an early stage of development and has a limited track record. It is difficult to evaluate the attractiveness of each of Entertainment City, Manila

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

MCP's strategy to attract Premium Market customers to City of Dreams Manila may not be effective.

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

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

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

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

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

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

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

However, several House Bills and Senate Bills are currently pending in Congress with the view of rationalizing fiscal incentives which are currently granted to certain enterprises and activities, including tourism enterprises. It is uncertain what the effect will be on the incentives currently granted to qualified tourism enterprises under the Tourism Act, if and when such bills are passed into law.

MCP's gaming operations are dependent on the Provisional License issued by PAGCOR.

PAGCOR regulates all gaming activities in the Philippines except for lottery, sweepstakes, jueteng, horse racing, and gaming inside the Cagayan Export Zone. City of Dreams Manila's gaming areas may only legally operate under the Provisional License granted by PAGCOR, which imposes certain requirements on the MCE Philippine Parties and their service providers. The Provisional License is also subject to suspension or termination upon the occurrence of certain events. The requirements imposed by the Provisional License include, among others:

- to pay license fees monthly to PAGCOR;
- not to exceed a 70:30 debt-to-equity ratio for each of the Philippine Licensees;
- to hire locally at least 95.0% of total employees of City of Dreams Manila;
- to ensure at least 40.0% of City of Dreams Manila's gaming personnel are exclusively supplied by PAGCOR, where practicable;
- to purchase at least 90.0% of City of Dreams Manila's furniture and fixtures from Philippine manufacturers;
- to deposit US\$100.0 million in an escrow account and maintain a minimum balance of US\$50.0 million at all times;
- to remit 2.0% of certain casino revenues and 5.0% of certain non-gaming revenues; and
- to obtain a regular license to replace the Provisional License upon City of Dreams Manila's completion and PAGCOR's approval.

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

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

operations. In addition, a failure in the internal control systems of MCP may cause PAGCOR to adversely modify or revoke the Provisional License. Finally, the Provisional License, or any regular license issued to replace the Provisional License, will terminate in 2033, coinciding with the PAGCOR Charter's termination, and there is no guarantee that the PAGCOR Charter or the regular license issued to replace the Provisional License will be renewed. MCE Leisure Philippines, on behalf of the Philippines Licensees, has applied to PAGCOR for the issuance of a regular casino license on January 30, 2015.

In addition, City of Dreams Manila's gaming operations is highly regulated in the Philippines. As PAGCOR is also a gaming operator, there can be no assurance that PAGCOR will not withhold certain approvals from the MCE Philippine Parties in order to favor its own gaming operations. PAGCOR may also modify or impose additional conditions on its licensees or impose restrictions or limitations on MCE Leisure Philippines' casino operations that would interfere with MCE Leisure Philippines' ability to provide VIP services, which could adversely affect MCP's business, financial condition and results of operations.

City of Dreams Manila may be required to obtain an additional legislative franchise, in addition to its Provisional License or regular casino license, as the case may be.

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

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

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

In February 2012, various articles reported that Kazuo Okada, a Japanese national and a principal of Universal Entertainment Group (which is the ultimate parent of Tiger Resort Leisure and Entertainment Inc.) was accused by former business partner, Steve Wynn of Wynn Resorts of bribery of gaming officials in certain jurisdictions. Although the allegations by Mr. Wynn against Mr. Okada and officials of PAGCOR have yet to be proven and Mr. Okada has categorically denied any improprieties, various agencies in the Philippines have already called for investigations into the matter. There can be no assurance that such investigations will not result in wider investigation of both former and present officials of PAGCOR who were involved in the approval and granting of all other provisional licenses. In addition, such investigations could also lead to suspension and even termination of any or all such provisional licenses which were granted under the authority of such PAGCOR officials, which would have a material adverse effect on our business, goodwill and operations.

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

The Philippine Licensees may be subject to corporate income tax at the rate of 30% despite that they are entitled to pay license fees to PAGCOR “in lieu of all taxes” pursuant to the Provisional License. On March 2011, the Supreme Court of the Philippines pronounced the fact that PAGCOR’s exemption from corporate income tax under the PAGCOR Charter was implicitly revoked and PAGCOR has been removed from the list of government owned and controlled corporations that are exempt from paying corporate income tax. In relation to this, on April 2013, the BIR issued a Revenue Memorandum Circular indicating that PAGCOR and its licensees and contractees are subject to corporate income tax on its operations of gambling, casinos, gaming clubs and other similar recreation or amusement places and gaming pools. To mitigate the effects of the Supreme Court decision, PAGCOR, in May 2014, issued a regulation allowing the Philippine Licensees and the other casino operators a ten percent (10%) temporary reduction of the monthly Licensee Fees to be remitted to PAGCOR. This 10% will be used to pay any corporate income tax that may levied against the Philippine Licensees and the other casino operators at the end of the fiscal year, and any remaining amount after paying the said tax shall be remitted to PAGCOR.

Recently, in February 2015, the Supreme Court issued a decision stating that PAGCOR’s income from its gaming operations can only be subject to a five percent (5%) franchise tax, and not to corporate income tax. The Supreme Court ruled that despite amendments to the National Internal Revenue Code, the PAGCOR Charter remains in effect, and thus, income from gaming operations shall not be subject to corporate income tax. However, the decision is not yet final at this point and may still be subject to a motion for reconsideration.

Furthermore, House Bill No. 4934 was introduced in the House of Representatives of the Philippines which seeks to amend the provisions of the Philippines’ National Internal Revenue Code and levy a standard five percent (5%) franchise tax against all casino operators, in lieu of all national and local Philippine taxes. If passed into law, this will ensure that no casino operator will be subjected to corporate income tax (or any other tax on the casino operators’ business) and will only be subjected to a standard 5% franchise tax on gross revenue or earnings. This House Bill, however, is still the subject of deliberations and will still need to be approved by the Committee on Games and Amusement before it can be presented to the members of the House of Representatives for voting. There is also no assurance that the Senate of the Philippines will also approve the said bill to be enacted into law.

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

Prior to our acquisition of MCP, MCP’s primary business was the manufacture and processing of pharmaceutical products. The pharmaceuticals industry is highly regulated in the Philippines and abroad. There can be no assurance that MCP will not, in the future, be involved in or subject to claims, allegations or suits with respect to its previous activities in the pharmaceutical industry, for which MCP may not be insured fully or at all. Although MCP has indemnities as to certain liabilities or claims or other protections put in place, any adverse claim or liability imputed to MCP with respect to its previous business activities could have a material adverse effect on its business and prospects, financial condition, results of operations and cash flow.

Risks Relating to Our Corporate Structure and Ownership

Our existing shareholders will have a substantial influence over us, and their interests in our business may be different than yours.

Melco and Crown together own a substantial majority of our outstanding shares, with each beneficially holding approximately 34.29% of our outstanding shares as of April 2, 2015. Melco and Crown have entered into a shareholders deed regarding the voting of their shares of our Company under which each agrees to, among other things, vote its shares in favor of three nominees to our board designated by the other. As a result, Melco and Crown, if they act together, will have the power, among other things, to elect directors to our board,

including six of ten directors who are designated nominees of Melco and Crown, appoint and change our management, affect our legal and capital structure and our day-to-day operations, approve material mergers, acquisitions, dispositions and other business combinations and approve any other material transactions and financings. These actions may be taken in many cases without the approval of independent directors or other shareholders and the interests of these shareholders may conflict with your interests as minority shareholders.

Business conducted by a collaboration of different corporate groups involves certain risks.

Melco and Crown are our controlling shareholders, with each holding approximately 34.29% of our total shares issued and outstanding as of April 2, 2015. With Melco and Crown being our controlling shareholders, there are special risks associated with the possibility that Melco and Crown may: (i) have economic or business interests or goals that are inconsistent with ours or that are inconsistent with each other's interests or goals, causing disagreement between them or between them and us which harms our business; (ii) have operations and projects elsewhere in Asia or other countries that compete with our businesses in Macau and the Philippines and for available resources and management attention within the joint venture group; (iii) take actions contrary to our policies or objectives; (iv) be unable or unwilling to fulfill their obligations under the relevant joint venture or shareholders' deed; or (v) have financial difficulties. In addition, there is no assurance that the laws and regulations relating to foreign investment in Melco's or Crown's governing jurisdictions will not be altered in such a manner as to result in a material adverse effect on our business and operating results.

Melco and Crown may pursue additional casino projects in Asia or elsewhere, which, along with their current operations, may compete with our projects in Macau and the Philippines, which could have material adverse consequences to us and the interests of our minority shareholders.

Melco and Crown may take action to construct and operate new gaming projects located in other countries in the Asian region or elsewhere, which, along with their current operations, may compete with our projects in Macau and the Philippines and could have adverse consequences to us and the interests of our minority shareholders. We could face competition from these other gaming projects. We also face competition from regional competitors, which include Crown Melbourne in Melbourne, Australia and Crown Perth in Perth, Australia. We expect to continue to receive significant support from both Melco and Crown in terms of their local experience, operating skills, international experience and high standards. Should Melco or Crown decide to focus more attention on casino gaming projects located in other areas of Asia or elsewhere that may be expanding or commencing their gaming industries, or should economic conditions or other factors result in a significant decrease in gaming revenues and number of patrons in Macau and/or the Philippines, Melco or Crown may make strategic decisions to focus on their other projects rather than us, which could adversely affect our growth.

Casinos and integrated gaming resorts are becoming increasingly popular in Asia, giving rise to more opportunities for industry participants and increasing regional competition. We cannot guarantee you that Melco and Crown will make strategic and other decisions which do not adversely affect our business.

Changes in our share ownership, including a change of control of our subsidiaries' shares owned collectively by Melco and Crown, could result in our subsidiaries' inability to draw loans or cause events of default under our subsidiaries' indebtedness, or could require our subsidiaries to prepay or make offers to repurchase certain indebtedness.

Credit facility agreements relating to certain of our indebtedness contain change of control provisions, including in respect of our obligations relating to our control and/or ownership of certain of our subsidiaries and their assets. Under the terms of such credit facility agreements, the occurrence of certain change of control events, including a decline below certain thresholds in the aggregate direct or indirect shareholdings of Melco Crown Macau, MCE Finance, Studio City Investments Limited, MCE Cotai Investments Limited or certain of its subsidiaries held by us and/or Melco and Crown or certain of our subsidiaries (as the case may be) (and, in the

case of the decline of the shareholding of Melco Crown Macau under the 2011 Credit Facilities, which is accompanied by a ratings decline) may result in an event of default and/or a requirement to prepay the credit facilities in relation to such indebtedness in full. Other applicable change of control events under the credit facility agreements include the Company ceasing to be publicly listed on certain designated stock exchanges or steps being taken in connection with the liquidation or dissolution of MCE Finance.

The terms of the Studio City Notes, 2013 Senior Notes and Philippine Notes also contain change of control provisions whereby the occurrence of a relevant change of control event will require us to offer to repurchase the Studio City Notes, 2013 Senior Notes or Philippine Notes (as the case may be) at a price equal to 101% of their principal amount, plus accrued and unpaid interest and, if any, additional amounts and other amount specified under such indebtedness to the date of repurchase.

Any occurrence of these events could be outside our control and could result in events of default and cross-defaults which may cause the termination and acceleration of our credit facilities, the Studio City Notes, 2013 Senior Notes and Philippine Notes and potential enforcement of remedies by our lenders, which would have a material adverse effect on our financial condition and results of operations.

Crown's investment in our Company is subject to regulatory review in several jurisdictions and if regulators in those jurisdictions were to find that we, Crown or Melco failed to comply with certain regulatory requirements and standards, Crown may be required to withdraw from the joint venture.

Crown wholly owns and operates Crown Melbourne in Melbourne, Australia and Crown Perth in Perth, Australia. Crown also fully owns and operates the Aspinalls Club in London. In addition, Crown owns a portfolio of gaming investments that have been accumulated to complement Crown's existing core business.

In all jurisdictions in which Crown, or any of its wholly owned subsidiaries, holds a gaming license or Crown has a significant investment in a company which holds gaming licenses, gaming regulators are empowered to investigate associates, including business associates of Crown, such as us, to determine whether the associate is of good repute and of sound financial resources. If, as a result of such investigation, the relevant gaming regulator determines that, by reason of its association, Crown has ceased to be suitable to hold a gaming license or to hold a substantial investment in the holder of a gaming license then the relevant gaming regulator may direct Crown to terminate its association or risk losing its gaming license or approval to invest in the holder of a gaming license in the relevant jurisdiction.

If actions by us or our subsidiaries or by Melco or Crown fail to comply with the regulatory requirements and standards of the jurisdictions in which Crown owns or operates casinos or in which companies in which Crown holds a substantial investment own or operate casinos or if there are changes in gaming laws and regulations or the interpretation or enforcement of such laws and regulations in such jurisdictions, Crown may be required to withdraw from its investment in our Company or limit its involvement in one or more aspects of our gaming operations, which could have a material adverse effect on our business, financial condition and results of operations. Withdrawal by Crown from its investment in our Company could cause the failure of conditions to drawing loans under our credit facilities or the occurrence of events of default under our credit facilities.

Risks Relating to Our Financing and Indebtedness

Our current, projected and potential future indebtedness could impair our financial condition, which could further exacerbate the risks associated with our significant leverage.

We have incurred and expect to incur, based on current budgets and estimates, secured and unsecured long-term indebtedness.

Our major outstanding indebtedness as of December 31, 2014 includes:

- approximately HK\$3.2 billion (equivalent to approximately US\$0.4 billion) under the 2011 Credit Facilities;

- US\$825.0 million from Studio City Finance’s issuance of Studio City Notes;
- US\$1.0 billion from MCE Finance’s issuance of the 2013 Senior Notes;
- approximately HK\$10.1 billion (equivalent to approximately US\$1.3 billion) under Studio City Project Facility; and
- PHP15 billion (equivalent to approximately US\$340 million at date of pricing) from MCE Leisure Philippines’ issuance of the Philippine Notes.

Our expected long-term indebtedness includes:

- financing for a significant portion of any future projects or phases of projects. Additionally, we may incur indebtedness for the fifth hotel tower at City of Dreams, depending upon our cash flow position during the construction period.

Our significant indebtedness could have material consequences. For example, it could:

- make it difficult for us to satisfy our debt obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- impair our ability to obtain additional financing in the future for working capital needs, capital expenditure, acquisitions or general corporate purposes;
- require us to dedicate a significant portion of our cash flow from operations to the payment of principal and interest on our debt, which would reduce the funds available to us for our operations or expansion of our existing operations;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage as compared to our competitors, to the extent that they are not as leveraged;
- subject us to higher interest expense in the event of increases in interest rates to the extent a portion of our debt bears interest at variable rates;
- cause us to incur additional expenses by hedging interest rate exposures of our debt and exposure to hedging counterparties’ failure to pay under such hedging arrangements, which would reduce the funds available for us for our operations; and
- in the event we or one of our subsidiaries were to default, result in the loss of all or a substantial portion of our own and our subsidiaries’ assets, over which our lenders have taken or will take security.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our other debt obligations.

We may require additional financing to complete our investment projects, which may not be available on satisfactory terms or at all.

We have funded our capital investment projects through, among others, cash generated from our operations, credit facilities and the issuance of the 2010 Senior Notes, RMB Bonds, 2013 Senior Notes, Studio City Notes and Philippine Notes. We will require additional funding in the future for our capital investment projects, including the fifth hotel tower at City of Dreams, the next phase at Studio City and other projects, which we may raise through debt or equity financing. We may be required to seek the approval or consent of or notify the relevant government authorities or third parties in order to obtain such financings. For example, the grant of the shareholder loan by MCE (Philippines) Investments Limited to MCE Leisure Philippines pursuant to the loan agreement for a term loan facility of up to US\$340 million dated December 23, 2013 for the City of Dreams

Manila project is subject to the prior approval from Bangko Sentral ng Pilipinas, the central bank of the Philippines. There is no assurance that we would be able to obtain such required approval or consent from the relevant government authorities or third parties with respect to such financing in a timely manner or at all.

Any financing related to our capital investment projects may also be subject to, among others, the terms of credit facilities, 2013 Senior Notes, Studio City Notes and Philippine Notes. In addition, our ability to obtain debt or equity financing on acceptable terms, depends on a variety of factors that are beyond our control, including market conditions, investors' and lenders' perceptions of, and demand for, debt and equity securities of gaming companies, credit availability and interest rates. For example, changes in ratings outlooks may subject us to ratings agency downgrades, which could make it more difficult for us to obtain financing on acceptable terms. As a result, we cannot assure you that we will be able to obtain sufficient funding on terms satisfactory to us, or at all, to finance our capital investment projects. If we are unable to obtain such funding, our business, cash flow, financial condition, results of operations and prospects could be materially and adversely affected.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

Our ability to make scheduled payments due on our existing and anticipated debt obligations, including our credit facilities, the 2013 Senior Notes, Studio City Notes and Philippine Notes, to refinance and to fund working capital needs, planned capital expenditure and development efforts will depend on our ability to generate cash. We will require generation of sufficient operating cash flow from our projects to service our current and future projected indebtedness. Our ability to obtain cash to service our existing and projected debts is subject to a range of economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond our control, including:

- our future operating performance;
- the demand for services that we provide;
- general economic conditions and economic conditions affecting Macau, the Philippines or the gaming industry in particular;
- our ability to hire and retain employees and management at a reasonable cost;
- competition; and
- legislative and regulatory factors affecting our operations and business.

We may not be able to generate sufficient cash flow from operations to satisfy our existing and projected debt obligations or our other liquidity needs, in which case, we may have to seek additional borrowings or undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments, or seek to raise additional capital on terms that may be onerous or highly dilutive, any of which could have a material adverse effect on our operations. Our ability to incur additional borrowings or refinance our indebtedness, including our credit facilities, the 2013 Senior Notes, Studio City Notes and Philippine Notes, will depend on the condition of the financing and capital markets, our financial condition at such time and potentially governmental approval. We cannot assure you that any additional borrowing, refinancing or restructuring would be possible, that any assets could be sold, or, if sold, of the timing of the sales or the amount of proceeds that would be realized from those sales. We cannot assure you that additional financing could be obtained on acceptable terms, if at all, or would be permitted under the terms of our various debt instruments then in effect, including the indentures governing the 2013 Senior Notes, Studio City Notes and Philippine Notes. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on commercially reasonable terms or at all. Our failure to generate sufficient cash flow to satisfy our existing and projected debt obligations or other liquidity needs, or to refinance our obligations on commercially reasonable terms or at all, could have a material adverse effect on our business, financial condition and results of operations.

The Studio City Project Facility imposes certain conditions for the formal opening of Studio City and the failure to satisfy such conditions could have a material adverse effect on our business.

Under the Studio City Project Facility, we are required to satisfy certain conditions relating to formal opening of the property by October 1, 2016. These conditions require, among others, the full opening of Studio City for business to the general public by October 1, 2016, with a minimum 400 gaming tables available for operation, and a minimum area of public floor space occupied and open for operations. In the event that we are unable to meet these conditions, it may constitute an event of default under the Studio City Project Facility. Any such event of default could cause all amounts outstanding with respect to the Studio City Project Facility to become due and payable immediately and entitle the lenders to take enforcement actions (unless the event of default is waived, or the debt is restructured or repaid). In addition, such event, or a consequent acceleration, could result in an event of default and payment acceleration under one or more of our other debt instruments such as the Studio City Note. The occurrence of an event of default under the Studio City Project Facility, or any of our other debt instruments, could have a material adverse effect on our business and prospects, financial condition, results of operations and cash flows.

If we are unable to comply with the restrictions and covenants in our debt agreements, including, among others, the 2011 Credit Facilities, Studio City Project Facility, the indenture governing the 2013 Senior Notes, Studio City Notes and Philippine Notes there could be a default under the terms of these agreements or the indenture, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in our current or future debt obligations including the 2011 Credit Facilities, Studio City Project Facility and other agreements, or the indenture governing 2013 Senior Notes, Studio City Notes and Philippine Notes, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt or result in a default under our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

The terms of the 2011 Credit Facilities may restrict our current and future operations and harm our ability to complete our projects and grow our business operations to compete successfully against our competitors.

The 2011 Credit Facilities and associated facility and security documents that Melco Crown Macau has entered into also contain a number of restrictive covenants that impose significant operating and financial restrictions on Melco Crown Macau and certain of its subsidiaries and therefore, effectively, on us. The covenants in the 2011 Credit Facilities restrict or limit, among other things, our and our subsidiaries' ability to:

- incur additional debt, including guarantees;
- create security or liens;
- sell, transfer or dispose of assets;
- make certain investments;
- make loans, payments on certain indebtedness, distributions and other restricted payments or apply revenues earned in one part of our operations to fund development costs or cover operating losses in another part of our operations;
- make payments for fees or goods and services to our controlling shareholders, unless on normal commercial terms;

- vary Melco Crown Macau's Subconcession Contract or Melco Crown Macau and certain of its subsidiaries' land concessions and certain other contracts; and
- other than as agreed and provided for pursuant to the lender-approved plans (as approved under the terms of the 2011 Credit Facilities), enter into contracts for construction or financing of the fifth hotel tower at City of Dreams.

In addition, the restrictions under the 2011 Credit Facilities contain financial covenants, including requirements that we satisfy certain tests or ratios such as leverage, total leverage and interest cover, each as defined in the 2011 Credit Facilities.

Restrictions also provide that should a change of control, as defined in the 2011 Credit Facilities, occur, the facility will be cancelled and all amounts outstanding thereunder become immediately due and payable. These covenants may restrict our ability to operate and restrict our ability to incur additional debt or other financing we may require, and impede our growth.

Our operations are restricted by the terms of the 2013 Senior Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs.

The indenture governing the 2013 Senior Notes includes a number of significant restrictive covenants. Such covenants restrict, among other things, the ability of MCE Finance and its subsidiaries to:

- incur or guarantee additional indebtedness;
- make specified restricted payments, including dividends;
- issue or sell capital stock of our restricted subsidiaries;
- sell assets;
- create liens;
- enter into agreements that restrict the ability of the restricted subsidiaries to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

Studio City Project Facility and the indenture governing Studio City Notes contain covenants that will restrict our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions.

Studio City Project Facility and the indenture governing Studio City Notes imposes operating and financial restrictions on Studio City Finance and its subsidiaries. The restrictions that will be imposed under these debt instruments will include, among other things, limitations on the ability of Studio City Finance and its subsidiaries to:

- pay dividends or distributions on account of equity interests;
- incur additional debt, including guarantees;
- make investments;

- create liens on assets;
- enter into transactions with affiliates;
- engage in other businesses;
- merge or consolidate with another company;
- sell, transfer or dispose of assets;
- issue preferred stock;
- create dividend and other payment restrictions affecting subsidiaries; and
- designate restricted and unrestricted subsidiaries.

Studio City Project Facility also requires Studio City Investments Limited and its subsidiaries to satisfy various financial covenants based on specified financial ratios, including the following:

- cash flow to debt service;
- EBITDA to finance charges;
- senior first lien debt to EBITDA; and
- total debt to EBITDA.

These covenants and restrictions may limit how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

Our City of Dreams Manila operations may be restricted by the terms of the Philippine Notes, which could limit our ability to plan for or react to market conditions or meet our capital needs.

The indenture governing the Philippine Notes includes a number of significant restrictive covenants. Such covenants restrict, among other things, the ability of MCP and its subsidiaries, including MCE Leisure Philippines to:

- incur or guarantee additional indebtedness;
- sell all or substantially all of MCP or any of its subsidiaries' assets;
- create liens on assets; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

Drawdown or rollover of advances under our debt facilities involve satisfaction of extensive conditions precedent and our failure to satisfy such conditions precedent will result in our inability to access or roll over loan advances under such facilities. There is no assurance that we will be able to satisfy all conditions precedent under our current or future debt facilities.

Our current and future debt facilities, including the 2011 Credit Facilities and Studio City Project Facility, require and will require satisfaction of extensive conditions precedent prior to the advance or rollover of loans under such facilities. The satisfaction of such conditions precedent may involve actions of third parties and

matters outside of our control, such as government consents and approvals. If there is a breach of any terms or conditions of our debt facilities or other obligations and it is not cured or capable of being cured, such conditions precedent will not be satisfied. The inability to draw down or roll over loan advances in any debt facility may result in a funding shortfall in our operations and we may not be able to fulfill our obligations as planned; such events may result in an event of default under such debt facility and may also trigger cross default in our other obligations and debt facilities. We do not guarantee that all conditions precedent to draw down or roll over loan advances under our debt facilities will be satisfied in a timely manner or at all. If we are unable to draw down or roll over loan advances under any current or future facility, we may have to find a new group of lenders and negotiate new financing terms or consider other financing alternatives. If required, it is possible that new financing would not be available or would have to be procured on substantially less attractive terms, which could damage the economic viability of the relevant development project. The need to arrange such alternative financing would likely also delay the construction and/or operations of our future projects or existing properties, which would affect our cash flows, results of operations and financial condition.

Our failure to comply with the covenants contained in our or our subsidiaries' indebtedness, including failure as a result of events beyond our control, could result in an event of default that could materially and adversely affect our cash flow, operating results and our financial condition.

If there were an event of default under one of our or our subsidiaries' debt facilities, the holders of the debt on which we defaulted could cause all amounts outstanding with respect to that debt to become due and payable immediately. In addition, any event of default or declaration of acceleration under one debt facility could result in an event of default under one or more of our other debt instruments, with the result that all of our debt would be in default and accelerated. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt facilities, either upon maturity or if accelerated upon an event of default, or that we would be able to refinance or restructure the payments on those debt facilities. Further, if we are unable to repay, refinance or restructure our indebtedness at our subsidiaries that own or operate our properties, the lenders under those debt facilities could proceed against the collateral securing that indebtedness, which will constitute substantially all the assets and shares of our subsidiaries. In that event, any proceeds received upon a realization of the collateral would be applied first to amounts due under those debt facilities. The value of the collateral may not be sufficient to repay all of our indebtedness.

Any inability to maintain current financing or obtain future financing could result in delays in our project development schedule and could impact our ability to generate revenues from operations at our present and future projects.

If we are unable to maintain our current debt facility or obtain suitable financing for our operations and our current or future projects (including any acquisitions we may make), this could adversely impact our existing operations, or cause delays in, or prevent completion of, the development of the fifth hotel tower at City of Dreams and Studio City and any other future projects. This may limit our ability to operate and expand our business and may adversely impact our ability to generate revenue. The costs incurred by any new financing may be greater than anticipated due to the turmoil in credit markets. Such increase in funding costs may have a negative impact on our revenue and financial condition.

Risks Relating to Our Shares and ADSs

The trading price of our ADSs has been volatile since our ADSs began trading on Nasdaq, and may be subject to fluctuations in the future. The market price for our shares may also be volatile, which could result in substantial losses to investors.

The trading price of our ADSs has been and may continue to be subject to wide fluctuations. Our ADSs were first quoted on the Nasdaq Global Market, or Nasdaq, beginning on December 19, 2006, and were upgraded to trade on the Nasdaq Global Select Market on January 2, 2009. During the period from December 19, 2006

until April 2, 2015, the trading prices of our ADSs ranged from US\$2.27 to US\$45.70 per ADS and the closing sale price on April 2, 2015 was US\$23.10 per ADS. The market price for our shares and ADSs may continue to be volatile and subject to wide fluctuations in response to factors including the following:

- uncertainties or delays relating to the financing, completion and successful operation of our projects;
- developments in the Macau market, the Philippine market or other Asian gaming markets, including the announcement or completion of major new projects by our competitors;
- general economic, political or other factors that affect the region where our properties are located;
- regulatory developments affecting us or our competitors;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other gaming and leisure industry companies;
- changes in our market share of the Macau gaming market and/or the Philippine gaming market;
- addition or departure of our executive officers and key personnel;
- fluctuations in the exchange rates between the U.S. dollar, H.K. dollar, Pataca, Renminbi and Philippine peso;
- release or expiry of lock-up or other transfer restrictions on our outstanding shares;
- sales or perceived sales of additional shares or ADSs or securities convertible or exchangeable or exercisable for shares or ADSs; and
- rumors related to any of the above.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs and shares.

We cannot assure you that we will make dividend payments in the future.

On February 25, 2014, we adopted a dividend policy to distribute quarterly dividends in an aggregate amount per year of approximately 30% of annual consolidated net income attributable to Melco Crown Entertainment, subject to our ability to pay dividends from our accumulated and future earnings and our cash balance and future commitments at the time of declaration of any dividend. We cannot assure you that we will make any dividend payments on our shares in the future. Dividend payments will depend upon a number of factors, including our results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors considered relevant by our board.

Except as permitted under the Companies Law, as amended, of the Cayman Islands, or the Cayman Companies Law, and the common law of the Cayman Islands, we are not permitted to distribute dividends unless we have a profit, realized or unrealized, or a reserve set aside from profits which our directors determine is no longer needed. Our ability, or the ability of our subsidiaries, to pay dividends is further subject to restrictive covenants contained in the 2011 Credit Facilities, 2013 Senior Notes, Studio City Notes, Studio City Project Facility and other facility agreements governing indebtedness we and our subsidiaries may incur. Such restrictive covenants contained in the 2011 Credit Facilities and the Studio City Project Facility include satisfaction of certain financial tests and conditions such as continued compliance with specified interest cover and leverage ratios and, if a cash distribution, ensuring that the dividend payment amount does not exceed a certain amount of our cash and cash equivalent investments and that as a result of such dividend payment we still hold a certain

amount of cash and cash equivalent investments. The 2013 Senior Notes and Studio City Notes also contain certain covenants restricting payment of dividends by MCE Finance and its subsidiaries and Studio City Finance and its subsidiaries, respectively. For more details, please see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Indebtedness.”

Substantial future sales or perceived sales of our shares or ADSs in the public market could cause the price of our ADSs and shares to decline.

Sales of our ADSs or shares in the public market, or the perception that these sales could occur, could cause the market price of our shares and ADSs to decline. Upon expiration of the lock-up agreements, all of the shares beneficially held by Melco and Crown are available for sale, subject to volume and other restrictions, as applicable, under Rule 144 under the Securities Act of 1933, or the Securities Act, and subject to the terms of their shareholders’ deed. To the extent these or other shares are sold into the market, the market price of our shares and ADSs could decline. The ADSs represent interests in our shares. We would, subject to market forces, expect there to be a close correlation in the price of our ADSs and the price of the shares and any factors contributing to a decline in one market is likely to result to a similar decline in another.

In addition, Melco and Crown have the right to cause us to register the sale of their shares under the Securities Act, subject to the terms of their shareholders’ deed. Registration of these shares under the Securities Act would result in these shares becoming freely tradable as ADSs without restriction under the Securities Act immediately upon the effectiveness of the registration statement. Sales of these registered shares in the public market could cause the price of our share and ADSs to decline.

Any decision by us to raise further equity in the markets in the U.S. or Hong Kong, which would result in dilution to existing shareholders, could cause the price of our ADSs and shares to decline.

Holders of ADSs have fewer rights than shareholders and must act through the depositary to exercise those rights.

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares of the depositary and in accordance with the provisions of the deposit agreement. Under our Articles, the minimum notice period required to convene a general meeting is seven days. When a general meeting is convened, you may not receive sufficient notice of a shareholders’ meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to convene a shareholder meeting.

You may be subject to limitations on transfers of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings and you may not receive cash dividends if it is unlawful or impractical to make them available to you.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depository bank will not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act, or exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

In addition, the depository of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depository may, at its discretion, decide that it is unlawful, inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depository may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depository may decide not to distribute such property and you will not receive such distribution.

We are a Cayman Islands exempted company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than that under U.S. law, you may have less protection for your shareholder rights than you would under U.S. law.

Our corporate affairs are governed by our amended and restated memorandum and articles of association, the Cayman Companies Law and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Companies Law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our board or controlling shareholders than they would as shareholders of a U.S. public company.

You may have difficulty enforcing judgments obtained against us.

We are a Cayman Islands exempted company and substantially all of our assets are located outside of the United States. All of our current operations, and administrative and corporate functions are conducted in Macau, Hong Kong and the Philippines. In addition, substantially all of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in Cayman Islands, Macau, Hong Kong and Philippine courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S.

federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside of the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands, Macau, Hong Kong or the Philippines would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, it is uncertain whether such Cayman Islands, Macau, Hong Kong or the Philippine courts would be competent to hear original actions brought in the Cayman Islands, Macau, Hong Kong or the Philippines against us or such persons predicated upon the securities laws of the United States or any state.

We may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ADSs or ordinary shares.

Based on the market price of our ADSs and ordinary shares, and the composition of our income and assets, we do not believe we were a passive foreign investment company, or PFIC, for our taxable year ended December 31, 2014. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you we will not be a PFIC for any taxable year. A non-U.S. corporation will be a PFIC for any taxable year if either (i) at least 75% of its gross income for such year is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income. A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs and ordinary shares, a significant decrease in the market price of the ADSs and ordinary shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in “Item 10. Additional Information — E. Taxation — United States Federal Income Taxation”) holds an ADS or ordinary share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. For example, such U.S. Holder may incur a significantly increased U.S. federal income tax liability on the receipt of certain distributions on our ADSs or ordinary shares or on any gain recognized from a sale or other disposition of our ADSs or ordinary shares. See “Item 10. Additional Information — E. Taxation — United States Federal Income Taxation — Passive Foreign Investment Company.”

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our Company was incorporated under the name of Melco PBL Entertainment (Macau) Limited in December 2004 as an exempted company with limited liability under the laws of the Cayman Islands and registered as an oversea company under the laws of Hong Kong in November 2006. We were initially formed as a 50/50 joint venture between Melco and PBL as their exclusive vehicle to carry on casino, gaming machine and casino hotel operations in Macau. Subsequently, Crown acquired all the gaming businesses and investments of PBL, including PBL's investment in our Company. As a result, in May 2008, we changed our name to Melco Crown Entertainment Limited. For more information on our corporate history and structure, see “— C. Organizational Structure.”

Our subsidiary Melco Crown Macau is one of six companies licensed, through concession or subconcession, to operate casinos in Macau.

In December 2006, we completed the initial public offering of our ADSs, each of which represents three ordinary shares, and listed our ADSs on the Nasdaq. Since December 19, 2006, our ADSs have been listed under the symbol “MPEL” on Nasdaq. We completed follow-on offerings of ADSs in November 2007, May 2009 and August 2009. In January 2009, we were upgraded to trade on the Nasdaq Global Select Market.

On July 27, 2011, we acquired a 60% equity interest in SCI, the developer of Studio City, which we envision as a large-scale integrated entertainment, retail and gaming resort being developed in Macau.

Our ordinary shares were listed by way of introduction on the Main Board of the HKSE and began trading under the stock code “6883” on December 7, 2011. Since December 7, 2011, we have maintained dual primary listings on Nasdaq and the HKSE.

On December 19, 2012, we completed the acquisition of a majority interest in the issued share capital of MCP, a company listed on the Philippine Stock Exchange. After completion of such acquisition, we injected 100% equity interest of MCE Leisure Philippines to MCP in March 2013. MCE Leisure Philippines has been granted the exclusive right to manage, operate and control our Philippines integrated casino resort project, City of Dreams Manila.

On January 2, 2015, we applied for a voluntary withdrawal of listing of our ordinary shares on the Main Board of the HKSE, which was approved by our shareholders on March 25, 2015. The voluntary withdrawal of listing of our ordinary shares on HKSE is expected to take effect on July 3, 2015, following which our shares will only be traded on the Nasdaq Global Select Market in the form of ADSs.

For a description of our principal capital expenditures for the years ended December 31, 2014, 2013, and 2012, see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources.”

Our principal executive offices are located at 36th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. Our telephone number at this address is 852-2598-3600 and our fax number is 852-2537-3618. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, NY 10011. Our website is www.melco-crown.com. The information contained on our website is not part of this annual report on Form 20-F.

B. BUSINESS OVERVIEW

Overview

We are a developer, owner and operator of casino gaming and entertainment resort facilities in Asia.

We currently have two major casino based operations in Macau, namely, City of Dreams and Altira Macau, and non-casino based operations in Macau at our Mocha Clubs. We also have a casino based operation in the Philippines, City of Dreams Manila.

We are also developing the planned Studio City project, a cinematically-themed integrated entertainment, retail and gaming resort, which is expected to open in the third quarter of 2015. We are in an early stage of developing the fifth hotel tower at City of Dreams in Cotai, Macau and are currently reviewing the development plan and schedule of this hotel tower. For prevailing Macau market condition, see “Item 4. Information on the Company — B. Business Overview — Market and Competition”.

Our current and future operations are designed to cater to a broad spectrum of gaming patrons, from high-stakes rolling chip gaming patrons to gaming patrons seeking a broader entertainment experience. We currently own and operate two Forbes 5-Star hotels in Macau: Altira Macau and The Crown Towers hotel. We seek to attract patrons throughout Asia and, in particular, from Greater China.

In the Philippines, MCE Leisure Philippines, a subsidiary of MCP, currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila, which opened in December 2014.

We generated a significant majority of the total revenues for the year ended December 31, 2014 from our operations in Macau, the principal market in which we compete.

Our Major Existing Operations

City of Dreams

City of Dreams is an integrated casino resort in Cotai, Macau which opened in June 2009. City of Dreams is a premium-focused property, targeting high end customers and rolling chip players from regional markets across Asia. As of December 31, 2014, City of Dreams featured a casino area of approximately 448,000 square feet with approximately 500 gaming tables and approximately 1,400 gaming machines.

The resort brings together a collection of brands to create an experience that appeals to a broad spectrum of visitors from around Asia. We have one hotel management agreement, pursuant to which Hyatt of Macau Ltd. manages the Grand Hyatt Macau hotel and receives management fees. We have also entered into license agreements with respect to Crown Towers hotel and Hard Rock Hotel, pursuant to which we have been granted certain rights to use certain intellectual property of the licensors. No fee is payable for our use of the Crown marks and certain fees are payable for our use of the Hard Rock marks. See “— Intellectual Property.” The Crown Towers hotel, a Forbes 5-Star hotel, and the Hard Rock Hotel each offers approximately 300 guest rooms, and the Grand Hyatt Macau hotel offers approximately 800 guest rooms. City of Dreams, together with SOHO, includes around 30 restaurants and bars, approximately 70 retail outlets, recreation and leisure facilities, including health and fitness clubs, three swimming pools, spas and salons, and banquet and meeting facilities. The Club Cubic nightclub offers approximately 26,200 square feet of live entertainment space. SOHO, a lifestyle entertainment and dining precinct located on the second floor of City of Dreams which had its grand opening in August 2014, offers customers a wide selection of food and beverage and other nongaming offerings.

The Dancing Water Theater, a wet stage performance theater with approximately 2,000 seats, features the internationally acclaimed and award winning *The House of Dancing Water* show. *The House of Dancing Water* show is the live entertainment centerpiece of the overall leisure and entertainment offering at City of

Dreams. We believe this production highlights City of Dreams as an innovative entertainment-focused destination and strengthens the overall diversity of Macau as a multi-day stay market and one of Asia's premier leisure and entertainment destinations. The production incorporates costumes, sets and audio-visual special effects and showcases an international cast of performance artists.

City of Dreams also won the "Best Leisure Development in Asia Pacific" award in the International Property Awards in 2010, which recognizes distinctive innovation and outstanding success in leisure development, and the "Best Casino VIP Room" and "Best Casino Interior Design" awards in the International Gaming Awards in 2011, which recognizes outstanding design in the casino sector. City of Dreams was also recognized for its outstanding customer service and diverse range of unique world class entertainment experiences with the "Best Customer Experience of the Year" award in the International Gaming Awards in 2012.

We are expanding our retail precinct at City of Dreams, which is anticipated to open in the first half of 2016. We are also in an early stage of developing the fifth hotel tower at City of Dreams. We are currently reviewing the development plan and schedule of this hotel tower by taking into account a range of factors, including the current and expected future operating environment in Macau and other potential uses of cash and future cash flow.

Altira Macau

Altira Macau is designed to provide a casino and hotel experience that caters to Asian rolling chip customers and players sourced primarily through gaming promoters.

As of December 31, 2014, Altira Macau featured a casino area of approximately 173,000 square feet with a total of approximately 120 gaming tables. Altira Macau's multi-floor layout comprises primarily designated gaming areas and private gaming rooms for rolling chip players, together with a general gaming area for the mass market that offers various table limits to cater to a wide range of mass market patrons. Our multi-floor layout allows us the flexibility to reconfigure Altira Macau's gaming areas to meet the changing demands of our patrons and target specific customer segments.

We consider Altira Hotel, located within the 38-storey Altira Macau, to be one of the leading hotels in Macau as evidenced by its long-standing Forbes 5-star recognition. The top floor of the hotel serves as the hotel lobby and reception area, providing guests with views of the surrounding area. The hotel comprises approximately 230 guest rooms, including suites and villas. A number of restaurants and dining facilities are available at Altira Macau, including a leading Italian restaurant Aurora, several Chinese and international restaurants and several bars. Altira Hotel also offers several non-gaming amenities, including a spa, gymnasium, outdoor garden podium and sky terrace lounge.

Altira Macau offers a luxurious hotel experience with its internationally acclaimed accommodation and guest services. It has been awarded the "Forbes 5-Star" rating in both Lodging and Spa categories by the Forbes Travel Guide for the sixth year in February 2015. Altira Macau also won the "Best Luxury Hotel in Macau" award in the TTG China Travel Awards 2010, "Best Business Hotel in Macau" award in the TTG China Travel Awards 2009 and the "Casino Interior Design Award" in the International Gaming Awards in 2008.

Mocha Clubs

Mocha Clubs comprise the largest non-casino based operations of gaming machines in Macau. As of December 31, 2014, Mocha Clubs had eight clubs with a total of 1,321 gaming machines in operation, which represented 10.1% of the total machine installation in the market, according to the DICJ. Mocha Clubs focus on general mass market players, including day-trip customers, outside the conventional casino setting. Except for Mocha Altira located at Altira Macau, we operate Mocha Clubs at leased or sub-leased premises or under right-to-use agreements.

In addition to slot machines, each Mocha Club site offers electronic table games without dealers. The gaming facilities at our Mocha Clubs include what we believe is the latest technology for gaming machines and offer both single-player machines with a variety of games, including progressive jackpots, and multi-player games where players on linked machines play against the house in electronic roulette, baccarat and sicbo, a traditional Chinese dice game.

The Macau government enacted an administrative regulation which came into effect on November 27, 2012, pursuant to which gaming machine lounges, such as our Mocha Clubs, may only be installed: (i) in hotels classified with at least five stars; (ii) in properties entirely allocated to non-residential purposes and located within less than 500 meters of an authorized hotel-casino; or (iii) in commercial and leisure complexes, of relevant touristic interest, not inserted in a densely populated area. Under this regulation, all gaming machine lounges were required to comply with the applicable requirements by November 27, 2013. We closed three Mocha Clubs which did not meet the relevant location requirements before November 27, 2013. In May and November 2013, we obtained approval from the Macau government to open two new Mocha Clubs, one of which opened in December 2013 and the other one opened in mid-2014.

City of Dreams Manila

City of Dreams Manila is one of the leading integrated tourism resorts in the Philippines. The property is located on an approximately 6.2-hectare site at the gateway of Entertainment City, Manila, close to Metro Manila's international airport and central business district. City of Dreams Manila opened in December 2014 and represents our first entry into an entertainment and gaming market outside of Macau and an incremental source of earnings and cash flow outside of Macau.

The property has approximately 14,026 square meters (approximately 150,727 square feet) of aggregate gaming space and total gross floor area of approximately 300,100 square meters (approximately 3.2 million square feet). We are authorized by PAGCOR to operate up to approximately 1,700 slot machines, 1,700 electronic table games and 380 gaming tables. As of December 31, 2014, we have approximately 1,508 slot machines, 158 electronic table games and 188 gaming tables in operation.

City of Dreams Manila has three hotels comprising Crown Towers hotel, Nobu Hotel and Hyatt City of Dreams Manila, with approximately 950 rooms in aggregate. City of Dreams Manila also features three separate entertainment venues: DreamPlay, a family entertainment center (which is expected to open in the first half of 2015); Centerplay, a live performance central lounge within the casino; and Chaos and Pangaea Ultra-Lounge, two night clubs encapsulated within the Fortune Egg. City of Dreams Manila also features a retail boulevard.

MCE Leisure Philippines operates the casino business of City of Dreams Manila in accordance with the terms of the Provisional License and the operating agreement between MCE Leisure Philippines and the Philippine Parties dated March 13, 2013. Under the operating agreement, PremiumLeisure and Amusement, Inc. (a member of the Philippine Parties) has the right to receive monthly payments from MCE Leisure Philippines, based on the performance of gaming operations of City of Dreams Manila, and MCE Leisure Philippines has the right to retain all revenues from non-gaming operations of City of Dreams Manila.

The Provisional License specifies that the Philippine Licensees must invest US\$1.0 billion in City of Dreams Manila. Having met the minimum investment levels and other requirements under our Provisional License, we have applied for a regular license in January 2015.

Our Development Project

We continually seek new opportunities for additional gaming or related businesses in Macau and in other Asian countries and will continue to target the development of a project pipeline in the Asian region in order to expand our footprint in countries which offer legalized casino gaming. In defining and setting the timing,

form and structure for any future development, we focus on evaluating alternative available financing, market conditions and market demand. In order to pursue these opportunities and such development, we have incurred and will continue to incur capital expenditures at our properties and for our projects.

Studio City

On July 27, 2011, we, through our subsidiary, MCE Cotai Investments Limited, acquired a 60% equity interest in SCI, the developer, owner and operator of Studio City. New Cotai Holdings, an entity incorporated in Delaware and controlled by funds managed by Silver Point Capital, L.P. and Oaktree Capital Management, L.P., retains the remaining 40% interest in SCI through its wholly owned subsidiary New Cotai, LLC. The total consideration under the share purchase agreement and related transaction documents is US\$360 million, which includes: (i) a payment of US\$200 million to an affiliate of eSun Holdings, which was the joint venture partner of New Cotai, LLC in developing Studio City, for its entire 60% interest in, and a shareholder's loan of US\$60 million extended to, SCI and its subsidiaries; and (ii) a payment of US\$100 million in cash in three installments over two years commencing upon the closing of the transaction on July 27, 2011 to New Cotai Holdings. We will develop Studio City with New Cotai, LLC pursuant to a shareholder agreement dated July 27, 2011 entered into amongst, us, MCE Cotai Investments Limited, New Cotai, LLC and SCI. Under the shareholders agreement, both MCE Cotai Investments Limited and New Cotai, LLC have agreed to contribute an aggregate capital amount of US\$800 million to SCI ("Original Capital Commitment") in the ratio of 60% by MCE Cotai Investments Limited and 40% by New Cotai, LLC for funding the development of Studio City.

On September 25, 2012, May 17, 2013, June 3, 2014 and July 21, 2014 respectively, the parties to the shareholders agreement entered into four amendment agreements (collectively "Amendments"). Pursuant to the Amendments, both MCE Cotai Investments Limited and New Cotai, LLC agreed to contribute an additional capital amount of US\$480 million to SCI in the same ratio of 60% to 40% ("Follow On Commitment"). As of December 31, 2014, a total of US\$1,280 million representing the entire Original Capital Commitment and entire Follow On Commitment has been funded by MCE Cotai Investments Limited and New Cotai, LLC, being a contribution of US\$768 million by MCE Cotai Investments Limited and US\$512 million by New Cotai, LLC.

Studio City is also funded by certain project financings. On November 26, 2012, Studio City Finance issued the Studio City Notes. Additionally, in January 2013, Studio City Company Limited and certain lenders executed a senior secured credit facilities agreement in relation to the Studio City Project Facility. In July 2014, the term loan portion of the Studio City Project Facility of HK\$10,080 million (US\$1,296 million) was fully drawn.

Studio City is a large-scale cinematically-themed integrated entertainment, retail and gaming resort which is expected to open in the third quarter of 2015. Studio City, upon completion, will include gaming facilities, five-star hotel offerings and various entertainment, retail and food and beverage outlets to attract a diverse range of customers. Studio City is designed to capture the increasingly important mass market segment, with its destination theming, unique and innovative interactive attractions, including Asia's highest ferris wheel, a Warner Bros.-themed family entertainment center, a fully-operational TV broadcast studio, the world's first Batman film franchise digital ride, a 5,000-seat multi-purpose live performance arena and a live magic venue, as well as approximately 1,600 hotel rooms, a vast array of food and beverage outlets and approximately 350,000 square feet of themed and innovative retail space.

The Studio City's site is on a plot of land of 130,789 square meters (equivalent to approximately 1.4 million square feet) in Cotai, Macau. In addition to its anticipated diverse range of gaming and non-gaming offerings, we believe Studio City's location in the fast growing Cotai region of Macau, directly adjacent to the Lotus Bridge immigration checkpoint ("Where Cotai Begins" which connects China to Macau) and a proposed light rail station, is a major competitive advantage, particularly as it relates to the mass market segment.

Studio City has an approved gross construction area of 707,078 square meters (equivalent to approximately 7.6 million square feet). We currently estimate that the design and construction cost for the first phase of Studio City will be approximately US\$2.3 billion. Our plans for the expansionary phase at Studio City are under review. Total project costs including construction and fit out costs, design and consultant fees and

excluding the cost of land, capitalized interest and pre-opening expenses are currently budgeted at approximately US\$2.3 billion. As of December 31, 2014, we had incurred capital expenditure for construction in progress of approximately US\$1,450.5 million for the development of Studio City since our acquisition of a 60% equity interest in SCI.

We will operate the gaming areas of Studio City pursuant to a services agreement we entered into in May 2007 as amended on June 15, 2012 with, inter alia, Studio City Entertainment Limited (which we acquired control of 60% of the shares in July 2011), together with other agreements or arrangements entered into between the parties from time to time, which may amend, supplement or related to the aforementioned agreement. Our subsidiary Melco Crown Macau will be reimbursed for the costs incurred in connection with its operation of the Studio City casino.

Our Objective and Strategies

Our objective is to become a leading provider of gaming, leisure and entertainment services capitalizing on the expected future growth opportunities in Asia. To achieve our objective, we have developed the following core business strategies:

Maintain a Strong Balance Sheet and Conservative Capital Structure to Invest in Growth Opportunities and Return Capital to Shareholders

We believe that a strong balance sheet and a conservative capital structure are key tenets of our fundamental operating philosophy as a company. This approach provides and maintains financial stability, it also forms and strengthens the core foundation for our future growth strategy and our ability to pay dividends and repurchase shares subject to the discretion of our board. Proactive balance sheet management and an efficient capital structure provide us with the ability and flexibility to pursue opportunistic growth in the future. Additionally, we believe that patience is an important attribute in monitoring the development of the markets in which we operate and in identifying and executing future development in existing, as well as, new markets.

In August 2014, our board has approved the implementation of a US\$500 million stock repurchase program which, together with the Company's dividend policy, provides us with an another mechanism to return surplus capital efficiently.

Develop a Balanced Product Portfolio of Well-Recognized Branded Experiences Tailored for a Broad Spectrum of Customer Segments, with a focus on the Premium Market

We offer a balanced product portfolio targeting rolling chip and mass market players, with an emphasis on the premium segment. We believe our ability to cater to different market segments will enhance our ability to adapt to the fast growing and changing gaming markets in Macau and the Philippines, as well as to achieve balanced and sustainable long-term growth in the future. That said, we focus on the premium market and have created a service culture and high end customer environments that appeal to this discerning group of patrons.

We believe that building strong, well-recognized branded experiences is critical to our success, especially in the brand-conscious Asian market. We intend to develop and further strengthen our brands by building and maintaining high quality properties that differentiate us from our competitors throughout Asia and by providing a set of experiences tailored to meet the cultural preferences and expectations of Asian customers.

We have incorporated design elements at our properties that cater to specific customer segments. By utilizing a more focused customer segmentation strategy, we believe we can better service specific segments of the Macau and the Philippine gaming market.

Utilize Melco Crown Macau's Subconcession to Maximize Our Business and Revenue Potential in Macau

In Macau, we intend to leverage the independence, flexibility and economic benefits we enjoy as a subconcessionaire to capitalize on the potential growth of the local gaming market. As a subconcessionaire, we

can, subject to government approval, develop and operate new projects without the need to partner with other concessionaires or subconcessionaires. We will consider opportunities as they arise to utilize our subconcession at newly acquired or developed or existing properties.

Develop Comprehensive Marketing and Customer Loyalty Programs

We will continue to seek to attract customers to our properties by leveraging our brands and utilizing our own marketing resources. We have combined our brand recognition with customer management techniques and programs in order to build a platform of repeat customers and loyalty club members. In addition, our international marketing network has established marketing offices in various locations across Asia and plans on establishing further marketing offices elsewhere in Asia. Through Mocha Clubs' significant share of the Macau electronic gaming market, we have also developed a significant customer database and have developed a customer loyalty program, which we believe has successfully enhanced repeat play and further built the Mocha Clubs brand.

We will seek to continue to grow and maintain our customer base through the following sales and marketing activities:

- create a cross-platform sales and marketing department to promote all of our brands to potential customers throughout Asia in accordance with applicable laws;
- utilize special product offers, special events, tournaments and promotions to build and maintain relationships with our guests, in order to increase repeat visits and help fill capacity during lower demand periods; and
- implement complimentary incentive programs and commission based programs with selected promoters to attract high-end customers.

Create First Class Service Experiences

We believe that service quality and memorable experiences will continue to grow as a key differentiator among the operators in the territories where we operate. As the depth and quality of product offerings continue to develop and more memorable properties and experiences are created, we believe that tailored services will drive competitive advantage. As such, our focus remains on creating service experiences for the tastes and expectations of our various customers. We believe our dedicated management team with significant experience in operating large scale, high quality resort facilities drive our competitive advantage. As the continued development of our staff and supporting resources are central to our business, we plan to invest in the long term development of our people through relevant training and experience sharing.

Our Properties

We operate our gaming business at our operating properties in Macau in accordance with the terms and conditions of our gaming subconcession. In addition, our existing operating properties and development projects in Macau are subject to the terms and conditions of land concession contracts. See “— Regulations — Land Use Rights in Macau.” Through MCP, we also operate our gaming business in the Philippines through the Provisional License issued by PAGCOR on a property which MCE Leisure Philippines leases from Belle Corporation under the Lease Agreement.

City of Dreams

The City of Dreams site is located on two adjacent land parcels in Cotai, Macau with a combined area of 113,325 square meters (equivalent to approximately 1.2 million square feet). In August 2008, the Macau government granted the land on which City of Dreams is located to Melco Crown (COD) Developments and Melco Crown Macau for a period of 25 years, renewable for further consecutive periods of up to ten years each. A guarantee deposit of approximately MOP3.4 million (equivalent to approximately US\$424,000) was paid upon acceptance of the land lease terms in 2008. The initial land premium of approximately MOP842.1 million

(equivalent to approximately US\$105.1 million) was paid up in full in February 2013. The land grant was amended on September 15, 2010 to increase the total developable gross floor area at the site to 668,574 square meters (equivalent to approximately 7.2 million square feet) and amend the purpose of such area, which required an additional premium in the amount of MOP257.4 million (equivalent to approximately US\$32.1 million), which was fully paid in March 2010.

Pursuant to an amendment effective January 2014, the development period under the land concession contract was extended to the date falling 4 years after January 29, 2014 (being the publication date of the amendment in the Macau official gazette) and the hotel to be developed is changed to a five-star hotel areas from a four-star apartment hotel. Such amendment required an additional land premium of approximately MOP187.1 million (equivalent to approximately US\$23.3 million) of which MOP70.0 million (equivalent to approximately US\$8.7 million) were paid to the Macau government, and the remaining amount of approximately MOP117.1 million (equivalent to approximately US\$14.6 million) were to be paid in four bi-annual installment, with interest accruing at the annual rate of 5%, the first of which was due and paid in 2014. The government land use fees were revised to approximately MOP9.9 million (equivalent to approximately US\$1.2 million) per annum.

During the construction period, we paid the Macau government land use fees at an annual rate of MOP30.0 (equivalent to approximately US\$3.74) per square meter of land, or an aggregate annual amount of approximately MOP3.4 million (equivalent to approximately US\$424,000). According to the terms of the revised land concession, the annual government land use fees payable after completion of development will be approximately MOP9.9 million (equivalent to approximately US\$1.2 million). The government land use fee amounts may be adjusted every five years.

See note 23 to the consolidated financial statements included elsewhere in this annual report for information about our future commitments as to government land use fees for the City of Dreams site.

The equipment utilized by City of Dreams in the casino and hotel is owned by us and held for use on the City of Dreams site, and includes the main gaming equipment and software to support its table games and gaming machine operations, cage equipment, security and surveillance equipment, casino and hotel furniture, fittings and equipment.

Altira Macau

The Altira Macau site is located on a plot of land in Taipa, Macau of approximately 5,230 square meters (equivalent to approximately 56,295 square feet) under a 25-year land lease agreement with the Macau government which is renewable for successive periods of up to ten years each. In March 2006, the Macau government granted the land on which Altira Macau is located to Altira Developments. The land premium of approximately MOP149.7 million (equivalent to approximately US\$18.7 million) was fully paid in July 2006, a guarantee deposit of approximately MOP157,000 (equivalent to approximately US\$20,000) was paid upon acceptance of the land lease terms in 2006 and government land use fees of approximately MOP1.4 million (equivalent to approximately US\$171,000) per annum are payable. The amounts may be adjusted every five years as agreed between the Macau government and us using applicable market rates in effect at the time of the adjustment.

Pursuant to an amendment to the land concession effective December 2013, the total gross floor area of Altira Macau was increased from approximately 95,000 square meters (equivalent to approximately 1,022,600 square feet) to approximately 103,000 square meters (equivalent to approximately 1,108,700 square feet), to reflect the construction plans approved by the Macau government and to enable final registration of the land concession. Such amendment required an additional land premium of approximately MOP19.6 million (equivalent to approximately US\$2.4 million) which was paid to the Macau government in 2013. The amendment also resulted in a revised government land use fees of approximately MOP1.5 million (equivalent to approximately US\$186,000) per annum.

See note 23 to the consolidated financial statements included elsewhere in this annual report for information about our future commitments as to government land use fees for the Altira Macau site.

The equipment utilized by Altira Macau in the casino and hotel is owned by us and held for use on the Altira Macau site and includes the main gaming equipment and software to support its table games and gaming machine operations, cage equipment, security and surveillance equipment and casino, hotel furniture, fittings, and equipment.

Mocha Clubs

Mocha Clubs operate at premises with a total floor area of approximately 89,400 square feet at the following locations in Macau:

<u>Mocha Club</u>	<u>Opening Month</u>	<u>Location</u>	<u>Gaming Area</u> (In square feet)
Royal	September 2003	G/F and 1/F of Hotel Royal	8,450
Taipa Square	January 2005	G/F, 1/F and 2/F of Hotel Taipa Square	9,200
Sintra	November 2005	G/F and 1/F of Hotel Sintra	5,000
Mocha Altira	December 2008	Level 1 of Altira Macau	2,950
Macau Tower	September 2011	LG/F and G/F of Macau Tower	21,500
Golden Dragon	January 2012	G/F, 1/F, 2/F and 3/F of Hotel Golden Dragon	20,500
Inner Harbor	December 2013	No 286-312 Seaside New Street	12,800
Kuong Fat	June 2014	Macau, Rua de Pequim No. 174., Centro Comercial Kuong Fat Cave A	9,000
Total			<u>89,400</u>

Premises are being operated under lease, sublease or rights to use agreements that expire at various dates through June 2022, which are renewable upon reaching an agreement with the owners.

In addition to leasehold improvements to Mocha Club premises, the onsite equipment utilized at the Mocha Clubs is owned and held for use to support the gaming machines operations.

Studio City

Studio City's site is on a plot of land of 130,789 square meters (equivalent to approximately 1.4 million square feet) in Cotai, Macau and has a gross construction area of approximately 7.6 million square feet (equivalent to approximately 707,078 square meters). The gross construction area for the first phase is approximately 5.2 million square feet (equivalent to approximately 477,336 square meters). Under the Studio City land concession contract, the land premium is approximately MOP1,425.3 million (equivalent to approximately US\$177.9 million), of which approximately MOP1,230.0 million (equivalent to approximately US\$153.5 million) was paid as of December 31, 2014, and the remaining MOP195.3 million (equivalent to approximately US\$24.4 million), bearing interest at 5% per annum has been paid in January 2015. Under the Studio City land concession contract, Studio City Developments has also paid a guarantee deposit in the total amount of MOP7.4 million (equivalent to approximately US\$0.9 million). Currently, the development period under the land concession contract is for 72 months from July 25, 2012.

The Studio City land concession contract, as amended by Dispatch of the Secretary for Transportation and Public works no. 31/2012, of July 19, 2012, permits Studio City Developments to build a complex comprising a five-star hotel, a facility for cinematographic industry, including supporting facilities for entertainment and tourism, parking and free area.

See note 23 to the consolidated financial statements included elsewhere in this annual report for information about our future commitments as to government land use fees for the Studio City site.

City of Dreams Manila

City of Dreams Manila site is located on a reclaimed land, (“Project Reclaimed Land”). The Project Reclaimed Land was originally acquired by an entity known as R 1 Consortium from the Philippine Public Estates Authority (“PEA”). This acquisition occurred in 1995 as part of the R 1 Consortium’s compensation for the construction of PEA’s Manila-Cavite Coastal Road project. R 1 Consortium conveyed all its interest to the Project Reclaimed Land in favor of two entities in 1995. These two entities later merged with Belle Bay City Corporation (“Belle Bay”), which is 34.9% owned by Belle Corporation, being one of the Philippine Parties, with Belle Bay becoming the surviving entity and owner of the Project Reclaimed Land. Belle Bay was dissolved in 2005 and is still undergoing liquidation. The Project Reclaimed Land was allocated to Belle Corporation as part of Belle Bay’s plan of dissolution. Belle Corporation has exercised possession and other rights over the Project Reclaimed Land since this allocation. In 2005, Belle Corporation transferred a portion of the Project Reclaimed Land to the Philippine Social Security System. Then in 2010, Belle Corporation and the Social Security System entered into a lease agreement for that portion.

MCE Leisure Philippines does not own the land or the buildings comprising the site for City of Dreams Manila. Rather, MCE Leisure Philippines leases the Project Reclaimed Land and buildings from Belle Corporation under the Lease Agreement. Part of the land covered under the Lease Agreement is leased by Belle Corporation from the Social Security System under the lease agreement between Belle Corporation and the Social Security System in 2010.

Other Premises

Taipa Square Casino premises, including the fit-out and gaming related equipment, are located on the ground floor and level one within Hotel Taipa Square in Macau and having a floor area of approximately 1,760 square meters (equivalent to approximately 18,950 square feet). We operate Taipa Square Casino under a right-to-use agreement signed on June 12, 2008 with the owner, Hotel Taipa Square (Macao) Company Limited. The term of the agreement is one year from the date of execution and is automatically renewable, subject to certain contractual provisions, for successive periods of one year under the same terms and conditions, until June 26, 2022.

Apart from the aforesaid property sites, we maintain various offices and storage locations in Macau, Hong Kong and the Philippines. We lease all of our office and storage premises. We used to own five units located at Golden Dragon Centre (formerly known as Zhu Kuan Building) in Macau. These five units have a total area of 839 square meters (equivalent to approximately 9,029 square feet). The five units were purchased by MPEL Properties (Macau) Limited, our subsidiary, for approximately HK\$79.7 million (equivalent to approximately US\$10.2 million) in August 2008. On February 18, 2014, we sold these five units for HK\$240.0 million (equivalent to approximately US\$30.8 million). After the sale, we continue to occupy and use the relevant units as our recruitment center under a short-term tenancy agreement with the new owner for a term of two years.

Advertising and Marketing

We seek to attract customers to our properties and to grow our customer base over time by undertaking several types of advertising and marketing activities and plans. We utilize local and regional media to publicize our projects and operations. We have built a public relations and advertising team that cultivates media relationships, promotes our brands and directly liaises with customers within target Asian countries in order to explore media opportunities in various markets. Advertising uses a variety of media platforms that include digital, print, television, online, outdoor, on property (as permitted by Macau, PRC and other regional laws), collateral and direct mail pieces. In order to be competitive in the Macau gaming environment, we hold various promotions and special events, operate loyalty programs with our patrons and have developed a series of commission and other incentive-based programs. It is also our intention to employ a tiered loyalty program in City of Dreams Manila to ensure that each customer segment is specifically recognized and incentivized in

accordance with their expected revenue contribution. Dedicated customer hosting programs will provide personalized service to the most valuable customers of City of Dreams Manila. In addition, we plan to utilize sophisticated analytical programs to track the behavior and spending patterns of our patrons in City of Dreams Manila. Similar to our experience in Macau, we believe these tools will help to deepen our understanding of the customers of City of Dreams Manila to optimize yield and continuous improvements to the property.

Customers

We seek to cater to a broad range of customers through our diverse gaming and non-gaming facilities and amenities across our major existing operating properties.

Non-Gaming Patrons

In addition to its mass market and rolling chip gaming offerings, City of Dreams offers visitors to Macau an array of multi-dimensional entertainment amenities, three international hotel brands, as well as a selection of restaurants, bars and retail outlets. Altira Macau is designed to provide a high end casino and hotel experience, tailored to meet the cultural preferences and expectations of Asian rolling chip patrons. Mocha Clubs are targeted to deliver a relaxed café-style non-casino based electronic gaming experience.

City of Dreams Manila offers three separate entertainment venues, supported by a diverse food and beverage zone designed to be a socializing hub where guests can relax and be entertained. The entertainment offerings, designed to cater to all key demographic groups, include the Fortune Egg, a central dome-like structure for housing a dynamic night club, a casino performance lounge, and a thematic family entertainment center (which is expected to open in the first half of 2015). With these diverse entertainment venues and attractions, we believe that City of Dreams Manila will be able to leverage the experience of City of Dreams in Macau, which has developed world-class attractions such as *The House of Dancing Water* show and the Club Cubic nightclub.

Gaming Patrons

Our gaming patrons include rolling chip players and mass market players.

Mass market players are non-rolling chip players and they come to our properties for a variety of reasons, including our direct marketing efforts, brand recognition, the quality and comfort of our mass market gaming floors and our non-gaming offerings. Mass market players are further classified as general mass market and premium mass market players.

Rolling chip players at our casinos are patrons who participate in our in-house rolling chip programs or in the rolling chip programs of our gaming promoters, also known as junket operators. Our rolling chip players play mostly in our dedicated VIP rooms or designated gaming areas.

Our in-house rolling chip programs consist of rolling chip players sourced through our direct marketing efforts and relationships, whom we refer to as premium direct players. Premium direct players can earn a variety of gaming-related rebates, such as cash, rooms, food and beverage and other complimentary products or services.

Gaming Promoters

A significant amount of our rolling chip play is brought to us by gaming promoters, also known as junket operators. While rolling chip players sourced by gaming promoters do not earn direct gaming related rebates from us, we pay a commission and provide other complimentary services to the gaming promoter.

In Macau, we engage gaming promoters to promote our VIP gaming rooms primarily due to the importance of the rolling chip segment in the overall Macau gaming market, gaming promoters' knowledge of

and experience within the Macau gaming market, in particular with sourcing and attracting rolling chip patrons and arranging for their transportation and accommodation, and gaming promoters' extensive rolling chip patron network. Under standard arrangements utilized in Macau, we provide gaming promoters with exclusive or casual access to one or more of our VIP gaming rooms and support from our staff, and gaming promoters source rolling chip patrons for our casinos or gaming areas to generate an expected minimum amount of rolling chip volume per month.

Gaming promoters are responsible for a substantial portion of our casino revenues. For the years ended December 31, 2014, 2013 and 2012, approximately 40.1%, 49.8% and 53.4% of our casino revenues were derived from customers sourced through our rolling chip gaming promoters, respectively.

Gaming promoters in Macau are independent third parties that include both individuals and corporate entities and are officially licensed by the DICJ. We have procedures to screen prospective gaming promoters prior to their engagement, and conduct periodic checks that are designed to ensure that the gaming promoters with whom we associate meet suitability standards. We believe that we have strong relationships with some of the top gaming promoters in Macau and have a solid network of gaming promoters who help us market our properties and source and assist in managing rolling chip patrons at our properties. As of December 31, 2014, 2013 and 2012, we had agreements in place with 97, 114 and 107 gaming promoters in Macau, respectively. We expect to continue to evaluate and selectively add or remove gaming promoters going forward.

We typically enter into gaming promoter agreements for a one-year term that are automatically renewed for periods of up to one year unless otherwise terminated. The gaming promoter agreements may be terminated (i) by either party without cause upon 15 days advance written notice, (ii) upon advice from the DICJ or any other gaming regulator to cease having dealings with the gaming promoter or if the DICJ cancels or fails to renew the gaming promoter's license, (iii) if the gaming promoter fails to meet the minimum rolling chip volume it agreed to with us, (iv) if the gaming promoter enters or is placed in receivership or provisional liquidation or liquidation, an application is made for the winding up of the gaming promoter, the gaming promoter becomes insolvent or makes an assignment for the benefit of its creditors, or an encumbrancer takes possession of any of the gaming promoter's assets or (v) if any party to the agreement is in material breach of any of the terms of the agreement and fails to remedy such breach within the timeframe outlined in the agreement. Our gaming promoters are compensated through commission arrangements that are calculated on a monthly or a per trip basis. Commissions paid to our rolling chip gaming promoters (net of amounts indirectly rebated to customers) amounted to US\$284.8 million, US\$391.9 million and US\$308.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. We generally offer commission payment structures that are calculated by reference to revenue share or monthly rolling chip volume. Under the revenue share-based arrangements, the gaming promoter participates in our gaming wins or losses from the rolling chip patrons brought in by the gaming promoter. Under the monthly rolling chip volume-based arrangements, commission rates vary but do not exceed the 1.25% regulatory cap under Macau law on gaming promoter commissions. To encourage gaming promoters to use our VIP gaming rooms for rolling chip patrons, our gaming promoters may receive complimentary allowances for food and beverage, hotel accommodation and transportation. Under the Administrative Regulation 29/2009 as promulgated by the Macau government, these allowances must be included in the 1.25% regulatory cap on gaming promoter commissions.

We conduct, and expect to continue to conduct, our table gaming activities at our casinos on a credit basis as well as a cash basis. As is common practice in Macau, we grant credit to our gaming promoters and certain of our premium direct players. The gaming promoters bear the responsibility for issuing to, and subsequently collecting credit, from their players.

We extend interest-free credit to a significant portion of our gaming promoters for short-term, renewable periods under credit agreements that are separate from the gaming promoter agreements. Credit is also granted to certain gaming promoters on a revolving basis. All gaming promoter credit lines are generally subject to monthly review and various settlement procedures, including our credit committee review and other checks

performed by our cage, count and credit department to evaluate the current status of liquidity and financial health of such gaming promoter. These procedures allow us to calculate the commissions payable to the gaming promoter and to determine the amount which can be offset, together with any other values held by us from the gaming promoter, against the outstanding credit balances owed by the gaming promoter. Credit is granted to a gaming promoter based on performance and financial background of the gaming promoter and, if applicable, the gaming promoter's guarantor. If we determine that a gaming promoter has good credit history and a track record of large business volumes, we may extend credit exceeding one month of commissions payable. This credit is typically unsecured. Although the amount of such credit may exceed the amount of accrued commissions payable to, and any other amounts of value held by us from, the gaming promoters, we generally obtain personal checks and promissory notes from guarantors or other forms of collateral. We have in place internal controls and credit policies and procedures to manage this credit risk.

We aim to pursue overdue debt from gaming promoters and premium direct players. This collection activity includes, as applicable, frequent personal contact with the debtor, delinquency notices and litigation. However, we may not be able to collect all of our gaming receivables from our credit customers and gaming promoters. See "Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Operations — We extend credit to a portion of our customers, and we may not be able to collect gaming receivables from our credit customers."

As of December 31, 2014, 2013 and 2012, our casino accounts receivable were US\$414.5 million, US\$424.0 million and US\$426.8 million, respectively. Our allowance for doubtful accounts may fluctuate significantly from period to period as a result of having significant individual customer account balances where changes in their status of collectability cause significant changes in our allowance.

For information regarding allowances for doubtful accounts, see "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Critical Accounting Policies and Estimates — Accounts Receivable and Credit Risk."

For City of Dreams Manila, we intend to leverage our extensive sales reach within Asia to the extent permissible by applicable law, particularly to the sizable international customer base largely developed through our Macau operations, of which a majority comprises mainland China clientele, and our strong relationship with gaming promoters in Macau and the rest of Asia. It is our intention that MCP shall work with Melco Crown Macau to develop cross promotional marketing campaigns that position the Philippines as an additional gaming and tourist destination to guests at our properties and our gaming promoter networks. We believe that these sales and marketing channels should provide a distinct competitive advantage and complement MCP's efforts to grow its own local client base.

Market and Competition

We believe that the gaming market in Macau is and will continue to be intensely competitive. Our competitors in Macau and elsewhere in Asia include all the current concession and subconcession holders and many of the largest gaming, hospitality, leisure and property development companies in the world. Some of these current and future competitors are larger than us and have significantly longer track records of operation of major hotel casino resort properties.

Macau Gaming Market

In 2014, 2013 and 2012, Macau generated approximately US\$43.9 billion, US\$45.0 billion and US\$38.0 billion of gaming revenue, respectively, according to the DICJ, compared to the US\$6.2 billion, US\$6.4 billion and US\$6.1 billion of gaming revenue (excluding sports book and race book), respectively, generated on the Las Vegas Strip, according to the Nevada Gaming Control Board, and compared to the US\$2.7 billion, US\$2.8 billion and US\$3.0 billion of gaming revenue (excluding sports book and race book), respectively,

generated in Atlantic City, according to the New Jersey Division of Gaming Enforcement. Gaming revenue in Macau has increased at a five year CAGR from 2009 to 2014 of 24.11% compared to five year CAGRs of 2.72% and -7.50% for the Las Vegas Strip and Atlantic City, respectively (excluding sports book and race book). In addition, Macau is currently the only market in Greater China, and one of only several in Asia, to offer legalized casino gaming.

Gross gaming revenues in Macau expanded 18.6% in 2013 and 13.5% in 2012, according to the DICJ. The DICJ figures show that the Macau gaming market has been through a challenging period in 2014, with a year-over-year decline in gross gaming revenues of 2.6% compared to those in 2013, primarily driven by a deteriorating demand environment from our key feeder market, China, as well as other restrictive policies including changes to travel and visa policies and the implementation of further smoking restrictions on the main gaming floor. According to DICJ, the rolling chip segment underperformed the broader market, declining 10.9% year-over-year in 2014, while the higher margin mass market table games segment increased 15.5% over the same period. The weak operating environment has continued into 2015, with gross gaming revenues in Macau declining approximately 35.1% on a year-over-year basis in the first two months of 2015, according to the DICJ.

The mass market table games segment accounted for 35.4% of market-wide gross gaming revenues in 2014, compared to 29.9% for 2013, according to the DICJ. Melco Crown Entertainment, with its large exposure to the mass market table games segment in the fast growing Cotai region, is well positioned to cater to this increasingly important, and more profitable, segment of the market. Melco Crown Entertainment's mass market exposure is set to increase over the foreseeable future with the opening of Studio City in the third quarter of 2015.

Despite these matters, we believe the long-term growth in gaming and non-gaming revenues in Macau is supported by, among other things, the continuing emergence of a wealthier demographic in China, a robust regulatory framework, and significant new infrastructure developments within Macau and China, as well as by the anticipated new supply of gaming and non-gaming facilities in Macau, which is predominantly focused on the Cotai region. Visitation to Macau in 2014, totaled more than 31.5 million visitors. China continues to drive overall visitation growth, increasing 14.1% as compared to 3.9% decrease for all other visitors in 2014, and visitors from China represented 67.4%, while visitors from Hong Kong and Taiwan represented 20.4% and 3.0%, of all visitors to Macau in 2014, respectively.

Gaming in Macau is administered through government-sanctioned concessions awarded to three different concessionaires: SJM, which is a company listed on the HKSE in which Mr. Lawrence Ho, our co-chairman and chief executive officer, and his family members have shareholding interests; Wynn Macau, a subsidiary of Wynn Resorts Ltd.; and Galaxy, a consortium of Hong Kong and Macau businessmen. SJM has granted a subconcession to MGM Grand Paradise, which was originally formed as a joint venture by MGM-Mirage and Ms. Pansy Ho, sister of Mr. Lawrence Ho. Galaxy has granted a subconcession to VML, a subsidiary of Las Vegas Sands Corporation, the developer of Sands Macao, The Venetian Macao and Sands Cotai Central. Melco Crown Macau obtained its subconcession under the concession of Wynn Macau.

SJM currently operates multiple casinos throughout Macau. SJM has extensive experience in operating in the Macau market and long-established relationships in Macau. SJM has begun construction of its new casino in Cotai which has been announced to open in 2017.

Wynn Macau opened the Wynn Macau in September 2006 on the Macau Peninsula. In addition they opened an extension to Wynn Macau called Encore in 2010. In 2012, Wynn Macau started the construction for a new casino in Cotai, which it expects to open in the first half of 2016.

Galaxy currently operates multiple casinos in Macau, including StarWorld, a hotel and casino resort in Macau's central business and tourism district. The Galaxy Macau Resort opened in Cotai in May 2011 and has announced the opening of Phase 2 of the Galaxy Macau Resort in May 2015.

VML, a subsidiary of Sands China Ltd., with a subconcession under Galaxy's concession, operates Sands Macao on the Macau peninsula, together with The Venetian Macao, the Plaza Casino at The Four Seasons Hotel Macao and the Sands Cotai Central, which are located in Cotai. Sands China Ltd. has announced proposals for the development of an additional Hotel tower at Sands Cotai Central in Cotai, and the opening of the Parisian in Cotai in 2016.

MGM Grand Paradise, with a subconcession under SJM's concession, opened the MGM Macau in December 2007, which is located next to Wynn Macau on the Macau Peninsula. MGM Grand Paradise has announced its intention to develop a new casino in Cotai and began its construction of additional project in February 2013 and has been announced to open in 2016.

The existing concessions and subconcessions do not place any limit on the number of gaming facilities that may be operated. In addition to facing competition from existing operations of these concessionaires and subconcessionaires, we will face increased competition when any of them constructs new, or renovates pre-existing, casinos in Macau or enters into leasing, services or other arrangements with hotel owners, developers or other parties for the operation of casinos and gaming activities in new or renovated properties, as SJM and Galaxy have done. The Macau government has publicly stated that each concessionaire will only be permitted to grant one subconcession. Moreover, the Macau government announced that, until further assessment of the economic situation in Macau, there would be no increase in the number of concessions and subconcessions. The Macau government further announced that the number of gaming tables operating in Macau should not exceed 5,500 until the end of the first quarter of 2013 and that, thereafter, for a period of ten years, the total number of gaming tables to be authorized will be limited to an average annual increase of 3%. These restrictions are not legislated or enacted into laws or regulations and as such different policies, including on the annual increase rate in the number of gaming tables, may be adopted at any time by the relevant Macau government authorities. According to the DICJ, the number of gaming tables in Macau as of December 31, 2014 was 5,711. The Macau government has reiterated further that it does not intend to authorize the operation of any new casino that was not previously authorized by the government. However, the policies and laws of the Macau government could change and permit the Macau government to grant additional gaming concessions or subconcessions. Such change in policies may also result in a change of the number of gaming tables and casinos that the Macau government is prepared to authorize to operate.

Philippine Gaming Market

We expect City of Dreams Manila to benefit from growth in local and regional gaming demand, supported by improved infrastructure and strong growth in tourism to the Philippines. The Philippines economy is one of the fastest growing economies in the region, with favorable demographics and an expected increase in consumer spending, which we believe will benefit the Philippine gaming market. City of Dreams Manila will face competition in the Philippine market from hotels and resorts owned by both Philippine nationals and foreigners, including many of the largest gaming, hospitality, leisure and resort companies in the world. In addition, PAGCOR, an entity owned and controlled by the government of Philippines operates certain gaming facilities across the Philippines.

Other Regional Markets

We may also face competition from casinos and gaming resorts located in other Asian destinations together with cruise ships. Casinos and integrated gaming resorts are becoming increasingly popular in Asia, giving rise to more opportunities for industry participants and increasing regional competition. There are major gaming facilities in Australia located in Melbourne, Perth, Sydney and the Gold Coast. Genting Highlands is a popular international gaming resort in Malaysia, approximately a one-hour drive from Kuala Lumpur. South Korea has allowed gaming for some time but these offerings are available primarily to foreign visitors. There are also casinos in Vietnam and Cambodia, although they are relatively small compared to those in Macau.

Singapore legalized casino gaming in 2006. Genting Singapore PLC opened its resort in Sentosa, Singapore in February 2010 and Las Vegas Sands Corporation opened its casino in Marina Bay, Singapore in

April 2010. Despite these openings, Macau has continued to show healthy growth. In addition, several other Asian countries are considering or are in the process of legalizing gambling and establishing casino-based entertainment complexes.

Seasonality

Our principal market of operation, Macau experiences many peaks and seasonal effects. The “Golden Week” and “Chinese New Year” holidays are in general the key periods where business and visitation fluctuate considerably in Macau. In the Philippines, business considerably slows down during the “Holy Week”, as well as during the “Chinese New Year” and the “Chinese Ghost Month”. While we may experience fluctuations in revenues and cash flows from month to month, we do not believe that our business is materially impacted by seasonality.

Intellectual Property

We have applied for or registered numerous trademarks, including “Altira,” “Mocha Club,” “City of Dreams”, “City of Dreams Manila”, “Studio City”, “Melco Crown Entertainment” and “Melco Crown Philippines” in, as the case may be, Macau, the Philippines and other jurisdictions. We have also applied for or registered in Macau, the Philippines and other jurisdictions certain other trademarks and service marks used or to be used in connection with the operations of our hotel casino projects in Macau and City of Dreams Manila.

Regulations

Macau Regulations

Gaming Regulations

The ownership and operation of casino gaming facilities in Macau are subject to the general civil and commercial laws and to specific gaming laws, in particular, the Macau Gaming Law. Macau’s gaming operations are also subject to the grant of a concession or subconcession by and regulatory control of the Macau government, or Dispatch of the Chief Executive. See “— Gaming Licenses” below for more details.

The DICJ is the supervisory authority and regulator of the gaming industry in Macau. The core functions of the DICJ are:

- to collaborate in the definition of gaming policies;
- to supervise and monitor the activities of the concessionaires and subconcessionaires;
- to investigate and monitor the continuing suitability and financial capacity requirements of concessionaires, subconcessionaires and gaming promoters;
- to issue licenses to gaming promoters;
- to license and certify gaming equipment; and
- to issue directives and recommend practices with respect to the ordinary operation of casinos.

Below are the main features of the Macau Gaming Law, as supplemented by Administrative Regulation no. 26/2001, that are applicable to our business.

- If we violate the Macau Gaming Law, Melco Crown Macau’s subconcession could be limited, conditioned, suspended or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, we, and the persons involved, could be subject to substantial fines for each separate violation of Macau Gaming Law or of the Subconcession Contract at the discretion of the Macau government. Further, if we terminate or suspend the operation of all or a part of our gaming

operations without permission for reasons not due to *force majeure*, or in the event of insufficiency of our facilities and equipment which may affect the normal operation of our gaming business, the Macau government would be entitled to replace Melco Crown Macau during such disruption and to ensure the continued operation of the gaming business. Under such circumstances, we would bear the expenses required for maintaining the normal operation of the conceded business.

- The Macau government also has the power to supervise subconcessionaires in order to assure financial stability and capability. See “— Gaming Licenses — The Subconcession Contract in Macau.”
- Any person who fails or refuses to apply for a finding of suitability after being ordered to do so by the Macau government may be found unsuitable. Any stockholder of a Concessionaire or Subconcessionaire holding stock equal to or in excess of 5% of concessionaire or subconcessionaire stock capital who is found unsuitable will be required to dispose of such stock by a certain time (the transfer itself being subject to the Macau government’s authorization). If a disposal has not taken place by the time so designated, such stock must be acquired by the concessionaire or subconcessionaire. Melco Crown Macau will be subject to disciplinary action if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with it, Melco Crown Macau:
 - pays that person any dividend or interest upon its shares;
 - allows that person to exercise, directly or indirectly, any voting right conferred through shares held by that person;
 - pays remuneration in any form to that person for services rendered or otherwise; or
 - fails to pursue all lawful efforts to require that unsuitable person to relinquish his or her shares.
- The Macau government also requires prior approval for the creation of a lien over shares, the property comprising a casino and gaming equipment and utensils of a concession or subconcession holder. In addition, the creation of restrictions on its stock in respect of any public offering also require the approval of the Macau government to be effective.
- The Macau government must give its prior approval to changes in control through a merger, consolidation, stock or asset acquisition, or any act or conduct by any person whereby he or she obtains such control. Entities seeking to acquire control of a concessionaire or subconcessionaire must satisfy the Macau government concerning a variety of stringent standards prior to assuming control. The Macau government may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated for suitability as part of the approval process of the transaction.
- We are also required to collect and pay employment taxes in connection with our staff through withholding and all payable and non-exemptible taxes, levies, expenses and handling fees provided by the laws and regulations of Macau.
- In addition, the Macau Gaming Law regulates gaming promoters. See “— Regulations Relating to Gaming Promoters” below.

Non-compliance with these obligations could lead to the revocation of Melco Crown Macau’s subconcession and could materially adversely affect our gaming operations.

The Macau government has also enacted other gaming legislation and rules. For example, the Macau government imposed regulations and restrictions that affect the minimum age required for entrance into casinos in Macau, the number of gaming tables that may be operated in Macau, location requirements for sites with gaming machine lounges, supply and requirements of gaming machines, equipment and systems, instruction on responsible gaming and other matters. Our inability to address the requirements or restrictions imposed by the Macau government under such legislation or rules could adversely affect our gaming operations.

Regulations Relating to Gaming Promoters

Macau Administrative Regulation no. 6/2002, as amended pursuant to Administrative Regulation no. 27/2009 (the “Gaming Promoters Regulation”), regulates licensing of gaming promoters and the operations of gaming promotion business by gaming promoters. Gaming promoters’ applications to the DICJ must be sponsored by a concessionaire or subconcessionaire who will confirm that it may contract the applicant’s services upon the latter being licensed. Licenses are subject to annual renewal and a list of licensed gaming promoters is published every year in the Macau Official Gazette. The DICJ monitors each gaming promoter and its employees and collaborators.

Concessionaires and subconcessionaires are jointly liable for the activities of their gaming promoters and collaborators within their casinos. In addition to the licensing and suitability assessment process performed by the DICJ, all of our gaming promoters undergo a thorough internal vetting process. We conduct background checks and also conduct periodic reviews of the activities of each gaming promoter, its employees and its collaborators for possible non-compliance with Macau legal and regulatory requirements. Such reviews generally include investigations into compliance with applicable money laundering laws and regulations as well as tax withholding requirements.

Concessionaires and subconcessionaires are required to report periodically on commissions and other remunerations paid to their gaming promoters. A 5% tax must be withheld on commissions and other remunerations paid by a concessionaire or subconcessionaire to its gaming promoters. Under the Gaming Promoters Regulation and in accordance with the Secretary for Economy and Finance Dispatch no. 83/2009, of September 11, 2009 a commission cap of 1.25% of net rolling was imposed. Any bonuses, gifts, services or other advantages which are subject to monetary valuation and which are granted, directly or indirectly, inside or outside of Macau by any concessionaire or subconcessionaires or any company of their respective group to any gaming promoter shall be considered a commission. The commission cap regulations impose fines (ranging from 100,000 Patacas up to 500,000 Patacas) on gaming operators that do not comply with the cap and other fines (ranging from 50,000 Patacas up to 250,000 Patacas) on gaming operators that do not comply with their reporting obligations regarding commission payments. If breached, the legislation on commission caps has a sanction enabling the relevant government authority to make public a government decision imposing a fine on a concessionaire and subconcessionaire, by publishing such decision on the DICJ website and in two Macau newspapers (in Chinese and Portuguese respectively). We believe we have implemented the necessary internal control systems to ensure compliance with the commission cap and reporting obligations in accordance with applicable rules and regulations.

Macau Law no. 5/2004 has legalized the extension of gaming credit to patrons or gaming promoters by concessionaires and subconcessionaires. Gaming promoters may also extend credit to patrons upon obtaining an authorization by a concessionaire or subconcessionaire to carry out such activity. Assigning or transferring one’s authorization to extend gaming credit is not permitted. This statute sets forth filing obligations for those extending credit and the supervising role of the DICJ in this activity. Gaming debts contracted pursuant to this statute are a source of civil obligations and may be enforced in court.

Smoking Regulation in Macau

Effective October 2014, under the Smoking Prevention and Tobacco Control Law, smoking is not permitted in casino premises, except for an area of up to 50% (fifty percent) of the casino area opened to the public as determined by Dispatch of the Chief Executive. Smoking in general access gaming areas would only be permitted in smoking lounges with no gaming activity. Smoking in limited access gaming areas would be subject to prior authorization from the Macau Chief Executive. Recent public announcements indicate that Macau government intends to pursue a full smoking ban within all Macau casinos.

Anti-Money Laundering Regulations in Macau

In conjunction with current gaming laws and regulations, we are required to comply with the laws and regulations relating to anti-money laundering activities in Macau. Law 2/2006, the Administrative Regulation 7/2006 and the DICJ Instruction 2/2006 govern our compliance requirements with respect to identifying, reporting and preventing anti-money laundering and terrorism financing crimes at our casinos. Under these laws and regulations, we are required to:

- identify any customer or transaction where there is a sign of money laundering or financing of terrorism or which involves significant sums of money in the context of the transaction, even if any sign of money laundering is absent;
- refuse to deal with any of our customers who fail to provide any information requested by us;
- keep records on the identification of a customer for a period of five years;
- notify the Finance Information Bureau if there is any sign of money laundering or financing of terrorism; and
- cooperate with the Macau government by providing all required information and documentation requested in relation to anti-money laundering activities.

Under Article 2 of Administrative Regulation 7/2006 and the DICJ Instruction 2/2006, we are required to track and mandatorily report cash transactions and granting of credit in a minimum amount of MOP500,000 (equivalent to approximately US\$62,000). Pursuant to the legal requirements above, if the customer provides all required information, after submitting the reports, we may continue to deal with those customers that we reported to the DICJ and, in case of suspicious transactions, to the Finance Information Bureau.

We employ internal controls and procedures designed to help ensure that our gaming and other operations are conducted in a professional manner and in compliance with internal control requirements issued by the DICJ set forth in its instruction on anti-money laundering, the applicable laws and regulations in Macau, as well as the requirements set forth in the Subconcession Contract.

We have developed comprehensive anti-money laundering policies and related procedures covering our anti-money laundering responsibilities and have training programs in place to ensure that all relevant employees understand such anti-money laundering policies and procedures. We also use an integrated IT system to track and automatically generate significant cash transaction reports and, if permitted by the DICJ and the Finance Information Bureau, to submit those reports electronically. We also train our staff on identifying and following correct procedures for reporting “suspicious transactions” and make our guidelines and training modules available for our employees on our intranet and internet sites.

Prevention and Suppression of Corruption in External Trade

In addition to the general criminal laws regarding *corrupt* practices in the public and private sector that are in force in Macau, on January 1, 2015, a new law (Law no. 10/2014), criminalizing corruption acts in external trade and providing for a system for prevention and suppression of such criminal acts came into effect in Macau. Our Company had already addressed that issue in our internal policies, namely in the adopted Code of Business Conduct and Ethics and Ethical Business Practices Program so no major amendments to our internal policies were required to comply with the new legislation.

Labor Quotas

All businesses in Macau must apply to the Macau Human Resources Office for labor quotas to import non-resident skilled workers from China and other regions or countries. Businesses are free to employ Macau residents in any position, as by definition all Macau residents have the right to work in Macau. We have, through

our subsidiaries, two main groups of labor quotas in Macau, one to import non-skilled workers from China and the other to import non-skilled workers from all other countries. Melco Crown Macau is required by law to employ only Macau residents as dealers and supervisors. Non-resident skilled workers are also subject to authorization by the Macau Human Resources Office, which is given individually on a case-by-case basis.

Pursuant to Macau social security laws, Macau employers must register their employees under a mandatory social security fund and make social security contributions for each of its resident employees and pay a special duty for each of its nonresident employees on a quarterly basis. Employers must also buy insurance to cover employment accidents for all employees.

Land Use Rights in Macau

Macau land is divided into plots. There is a small number of private freehold plots in Macau. Where the land is private freehold land, no government rent is payable and there are no temporal limits to the ownership of the land or the buildings erected on the land, which are private property. The rest of the land, including land reclamation areas, belongs to the Macau government. In most cases, private interests in real property located in Macau are obtained through long-term leases from the Macau government.

Our subsidiaries have entered into land concession contracts for the land on which our Altira Macau, City of Dreams and Studio City properties and development projects are located. Each contract has a term of 25 years and is renewable for further consecutive periods of 10 years and imposes, among other conditions, a development period, a land premium payment, a nominal annual government land use fee, which may be adjusted every five years, and a guarantee deposit upon acceptance of the land lease terms, which are subject to adjustments from time to time in line with the amounts paid as annual land use fees.

The land is initially granted on a provisional basis and registered as such with the Macau Property Registry and only upon completion of the development is the land concession converted into definitive status and so registered with the Macau Property Registry.

Restrictions on Distribution of Profits

All subsidiaries incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity's profit after taxation to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries' statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries' financial statements in the year in which it is approved by the boards of directors of the relevant subsidiaries. As of December 31, 2014, the balance of the reserve of all our Macau subsidiaries amounted to US\$31.2 million.

Philippines Regulations

Gaming Regulations

MCE Philippine Parties and Philippine Parties are co-licensees of the Provisional Licenses issued by PAGCOR for the development of an integrated casino, hotel, retail and entertainment complex within the Entertainment City, Manila. As one of the Licensees, MCE Leisure Philippines has been named as the special purpose entity to operate the casino business and act as the sole and exclusive representative of the Philippine Licensees for the purposes of the Provisional License. The Provisional License is one of the four licenses granted to various parties to develop integrated tourism resorts and establish and operate casinos in Entertainment City.

Casino Regulatory Manual (CRM) was issued on February 2015 by PAGCOR for the guidance of the Entertainment City Licensees. It was developed to meet the following objectives of PAGCOR: (a) to ensure a

level playing field among industry proponents; (b) maintain the orderly and predictable environment; (c) enforce license terms and conditions; (d) promote fairness and integrity in the conduct of games; (e) provide an underlying platform for responsible gaming; (f) disallow access to gaming venues by minors and financially vulnerable persons; and (g) prevent licensed gaming venues from being used for illegal activities.

The CRM contains regulations and standards that the Entertainment City Licensees, including City of Dreams Manila, should adhere to and observe. It should be read in conjunction with the Provisional License. It contains regulations on areas such as, but not limited to: casino layout, table games and electronic gaming machines, casino management system, surveillance, gaming chips and plaques, procurement of gaming equipment and gaming paraphernalia as well as the accreditation of suppliers thereof; casino operational rules and guidelines; conduct of gaming; casino player incentives; marketing and promotions; chipwashing and junket operations; banned personalities; determination of gross gaming revenues for table games, electronic gaming machines and other fees; and determination, collection and remittance of PAGCOR license fees.

The ownership and operation of casino gaming facilities in the Philippines are subject to the regulatory supervision of PAGCOR. See “— The PAGCOR License” below for more details.

Anti-Money Laundering Regulations in the Philippines

The Anti-Money Laundering Act, as amended (“AMLA”) criminalized money laundering and imposed certain requirements on customer identification, record keeping, and reporting of covered and suspicious transactions by covered persons as defined under the law.

At present, AMLA does not include casinos in its definition of covered persons who are subjected to certain reporting requirements but does include foreign exchange transactions/money changer activities. Therefore, City of Dreams Manila, in relation to its foreign exchange transactions/money changer activities, is required to report single transactions in cash or other equivalent monetary instrument involving a total amount in excess of PHP 500,000 within one (1) banking day and suspicious transactions to the Anti-Money Laundering Council.

Environmental Laws

Development projects that are classified by law as Environmentally Critical Projects (“ECP”) within statutorily defined Environmentally Critical Areas (“ECAs”) are required to obtain an Environmental Compliance Certificate (“ECC”) prior to commencement.

The Environmental Management Bureau of the Department of Environment and Natural Resources (“DENR-EMB”) issued an ECC to Belle for City of Dreams Manila. Under the terms of its PEZA registration, MCE Leisure Philippines is required, prior to the start of commercial operations of City of Dreams Manila, to either: (a) apply for an ECC with the DENR-EMB and submit an approved copy of the ECC to PEZA within 15 days from its issuance, or (b) submit the ECC issued to Belle, as the same may be amended to reflect any changes made to City of Dreams Manila, for the review and approval by PEZA. Accordingly, Belle applied for an Amended ECC to reflect the changes made to City of Dreams Manila. The DENR-EMB issued the Amended ECC to Belle on July 31, 2014.

Other Applicable Laws

Foreign Corrupt Practices Act

The FCPA prohibits our Company and its employees and agents from offering or giving money or any other item of value to win or retain business or to influence any act or decision of any foreign official. The Code includes specific FCPA related provisions in Section IV and VIII B of the Code. To further supplement the Code,

our Company implemented a FCPA Compliance Program in 2007, which was revised and expanded in scope in December 2013 as the Ethical Business Practices Program. This covers the activities of the shareholders, directors, officers, employees, and counterparties of our Company.

Gaming Licenses

The Concession Regime in Macau

The Macau government conducted an international tender process for gaming concessions in Macau in 2001, and granted three gaming concessions to Galaxy, SJM and Wynn Macau, respectively. Upon authorization by the Macau government, each of Galaxy, SJM and Wynn Macau subsequently entered into subconcession contracts with their respective subconcessionaires to operate casino games and other games of chance in Macau. No further granting of subconcessions is permitted unless specifically authorized by the Macau government. Though there are no restrictions on the number of casinos or gaming areas that may be operated under each concession or subconcession, Macau government approval is required for the commencement of operations of any casino or gaming area.

The subconcessionaires that entered into subconcession contracts with Wynn Macau, SJM and Galaxy are Melco Crown Macau, MGM Grand Paradise and VML, respectively. Our subsidiary, Melco Crown Macau, executed the Subconcession Contract with Wynn Macau on September 8, 2006. Wynn Macau will continue to develop and run hotel operations and casino projects independent of ours.

All concessionaires and subconcessionaires must pay a special gaming tax of 35% of gross gaming revenues, defined as all gaming revenues derived from casino or gaming areas, plus an annual gaming premium of:

- MOP30 million (equivalent to approximately US\$3.7 million) per annum fixed premium;
- MOP300,000 (equivalent to approximately US\$37,437) per annum per VIP gaming table;
- MOP150,000 (equivalent to approximately US\$18,719) per annum per mass market gaming table; and
- MOP1,000 (equivalent to approximately US\$125) per annum per electric or mechanical gaming.

The Subconcession Contract in Macau

The Subconcession Contract in Macau provides for the terms and conditions of the subconcession granted to Melco Crown Macau by Wynn Macau. Melco Crown Macau does not have the right to further grant a subconcession or transfer the operation to third parties.

Melco Crown Macau paid a consideration of US\$900 million to Wynn Macau. On September 8, 2006, Melco Crown Macau was granted the right to operate games of fortune and chance or other games in casinos in Macau, for a period of 16 years until the expiration of the subconcession on June 26, 2022. No further payments need to be made to Wynn Macau in future operations.

The Macau government has confirmed that the subconcession is independent of Wynn Macau's concession and that Melco Crown Macau does not have any obligations to Wynn Macau pursuant to the Subconcession Contract. It is thus not affected by any modification, suspension, redemption, termination or rescission of Wynn Macau's concession. In addition, an early termination of Wynn Macau's concession before June 26, 2022, would not result in the termination of the subconcession. The subconcession was authorized and approved by Macau government. Our Macau legal advisor has advised us that, absent any change to Melco Crown Macau's legal status, rights, duties and obligations towards the Macau government or any change in applicable law, Melco Crown Macau will continue to be validly entitled to operate independently under and pursuant to the subconcession, notwithstanding the termination or rescission of Wynn Macau's concession, the

insolvency of Wynn Macau and/or the replacement of Wynn Macau as concessionaire in the Subconcession Contract. The Macau government has a contractual obligation to the effect that, should Wynn Macau cease to hold the concession prior to June 26, 2022, the Macau government would replace Wynn Macau with another entity so as to ensure that Melco Crown Macau may continue to operate games of chance and other games in casinos in Macau and the subconcession would at all times be under a concession. Both the Macau government and Wynn Macau has undertaken to cooperate with Melco Crown Macau to ensure all the legal and contractual obligations are met.

A summary of the key terms of the Subconcession Contract is as follows.

Development of Gaming Projects/Financial Obligations. The Subconcession Contract requires us to make a minimum investment in Macau of MOP4.0 billion (equivalent to approximately US\$499.2 million), including investment in fully developing Altira Macau and the City of Dreams, by December 2010. In June 2010, we obtained confirmation from the Macau government that as of the date of the confirmation, we had invested over MOP4.0 billion (equivalent to approximately US\$499.2 million) in our projects in Macau.

Payments. Subconcession premiums and taxes, computed in various ways depending upon the type of gaming or activity involved, are payable to the Macau government. The method for computing these fees and taxes may be changed from time to time by the Macau government. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly or annually and are based upon either a percentage of the gross revenues or the number and type of gaming devices operated. In addition to special gaming taxes of 35% of gross gaming revenues, we are also required to contribute to the Macau government an amount equivalent to 1.6% of the gross revenues of our gaming business. Such contribution must be delivered to a public foundation designated by the Macau government whose goal is to promote, develop or study culture, society, economy, education and science and engage in academic and charitable activities. Furthermore, we are also obligated to contribute to Macau an amount equivalent to 2.4% of the gross revenues of the gaming business for urban development, tourism promotion and the social security of Macau. We are required to collect and pay, through withholding, statutory taxes on commissions or other remunerations paid to gaming promoters.

Termination Rights. The Macau government has the right, after notifying Wynn Macau, to unilaterally terminate Melco Crown Macau's subconcession in the event of noncompliance by us with our basic obligations under the subconcession and applicable Macau laws. Termination of the Subconcession Contract may be enforced by agreement between Melco Crown Macau and Wynn Macau, but is independent of Wynn Macau's concession. A mutual agreement between the Macau government and Melco Crown Macau can also result in termination of the subconcession. Upon termination, all of our casino premises and gaming equipment would revert to the Macau government automatically without compensation to us and we would cease to generate any revenues from these operations. In many of these instances, the Subconcession Contract does not provide a specific cure period within which any such events may be cured and, instead, we may be dependent on consultations and negotiations with the Macau government to give us an opportunity to remedy any such default. Neither Melco Crown Macau nor Wynn Macau is granted explicit rights of veto, or of prior consultation. The Macau government may be able to unilaterally rescind the Subconcession Contract upon the following termination events:

- the operation of gaming without permission or operation of business which does not fall within the business scope of the subconcession;
- abandonment of approved business or suspension of operations of our gaming business in Macau without reasonable grounds for more than seven consecutive days or more than 14 non-consecutive days within one calendar year;
- transfer of all or part of Melco Crown Macau's operation in Macau in violation of the relevant laws and administrative regulations governing the operation of games of fortune or chance and other casino games in Macau and without Macau government approval;
- failure to pay taxes, premiums, levies or other amounts payable to the Macau government;

- refusal or failure to resume operations following the temporary assumption of operations by the Macau government;
- repeated opposition to the supervision and inspection by the Macau government and failure to comply with decisions and recommendations of the Macau government, especially those of the DICJ, applicable to us;
- failure to provide or supplement the guarantee deposit or the guarantees specified in the subconcession within the prescribed period;
- bankruptcy or insolvency of Melco Crown Macau;
- fraudulent activity harming the public interest;
- serious and repeated violation of the applicable rules for carrying out casino games of chance or games of other forms or damage to the fairness of casino games of chance or games of other forms;
- systematic non-compliance with the Macau Gaming Law's basic obligations;
- the grant to any other person of any managing power over the gaming business of Melco Crown Macau or the grant of a subconcession or entering into any agreement to the same effect; or
- failure by a controlling shareholder in Melco Crown Macau to dispose of its interest in Melco Crown Macau, within 90 days from the date of the authorization given by the Macau government for such disposal, pursuant to written instructions received from the regulatory authority of a jurisdiction where the said shareholder is licensed to operate, which have had the effect that such controlling shareholder now wishes to dispose of the shares it owns in Melco Crown Macau.

Ownership and Capitalization. Set out below are the key terms in relation to ownership and capitalization under the Subconcession Contract:

- any person who directly acquires voting rights in Melco Crown Macau will be subject to authorization from the Macau government;
- Melco Crown Macau will be required to take the necessary measures to ensure that any person who directly or indirectly acquires more than 5% of the shares in Melco Crown Macau would be subject to authorization from the Macau government, except when such acquisition is wholly made through the shares of publicly listed companies;
- any person who directly or indirectly acquires more than 5% of the shares in Melco Crown Macau will be required to report the acquisition to the Macau government (except when such acquisition is wholly made through shares tradable on a stock exchange as a publicly listed company);
- the Macau government's prior approval would be required for any recapitalization plan of Melco Crown Macau; and
- the Chief Executive of Macau could require the increase of Melco Crown Macau's share capital if he deemed it necessary.

Redemption. Under the Subconcession Contract, beginning in 2017, the Macau government has the right to redeem the Subconcession Contract by providing us with at least one year's prior notice. In the event the Macau government exercises this redemption right, we would be entitled to fair compensation or indemnity. The standards for the calculation of the amount of such compensation or indemnity would be determined based on the gross revenues generated by City of Dreams during the tax year immediately prior to the redemption, multiplied by the remaining term of the subconcession. We would not receive any further compensation (including for consideration paid to Wynn Macau for the subconcession).

Others. In addition, the Subconcession Contract contains various general covenants and obligations and other provisions, including special duties of cooperation, special duties of information, and execution of our investment obligations.

See “Item 3. Key Information — D. Risk Factors — Risks Relating to the Gaming Industry in Macau — Melco Crown Macau’s Subconcession Contract expires in 2022 and if we were unable to secure an extension of its subconcession in 2022 or if the Macau government were to exercise its redemption right in 2017, we would be unable to operate casino gaming in Macau.”

PAGCOR Licenses in the Philippines

The Provisional License issued by PAGCOR that authorizes the Provisional Licensees through, MCE Leisure Philippines, to establish and operate a casino in the Philippines for both local and foreign patrons who are at least twenty-one years of age.

In general, the Provisional License imposes certain obligations such as, but not limited to, the following:

- to pay license fees monthly to PAGCOR;
- not to exceed a 70:30 debt-to-equity ratio for each of the Philippine Licensees;
- to hire locally at least 95.0% of total employees of City of Dreams Manila;
- to ensure at least 40.0% of City of Dreams Manila’s gaming personnel are exclusively supplied by PAGCOR, where practicable;
- to purchase at least 90.0% of City of Dreams Manila’s furniture and fixtures from Philippine manufacturers;
- to deposit US\$100.0 million in an escrow account and maintain a minimum balance of US\$50.0 million at all times;
- to remit 2.0% of certain casino revenues and 5.0% of certain non-gaming revenues; and
- to operate only the authorized casino games approved by PAGCOR;
- to obtain a regular license to replace the Provisional License upon completion of City of Dreams Manila and upon approval by PAGCOR.

The regular casino license is granted by PAGCOR to holders of the Provisional License who, among others, have reached a total investment commitment of US\$ 1 billion. Having met this requirement, MCE Leisure, on behalf of the Licensees, has applied to PAGCOR for the issuance of such regular casino license on January 30, 2015.

See “Item 3. Key Information — D. Risk Factors — Risks Relating to the Gaming Industry and Our Business in the Philippines – MCP’s gaming operations are dependent on the Provisional License issued by PAGCOR.”

Tax

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we and our subsidiaries incorporated in the Cayman Islands are not subject to Cayman Islands income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands. However, we and our Cayman Islands subsidiaries are subject to Hong Kong profits tax on profits arising from our activities conducted in Hong Kong.

Our subsidiaries incorporated in the British Virgin Islands are not subject to tax in the British Virgin Islands, but certain subsidiaries incorporated in the British Virgin Islands are subject to Macau complementary tax of 12% on profits earned in or derived from its activities conducted in Macau.

Our subsidiaries incorporated in Macau are subject to Macau complementary tax of up to 12% on profits earned in or derived from their activities conducted in Macau. Having obtained a subconcession, Melco Crown Macau has applied for and has been granted the benefit of a corporate tax holiday on Macau complementary tax (but not gaming tax) in 2007, which exempted us from paying the Macau complementary tax for five years from 2007 to 2011 on gaming profits generated by Altira Macau, Mocha Clubs and City of Dreams. In April 2011, the Macau government extended the tax holiday for an additional five years through 2016. In addition, in 2014 the Macau government accepted an application by one of our subsidiaries in Macau for a corporate tax exemption until 2016 on amounts transferred to it by Melco Crown Macau, to the extent that such amounts result from gaming operations within Studio City and have been subject to gaming tax. The Macau government clarified that share dividends payment by such subsidiary would continue to be subject to complementary tax. However, we cannot assure you that the corporate tax holiday benefits will be extended beyond the expiration date. We remain subject to Macau complementary tax on our non-gaming profits.

Pursuant to the proposed terms issued by the Macau government in December 2013 which was accepted by Melco Crown Macau in January 2014, during the 5-year extension of the corporate tax holiday, an annual lump sum of MOP22.4 million (equivalent to approximately US\$2.8 million) is payable by Melco Crown Macau, effective retroactively from 2012 through 2016, with respect to tax due for dividend distributions to the shareholders of Melco Crown Macau from gaming profits, whether such dividends are actually distributed by Melco Crown Macau or not or whether Melco Crown Macau has distributable profits in the relevant year. With the payment of such lump sum, the shareholders of Melco Crown Macau will not be liable to pay any other tax in Macau for dividend distributions from gaming profits.

Melco Crown Macau is subject to Macau gaming tax based on gross gaming revenue in Macau. These gaming taxes are an assessment on Melco Crown Macau's gaming revenue and are recorded as an expense within the "Casino" line item in the consolidated statements of operations.

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

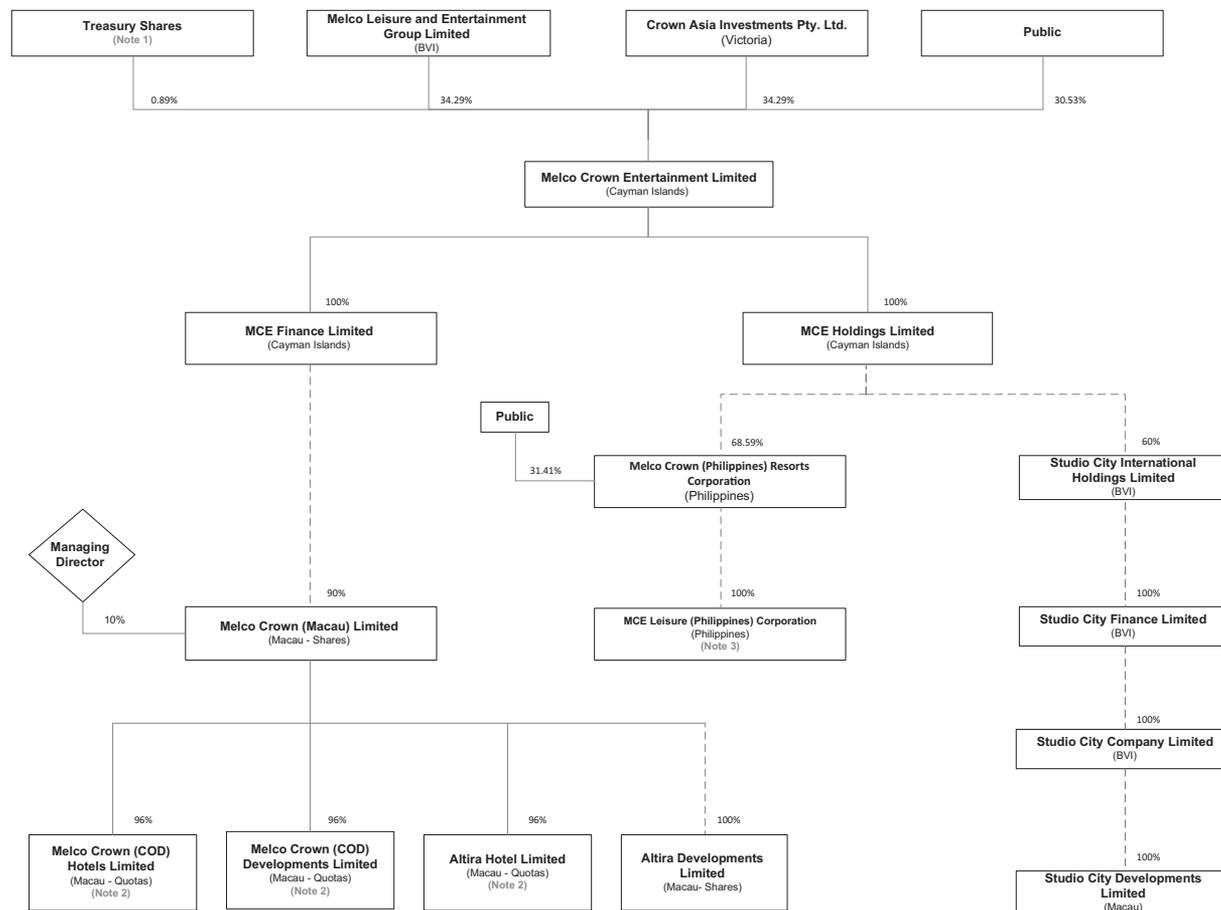
Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax of 16.5% on any profits arising in or derived from Hong Kong. One of our subsidiaries incorporated in Hong Kong is also subject to Macau complementary tax on profits earned in or derived from its activities conducted in Macau and another one is subject to corporate tax on profits in a number of other Asian jurisdictions through its activities conducted in these jurisdictions.

Our subsidiaries incorporated in the Philippines are subject to Philippine corporate income tax of 30% on profits and other local taxes. Some of the subsidiaries are likewise liable for VAT on certain transactions. MCE Leisure Philippines is subject to license fees payable to PAGCOR based on gross gaming revenue in the Philippines. These license fees are an assessment on MCE Leisure Philippines' gaming revenue and are recorded as an expense within the "Casino" line item in the consolidated statements of operations. Further, MCE Leisure Philippines, by virtue of its being registered with the Philippine Economic Zone Authority as a Tourism Economic Zone Enterprise, enjoys a tax and duty exemption on importation and VAT zero-rating on its local purchases of certain capital equipment used in registered activities.

C. ORGANIZATIONAL STRUCTURE

We are a holding company for the following principal businesses and developments: (1) 100% economic interest in our Macau gaming subconcession holder, Melco Crown Macau, which is the operator of our gaming and non-gaming businesses in various properties in Macau; (2) a majority interest in our Studio City development project; and (3) a majority interest in MCP, a company listed on the Philippine Stock Exchange.

The following diagram illustrates our organizational structure, and the place of formation, ownership interest and affiliation of each of our significant subsidiaries, as of April 2, 2015:



Notes:

- (1) The treasury shares represent i) new shares issued by us and held by the depository bank to facilitate the administration and operations of our share incentive plans, and are to be delivered to the directors, eligible employees and consultants on the vesting of restricted shares and upon the exercise of share options; and ii) the shares purchased under a trust arrangement for the benefit of certain beneficiaries who are awardees under our share incentive plan adopted on October 6, 2011 by our Company, or the 2011 Share Incentive Plan and held by a trustee to facilitate the future vesting of restricted shares in selected directors, employees and consultants under our 2011 Share Incentive Plan. For a description of our share incentive plans, see “Item 6. Directors, Senior Management and Employees — E. Share Ownership — Share Incentive Plans.”

- (2) The shares of these companies are owned 96% by Melco Crown Macau and 4% by MPEL Nominee Two Limited.
- (3) The shares of this company is owned 0.01% by 5 nominee directors.

See “Item 7. Major Shareholders and Related Party Transactions — A. Major Shareholders” for more information regarding the beneficial ownership of Melco and Crown in our Company.

D. PROPERTY, PLANT AND EQUIPMENT

See “Item 4. Information on the Company — B. Business Overview” for information regarding our material tangible property, plant and equipment.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with, and is qualified in its entirety by, the audited consolidated financial statements and the notes thereto in this Annual Report on Form 20-F. Certain statements in this “Operating and Financial Review and Prospects” are forward-looking statements. See “Special Note Regarding Forward-Looking Statements” regarding these statements.

Overview

We are a holding company and, through our subsidiaries, develop, own and operate casino gaming and entertainment resort facilities in Asia. Our future operating results are subject to significant business, economic, regulatory and competitive uncertainties and risks, many of which are beyond our control. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Operations.” For detailed information regarding our operations and development projects, see “Item 4. Information on the Company — B. Business Overview.”

A. OPERATING RESULTS

Operations

Our primary business segments consist of:

City of Dreams

City of Dreams, as of December 31, 2014, featured a casino area of approximately 448,000 square feet with a total of approximately 500 gaming tables and approximately 1,400 gaming machines, approximately 1,400 hotel rooms and suites, over 30 restaurants and bars, approximately 70 retail outlets, a wet stage performance theater, recreation and leisure facilities, including health and fitness clubs, three swimming pools, spas and salons and banquet and meeting facilities. A wet stage performance theater with approximately 2,000 seats features *The House of Dancing Water* show produced by Franco Dragone. The Club Cubic nightclub features approximately 26,200 square feet of live entertainment space. City of Dreams targets premium market and rolling chip players from regional markets across Asia.

We are expanding our retail precinct at City of Dreams, which is anticipated to open in the first half of 2016. We are also in an early stage of developing the fifth hotel tower at City of Dreams. We are currently reviewing the development plan and schedule of this hotel tower by taking into account a range of factors, including the current and expected future operating environment in Macau and other potential uses of cash and future cash flow.

For the years ended December 31, 2014, 2013 and 2012, net revenues generated from City of Dreams amounted to US\$3,848.6 million, US\$3,857.0 million and US\$2,920.9 million representing 80.1%, 75.8% and 71.6% of our total net revenues, respectively.

Altira Macau

Altira Macau, as of December 31, 2014, featured a casino area of approximately 173,000 square feet with a total of approximately 120 gaming tables, approximately 230 hotel rooms, several fine dining and casual restaurants and recreation and leisure facilities. Altira Macau is designed to provide a casino and hotel experience that caters to Asian rolling chip players sourced primarily through gaming promoters. For the years ended December 31, 2014, 2013 and 2012, net revenues generated from Altira Macau amounted to US\$744.9 million, US\$1,033.8 million and US\$966.8 million representing 15.5%, 20.3% and 23.7% of our total net revenues, respectively.

Mocha Clubs

As of December 31, 2014, we operated eight Mocha Clubs with a total of 1,321 gaming machines in operation. Mocha Clubs focus primarily on general mass market players, including day-trip customers, outside the conventional casino setting. For the years ended December 31, 2014, 2013 and 2012, net revenues generated from Mocha Clubs amounted to US\$147.4 million, US\$148.7 million and US\$143.3 million representing 3.1%, 2.9% and 3.5% of our total net revenues, respectively. The source of revenues was substantially all from gaming machines. For the years ended December 31, 2014, 2013 and 2012, gaming machine revenues represented 98.4%, 98.8% and 98.0% of net revenues generated from Mocha Clubs, respectively.

Corporate and Others

Corporate and Others primarily includes Taipa Square Casino, a casino on Taipa Island, Macau operating within Hotel Taipa Square, which we operate under a right-to-use agreement, and other corporate costs. For the years ended December 31, 2014, 2013 and 2012, net revenues generated from Corporate and Others amounted to US\$52.1 million, US\$46.6 million and US\$46.9 million representing 1.1%, 0.9% and 1.2% of our total net revenues, respectively.

Studio City

On July 27, 2011, we acquired a 60% equity interest in SCI, the developer, owner and operator of Studio City, which we envision as a large-scale integrated entertainment, retail and gaming resort located in Cotai, with gaming facilities, five-star hotel offerings, and various entertainment, retail and food and beverage outlets to attract a diverse range of customers, with a particular focus on the mass market segment in Asia and, in particular, from Greater China. Studio City is currently in the development stage, and as a result there is no revenue and cash provided by its intended operations.

City of Dreams Manila

We completed the acquisition of a majority interest in the issued share capital of MCP on December 19, 2012 and completed the injection of the entire interest of MCE Leisure Philippines, which is the developer and operator of our Philippines casino hotel resort project, "City of Dreams Manila" in March 2013.

City of Dreams Manila opened its doors to customers in December 2014, with a grand opening in the first quarter of 2015. For the year ended December 31, 2014, net revenue generated from City of Dreams Manila amounted to US\$7.6 million representing 0.2% of our total net revenues. No revenue was generated from City of Dreams Manila for the years ended December 31, 2013 and 2012.

Summary of Financial Results

For the year ended December 31, 2014, our total net revenues were US\$4.80 billion, a decrease of 5.6% from US\$5.09 billion of net revenues for the year ended December 31, 2013. Net income attributable to Melco Crown Entertainment for the year ended December 31, 2014 was US\$608.3 million, as compared to net income of US\$637.5 million for the year ended December 31, 2013. The decline in profitability was primarily attributable to a decrease in group-wide rolling chip revenues, partially offset by improved group-wide mass market table games revenues.

	Year Ended December 31,		
	2014	2013	2012
	<i>(in thousands of US\$)</i>		
Net revenues	\$ 4,802,309	\$ 5,087,178	\$ 4,078,013
Total operating costs and expenses	(4,116,949)	(4,247,354)	(3,570,921)
Operating income	685,360	839,824	507,092
Net income attributable to Melco Crown Entertainment	\$ 608,280	\$ 637,463	\$ 417,203

Our results of operations and financial position for the years presented are not fully comparable for the following reasons:

- On November 26, 2012, Studio City Finance issued the Studio City Notes
- On December 19, 2012, we completed the acquisition of a majority interest in the issued share capital of MCP
- On February 7, 2013, MCE Finance issued the 2013 Senior Notes
- On March 11, 2013, we completed the early redemption of the RMB Bonds in full
- On March 13, 2013, the cooperation agreement and the lease agreement between us and the Philippine Parties became effective
- On March 28, 2013, we completed the early redemption of our 2010 Senior Notes
- In April 2013, MCP completed the 2013 Top-up Placement, including the over-allotment option
- On January 24, 2014, MCE Leisure Philippines issued the Philippine Notes
- On June 24, 2014, MCP completed the 2014 Top-up Placement
- On July 28, 2014, we drew down the entire delayed draw term loan facility under the Studio City Project Facility
- On December 14, 2014, City of Dreams Manila started operations with its grand opening on February 2, 2015

Factors Affecting Our Current and Future Results

Our results of operations are and will be affected most significantly by:

- The current economic and operating environment that affects the gaming markets in Macau and the Philippines, including the impact of global and local economic conditions, changes in capital market conditions, the impact of the political, economic and regulatory environment, including changes to

travel and visa policies, anti-smoking legislation as well as gaming table allocation policies in Macau, or any policies implemented by the PRC central and Macau governments and the general economic conditions in China and the Philippines, as discussed under “Item 4. Information on the Company — B. Business Overview — Market and Competition”;

- The development of the gaming and leisure market in Macau and the Philippines, which is facilitated by a number of key drivers and initiatives including, among others, favorable population demographics and economic growth in major Asian tourism markets, substantial private capital investment in Macau and the Philippines, particularly in developing diversified destination resort properties, and the commitment and support of the PRC central and Macau governments to improve and develop infrastructure both within, and connecting to, Macau and the commitment and support of the Philippines government to develop infrastructure and promote the Philippines as an attractive tourist destination;
- The competitive landscape in Macau, which is expected to evolve as more gaming and nongaming facilities are developed in Macau, including the expected new supply of integrated resorts in the Cotai region of Macau, as well as the impact of recent or future expansion of gaming markets throughout Asia;
- The different mix of table and machine games at our casinos, such as the mix between rolling chip and mass market table game segments, and customer playing habits; as well as changes in the mix of rolling chip business sourced through gaming promoters or via our direct VIP relationships;
- Our relationships with gaming promoters, which contribute a significant portion of our casino revenues, expose us to credit risk (given the majority of these gaming promoters are provided with credit as part of the ordinary course of business) and to any change in the gaming promoter commission environment in Macau. For the years ended December 31, 2014, 2013 and 2012, approximately 40.1%, 49.8% and 53.4% of our casino revenues were derived from customers sourced through our rolling chip gaming promoters, respectively. For the year ended December 31, 2014, our top five customers and the largest customer were gaming promoters and accounted for approximately 20.4% and 7.0% of our casino revenues, respectively. We believe we have good relationships with our gaming promoters. Commissions paid to our rolling chip gaming promoters (net of amounts indirectly rebated to customers) amounted to US\$284.8 million, US\$391.9 million and US\$308.6 million for the years ended December 31, 2014, 2013 and 2012, respectively;
- Our 2011 Credit Facilities, Aircraft Term Loan and Studio City Project Facility, which expose us to interest rate risk, as discussed under “Item 11 Quantitative and Qualitative Disclosures About Market Risk — Interest Rate Risk”; and
- The currency of our operations, our indebtedness and presentation of our financial statements, which expose us to foreign exchange risk rate, as discussed under “Item 11 Quantitative and Qualitative Disclosures About Market Risk — Foreign Exchange Risk”.

Our historical financial results may not be characteristic of our potential future results as we continue to expand and refine our service offerings at our properties and develop and open new properties.

Key Performance Indicators (KPIs)

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

- *Rolling chip volume*: the amount of non-negotiable chips wagered and lost by the rolling chip market segment.
- *Rolling chip win rate*: rolling chip table games win (calculated before discounts and commissions) as a percentage of rolling chip volume.
- *Mass market table games drop*: the amount of table games drop in the mass market table games segment.

- *Mass market table games hold percentage*: mass market table games win as a percentage of mass market table games drop.
- *Table games win*: the amount of wagers won net of wagers lost on gaming tables that is retained and recorded as casino revenues.
- *Gaming machine handle*: the total amount wagered in gaming machines.
- *Gaming machine win rate*: gaming machine win expressed as a percentage of gaming machine handle.

In the rolling chip market segment, customers purchase identifiable chips known as non-negotiable chips, or rolling chips, from the casino cage, and there is no deposit into a gaming table's drop box of rolling chips purchased from the cage. Rolling chip volume and mass market table games drop are not equivalent. Rolling chip volume is a measure of amounts wagered and lost. Mass market table games drop measures buy in. Rolling chip volume is generally substantially higher than mass market table games drop. As these volumes are the denominator used in calculating win rate or hold percentage, with the same use of gaming win as the numerator, the win rate is generally lower in the rolling chip market segment than the hold percentage in the mass market table games segment.

Our combined expected rolling chip win rate (calculated before discounts and commissions) across our properties is in the range of 2.7% to 3.0%.

We use the following KPIs to evaluate our hotel operations:

- *Average daily rate*: calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms occupied including complimentary rooms, i.e., average price of occupied rooms per day.
- *Occupancy rate*: the average percentage of available hotel rooms occupied, including complimentary rooms, during a period.
- *Revenue per available room, or REVPAR*: calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

Complimentary rooms are included in the calculation of the above room-related KPIs. The average daily rate of complimentary rooms is typically lower than the average daily rate for cash rooms. The occupancy rate and REVPAR would be lower if complimentary rooms were excluded from the calculation. As not all available rooms are occupied, average daily room rates are normally higher than revenue per available room.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenues

Our total net revenues for the year ended December 31, 2014 were US\$4.80 billion, a decrease of US\$284.9 million, or 5.6%, from US\$5.09 billion for the year ended December 31, 2013. The decline in total net revenues was primarily attributable to lower group-wide rolling chip revenues primarily driven by deteriorating demand from Chinese players as well as restrictive policies including changes to travel and visa policies, partially offset by improved group-wide mass market table games revenues.

Our total net revenues for the year ended December 31, 2014 consisted of US\$4.65 billion of casino revenues, representing 96.9% of our total net revenues, and US\$148.1 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2013 comprised US\$4.94 billion of casino revenues, representing 97.1% of our total net revenues, and US\$145.7 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2014 were US\$4.65 billion, representing a US\$287.3 million, or 5.8%, decrease from casino revenues of US\$4.94 billion for the year ended December 31,

2013, primarily due to a decrease in casino revenues at Altira Macau and City of Dreams of US\$290.3 million, or 28.5%, and US\$6.9 million, or 0.2%, respectively, partially offset by the casino revenue at City of Dreams Manila of US\$6.7 million since it started operations on December 14, 2014. The overall decrease was primarily a result of decreased rolling chip volume and rolling chip win rate at both Altira Macau and City of Dreams, primarily driven by deteriorating demand from Chinese players as well as restrictive policies including changes to travel and visa policies, partially offset by improved blended mass market table games drop and blended mass table games hold percentage.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2014 was US\$33.6 billion, representing a decrease of US\$11.3 billion, or 25.2%, from US\$44.9 billion for the year ended December 31, 2013. The rolling chip win rate (calculated before discounts and commissions) was 2.76% for the year ended December 31, 2014, within our expected level of 2.7% to 3.0%, while decreasing from 2.96% for the year ended December 31, 2013. In the mass market table games segment, mass market table games drop was US\$756.7 million for the year ended December 31, 2014, representing an increase of 4.5% from US\$724.0 million for the year ended December 31, 2013. The mass market table games hold percentage was 15.8% for the year ended December 31, 2014, a slight increase from 15.4% for the year ended December 31, 2013.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2014 of US\$82.1 billion represented a decrease of US\$14.9 billion, or 15.4%, from US\$97.0 billion for the year ended December 31, 2013. The rolling chip win rate (calculated before discounts and commissions) was 2.83% for the year ended December 31, 2014, in line with our expected range of 2.7% to 3.0%, while decreasing from 2.95% for the year ended December 31, 2013. In the mass market table games segment, mass market table games drop was US\$5.29 billion for the year ended December 31, 2014 which represented an increase of US\$0.63 billion, or 13.5%, from US\$4.66 billion for the year ended December 31, 2013. The mass market table games hold percentage was 37.5% in the year ended December 31, 2014, demonstrating an increase from 34.6% for the year ended December 31, 2013. Average net win per gaming machine per day was US\$464 for the year ended December 31, 2014, an increase of US\$103, or 28.5%, from US\$361 for the year ended December 31, 2013.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2014 was US\$303, an increase of approximately US\$91, or 42.9%, from US\$212 for the year ended December 31, 2013.

Rooms. Room revenues (including the retail value of promotional allowances) for the year ended December 31, 2014 were US\$136.4 million, representing a US\$8.8 million, or 6.9%, increase from room revenues (including the retail value of promotional allowances) of US\$127.7 million for the year ended December 31, 2013. The increase was primarily due to improved occupancy and the positive impact from the increase in average daily rate. Altira Macau's average daily rate, occupancy rate and REVPAR were US\$232, 99% and US\$229, respectively, for the year ended December 31, 2014, as compared to US\$230, 99% and US\$227, respectively, for the year ended December 31, 2013. City of Dreams' average daily rate, occupancy rate and REVPAR were US\$197, 99% and US\$195, respectively, for the year ended December 31, 2014, as compared to US\$189, 97% and US\$183, respectively, for the year ended December 31, 2013.

Food, beverage and others. Other non-casino revenues (including the retail value of promotional allowances) for the year ended December 31, 2014 included food and beverage revenues of US\$84.9 million and entertainment, retail and other revenues of US\$108.4 million. Other non-casino revenues (including the retail value of promotional allowances) for the year ended December 31, 2013 included food and beverage revenues of US\$78.9 million, and entertainment, retail and other revenues of US\$103.7 million. The increase of US\$10.7 million in food, beverage and other revenues from the year ended December 31, 2013 to the year ended December 31, 2014 was primarily due to higher business volumes and improved yield of rental income at City of Dreams.

Operating costs and expenses

Total operating costs and expenses were US\$4.12 billion for the year ended December 31, 2014, representing a decrease of US\$130.4 million, or 3.1%, from US\$4.25 billion for the year ended December 31, 2013. The decrease in operating costs was primarily due to a decrease in operating costs at Altira Macau which were in-line with the decreased gaming volume and associated decrease in revenues, a decrease in development costs, the gain on disposal of assets held for sale, partially offset by increase in general and administrative expenses and pre-opening costs to support expanding operations.

Casino. Casino expenses decreased by US\$206.3 million, or 6.0%, to US\$3.25 billion for the year ended December 31, 2014 from US\$3.45 billion for the year ended December 31, 2013 primarily due to decrease in gaming tax and other levies and commission expenses of US\$308.6 million, which decreased as a result of decreased gaming volume and an associated decrease in revenues, partially offset by an increase in payroll and other operating costs as well as complimentary to gaming customers of US\$102.3 million.

Rooms. Room expenses, which mainly represent the costs of operating the hotel facilities at Altira Macau and City of Dreams, were US\$12.7 million and US\$12.5 million for the years ended December 31, 2014 and 2013, respectively. The slight increase was primarily due to an increase in payroll and other operating costs as a result of increased occupancy, partially offset by a higher level of complimentary hotel rooms offered to gaming customers for which the associated costs were included in casino expenses.

Food, beverage and others. Food, beverage and others expenses were US\$85.6 million and US\$93.3 million for the years ended December 31, 2014 and 2013, respectively. The decrease was primarily due to a higher level of complimentary food, beverage and others offered to gaming customers for which the associated costs were included in casino expenses, partially offset by an increase in payroll and other operating costs associated with the increase in revenues.

General and administrative. General and administrative expenses increased by US\$55.9 million, or 21.9%, to US\$311.7 million for the year ended December 31, 2014 from US\$255.8 million for the year ended December 31, 2013, primarily due to an increase in payroll expenses, share-based compensation, rental expenses, marketing and advertising expenses, as well as professional fees to support continuing and expanding operations.

Pre-opening costs. Pre-opening costs were US\$94.0 million for the year ended December 31, 2014 as compared to US\$17.0 million for the year ended December 31, 2013. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. Pre-opening costs for the years ended December 31, 2014 and 2013 primarily related to the payroll expenses, rental and administrative costs in connection with City of Dreams Manila and Studio City. The increase was primarily due to the increase in payroll expenses and other administrative costs in City of Dreams Manila, mainly driven by the increase in headcount to cope with its opening on December 14, 2014.

Development costs. Development costs were US\$10.7 million for the year ended December 31, 2014, which predominantly related to professional and consultancy fees as well as marketing and promotion costs for corporate business development. Development costs for the year ended December 31, 2013 of US\$26.3 million primarily related to fees and costs associated with the corporate reorganization of MCP by the Company, as well as corporate business development.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US\$57.2 million for each of the years ended December 31, 2014 and 2013.

Amortization of land use rights. Amortization of land use rights expenses remained stable at US\$64.5 million and US\$64.3 million for the years ended December 31, 2014 and 2013, respectively.

Depreciation and amortization. Depreciation and amortization expenses were US\$246.7 million and US\$261.3 million for the years ended December 31, 2014 and 2013, respectively. The decrease was primarily due to certain assets becoming fully depreciated at City of Dreams and Altira Macau during the year ended December 31, 2014, offset in part by depreciation of assets at City of Dreams Manila, which started operations on December 14, 2014.

Property charges and others. Property charges and others generally include costs related to the remodeling and rebranding of a property, which might include the retirement, disposal or write-off of assets. Property charges and others for the year ended December 31, 2014 were US\$8.7 million, which primarily included assets write-off of US\$3.5 million on furniture, fixtures and equipment damaged by the typhoon in the Philippines and assets write-off and impairments of US\$3.2 million as a result of the remodel of non-gaming attractions at City of Dreams. Property charges and others for the year ended December 31, 2013 were US\$6.9 million, which primarily included a write-off of US\$3.0 million for the final payment in relation to a service contract at City of Dreams and assets write-off of US\$1.6 million as a result of the remodel of non-gaming attractions at City of Dreams.

Gain on disposal of assets held for sale. Gain on disposal of assets held for sale of US\$22.1 million for the year ended December 31, 2014 related to the disposal of five units located at Golden Dragon Centre in Macau.

Non-operating expenses, net

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, amortization of deferred financing costs, loan commitment and other finance fees, foreign exchange (loss) gain, net, change in fair value of interest rate swap agreements, loss on extinguishment of debt and costs associated with debt modification, as well as other non-operating income, net.

Interest income was US\$20.0 million for the year ended December 31, 2014, as compared to US\$7.7 million for the year ended December 31, 2013. The increase was primarily driven by higher level of deposits placed at banks to yield higher interest income during the year ended December 31, 2014.

Interest expenses were US\$124.1 million (net of capitalized interest of US\$96.9 million) for the year ended December 31, 2014, compared to US\$152.7 million (net of capitalized interest of US\$31.0 million) for the year ended December 31, 2013. The decrease in net interest expenses (net of interest capitalization) of US\$28.6 million was primarily due to: (i) higher interest capitalization of US\$65.9 million primarily associated with the Studio City and City of Dreams Manila construction and development projects; (ii) a lower interest charge of US\$5.5 million as a result of the scheduled repayments of the term loan started from September 2013 and the repayment of the drawn revolving credit facility in late March 2013, both under the 2011 Credit Facilities; (iii) a lower interest charge of US\$4.3 million upon our repayment and redemption on the Deposit-Linked Loan and RMB Bonds in March 2013; (iv) lower interest charges of US\$1.1 million upon our redemption of our 2010 Senior Notes by our issuance of the lower interest rate 2013 Senior Notes in March 2013; partially offset by (v) US\$26.3 million higher interest expenses upon our drawdown of the term loan under the Studio City Project Facility in July 2014; (vi) US\$19.8 million higher interest expenses upon our issuance of the Philippine Notes in January 2014; and (vii) US\$5.8 million higher interest expenses on capital lease obligation relating to MCP's building lease payments entered in March 2013.

Other finance costs for the year ended December 31, 2014 of US\$47.0 million, included US\$28.0 million of amortization of deferred financing costs and US\$19.0 million of loan commitment and other finance fees. Other finance costs for the year ended December 31, 2013 of US\$43.8 million, included US\$18.2 million of amortization of deferred financing costs and US\$25.6 million of loan commitment and other finance fees. The increase in amortization of deferred financing costs compared to the year ended December 31, 2013 was primarily due to the recognition of amortized deferred financing costs incurred for the 2013 Senior Notes issued

in February 2013, the Philippine Notes issued in January 2014 and the term loan under the Studio City Project Facility drawn in July 2014, which were offset in part by the cessation of amortization of deferred financing costs relating to the RMB Bonds and 2010 Senior Notes upon our redemption. The decrease in loan commitment and other finance fees compared to the year ended December 31, 2013 was primarily associated with the drawdown of term loan under the Studio City Project Facility in July 2014.

There was no loss on extinguishment of debt or costs associated with debt modification for the year ended December 31, 2014. Loss on extinguishment of debt for the year ended December 31, 2013 was US\$50.9 million, which mainly represented a portion of the 2010 Senior Notes redemption fees and unamortized deferred financing costs that are not eligible for capitalization.

Costs associated with debt modification for the year ended December 31, 2013 were US\$10.5 million, which mainly represented a portion of underwriting fee, legal and professional fees incurred for refinancing 2010 Senior Notes with 2013 Senior Notes that are not eligible for capitalization.

Income tax (expense) credit

Income tax expense for the year ended December 31, 2014 was primarily attributable to a lump sum tax payable of US\$2.8 million in lieu of Macau Complementary Tax otherwise due by Melco Crown Macau's shareholders on dividends distributable to them by Melco Crown Macau, Macau Complementary Tax of US\$2.8 million arising mainly due to a gain on disposal of assets held for sale, and Hong Kong Profits Tax of US\$1.2 million, partially offset by a deferred tax credit of US\$4.5 million. No provision for income tax for certain subsidiaries of the Company in the Philippines for the years ended December 31, 2014 and 2013 and no provision for income tax in the United States of America for the year ended December 31, 2013 were provided as the subsidiaries incurred tax losses. The effective tax rate for the year ended December 31, 2014 was 0.6%, as compared to 0.4% for the year ended December 31, 2013. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of a tax exemption on profits generated by Macau gaming operations of US\$109.2 million and US\$125.7 million during the years ended December 31, 2014 and 2013, respectively, which is set to expire in 2016, the effect of change in valuation allowance, the effect of different tax rates of subsidiaries operating in other jurisdictions, and the effect of expenses for which no income tax benefit is receivable. Our management currently does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippines operations; however, to the extent that the financial results of our Macau and Philippines operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance through earnings.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US\$80.9 million for the year ended December 31, 2014, which compared to that of US\$59.5 million for the year ended December 31, 2013, was primarily due to the share of the Studio City expenses of US\$ 40.0 million and MCP expenses of US\$40.9 million, respectively, by the respective minority shareholders for the year ended December 31, 2014. The year-over-year increase was primarily attributable to the noncontrolling interests' share of MCP's pre-operating expenses and financing costs during the year ended December 31, 2014 and the increase in the share of Studio City's pre-operating expenses, partially offset by the decrease in share of Studio City's financing costs mainly due to higher interest capitalization offset with the increase in interest expenses on the Studio City Project Facility, which was drawn in July 2014.

Net income attributable to Melco Crown Entertainment

As a result of the foregoing, we had net income of US\$608.3 million for the year ended December 31, 2014, compared to US\$637.5 million for the year ended December 31, 2013.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues

Our total net revenues for the year ended December 31, 2013 were US\$5.09 billion, an increase of US\$1.01 billion, or 24.7%, from US\$4.08 billion for the year ended December 31, 2012. The increase in total net revenues was driven by substantially improved mass table games volumes and blended hold percentages, as well as increased volumes in the rolling chip and gaming machines segments.

Our total net revenues for the year ended December 31, 2013 consisted of US\$4.94 billion of casino revenues, representing 97.1% of our total net revenues, and US\$145.7 million of net non-casino revenues (total non-casino revenues after deduction of promotional allowances). Our total net revenues for the year ended December 31, 2012 comprised US\$3.93 billion of casino revenues, representing 96.5% of our total net revenues, and US\$143.3 million of net non-casino revenues.

Casino. Casino revenues for the year ended December 31, 2013 were US\$4.94 billion, representing a US\$1.01 billion, or 25.6%, increase from casino revenues of US\$3.93 billion for the year ended December 31, 2012, primarily due to an increase in casino revenues at City of Dreams and Altira Macau of US\$935.2 million, or 33.5%, and US\$65.5 million, or 6.9%, respectively. This increase was primarily a result of increased rolling chip volume and mass market table games drop at both City of Dreams and Altira Macau, as well as an improved blended mass market table games hold percentage and rolling chip win rate. Mass market table games revenues benefited from the success of a range of gaming floor efficiency initiatives and improved casino visitation and casino marketing initiatives, together with a strong overall market growth environment in the segment.

Altira Macau. Altira Macau's rolling chip volume for the year ended December 31, 2013 was US\$44.9 billion, representing an increase of US\$0.9 billion, or 2.2%, from US\$44.0 billion for the year ended December 31, 2012. The rolling chip win rate (calculated before discounts and commissions) was 2.96% for the year ended December 31, 2013, within our expected level of 2.7% to 3.0%, and increased slightly from 2.89% for the year ended December 31, 2012. In the mass market table games segment, mass market table games drop was US\$724.0 million for the year ended December 31, 2013, representing an increase of 20.4% from US\$601.4 million for the year ended December 31, 2012. The mass market table games hold percentage was 15.4% for the year ended December 31, 2013, representing a decrease from 16.7% for the year ended December 31, 2012.

City of Dreams. City of Dreams' rolling chip volume for the year ended December 31, 2013 of US\$97.0 billion represented an increase of US\$15.7 billion, or 19.3%, from US\$81.3 billion for the year ended December 31, 2012. The rolling chip win rate (calculated before discounts and commissions) was 2.95% for the year ended December 31, 2013, in line with our expected range of 2.7% to 3.0%, and reflected a slight increase from 2.92% for the year ended December 31, 2012. In the mass market table games segment, mass market table games drop was US\$4.66 billion for the year ended December 31, 2013 which represented an increase of US\$1.07 billion, or 30.0%, from US\$3.59 billion for the year ended December 31, 2012. The mass market table games hold percentage was 34.6% in the year ended December 31, 2013, demonstrating a large increase from 29.1% for the year ended December 31, 2012. Average net win per gaming machine per day was US\$361 for the year ended December 31, 2013, an increase of US\$48, or 15.2%, from US\$313 for the year ended December 31, 2012.

Mocha Clubs. Mocha Clubs' average net win per gaming machine per day for the year ended December 31, 2013 was US\$212, an increase of approximately US\$26, or 13.9%, from US\$186 for the year ended December 31, 2012.

Rooms. Room revenues (including the retail value of promotional allowances) for the year ended December 31, 2013 were US\$127.7 million, representing a US\$9.6 million, or 8.1%, increase from room revenues (including the retail value of promotional allowances) of US\$118.1 million for the year ended December 31, 2012. The increase was primarily due to improved occupancy and the positive impact from the

increase in average daily rate. Altira Macau's average daily rate, occupancy rate and REVPAR were US\$230, 99% and US\$227, respectively, for the year ended December 31, 2013, as compared to US\$221, 98% and US\$216, respectively, for the year ended December 31, 2012. City of Dreams' average daily rate, occupancy rate and REVPAR were US\$189, 97% and US\$183, respectively, for the year ended December 31, 2013, as compared to US\$185, 93% and US\$171, respectively, for the year ended December 31, 2012.

Food, beverage and others. Other non-casino revenues (including the retail value of promotional allowances) for the year ended December 31, 2013 included food and beverage revenues of US\$78.9 million and entertainment, retail and other revenues of US\$103.7 million. Other non-casino revenues (including the retail value of promotional allowances) for the year ended December 31, 2012 included food and beverage revenues of US\$72.7 million, and entertainment, retail and other revenues of US\$90.8 million. The increase of US\$19.1 million in food, beverage and other revenues from the year ended December 31, 2012 to the year ended December 31, 2013 was primarily due to higher business volumes associated with an increase in visitation during the year, as well as the improved yield of rental income at City of Dreams.

Operating costs and expenses

Total operating costs and expenses were US\$4.25 billion for the year ended December 31, 2013, representing an increase of US\$676.4 million, or 18.9%, from US\$3.57 billion for the year ended December 31, 2012. The increase in operating costs was primarily due to an increase in operating costs at City of Dreams and Altira Macau which were in line with the increased gaming volume and associated increase in revenues, as well as the increase in associated costs in connection with MCP after our acquisition of a majority interest in MCP, including fees and costs associated with the corporate reorganization of MCP.

Casino. Casino expenses increased by US\$618.0 million, or 21.8%, to US\$3.45 billion for the year ended December 31, 2013 from US\$2.83 billion for the year ended December 31, 2012 primarily due to additional gaming tax and other levies and commission expenses of US\$531.0 million, as well as other operating costs, such as payroll and promotional expenses of US\$87.0 million, which increased as a result of increased gaming volume and an associated increase in revenues.

Rooms. Room expenses, which represent the costs of operating the hotel facilities at Altira Macau and City of Dreams, decreased by 14.9% to US\$12.5 million for the year ended December 31, 2013 from US\$14.7 million for the year ended December 31, 2012, primarily due to a higher level of complimentary hotel rooms offered to gaming customers for which the associated costs are included as casino expenses, partially offset by an increase in the operating costs as a result of increased occupancy.

Food, beverage and others. Food, beverage and others expenses were US\$93.3 million and US\$90.3 million for the years ended December 31, 2013 and 2012, respectively.

General and administrative. General and administrative expenses increased by US\$28.8 million, or 12.7%, to US\$255.8 million for the year ended December 31, 2013 from US\$227.0 million for the year ended December 31, 2012, primarily due to an increase in payroll expenses, share-based compensation, marketing and advertising expenses, as well as professional fees to support continuing and expanding operations.

Pre-opening costs. Pre-opening costs were US\$17.0 million for the year ended December 31, 2013 as compared to US\$5.8 million for the year ended December 31, 2012. Such costs relate primarily to personnel training, rental, marketing, advertising and administrative costs in connection with new or start-up operations. Pre-opening costs for the year ended December 31, 2013 primarily related to the payroll expenses, rental and administrative costs in connection with City of Dreams Manila and Studio City. The pre-opening costs for the year ended December 31, 2012 related to the administrative costs in connection with Studio City, the opening of The Tasting Room, Signature Club Lounge and Jade Dragon at City of Dreams, and the introduction of Taboo at Club Cubic.

Development costs. Development costs were US\$26.3 million for the year ended December 31, 2013, which predominantly related to fees and costs associated with the corporate reorganization of MCP as well as corporate business development. Development costs for the year ended December 31, 2012 primarily included US\$5.7 million excess payment between purchase consideration and direct transaction costs and share of net assets acquired upon completion of the acquisition of MCP in December 2012 and a total of US\$5.4 million of professional and consultancy fee for City of Dreams Manila, as well as corporate business development.

Amortization of gaming subconcession. Amortization of our gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US\$57.2 million for each of the years ended December 31, 2013 and 2012.

Amortization of land use rights. The increase in amortization of land use rights expenses to US\$64.3 million for the year ended December 31, 2013 from US\$59.9 million for the year ended December 31, 2012 was primarily due to the additional amortization of land use rights expenses associated with the amended Studio City land concession contract in July 2012.

Depreciation and amortization. Depreciation and amortization expenses were US\$261.3 million and US\$261.4 million for the years ended December 31, 2013 and 2012, respectively. The slight decrease was primarily due to fully depreciated assets at City of Dreams and Altira Macau during the year ended December 31, 2013, offset in part by depreciation of assets progressively added to City of Dreams.

Property charges and others. Property charges and others generally include costs related to the remodeling and rebranding of a property which might include the retirement, disposal or write-off of assets. Property charges and others for the year ended December 31, 2013 were US\$6.9 million, which primarily included a write-off of US\$3.0 million for the final payment in relation to a service contract at City of Dreams and assets write-off of US\$1.6 million as a result of the remodel of non-gaming attractions at City of Dreams. Property charges and others for the year ended December 31, 2012 were US\$8.7 million, which mainly related to the write-off of US\$4.4 million for excess payments in relation to a service contract at City of Dreams and US\$2.4 million of costs incurred for implementing our streamlined management structure in February 2012.

Non-operating expenses, net

Net non-operating expenses consist of interest income, interest expenses, net of capitalized interest, amortization of deferred financing costs, loan commitment fees, foreign exchange (loss) gain, net, change in fair value of interest rate swap agreements, loss on extinguishment of debt and costs associated with debt modification, as well as other non-operating income, net.

Interest income was US\$7.7 million for the year ended December 31, 2013, as compared to US\$11.0 million for the year ended December 31, 2012. The decrease was primarily driven by lower interest income from the RMB Bonds proceeds deposit upon the early redemption of the RMB Bonds in March 2013.

Interest expenses were US\$152.7 million, net of capitalized interest of US\$31.0 million for the year ended December 31, 2013, compared to US\$109.6 million, net of capitalized interest of US\$10.4 million for the year ended December 31, 2012. The increase in net interest expenses (net of interest capitalization) of US\$43.1 million was primarily due to: (i) US\$65.3 million higher interest expenses upon our issuance of Studio City Notes in November 2012; (ii) US\$34.0 million interest on a capital lease obligation relating to MCP's building lease payments incurred during the year ended December 31, 2013; partially offset by (iii) lower interest charges of US\$10.5 million upon our redemption of our 2010 Senior Notes by our issuance of the lower interest rate 2013 Senior Notes in March 2013 and US\$19.5 million upon our repayment and redemption on the Deposit-Linked Loan and RMB Bonds; (iv) a lower interest charge of US\$5.0 million as a result of the scheduled repayments of the term loan started from September 2013 and repayment of the drawn revolving credit facility, both under 2011 Credit Facilities; and (v) higher interest capitalization of US\$20.6 million, primarily associated with Studio City construction and development projects.

Other finance costs for the year ended December 31, 2013 of US\$43.8 million, included US\$18.2 million of amortization of deferred financing costs and loan commitment fees of US\$25.6 million. Other finance costs for the year ended December 31, 2012 of US\$14.6 million, included US\$13.3 million of amortization of deferred financing costs and loan commitment fees of US\$1.3 million. The increase in amortization of deferred financing costs compared to the year ended December 31, 2012 was primarily due to the recognition of amortized deferred financing costs incurred for the Studio City Notes issued in November 2012 and the 2013 Senior Notes issued in February 2013, which were offset in part by the cessation of amortization of deferred financing costs relating to the RMB Bonds and 2010 Senior Notes upon our redemption. The increase in loan commitment fees compared to the year ended December 31, 2012 was primarily associated with the Studio City Project Facility, which became effective from January 28, 2013.

Loss on extinguishment of debt for the year ended December 31, 2013 was US\$50.9 million, which mainly represented a portion of the 2010 Senior Notes redemption fees and unamortized deferred financing costs that are not eligible for capitalization. There was no loss on extinguishment of debt for the year ended December 31, 2012. See “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Indebtedness” for more information.

Costs associated with debt modification for the year ended December 31, 2013 were US\$10.5 million, which mainly represented a portion of underwriting fee, legal and professional fees incurred for refinancing 2010 Senior Notes with 2013 Senior Notes that are not eligible for capitalization. Cost associated with debt modification for the year ended December 31, 2012 were US\$3.3 million, which were primarily attributable to a consent solicitation fee in relation to the 2010 Senior Notes in October 2012. See “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Indebtedness” for more information.

Income tax (expense) credit

Income tax expense for the year ended December 31, 2013 was primarily attributable to a lump sum tax payable in lieu of Macau Complementary Tax otherwise due by Melco Crown Macau’s shareholders on dividends distributable to them by Melco Crown Macau. The effective tax rate for the year ended December 31, 2013 was 0.4%, as compared to a negative rate of 0.7% for the year ended December 31, 2012. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of a tax exemption on profits generated by Macau gaming operations of US\$125.7 million and US\$88.5 million during the years ended December 31, 2013 and 2012, respectively, which is set to expire in 2016, the effect of change in valuation allowance, and the effect of expenses for which no income tax benefit is receivable. Our management does not expect to realize significant income tax benefits associated with net operating loss carryforwards and other deferred tax assets generated by our Macau and Philippines operations; however, to the extent that the financial results of our Macau and Philippines operations improve and it becomes more likely than not that the deferred tax assets are realizable, we will be able to reduce the valuation allowance through earnings.

Net loss attributable to noncontrolling interests

Our net loss attributable to noncontrolling interests of US\$59.5 million for the year ended December 31, 2013, which compared to that of US\$18.5 million for the year ended December 31, 2012, was primarily due to the share of Studio City expenses of US\$48.0 million and MCP expenses of US\$11.5 million, respectively, by the respective minority shareholders for the year ended December 31, 2013. The year-over-year increase was primarily attributable to the noncontrolling interests’ share of Studio City’s financing costs and City of Dreams Manila’s pre-operating expenses during the year ended December 31, 2013.

Net income attributable to Melco Crown Entertainment

As a result of the foregoing, we had net income of US\$637.5 million for the year ended December 31, 2013, compared to US\$417.2 million for the year ended December 31, 2012.

Adjusted Property EBITDA and Adjusted EBITDA

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, gain on disposal of assets held for sale, Corporate and Others expenses and other non-operating income and expenses, or Adjusted property EBITDA were US\$1,285.5 million, US\$1,379.1 million and US\$995.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. Adjusted property EBITDA of Altira Macau, City of Dreams and Mocha Clubs were US\$84.8 million, US\$1,165.6 million and US\$36.3 million, respectively, for the year ended December 31, 2014, US\$147.3 million, US\$1,193.2 million and US\$40.2 million, respectively, for the year ended December 31, 2013 and US\$154.7 million, US\$805.7 million and US\$36.1 million, respectively, for the year ended December 31, 2012.

Our earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and others, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, gain on disposal of assets held for sale and other non-operating income and expenses, or Adjusted EBITDA, were US\$1,166.5 million, US\$1,287.8 million and US\$920.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Our management uses Adjusted property EBITDA to measure the operating performance of our Altira Macau, City of Dreams, City of Dreams Manila and Mocha Clubs businesses, and to compare the operating performance of our properties with those of our competitors. Adjusted EBITDA and Adjusted property EBITDA are also presented as supplemental disclosures because management believes they are widely used to measure performance and as a basis for valuation of gaming companies. Our management also uses Adjusted property EBITDA and Adjusted EBITDA because they are used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported similar measures as a supplement to financial measures in accordance with generally accepted accounting principles, in particular, U.S. GAAP or International Financial Reporting Standards.

However, Adjusted property EBITDA or Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit, treated as an indicator of our U.S. GAAP operating performance, other operating operations or cash flow data, or interpreted as an alternative to cash flow as a measure of liquidity. Adjusted property EBITDA and Adjusted EBITDA presented in this annual report may not be comparable to other similarly titled measures of other companies' operating in the gaming or other business sectors. While our management believes these figures may provide useful additional information to investors when considered in conjunction with our U.S. GAAP financial statements and other information in this annual report, less reliance should be placed on Adjusted property EBITDA or Adjusted EBITDA as a measure in assessing our overall financial performance.

Reconciliation of Adjusted EBITDA and Adjusted Property EBITDA to Net Income Attributable to Melco Crown Entertainment

	Year Ended December 31,		
	2014	2013	2012
	<i>(in thousands of US\$)</i>		
Adjusted property EBITDA	\$1,285,474	\$1,379,111	\$ 995,335
Corporate and Others expenses	(118,971)	(91,299)	(75,135)
Adjusted EBITDA	1,166,503	1,287,812	920,200
Payments to the Philippine Parties	(870)	—	—
Land rent to Belle Corporation	(3,562)	(3,045)	—
Pre-opening costs	(90,556)	(13,969)	(5,785)
Development costs	(10,734)	(26,297)	(11,099)
Depreciation and amortization	(368,394)	(382,806)	(378,597)
Share-based compensation	(20,401)	(14,987)	(8,973)
Property charges and others	(8,698)	(6,884)	(8,654)
Gain on disposal of assets held for sale	22,072	—	—
Interest and other non-operating expenses, net	(154,938)	(259,370)	(111,363)
Income tax (expense) credit	(3,036)	(2,441)	2,943
Net income	527,386	578,013	398,672
Net loss attributable to noncontrolling interests	80,894	59,450	18,531
Net income attributable to Melco Crown Entertainment	<u>\$ 608,280</u>	<u>\$ 637,463</u>	<u>\$ 417,203</u>

Critical Accounting Policies and Estimates

Management's discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements. Our consolidated financial statements were prepared in conformity with U.S. GAAP. Certain of our accounting policies require that management apply significant judgment in defining the appropriate assumptions integral to financial estimates. On an ongoing basis, management evaluates those estimates and judgments are made based on information obtained from our historical experience, terms of existing contracts, industry trends and outside sources, that are currently available to us, and on various other assumptions that management believes to be reasonable and appropriate in the circumstances. However, by their nature, judgments are subject to an inherent degree of uncertainty, and therefore actual results could differ from our estimates. We believe that the critical accounting policies discussed below affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Property and Equipment and Other Long-lived Assets

During the development and construction stage of our casino gaming and entertainment resort facilities, direct and incremental costs related to the design and construction, including costs under the construction contracts, duties and tariffs, equipment installation, shipping costs, payroll and payroll benefit related costs, depreciation of plant and equipment used, applicable portions of interest and amortization of deferred financing costs, are capitalized in property and equipment. The capitalization of such costs begins when the construction and development of a project starts and ceases once the construction is substantially completed or development activity is suspended for more than a brief period. Pre-opening costs, consisting of marketing and other expenses related to our new or start-up operations are expensed as incurred.

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

Property and equipment and other long-lived assets with a finite useful life are depreciated and amortized on a straight-line basis over the asset's estimated useful life. The estimated useful lives are based on factors including the nature of the assets, its relationship to other assets, our operating plans and anticipated use and other economic and legal factors that impose limits. The remaining estimated useful lives of assets are periodically reviewed, including when changes in our business and the operating environment could result in a change in our use of those assets.

Our land use rights in Macau under the land concession contracts for Altira Macau, City of Dreams and Studio City are being amortized over the estimated lease term of the land on a straight-line basis. The expiry dates of the leases of the land use rights of Altira Macau, City of Dreams and Studio City are March 2031, August 2033 and October 2026, respectively. The maximum useful life of assets at Altira Macau, City of Dreams and Studio City is therefore deemed to be the remaining life of the land concession contract. The amortization of land use rights is recognized from the date construction commences.

We will evaluate whether the term of the land concession contract is to be extended when it is probable that definitive registration will be obtained prior to the end of the land grant term.

Costs of repairs and maintenance are charged to expense when incurred. The cost and accumulated depreciation of property and equipment retired or otherwise disposed of are eliminated from the respective accounts and any resulting gain or loss is included in operating income or loss.

Our total capital expenditures for the years ended December 31, 2014, 2013 and 2012 were US\$1,637.3 million, US\$912.4 million and US\$284.0 million, respectively, of which US\$1,312.7 million, US\$800.7 million and US\$116.2 million, respectively, were attributable to our development and construction projects, with the remainder primarily related to the enhancements to our integrated resort offerings of our properties. The development and construction capital expenditures primarily related to the acquisition and development of Studio City during the years ended December 31, 2014, 2013 and 2012 and to the development and construction of City of Dreams Manila during the years ended December 31, 2014 and 2013. During the year ended December 31, 2012, we acquired an aircraft for use primarily by rolling chip players to enhance our competitive positioning in the higher-end rolling chip market. Refer to notes 25 and 26 to the consolidated financial statements included elsewhere in this annual report for further details of these capital expenditures. For a preliminary cost estimate of our future development and construction costs in connection with Studio City, see "Item 4. Information on the Company — B. Business Overview — Our Development Projects."

We also evaluate the recoverability of our property and equipment and other long-lived assets with finite lives whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the carrying value of those assets to be held and used is measured by first grouping our long-lived assets into asset groups and, secondly, estimating the undiscounted future cash flows that are directly associated with and expected to arise from the use of and eventual disposition of such asset group. We define an asset group as the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and estimate the undiscounted cash flows over the remaining useful life of the primary asset within the asset group. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, we record an impairment loss to the extent the carrying value of the long-lived asset exceeds its fair value with fair value typically based on a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs. All recognized impairment losses, whether for assets to be disposed of or assets to be held and used, are recorded as operating expenses.

During the year ended December 31, 2014, an impairment loss of \$4.1 million was recognized mainly due to reconfiguration of the entertainment area at City of Dreams and renovation of the casinos at City of Dreams and Altira Macau. No impairment losses were recognized during the years ended December 31, 2013 and 2012.

Goodwill and Purchased Intangible Assets

We review the carrying value of goodwill and purchased intangible assets with indefinite useful lives, representing the trademarks of Mocha Clubs, that arose from the acquisition of Mocha Slot Group Limited and its subsidiaries by our Company in 2006, for impairment at least on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To assess potential impairment of goodwill, we perform an assessment of the carrying value of our reporting units at least on an annual basis or when events and changes in circumstances occur that would more likely than not reduce the fair value of our reporting units below their carrying value. If the carrying value of a reporting unit exceeds its fair value, we would perform the second step in our assessment process and record an impairment loss to earnings to the extent the carrying amount of the reporting unit's goodwill exceeds its implied fair value. We estimate the fair value of our reporting units through internal analysis and external valuations, which utilize income and market valuation approaches through the application of capitalized earnings and discounted cash flow methods. These valuation techniques are based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, discount rates, long-term growth rates and market comparables.

A detailed evaluation was performed as of December 31, 2014 and 2013 and each computed fair value of our reporting unit was in excess of the carrying amount, respectively. As a result of this evaluation, we determined that no impairment of goodwill existed as of December 31, 2014 and 2013.

Trademarks of Mocha Clubs are tested for impairment at least annually or when events occur or circumstances change that would more likely than not reduce their estimated fair value below their carrying value using the relief-from-royalty method and we determined that no impairment of trademarks existed as of December 31, 2014 and 2013. Under this method, we estimate the fair value of the trademarks through internal and external valuations, mainly based on the incremental after-tax cash flow representing the royalties that we are relieved from paying given we are the owner of the trademarks. These valuation techniques are based on a number of estimates and assumptions, including the projected future revenues of the trademarks, calculated using an appropriate royalty rate, discount rate and long-term growth rates.

Determining the fair value of goodwill and trademarks of Mocha Clubs is judgmental in nature and requires the use of significant estimates and assumptions, including projected future operating results of the reporting unit, discount rates, long-term growth rates and future market conditions. Future changes to our estimates and assumptions based upon changes in operating results, macro-economic factors or management's intentions may result in future changes to the fair value of the goodwill and trademarks of Mocha Clubs.

Share-based Compensation

We measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognize the cost over the service period in accordance with applicable accounting standards. We use the Black-Scholes valuation model to value the equity instruments issued. The Black-Scholes valuation model requires the use of highly subjective assumptions of expected volatility of the underlying stock, risk-free interest rates and the expected term of options granted. Management determines these assumptions through internal analysis and external valuations utilizing current market rates, making industry comparisons and reviewing conditions relevant to us.

The expected volatility and expected term assumptions can impact the fair value of restricted shares and share options. Because of our limited trading history in the United States as a public company, we estimate the expected volatility based on the historical volatility of a peer group of publicly traded companies, and estimate the expected term based upon the vesting term or the historical expected term of publicly traded companies. We believe that the valuation techniques and the approach utilized in developing our assumptions are reasonable in calculating the fair value of the restricted shares and share options we granted. For 2014 awards, a 10% change in the volatility assumption would have resulted in a US\$0.8 million change in fair value and a 10% change in the expected term assumption would have resulted in a US\$0.4 million change in fair value. These

assumed changes in fair value would have been recognized over the vesting schedule of such awards. It should be noted that a change in expected term would cause other changes, since the risk-free rate and volatility assumptions are specific to the term; we did not attempt to adjust those assumptions in performing the sensitivity analysis above.

Revenue Recognition

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

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

We follow the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for the operations of Grand Hyatt Macau hotel, Hyatt City of Dreams Manila hotel (collectively the "Hyatt Hotels") and Taipa Square Casino. For the operations of the Hyatt Hotels, we are the owner of the hotels property, and the hotel managers operate the hotels under management agreements providing management services to us, and we receive all rewards and take substantial risks associated with the hotels business, we are the principal and the transactions of the Hyatt Hotels are therefore recognized on a gross basis. For the operations of Taipa Square Casino, given that we operate the casino under a right to use agreement with the owner of the casino premises and have full responsibility for the casino operations in accordance with our gaming subconcession. As such, we are the principal and casino revenues are therefore recognized on a gross basis.

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

Revenues are recognized net of certain sales incentives which are required to be recorded as a reduction of revenue; consequently, our casino revenues are reduced by discounts, commissions (including commission rebated indirectly to rolling chip players) and points earned in customer loyalty programs, such as the player's club loyalty program. We estimate commission rebated indirectly to rolling chip players based on our assessment of gaming promoters' practice and current market conditions.

The retail value of rooms, food and beverage, entertainment, retail and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances is reclassified from rooms costs, food and beverage costs, and entertainment, retail and other services costs and is primarily included in casino expenses.

Accounts Receivable and Credit Risk

Financial instruments that potentially subject our Company to concentrations of credit risk consist principally of casino receivables. We issue credit in the form of markers to approved casino customers following investigations of creditworthiness including our gaming promoters in Macau. Such accounts receivable can be offset against commissions payable and any other value items held by us to the respective customer and for which we intend to set off when required. For the years ended December 31, 2014, 2013 and 2012, approximately 40.1%, 49.8% and 53.4% of our casino revenues were derived from customers sourced through our rolling chip gaming promoters, respectively.

As of December 31, 2014 and 2013, a substantial portion of our markers were due from customers residing in foreign countries. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries.

Accounts receivable, including casino, hotel, and other receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems it is probable the receivable is uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful debts is maintained to reduce our receivables to their carrying amounts, which approximate fair values. The allowance is estimated based on our specific review of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions. For balances over a specified dollar amount, our review is based upon the age of the specific account balance, the customer's financial condition, collection history and any other known information. At December 31, 2014, a 100 basis-point change in the estimated allowance for doubtful debts as a percentage of casino receivables would change the provision for doubtful debts by approximately US\$4.1 million.

Refer to note 3 to the consolidated financial statements included elsewhere in this annual report for analysis of accounts receivable by age presented based on payment due date, net of allowance.

Income Tax

Deferred income taxes are recognized for all significant temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on the characteristics of the underlying assets and liabilities. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. As of December 31, 2014 and 2013, we recorded valuation allowances of US\$127.9 million and US\$88.6 million, respectively; as management does not believe that it is more likely than not that the deferred tax assets will be realized. Our assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, and the duration of statutory carryforward periods. To the extent that the financial results of our operations improve and it becomes more likely than not that the deferred tax assets are realizable, the valuation allowances will be reduced.

Derivative Instruments and Hedging Activities

We seek to manage market risk, including interest rate risk associated with variable rate borrowings, through balancing fixed-rate and variable rate borrowings with the use of derivative financial instruments such as floating-for-fixed interest rate swap agreements. All derivative instruments are recognized in the consolidated financial statements at fair value at the balance sheet date. Any changes in fair value are recorded in the consolidated statement of operations or in accumulated other comprehensive income, depending on whether the derivative is designated and qualifies for hedge accounting, the type of hedge transaction and the effectiveness of the hedge. The estimated fair values of our derivative instruments are based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields.

Recent Changes in Accounting Standards

See note 2 to the consolidated financial statements included elsewhere in this annual report for discussion of recent accounting standards.

B. LIQUIDITY AND CAPITAL RESOURCES

We have relied and intend to rely on our cash generated from our operations and our debt and equity financings to meet our financing needs and repay our indebtedness, as the case may be.

As of December 31, 2014, we held unrestricted cash and cash equivalents, bank deposits with original maturity over three months and restricted cash of approximately US\$1,597.7 million, US\$110.6 million and US\$1,816.6 million, respectively, and HK\$3.12 billion (approximately US\$401.1 million) of the 2011 Credit Facilities remains available for future drawdown.

In addition, under the Studio City Project Facility, we have HK\$10,855,880,000 (equivalent to approximately US\$1.4 billion) comprising a five year HK\$10,080,460,000 (equivalent to approximately US\$1.3 billion) delayed draw term loan facility and a HK\$775,420,000 (equivalent to approximately US\$100 million) revolving credit facility. On July 28, 2014, we drew down the term loan under the Studio City Project Facility, while the revolving credit facility under the Studio City Project Facility remains available for future drawdown, subject to satisfaction of certain conditions precedent.

On January 24, 2014, MCE Leisure Philippines issued its PHP15 billion (equivalent to approximately US\$340.0 million at date of pricing) aggregate principal amount of Philippine Notes, at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019. The Philippine Notes includes a tax gross up provision requiring MCE Leisure Philippines to pay without any deduction or withholding for or on account of tax. The net proceeds from the issuance of Philippine Notes were used for the development of City of Dreams Manila.

On June 24, 2014, MCP completed the 2014 Top-up Placement on the Philippine Stock Exchange raising net proceeds of approximately US\$122.2 million.

An indictment from the Taipei District Prosecutors Office against our Taiwan branch office of a subsidiary and certain of its employees for alleged violations of certain Taiwan banking and foreign exchange laws was received in August 2014. In January 2013, the same Prosecutors Office froze one of such Taiwan branch office's deposit accounts, which had a balance of approximately New Taiwan dollar 2.98 billion (equivalent to US\$102.2 million) at the time the account was frozen, in connection with the investigation related to this indictment. Therefore, we have presented the balance of such deposit account as restricted cash in our financial statements. See "Item 8. Financial Information — A. Consolidated and Other Financial Information — Legal and Administrative Proceedings" for more details.

MCP's restricted cash represented cash in escrow account as required in the Provisional License issued by PAGCOR for the development of City of Dreams Manila. Under the Provisional License granted by PAGCOR, the Philippine Licensees are required to set-up an escrow account with an amount of US\$100.0 million with a universal bank mutually agreed by PAGCOR and the Philippine Licensees. All funds for the development of the casino project shall pass through the escrow account and all drawdowns of funds from the escrow account must be applied to City of Dreams Manila. The escrow account should have a maintaining balance of US\$50.0 million equivalent until City of Dreams Manila's completion. On March 21, 2013, MCE Leisure Philippines, as one of the Philippine Licensees, established a new escrow account replacing the existing escrow account and deposited US\$50.0 million equivalent to the new escrow account. The escrow account funds are expected to be released in the coming twelve months from December 31, 2014.

The Studio City cash and cash equivalents is mainly comprised of unspent proceeds from offering of the Studio City Notes, and drawdown of the term loan under the Studio City Project Facility, all of which were restricted only for payment of construction and development costs and other project costs of the Studio City project in accordance with Studio City Notes and Studio City Project Facility terms.

We have been able to meet our working capital needs, and we believe that our operating cash flow, existing cash balances, funds available under the 2011 Credit Facilities and Studio City Project Facility and

additional equity or debt financings will be adequate to satisfy our current and anticipated operating, debt and capital commitments, including our development project plans, as described in “— Other Financing and Liquidity Matters” below. For any additional financing requirements, we cannot provide assurance that future borrowings will be available. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Financing and Indebtedness” for more information. We have significant indebtedness and will continue to evaluate our capital structure and opportunities to enhance it in the normal course of our activities.

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year Ended December 31,		
	2014	2013	2012
	<i>(in thousands of US\$)</i>		
Net cash provided by operating activities	\$ 894,614	\$ 1,151,934	\$ 950,233
Net cash used in investing activities	(1,605,269)	(1,209,270)	(1,335,718)
Net cash provided by (used in) financing activities	926,950	(264,967)	934,735
Effect of foreign exchange on cash and cash equivalents	(397)	(5,149)	1,935
Net increase (decrease) in cash and cash equivalents	215,898	(327,452)	551,185
Cash and cash equivalents at beginning of year	1,381,757	1,709,209	1,158,024
Cash and cash equivalents at end of year	<u>\$ 1,597,655</u>	<u>\$ 1,381,757</u>	<u>\$ 1,709,209</u>

Operating Activities

Operating cash flows are generally affected by changes in operating income and accounts receivable with VIP table games play and hotel operations conducted on a cash and credit basis and the remainder of the business including mass market table games play, gaming machine play, food and beverage, and entertainment are conducted primarily on a cash basis.

Net cash provided by operating activities was US\$894.6 million for the year ended December 31, 2014, compared to US\$1,151.9 million for the year ended December 31, 2013. The decrease in net cash provided by operating activities was mainly due to decline in underlying operating performance as described in the foregoing section and increased working capital for the operations. Net cash provided by operating activities was US\$1,151.9 million for the year ended December 31, 2013, compared to US\$950.2 million for the year ended December 31, 2012. The increase in net cash provided in operating activities was mainly attributable to strong growth in underlying operating performance.

Investing Activities

Net cash used in investing activities was US\$1,605.3 million for the year ended December 31, 2014, compared to net cash used in investing activities of US\$1,209.3 million for the year ended December 31, 2013. The increase was primarily due to increased capital expenditures payments in 2014 related to Studio City and City of Dreams Manila. Net cash used in investing activities for the year ended December 31, 2014 included capital expenditure payment of US\$1,214.9 million, an increase in restricted cash of US\$678.2 million, advance payments for construction costs of US\$107.6 million, deposits for acquisition of property and equipment of US\$99.4 million and the land use rights payment of US\$50.5 million, which were offset in part by a net decrease in bank deposits with original maturity over three months of US\$516.3 million and net proceeds from sale of assets held for sale of US\$29.3 million.

The net increase of US\$678.2 million in the amount of restricted cash for the year ended December 31, 2014 was primarily due to the drawdown of the term loan under the Studio City Project Facility of US\$1,295.7 million and capital injection for the Studio City project from our Company and our SCI minority shareholder of US\$230.0 million, partially offset the withdrawal and payment of Studio City project costs and interest of US\$847.5 million.

The decrease of US\$516.3 million in the amount of bank deposits with original maturity over three months was due to maturity of deposits partially offset by new deposits placed during the year. As of December 31, 2014, we have placed bank deposits of US\$110.6 million with their original maturity over three months for a better yield (December 31, 2013: US\$626.9 million).

Net proceeds of US\$29.3 million was received from the sale of assets held for sale, which completed during the year ended December 31, 2014 with a gain of US\$22.1 million being recognized.

Our total capital expenditure payments for the year ended December 31, 2014 were US\$1,214.9 million. Such expenditures were mainly associated with enhancements to our integrated resort offerings and for the development of Studio City and City of Dreams Manila. Deposits for acquisition of property and equipment were US\$99.4 million for the year ended December 31, 2014 mainly associated with Studio City and City of Dreams Manila. We also paid US\$47.0 million and US\$3.5 million for the scheduled installment of Studio City's and City of Dreams' land premium payments during the year ended December 31, 2014.

Net cash used in investing activities was US\$1,209.3 million for the year ended December 31, 2013, compared to net cash used in investing activities of US\$1,335.7 million for the year ended December 31, 2012. Net cash used in investing activities for the year ended December 31, 2013 included bank deposits with original maturity over three months of US\$626.9 million, capital expenditure payment of US\$575.2 million, advance payments for construction costs of US\$161.6 million, the land use rights payment of US\$64.3 million, payment for contract acquisition costs and security deposit of US\$32.0 million and deposits for acquisition of property and equipment of US\$17.2 million, which were offset in part by the decrease in restricted cash of US\$268.4 million.

The net decrease of US\$268.4 million in the amount of restricted cash for the year ended December 31, 2013 was primarily due to (i) the release of deposit of proceeds from the issuance of the RMB Bonds of US\$368.2 million pledged for the Deposit-Linked Loan upon our early redemption in March 2013; (ii) a decrease in Studio City restricted cash of US\$53.1 million primarily due to withdrawal and payment of Studio City project costs of US\$682.0 million and payment of Studio City Notes interest of US\$71.1 million, partially offset by the capital injection for the Studio City project from our Company and our SCI minority shareholder of US\$700.0 million; (iii) the US\$50.0 million deposited to an escrow account as required by PAGCOR in March 2013; and (iv) the restricted Taiwan branch office's deposit account of US\$102.9 million.

Our total capital expenditure payments for the year ended December 31, 2013 were US\$575.2 million. Such expenditures were mainly associated with enhancements to our integrated resort offerings and for the development of Studio City and City of Dreams Manila. We also paid US\$44.7 million and US\$17.1 million for the scheduled installment of Studio City's and City of Dreams' land premium payments, respectively, and US\$2.5 million for the land use right payment for Altira Macau, during the year ended December 31, 2013.

As of December 31, 2013, we have placed bank deposits of US\$626.9 million with their original maturity over three months for a better yield.

We expect to incur significant capital expenditures for Studio City, City of Dreams Manila, the retail precinct and the fifth hotel tower at City of Dreams in the future. See “— Other Financing and Liquidity Matters” below for more information.

The following table sets forth our capital expenditures incurred by segment on an accrual basis for the years ended December 31, 2014, 2013 and 2012.

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

Our capital expenditures for the year ended December 31, 2014 increased significantly from that of the year ended December 31, 2013 primarily due to the development of Studio City, City of Dreams Manila and various projects at City of Dreams, including the fifth hotel tower. Our capital expenditures for the year ended December 31, 2013 increased significantly from that of the year ended December 31, 2012 primarily due to the development of Studio City and City of Dreams Manila.

Advance payments for construction costs for the year ended December 31, 2014 were US\$107.6 million, compared to US\$161.6 million for the year ended December 31, 2013, which were incurred primarily for the development of Studio City, City of Dreams Manila and various projects at City of Dreams, including the fifth hotel tower. There was no such payment made for the year ended December 31, 2012.

Our payment for contract acquisition costs and security deposit for the year ended December 31, 2013 were US\$27.7 million and US\$4.3 million, respectively, both of which were paid to Belle Corporation, one of the Philippine Parties, in relation to the closing arrangement agreement as well as the lease agreement of City of Dreams Manila. There was no such payment made for the years ended December 31, 2014 and 2012.

Financing Activities

Net cash provided by financing activities amounted to US\$927.0 million for the year ended December 31, 2014, primarily due to (i) the proceeds of the drawdown of the term loan under the Studio City Project Facility of US\$1,295.7 million; (ii) the proceeds of the issuance of the Philippine Notes of US\$336.8 million; (iii) net proceeds from the issuance of shares of MCP of US\$122.2 million; and (iv) the capital injection of US\$92.0 million from the SCI minority shareholder, in accordance with our shareholder agreement, which were offset in part by (v) dividend payments of US\$342.7 million; (vi) repurchase of shares of US\$300.5 million (including commission costs); (vii) the scheduled repayments of the term loan under 2011 Credit Facilities of US\$256.7 million; and (viii) the payment of debt issuance cost primarily associated with the Philippine Notes and Studio City Project Facility of US\$12.7 million.

Net cash used in financing activities amounted to US\$265.0 million for the year ended December 31, 2013, primarily due to (i) the early redemption of 2010 Senior Notes of US\$600.0 million and the associated redemption costs of US\$102.5 million; (ii) the early redemption of the RMB Bonds and Deposit-Linked Loan of US\$721.5 million; (iii) the repayment of the revolving credit facility under the 2011 Credit Facilities of US\$212.5 million; (iv) the scheduled repayments of the term loan under the 2011 Credit Facilities of US\$128.4 million; (v) prepaid debt issuance costs of US\$56.5 million associated with the Studio City Project Facility;

(vi) the payment of debt issuance costs associated with the 2013 Senior Notes and Studio City Notes of US\$19.6 million and US\$7.0 million, respectively; (vii) the settlement of the scheduled Studio City acquisition cost installment of US\$25.0 million; and (viii) the purchase of MCE shares of US\$8.8 million under trust arrangement for further vesting of restricted shares. These were offset in part by (i) the proceeds of the issuance of the 2013 Senior Notes of US\$1.0 billion; (ii) net proceeds from the issuance of shares of MCP of US\$338.5 million; and (iii) capital injection of US\$280.0 million from the SCI minority shareholder, in accordance with our shareholder agreement.

Net cash provided by financing activities amounted to US\$934.7 million for the year ended December 31, 2012, primarily from the proceeds of the issuance of the Studio City Notes totaling US\$825.0 million in November 2012, the proceeds from the drawdown of the Aircraft Term Loan totaling US\$43.0 million in June 2012, capital injection of US\$140.0 million from the SCI minority shareholder in accordance with our shareholder agreement and proceeds from the exercise of share options totaling US\$3.6 million. These were offset in part by the payment of debt issuance costs of US\$30.3 million, primarily associated with the Studio City Notes and consent solicitation fee for the 2010 Senior Notes, the settlement of the scheduled Studio City acquisition cost installment of US\$25.0 million and prepaid debt issuance costs of US\$18.8 million associated with the Studio City Project Facility, as well as repayment of the Aircraft Term Loan of US\$2.8 million.

Indebtedness

The following table presents a summary of our indebtedness as of December 31, 2014:

	<u>As of December 31, 2014</u> <i>(in thousands of US\$)</i>
Studio City Project Facility	\$1,295,689
2013 Senior Notes	1,000,000
Studio City Notes	825,000
2011 Credit Facilities	417,166
Philippine Notes	336,195
Aircraft Term Loan	28,731
	<u>\$3,902,781</u>

Major changes in our indebtedness during the year ended and subsequent to December 31, 2014 are summarized below.

On January 24, 2014, MCE Leisure Philippines issued its PHP15 billion (equivalent to approximately US\$340.0 million at date of pricing) aggregate principal amount of Philippine Notes, at par, with an interest rate of 5.00% per annum and a maturity date of January 24, 2019. The Philippine Notes includes a tax gross up provision requiring MCE Leisure Philippines to pay without any deduction or withholding for or on account of tax. The net proceeds from the issuance of Philippine Notes were used for the development of City of Dreams Manila.

On July 28, 2014, we drew down the term loan of HK\$10,080,460,000 (equivalent to approximately US\$1.3 billion) under the Studio City Project Facility, with the revolving credit facility of HK\$775,420,000 (equivalent to approximately US\$100 million) under the Studio City Project Facility available for future drawdown, subject to satisfaction of certain conditions precedent.

Credit facility agreements relating to certain of our indebtedness contain change of control provisions, including in respect of our obligations relating to our control and/or ownership of certain of our subsidiaries and their assets. Under the terms of such credit facility agreements, the occurrence of certain change of control events, including a decline below certain thresholds in the aggregate direct or indirect shareholdings of Melco

Crown Macau, MCE Finance, Studio City Investments Limited, MCE Cotai Investments Limited or certain of its subsidiaries held by us and/or Melco and Crown or certain of our subsidiaries (as the case may be) (and, in the case of the decline of the shareholding of Melco Crown Macau under the 2011 Credit Facilities, which is accompanied by a ratings decline) may result in an event of default and/or a requirement to prepay the credit facilities in relation to such indebtedness in full. Other applicable change of control events under the credit facility agreements include the Company ceasing to be publicly listed on certain designated stock exchanges or steps being taken in connection with the liquidation or dissolution of MCE Finance. The terms of the Studio City Notes, 2013 Senior Notes and Philippine Notes also contain change of control provisions whereby the occurrence of a relevant change of control event will require us to offer to repurchase the Studio City Notes, 2013 Senior Notes or Philippine Notes (as the case may be) at a price equal to 101% of their principal amount, plus accrued and unpaid interest and, if any, additional amounts and other amount specified under such indebtedness to the date of repurchase.

For further details of the above indebtedness, please refer to note 12 to the consolidated financial statements included elsewhere in this annual report, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the charge on our assets and the nature and extent of any restrictions on our ability, and the ability of our subsidiaries, to transfer funds as cash dividends, loans or advances. Please also refer to “Item 5. Operating and Financial Review and Prospects — F. Tabular Disclosure of Contractual Obligations” for details of the maturity profile of debt and “Item 11. Quantitative and Qualitative Disclosures about Market Risk” for further understanding of our hedging of interest rate risk and foreign exchange risk exposure.

Other Financing and Liquidity Matters

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

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

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

The construction budget for the first phase of Studio City is approximately US\$2.3 billion. However, this cost estimate may be revised depending on a number of variables, including receipt of all necessary governmental approvals, the final design and development plan, funding costs, the availability of financing on terms acceptable to us, an prevailing market conditions. As of December 31, 2014, we had incurred expenditure for construction in progress of approximately US\$1,450.5 million for the development of Studio City since our acquisition of a 60% equity interest in SCI.

For the purpose of financing the first phase of Studio City, we offered the US\$825.0 million Studio City Notes and drew down the term loan of HK\$10,080,460,000 (equivalent to approximately US\$1.3 billion) under the Studio City Project Facility, in November 2012 and July 2014, respectively. As of the date of this annual report, MCE and the SCI minority shareholder have contributed US\$1,250.0 million to the first phase of Studio City in accordance with the shareholder agreement, including a completion guarantee support cash of US\$225.0 million as required under the Studio City Project Facility.

In 2013, MCP completed the 2013 Top-up Placement, including the over-allotment option on the Philippine Stock Exchange raising approximately US\$338.5 million in net proceeds. In 2014, MCP completed the issuance of the Philippine Notes in January 2014 and the 2014 Top-up Placement on the Philippine Stock Exchange raising approximately US\$122.2 million net proceeds in June 2014.

As of December 31, 2014, MCP has incurred construction and fixed asset costs of US\$765.9 million, including recognition of assets under the capital lease obligations. City of Dreams Manila's grand opening occurred on February 2, 2015.

In August 2014, our board approved the implementation of a US\$500 million stock repurchase program which, together with the Company's dividend policy, provides us with another mechanism to return surplus capital efficiently while retaining flexibility to fund our current operations and future development pipeline. During the year ended December 31, 2014, we repurchased 36,649,344 ordinary shares for US\$300.5 million (including commission costs) under this program of which 32,931,528 ordinary shares had been cancelled. Subsequent to December 31, 2014, we cancelled 3,717,816 ordinary shares.

The Company commenced expansion of its retail precinct at City of Dreams, which is expected to open in the first half of 2016. The Company has also commenced the development of the fifth hotel tower at City of Dreams although its development plan and schedule is currently under review and may be subject to change after taking into account a range of factors, including the current and expected future operating environment in Macau and other potential uses of cash and future cash flow. For prevailing Macau market condition, see "Item 4. Information on the Company — B. Business Overview — Market and Competition".

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

As of December 31, 2014, we had capital commitments contracted for but not provided mainly for the construction and acquisition of property and equipment for Studio City, City of Dreams Manila and City of Dreams totaling US\$1,065.8 million including advance payments for construction costs of US\$107.6 million. In addition, we have contingent liabilities arising in the ordinary course of business. For further details for our commitments and contingencies, please refer to note 23 to the consolidated financial statements included elsewhere in this annual report.

As of December 31, 2014 and December 31, 2013, our gearing ratios (total indebtedness divided by total assets) were 37.4% and 28.7%, respectively. Our gearing ratio increased as of December 31, 2014, primarily as a result of increased indebtedness from the drawdown of the term loan under the Studio City Project Facility and the issuance of Philippine Notes, offset by the scheduled repayments of the term loan under the 2011 Credit Facilities.

An indictment from the Taipei District Prosecutors Office against our Taiwan branch office and certain of its employees for alleged violations of certain Taiwan banking and foreign exchange laws was received in August 2014. In January 2013, the same Prosecutors Office froze one of our Taiwan branch office's deposit accounts in connection with the investigation related to this indictment. The frozen deposit account had a balance of approximately New Taiwan dollar 2.98 billion (equivalent to approximately US\$102.2 million) at the time the account was frozen. We have presented the balance of such deposit account as non-current restricted cash in our financial statements. We will vigorously defend any allegations against us, as based on Taiwan legal advice received, we believe our operations in Taiwan are in compliance with Taiwan laws. As at the date of this annual report, the indictment and the legal proceedings would have no immediate material impact on our business operations or financial position. We are monitoring this case closely and will re-assess the right and accessibility to the funds if there is any development in the case. We will account for the funds and provide relevant disclosure as and when appropriate as this case develops.

Each of Melco Crown Macau and Studio City Company Limited has a corporate rating of “BB” and “BB-” by Standard & Poor’s, respectively, and each of MCE Finance and Studio City Finance has a corporate rating of “Ba3” and “B2” by Moody’s Investors Service, respectively. For future borrowings, any decrease in our corporate rating could result in an increase in borrowing costs.

Restrictions on Distributions

For discussion on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and the impact such restrictions have on our ability to meet our cash obligations, see “Item 4. Information on the Company — B. Business Overview — Dividend Distribution.” See also “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy” and note 20 to the consolidated financial statements included elsewhere in this annual report.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

We have entered into license or hotel management agreements with the following entities or groups for allowing us to have exclusive and non-transferable license rights to use their trademarks for our properties:

- Crown Melbourne Limited in relation to the use of the Crown trademark in Macau and the Philippines;
- Hyatt group in relation to the use of various trademarks owned by Hyatt group for the branding of the twin-tower hotels at City of Dreams;
- Hard Rock Holdings Limited in relation to the use of the Hard Rock brand in Macau at City of Dreams.
- Nobu Hospitality LLC in relation to the use of certain trademarks and intellectual property rights owned by Nobu in connection with its development, operation and management of the Nobu hotel and restaurant at City of Dreams Manila;
- Hyatt International Corporation and MCE Leisure Philippines, under which various trademarks owned by Hyatt are licensed to MCE Leisure Philippines for its operation of a hotel at City of Dreams Manila; and
- Dreamworks Animation and MCE Leisure Philippines, under which various trademarks and other intellectual property rights owned by Dreamworks Animation are licensed to MCE Leisure Philippines for its operation of DreamPlay, a family entertainment center at City of Dreams Manila.

We also have entered into a trademark license agreement with MCP pursuant to which we granted an exclusive right to use certain of our trademarks such as “City of Dreams Manila” and “Melco Crown Philippines” to MCP, which in turn sub-licensed the same to MCE Leisure Philippines.

In addition, we also purchase gaming tables and gaming machines and enter into licensing agreements for the use of certain tradenames and, in the case of the gaming machines, the right to use software in connection therewith. These include a license to use a jackpot system for the gaming machines. For other intellectual property that we owned, please see “Item 4. Information on the Company — B. Business Overview — Intellectual Property”.

D. TREND INFORMATION

Other than as disclosed in “Item 4. Information on the Company — B. Business Overview — Market and Competition,” “Item 5. Operating and Financial Review and Prospects” and elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. OFF-BALANCE SHEET ARRANGEMENTS

Except as disclosed in note 23(d) to the consolidated financial statements included elsewhere in this annual report, we have not entered into any material financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements.

Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Our total long-term indebtedness and other known contractual obligations are summarized below as of December 31, 2014.

	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
	<i>(in millions of US\$)</i>				
<i>Long-term debt obligations</i> ⁽¹⁾ :					
Studio City Project Facility	\$ —	\$ 311.0	\$ 984.7	\$ —	\$1,295.7
2013 Senior Notes	—	—	—	1,000.0	1,000.0
Studio City Notes	—	—	—	825.0	825.0
2011 Credit Facilities	256.7	160.5	—	—	417.2
Philippine Notes	—	—	336.2	—	336.2
Aircraft Term Loan	6.0	12.6	10.1	—	28.7
Fixed interest payments ⁽²⁾	141.1	282.3	262.7	120.5	806.6
Variable interest payments ⁽³⁾	68.5	112.1	3.7	—	184.3
Other finance fees ⁽⁴⁾	1.1	2.1	1.1	—	4.3
<i>Capital lease obligations</i> ⁽⁵⁾	25.3	70.0	83.5	755.2	934.0
<i>Operating lease obligations:</i>					
Operating leases, including City of Dreams Manila and Mocha Clubs locations	24.1	37.1	33.8	66.9	161.9
<i>Construction costs and property and equipment retention payables</i>	17.1	59.2	—	—	76.3
<i>Other contractual commitments:</i>					
Government annual land use fees ⁽⁶⁾	1.9	3.7	4.7	26.6	36.9
Fixed interest on land premium ⁽⁶⁾	1.1	0.1	—	—	1.2
Construction, plant and equipment acquisition commitments ⁽⁷⁾	972.9	92.9	—	—	1,065.8
Gaming subconcession premium ⁽⁸⁾	23.4	47.0	47.0	58.2	175.6
Total contractual obligations	<u>\$1,539.2</u>	<u>\$1,190.6</u>	<u>\$1,767.5</u>	<u>\$2,852.4</u>	<u>\$7,349.7</u>

(1) See note 12 to the consolidated financial statements included elsewhere in this annual report for further details on these debt facilities.

(2) Amounts included the gross up withholding tax on interest expenses for the Philippine Notes in accordance with the terms of the notes facility and security agreement.

- (3) Amounts for all periods represent our estimated future interest payments on our debt facilities based upon amounts outstanding and HIBOR or LIBOR as at December 31, 2014 plus the applicable interest rate spread in accordance with the respective debt agreements. Actual rates will vary.
- (4) The amounts represent the other finance fees for the Philippine Notes in accordance with the terms of the notes facility and security agreement.
- (5) See note 13 to the consolidated financial statements included elsewhere in this annual report for further details on capital lease obligations.
- (6) The City of Dreams and Altira Macau sites are located on land parcels in which we have received a land concession from the Macau government for a 25-year term, renewable for further consecutive periods of up to ten years each, until December 19, 2049. The land concession for the Studio City site, in which we hold a 60% equity interest, located on a land parcel in which we have received a land concession from the Macau government for a 25-year term from October 17, 2001, is renewable for further consecutive periods of ten years each until December 19, 2049. Renewal of the land concessions are subject to obtaining approvals from the Macau government. See “Item 4. Information on the Company — B. Business Overview — Our Properties” for further details of the land concession obligations.
- (7) See note 23(a) to the consolidated financial statements included elsewhere in this annual report for further details on construction, plant and equipment acquisition commitments.
- (8) In accordance with our gaming subconcession, we are required to pay a fixed annual premium of MOP30.0 million (approximately US\$3.7 million) and minimum variable premium of MOP45.0 million (approximately US\$5.6 million) per year based on number of gaming tables and gaming machines we operate in addition to the 39% gross gaming win tax (which is not included in this table as the amount is variable in nature). Amounts for all periods are calculated based on our gaming tables and gaming machines in operation as at December 31, 2014 through to the termination of the gaming subconcession in June 2022.

G. SAFE HARBOR

See “Special Note Regarding Forward-Looking Statements.”

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this annual report on Form 20-F.

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Lawrence Yau Lung Ho	38	Co-chairman, chief executive officer and executive director
James Douglas Packer	47	Co-chairman and non-executive director
John Peter Ben Wang	54	Non-executive director
Clarence Yuk Man Chung	52	Non-executive director
William Todd Nisbet	47	Non-executive director
Rowen Bruce Craigie	59	Non-executive director
James Andrew Charles MacKenzie	61	Independent non-executive director
Thomas Jefferson Wu	42	Independent non-executive director
Alec Yiu Wa Tsui	65	Independent non-executive director
Robert Wason Mactier	50	Independent non-executive director
Geoffrey Stuart Davis	46	Executive vice president and chief financial officer
Stephanie Cheung	52	Executive vice president and chief legal officer
Akiko Takahashi	61	Executive vice president and chief human resources/ corporate social responsibility officer
Ying Tat Chan aka Ted Chan	43	Chief operating officer
Constance Ching Hui Hsu	41	General manager of Altira Macau
Jaya Jesudason	73	Executive vice president, construction and design

Directors

Mr. Lawrence Yau Lung Ho was appointed as our executive director on December 20, 2004 and has served as our co-chairman and chief executive officer since December 2004. Since November 2001, Mr. Ho has also served as the managing director and, since March 2006, the chairman and chief executive officer of Melco. Mr. Ho has also been appointed as the chairman and non-executive director of Summit Ascent Holdings Limited, a company listed on the Main Board of the HKSE, since July 10, 2013.

As a member of the National Committee of the Chinese People's Political Consultative Conference, Mr. Ho also serves on numerous boards and committees of privately held companies in Hong Kong, Macau and mainland China. He is a member of the Board of Directors, member of the Executive Committee, and a vice patron of The Community Chest of Hong Kong; member of Science and Technology Council of the Macau SAR Government; member of All China Youth Federation; member of Macau Basic Law Promotional Association; chairman of Macau International Volunteers Association; member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong; honorary lifetime director of The Chinese General Chamber of Commerce of Hong Kong; honorary Patron of The Canadian Chamber of Commerce in Macao; honorary president of Association of Property Agents and Real Estate Developers of Macau and director executive of Macao Chamber of Commerce. In recognition of Mr. Ho's excellent directorship and entrepreneurial spirit, Institutional Investor honored him as the "Best CEO" in 2005. He was also granted the "5th China Enterprise Award for Creative Businessmen" by the China Marketing Association and China Enterprise News, "Leader of Tomorrow" by Hong Kong Tatler and the "Directors of the Year Award" by the Hong Kong Institute of Directors in 2005.

As a socially-responsible young entrepreneur in Hong Kong, Mr. Ho was selected as one of the "Ten Outstanding Young Persons Selection 2006," organized by Junior Chamber International Hong Kong. In 2007, he was elected as a finalist in the "Best Chairman" category in the "Stevie International Business Awards" and

one of the “100 Most Influential People across Asia Pacific” by Asiamoney magazine. In 2008, he was granted the “China Charity Award” by the Ministry of Civil Affairs of the People’s Republic of China. And in 2009, Mr. Ho was selected as one of the “China Top Ten Financial and Intelligent Persons” judged by a panel led by the Beijing Cultural Development Study Institute and Fortune Times, and was named “Young Entrepreneur of the Year” at Hong Kong’s first Asia Pacific Entrepreneurship Awards.

In 2014, Mr. Ho was selected by FinanceAsia magazine as one of the “Best CEOs in Hong Kong” for the fifth time. He was also awarded “Asia’s Best CEO” at the Asian Excellence Awards by Corporate Governance Asia magazine for the third time, and was honored as one of the recipients of the Asian Corporate Director Recognition Awards for three consecutive years in 2014.

Mr. Ho graduated with a Bachelor of Arts degree in commerce from the University of Toronto, Canada in June 1999 and was awarded the Honorary Doctor of Business Administration degree by Edinburgh Napier University, Scotland in July 2009 for his contribution to business, education and the community in Hong Kong, Macau and China.

Mr. James Douglas Packer was appointed as our non-executive director on March 8, 2005 and has served as our co-chairman since March 2005. Mr. Packer is the chairman of Crown, an operator of casinos and integrated resorts, having been appointed on its formation in 2007, and a member of the Crown Investment Committee since February 2008. Mr. Packer is also the chairman of Consolidated Press Holdings Pty Limited (the largest shareholder of Crown), having been appointed in January 2006. Mr. Packer is a director of Crown Melbourne Limited, a casino and integrated resort operator, having been appointed in July 1999, and Burswood Limited, a casino and integrated resort operator, having been appointed in September 2004. His previous directorships include Challenger Limited (formerly called Challenger Financial Services Group Limited) from November 2003 to September 2009, SEEK Limited from October 2003 to August 2009, Sunland Group Limited from July 2006 to August 2009, Ten Network Holdings Limited from December 2010 to March 2011, Ellerston Capital Limited from August 2004 to August 2011 and Consolidated Media Holdings Limited from December 2007 to November 2012.

Mr. John Peter Ben Wang was appointed as our non-executive director on November 21, 2006. Mr. Wang is currently the deputy chairman and executive director of Summit Ascent Holdings Limited (“Summit Ascent”), a company listed on the HKSE, and before that, he was the chairman of Summit Ascent from March 2011 to July 2013. He previously held non-executive directorships in MelcoLot Limited, Oriental Ginza Holdings Limited, China Precious Metal Resources Holdings Co., Ltd., and Anxin-China Holdings Limited, companies listed on the HKSE. Mr. Wang was the chief financial officer of Melco from 2004 to September 2009. Prior to joining Melco in 2004, he had over 18 years of professional experience in the securities and investment banking industry. He was the managing director of JS Cresvale Securities International Limited (HK) from 1998 to 2004 and prior to 1998, he worked for Deutsche Morgan Grenfell (HK), CLSA (HK), Barclays (Singapore), SG Warburg (London), Salomon Brothers (London), the London Stock Exchange and Deloitte Haskins & Sells (London). Mr. Wang qualified as a chartered accountant with the Institute of Chartered Accountants in England and Wales in 1985. He graduated from the University of Kent at Canterbury in the United Kingdom with a bachelor degree in accounting in July 1982.

Mr. Clarence Yuk Man Chung was appointed as our non-executive director on November 21, 2006. He has also been an executive director of Melco since May 2006. He joined Melco in December 2003. Mr. Chung has served as a director of Melco Leisure since 2008. Before joining Melco, he has more than 25 years of experience in the financial industry in various capacities as a chief financial officer, an investment banker and a merger and acquisition specialist. He was named one of the “Asian Gaming 50” for multiple years (including year 2013) by Inside Asian Gaming magazine. Mr. Chung has been the chairman and chief executive officer of Entertainment Gaming Asia Inc., a company listed on the Nasdaq Capital Market, since August 2008 and October 2008, respectively. Mr. Chung has been the chairman and president of MCP, a company listed on the Philippine Stock Exchange, since December 2012. Mr. Chung has also been appointed as a director of a number of our subsidiaries incorporated in various different jurisdictions. Mr. Chung obtained a master’s degree

in business administration from the Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology and is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. William Todd Nisbet was appointed as our non-executive director on October 14, 2009. He is also a Director of Studio City International Holdings Limited and has been appointed as a director of MCP, a company listed on the Philippine Stock Exchange, since December 2012. In addition, Mr. Nisbet has also been appointed as a director of a number of our subsidiaries incorporated in various different jurisdictions. Mr. Nisbet joined Crown, an operator of casinos and integrated resorts, in 2007. In his role as Executive Vice President – Strategy and Development at Crown, Mr. Nisbet is responsible for all development and new business opportunities for Crown. Prior to joining Crown, Mr. Nisbet was one of the original founding members of the Wynn Resorts management team holding the position of Executive Vice President – Project Director from August 2000 through July 2007 for Wynn Design and Development, a development subsidiary of Wynn Resorts Limited (“Wynn”), an operator of casinos and integrated resorts. Serving this role with Wynn, Mr. Nisbet led the development efforts for Wynn Resorts in both Las Vegas and Macau. Prior to joining Wynn, Mr. Nisbet was the vice president of operations for Marnell Corrao Associates. During Mr. Nisbet’s 14 years at Marnell Corrao from 1986 to 2000, he was responsible for managing various aspects of the construction of some of Las Vegas’ most elaborate and industry-defining properties. Mr. Nisbet obtained a bachelor of science degree in Finance from the University of Nevada, Las Vegas in 1993.

Mr. Rowen Bruce Craigie was appointed as our non-executive director on March 8, 2005. Mr. Craigie has also been appointed as a director of our subsidiaries in various different jurisdictions.

Mr. Craigie is the Chief Executive Officer and Managing Director of Crown, an operator of casinos and integrated resorts, having been appointed on its formation in 2007. Mr. Craigie is also a director of Crown Melbourne Limited, a casino and integrated resort operator, having been appointed in January 2002, and Burswood Limited, a casino and integrated resort operator, having been appointed in September 2004. Mr. Craigie previously served as the Chief Executive Officer of PBL Gaming from 2005 to 2007 and as the Chief Executive Officer of Crown Melbourne Limited from 2002 to 2007.

Mr. Craigie joined Crown Melbourne Limited in 1993, was appointed as the Executive General Manager of its Gaming Machines department in 1996, and was promoted to Chief Operating Officer in 2000. Prior to joining Crown Melbourne Limited, Mr. Craigie was the Group General Manager for gaming at the TAB in Victoria from 1990 to 1993, and held senior economic policy positions in Treasury and the Department of Industry in Victoria from 1984 to 1990.

Mr. Craigie is a member of the Australian Commonwealth Government’s Trade and Investment Policy Advisory Council (TIPAC) and is President of Casinos and Resorts Australasia. He obtained a bachelor of economics (honors) degree from Monash University, Melbourne, Australia in 1976.

Mr. James Andrew Charles MacKenzie was appointed as an independent non-executive director on April 24, 2008 and was appointed as an independent non-executive director of MCP, our subsidiary listed on the Philippine Stock Exchange on December 19, 2012. He is the chairman of our audit committee and also serves as the MCP audit committee chairman and as a member of MCP’s nominating and corporate governance committee and compensation committee. Mr. MacKenzie was appointed as the chairman of ShineWing Australian on February 1, 2015. He has extensive experience as a company director, having held a number of directorships including, director and co-vice chairman of Yancoal Australia Limited, from June 2012 to April 2014, non-executive director and chairman of Mirvac Group from November 2005 to January 2014 and November 2005 to November 2013 respectively, and non-executive director and chairman of Pacific Brands Limited from May 2008 to May 2013 and May 2008 to May 2012 respectively. He led the transformation of the Victorian Government’s Personal Injury Schemes from 2000 to 2007. Prior to 2005, Mr. MacKenzie held senior executive positions with ANZ Banking Group, Standard Chartered Bank and Norwich Union plc and was a partner in both

the Melbourne and Hong Kong offices of an international accounting firm now part of Deloitte. In 2001, Mr. MacKenzie was awarded the Australian Centenary Medal for services to public administration. He obtained a bachelor of business (accounting and quantitative methods) degree from the Swinburne University of Technology in 1974. Mr. MacKenzie has been a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors since 1974 and 1994, respectively.

Mr. Thomas Jefferson Wu was appointed as an independent non-executive director on December 18, 2006. He is also the chairman of our compensation committee, and a member of our audit committee and nominating and corporate governance committee. Mr. Wu has been the managing director of Hopewell Holdings Limited, a business conglomerate listed on the HKSE, since October 2009. He has served in various roles with the Hopewell Holdings group since 1999, including group controller from March 2000 to June 2001, executive director since June 2001, chief operating officer from January 2002 to August 2002, deputy managing director from August 2003 to June 2007 and co-managing director from July 2007 to September 2009. He has served as the managing director of Hopewell Highway Infrastructure Limited since July 2003.

Mr. Wu graduated with high honors from Princeton University in 1994 with a bachelor of science degree in Mechanical and Aerospace Engineering. He then worked in Japan as an engineer for Mitsubishi Electric Corporation for three years before returning to full-time studies at Stanford University, where he obtained a master of business administration degree in 1999.

Mr. Wu is active in public service in both Hong Kong and Mainland China. He serves in a number of advisory roles at different levels of government. In Mainland China, he is a member of the Heilongjiang Provincial Committee of the 11th Chinese People's Political Consultative Conference, a Standing Committee member and a member of the Huadu District Committee of The Chinese People's Political Consultative Conference, among other public service capacities.

In Hong Kong, Mr. Wu's major public service appointments include being a member of the Hong Kong Government's Standing Committee on Disciplined Services Salaries and Conditions of Service and a member of its Steering Committee on the Promotion of Electric Vehicles, the Vice Patron of the Community Chest of Hong Kong, a member of Hong Kong Tourism Board, as well as a member of the Board of Directors of the Hong Kong Sports Institute Limited and the Asian Youth Orchestra Limited. He is also a member of the Business School Advisory Council of The Hong Kong University of Science and Technology. Previously, he was a council member of The Hong Kong Polytechnic University and the Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology.

In addition to his professional and public service engagements, Mr. Wu is mostly known for his passion for ice hockey, as well as the sport's development in Hong Kong and the region. He is the vice president (Asia/Oceania) of International Ice Hockey Federation, the co-founder and chairman of the Hong Kong Amateur Ice Hockey Club and the Hong Kong Academy of Ice Hockey, as well as the chairman of Hong Kong Ice Hockey Officials Association. He is also the honorary president of the Hong Kong Ice Hockey Association – the national sports association of ice hockey in Hong Kong, the vice-president of the Chinese Ice Hockey Association, honorary president of the Macau Ice Sports Federation and honorary chairman of the Ice Hockey Association of Taipei Municipal Athletics Federation.

In 2006, the World Economic Forum selected Mr. Wu as a "Young Global Leader." He was also awarded the "Directors of the Year Award" by the Hong Kong Institute of Directors in 2010, the "Asian Corporate Director Recognition Award" by Corporate Governance Asia magazine in 2011, 2012 and 2013, and named the "Asia's Best CEO (Investor Relations)" in 2012, 2013 and 2014.

Mr. Alec Yiu Wa Tsui was appointed as an independent non-executive director on December 18, 2006. He is the chairman of our nominating and corporate governance committee, a member of our audit committee and a member of our compensation committee. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at

various international companies. He held key positions at the Securities and Futures Commission of Hong Kong from 1989 to 1993, joined the HKSE in 1994 as an executive director of the finance and operations services division and was its chief executive from February 1997 to July 2000. He was also the chief operating officer of Hong Kong Exchanges and Clearing Limited from March to August 2000. He was the chairman of the Hong Kong Securities Institute from 2001 to 2004. He was a consultant of the Shenzhen Stock Exchange from July 2001 to June 2002. Mr. Tsui was an independent non-executive director of each of China BlueChemical Limited from April 2006 to June 2012 and China Chengtong Development Group Limited from March 2003 to November 2013, all of which are companies listed on the HKSE. Mr. Tsui has been the chairman of WAG Worldsec Corporate Finance Limited since 2006 and a director of Industrial and Commercial Bank of China (Asia) Limited since August 2000. He is also an independent non-executive director of a number of companies listed on the HKSE, Nasdaq, the Shanghai Stock Exchange and the Philippine Stock Exchange, including COSCO International Holdings Limited since 2004, China Power International Development Limited since 2004, Pacific Online Limited since 2007, ATA Inc. since 2008, China Oilfield Services Limited since 2009, Summit Ascent Holdings Limited since March 2011 and MCP since December 2012 and Kangda International Environmental Company Limited since July 2014. Mr. Tsui graduated from the University of Tennessee with a bachelor's degree in industrial engineering in 1975 and a master of engineering degree in 1976. He completed a program for senior managers in government at the John F. Kennedy School of Government at Harvard University in 1993.

Mr. Robert Wason Mactier was appointed as an independent non-executive director on December 18, 2006. He is a member of our compensation committee and nominating and corporate governance committee. Mr. Mactier joined the board of directors of STW Communications Group Limited, a publicly listed Australian communications and advertising company, in December 2006 and became its independent non-executive chairman in July 2008. He was a non-executive director of Aurora Community Television Limited from 2005 to 2012. Since 1990, Mr. Mactier has held a variety of executive roles across the Australian investment banking and securities markets. He has been a consultant to UBS AG in Australia since June 2007. From March 1997 to January 2006, Mr. Mactier worked with Citigroup Pty Limited and its predecessor firms in Australia, and prior to this he worked with E.L. & C. Baillieu Limited from November 1994 to February 1997 and Ord Minnett Securities Limited from May 1990 to October 1994. During this time, he has gained broad advisory and capital markets transaction experience and specific industry expertise within the telecommunications, media, gaming, entertainment and technology sectors and across the private equity sectors. Prior to joining the investment banking industry, Mr. Mactier qualified as a chartered accountant in 1987, working with KPMG from January 1986 to April 1990 across their audit, management consulting and corporate finance practices. He obtained a bachelor's degree in economics from the University of Sydney, Australia in 1986 and has been a Member of the Australian Institute of Company Directors since 2007.

Executive Officers

Mr. Geoffrey Stuart Davis is our executive vice president and chief financial officer and he was appointed to his current role in April 2011. Prior to that, he served as our deputy chief financial officer from August 2010 to March 2011 and our senior vice president, corporate finance from 2007, when he joined our Company. Prior to joining us, Mr. Davis was a research analyst for Citigroup Investment Research, where he covered the U.S. gaming industry from 2001 to 2007. From 1996 to 2000, he was the vice president of corporate communications for Park Place Entertainment, the largest gaming company in the world at the time. Park Place was spun off from Hilton Hotels Corporation and subsequently renamed Caesars Entertainment. Mr. Davis has been a CFA charter holder since 2000 and obtained a bachelor of arts from Brown University in 1991.

Ms. Stephanie Cheung is our executive vice president and chief legal officer and she was appointed to her current role in December 2008. Prior to that, she held the title of general counsel from November 2006, when she joined our Company. She has acted as the secretary to our board since she joined our Company. Prior to joining us, Ms. Cheung was an of counsel at Troutman Sanders from 2004 to 2006 and prior to that she practiced law with various international law firms in Hong Kong, Singapore and Toronto. Ms. Cheung graduated with a

bachelor of laws degree from Osgoode Hall Law School in 1986 and a master's degree in business administration from York University in 1994. Ms. Cheung is admitted as a solicitor in Ontario, Canada, England and Wales, and Hong Kong.

Ms. Akiko Takahashi is our executive vice president and chief human resources/corporate social responsibility officer and she was appointed to her current role in December 2008. Prior to that, she held the title group human resources director from December 2006, when she joined our Company. Prior to joining us, Ms. Takahashi worked as a consultant in her own consultancy company from 2003 to 2006, where she conducted "C-level" executive searches for clients and assisted with brand/service culture alignment for a luxury hotel in New York City, and where her last engagement prior to joining our Company was to lead the human resources integration for the largest international hospitality joint venture in Japan between InterContinental Hotels Group and ANA Hotels. She was the global group director of human resources for Shangri-la Hotels and Resorts, an international luxury hotel group headquartered in Hong Kong, from 1995 to 2003. Between 1993 and 1995, she was the senior vice president of human resources and service quality for Bank of America, Hawaii, FSB. She served as regional human resources manager for Sheraton Hotels Hawaii/Japan from 1985 to 1993. She started her hospitality career as a training manager for Halekulani Hotel. She began her career in the fashion luxury retail industry in merchandising, operations, training and human resources. Ms. Takahashi attended the University of Hawaii.

Mr. Ying Tat Chan aka Ted Chan is our chief operating officer and he was appointed to his current role in February 2012. Mr. Chan oversees all business units of our group. Previously, since September 2010, he was our co-chief operating officer, gaming and before that he served as president of Altira Macau from November 2008. Prior to his appointment as president of Altira Macau, between 1998 and 2008, Mr. Chan held senior executive roles with First Shanghai Financial Holding Limited, Melco, Mocha Clubs and Amax Entertainment Holdings Limited. He graduated with a bachelor's degree in business administration from the Chinese University of Hong Kong in 1995 and with a master's degree in financial management under a long distance learning course from the University of London, the United Kingdom in 1998.

Ms. Constance Ching Hui Hsu is our general manager of Altira Macau, and she was appointed to her current role in December 2013. Ms. Hsu has worked for Mocha Clubs since September 2003. She was Mocha Club's former financial controller from September 2003 to September 2006, overseeing finance, treasury, audit, legal compliance, procurement and administration and human resources functions, its chief operating officer from December 2006 to November 2008 and its president from December 2008 to December 2013, in-charge-of the overall business of Mocha Clubs. Ms. Hsu obtained her bachelor of arts degree in business administration with major in accounting in 1997 from Seattle University and a master's degree in business administration (with concentration on financial services) from The Hong Kong University of Science and Technology in 2002 and a doctorate degree in economics from Beijing Normal University in 2013. Ms. Hsu was qualified as a Certified Public Accountant in the state of Washington, United States in 1998, a member of the American Institute of Certified Public Accountants in 1999, and an associate member of the Hong Kong Institute of Certified Public Accountants in 2001.

Mr. Jaya Jesudason is our executive vice president, construction and design. He joined our Company in 2007 as Project Director for the completion of the City of Dreams Project. Prior to that, he worked at Kowloon-Canton Railway Corporation as a general manager of the west rail project and other rail projects. He was also a divisional manager for the Hong Kong airport project of the Hong Kong Airport Authority.

B. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Our directors and executive officers receive compensation in the form of salaries, discretionary bonuses, equity awards, contributions to pension schemes and other benefits. The aggregate amount of compensation paid, and benefits in kind granted, including contingent or deferred compensation accrued for the

year, to all the directors and executive officers of our Company as a group, amounted to approximately US\$29.6 million for the year ended December 31, 2014. Details of the emoluments paid or payable to the directors during the year ended December 31, 2014 were as follows:

	<u>Directors' Fees</u>	<u>Salaries and Other Benefits</u>	<u>Performance Bonuses ⁽¹⁾</u>	<u>Retirement Benefit Scheme Contributions</u>	<u>Share-based Compensation</u>	<u>Total</u>
	<i>(In thousands of US\$)</i>					
Co-chairman, executive director						
Lawrence Yau Lung Ho ⁽²⁾	\$ —	\$2,777	\$3,625	\$ 2	\$4,156	\$10,560
Co-chairman, non-executive director						
James Douglas Packer	—	—	—	—	998	998
Non-executive directors						
John Peter Ben Wang	—	—	—	—	119	119
Clarence Yuk Man Chung	—	200	200	—	863	1,263
William Todd Nisbet	—	100	—	—	578	678
Rowen Bruce Craigie	—	—	—	—	71	71
Independent non-executive directors						
James Andrew Charles MacKenzie	125	190	—	—	264	579
Thomas Jefferson Wu	113	—	—	—	119	232
Alec Yiu Wa Tsui	112	183	—	—	264	559
Robert Wason Mactier	85	—	—	—	119	204
	<u>\$435</u>	<u>\$3,450</u>	<u>\$3,825</u>	<u>\$ 2</u>	<u>\$7,551</u>	<u>\$15,263</u>

Notes

- (1) Performance bonuses are determined with reference to the individuals' performance and the organizational and financial performance of the Company.
- (2) Mr. Lawrence Yau Lung Ho is also the chief executive officer of our Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

Bonus Plan

We offer our management employees, including senior executive officers, the ability to participate in our Company's discretionary annual bonus plan. As part of this plan, employees may receive compensation in addition to their base salary upon satisfactory achievement of certain financial, strategic and individual objectives. Directors, other than Mr. Lawrence Ho, who participates in his capacity as our chief executive officer, are excluded from this plan. The discretionary annual bonus plan is administered at the sole discretion of our Company and our compensation committee.

Equity Awards

In 2014, we granted share options to acquire 731,499 of our ordinary shares pursuant to the 2011 Share Incentive Plan, to directors and senior executive officers of our Company with exercise prices of US\$12.98 per share, or US\$38.94 per ADS, and 452,234 restricted shares with grant date fair value at US\$12.49 per share, or US\$37.46 per ADS. The options expire ten years after the date of grant. In 2014, no options or restricted shares held by the directors and senior executive officers were forfeited. No further awards will be granted under our share incentive plan adopted on December 1, 2009 by our Company, or the 2006 Share Incentive Plan and all subsequent awards will be issued under the 2011 Share Incentive Plan. See "— E. Share Ownership" for descriptions of the 2006 Share Incentive Plan and the 2011 Share Incentive Plan.

Pension, Retirement or Similar Benefits

For the year ended December 31, 2014, we set aside or accrued approximately US\$0.4 million to provide pension, retirement or similar benefits to our senior executive officers. Our directors, other than Mr. Lawrence Ho who participates in his capacity as our chief executive officer, do not participate in such schemes. For a description of the pension scheme in which our senior executive officers in Hong Kong participate, see “ — D. Employees.”

C. BOARD PRACTICES

Composition of Board of Directors

Our board consists of ten directors, including three directors nominated by each of Melco and Crown and four independent directors. Nasdaq Marketplace Rule 5605(b)(1) generally requires that a majority of an issuer’s board of directors must consist of independent directors, but provides for certain phase-in periods under Nasdaq Marketplace Rule 5615(c)(3). However, Nasdaq Marketplace Rule 5615(a)(3) permits foreign private issuers like us to follow “home country practice” in certain corporate governance matters. Walkers, our Cayman Islands counsel, has provided a letter to Nasdaq certifying that under Cayman Islands law, we are not required to have a majority of independent directors serving on our board. We rely on this “home country practice” exception and do not have a majority of independent directors serving on our board.

Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. An individual shareholder or we, as the Company, have (as applicable) the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board include, among others:

- convening shareholders’ annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our Company and mortgaging the property of our Company; and
- approving the transfer of shares of our Company, including the registering of such shares in our share register.

Our board adopted Hong Kong corporate governance guidelines, which took effect upon the listing of our Company in Hong Kong, to satisfy the requirements of the HKSE, with the intention of strengthening our corporate governance practice. Such guidelines are periodically reviewed and amended to ensure that they are responsive to developing legal requirements.

Terms of Directors and Executive Officers

Our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; or (ii) dies or is found by our Company to be or becomes of unsound mind.

Committees of the Board of Directors

Our board established an audit committee, a compensation committee and a nominating and corporate governance committee in December 2006. Each committee has its defined scope of duties and terms of reference within its own charter, which empowers the committee members to make decisions on certain matters. The charters of these board committees were adopted by our board on November 28, 2006 and have been amended and restated on several occasions, with the latest versions of the nominating and corporate governance committee charter and the audit committee charter adopted in December 2013 and March 2015 respectively and the latest version of the compensation committee charter adopted in March 2014 to satisfy the requirements of the HKSE. These charters are found on our website. Each of these committees consists entirely of directors whom our board has determined to be independent under the “independence” requirements of the Nasdaq corporate governance rules. The current membership of these three committees and summary of its respective charter are provided below.

Audit Committee

Our audit committee consists of Messrs. Thomas Jefferson Wu, Alec Yiu Wa Tsui and James Andrew Charles MacKenzie, and is chaired by Mr. MacKenzie. Each of the committee members satisfies the “independence” requirements of Rule 10A-3 under the Securities Exchange Act of 1934, or the Exchange Act. We believe that Mr. MacKenzie qualifies as an “audit committee financial expert” as defined in Item 16A of Form 20-F. The purpose of the committee is to assist our board in overseeing and monitoring:

- the audits of the financial statements of our Company;
- the qualifications and independence of our independent auditors;
- the performance of our independent auditors;
- the account and financial reporting processes of our Company and the integrity of our systems of internal accounting and financial controls;
- legal and regulatory issues relating to the financial statements of our Company, including the oversight of the independent auditor, the review of the financial statements and related material, the internal audit process and the procedure for receiving complaints regarding accounting, internal accounting controls, auditing or other related matters;
- the disclosure, in accordance with our relevant policies, of any material information regarding the quality or integrity of our financial statements, which is brought to its attention by our disclosure committee; and
- the integrity and effectiveness of our internal audit function and risk management policies, procedures and practices.

The duties of the committee include:

- reviewing and recommending to our board for approval, the appointment, re-appointment or removal of the independent auditor, after considering its annual performance evaluation of the independent auditor and after considering a tendering process for the appointment of the independent auditor every five years;
- approving the remuneration and terms of engagement of the independent auditor and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors;
- at least annually, obtaining a written report from our independent auditor describing matters relating to its independence and quality control procedures;
- discussing with our independent auditor and our management, among other things, the audits of the financial statements, including whether any material information brought to their attention should be disclosed, issues regarding accounting and auditing principles and practices and the management’s internal control report;

- reviewing and recommending the financial statements to our disclosure committee for inclusion within our quarterly earnings releases and to our board for inclusion in our half-year and annual reports;
- approving all material related party transactions brought to its attention, without further approval of our board except for those which are non-exempt connected transactions under the listing rules of the HKSE;
- establishing and overseeing procedures for the handling of complaints and whistleblowing;
- approving the internal audit charter and annual audit plans, and undertaking an annual performance evaluation of the internal audit function;
- assessing and approving any policies and procedures to identify, accept, mitigate, allocate or otherwise manage various types of risks presented by management, and making recommendations with respect to our risk management process;
- reviewing our financial controls, internal control and risk management systems, and discussing with our management the system of internal control and ensuring that our management has discharged its duty to have an effective internal control system including the adequacy of resources, the qualifications and experience of our accounting and financial staff, and their training programs and budget;
- together with our board, evaluating the performance of the audit committee on an annual basis;
- assessing the adequacy of its charter; and
- cooperating with the other board committees in any areas of overlapping responsibilities.

Compensation Committee

Our compensation committee consists of Messrs. Thomas Jefferson Wu, Alec Yiu Wa Tsui and Robert Wason Mactier, and is chaired by Mr. Wu. The purpose of the committee is to discharge the responsibilities of the board relating to compensation of our executives, including by designing (in consultation with management and our board), recommending to our board for approval, and evaluating the executive and director compensation plans, policies and programs of our Company.

Members of this committee are not prohibited from direct involvement in determining their own compensation. Our chief executive officer may not be present at any compensation committee meeting during which his compensation is deliberated.

The duties of the committee include:

- overseeing the development and implementation of compensation programs in consultation with our management;
- at least annually, making recommendations to our board with respect to the compensation arrangements for our non-executive directors, and approving compensation arrangements for our executive director and executive officers, including the chief executive officer;
- at least annually, reviewing and approving our general compensation scheme, incentive compensation plans and equity-based plans, and overseeing the administration of these plans and discharging any responsibilities imposed on the compensation committee by any of these plans;
- reviewing and approving the compensation payable to our executive director and executive officers in connection with any loss or termination of their office or appointment;
- reviewing and recommending any benefits in kind received by any director or approving executive officer where such benefits are not provided for under the relevant employment terms;
- reviewing executive officer and director indemnification and insurance matters;

- overseeing our regulatory compliance with respect to compensation matters, including our policies on restrictions on compensation plans and loans to officers;
- together with the board, evaluating the performance of the compensation committee on an annual basis;
- assessing the adequacy of its charter; and
- co-operating with the other board committees in any areas of overlapping responsibilities.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Messrs. Thomas Jefferson Wu, Alec Yiu Wa Tsui and Robert Wason Mactier, and is chaired by Mr. Tsui. The purpose of the committee is to assist our board in discharging its responsibilities regarding:

- the identification of qualified candidates to become members and chairs of the board committees and to fill any such vacancies, and reviewing the appropriateness of the continued service of directors;
- ensuring that our board meets the criteria for independence under the Nasdaq corporate governance rules, and that at least three of the board members are independent non-executive directors as required under the listing rules of the HKSE, and nominating directors who meet such independence criteria;
- oversight of our compliance with legal and regulatory requirements, in particular the legal and regulatory requirements of Macau (including the relevant laws related to the gaming industry), the Cayman Islands, the SEC, Nasdaq and the HKSE;
- the development and recommendation to our board of a set of corporate governance principles applicable to our Company; and
- the disclosure, in accordance with our relevant policies, of any material information (other than that regarding the quality or integrity of our financial statements), which is brought to its attention by the disclosure committee.

The duties of the committee include:

- making recommendations to our board for its approval, the appointment or re-appointment of any members of our board and the chairs and members of its committees, including evaluating any succession planning;
- reviewing on an annual basis the appropriate skills, knowledge and characteristics required of board members and of the committees of our board, and making any recommendations to improve the performance of our board and its committees;
- developing and recommending to our board such policies and procedures with respect to nomination or appointment of members of our board and chairs and members of its committees or other corporate governance matters as may be required pursuant to any SEC or Nasdaq rules, the listing rules of the HKSE, or otherwise considered desirable and appropriate;
- developing a set of corporate governance principles and reviewing such principles at least annually;
- deciding whether any material information (other than that regarding the quality or integrity of our financial statements), which is brought to its attention by the disclosure committee, should be disclosed;
- reviewing and monitoring the training and continuous professional development of our directors and senior management, pursuant to the listing rules of the HKSE;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors, pursuant to the listing rules of the HKSE;

- together with the board, evaluating the performance of the committee on an annual basis;
- assessing the adequacy of its charter; and
- co-operating with the other board committees in any areas of overlapping responsibilities.

Interested Transactions

A director may vote in respect of any contract or transaction in which he or she is interested, provided that the nature of the interest of any directors in such contract or transaction is disclosed by him or her at or prior to its consideration and any vote in that matter.

Remuneration and Borrowing

The directors may recommend remuneration to be paid to the directors. The compensation committee assists the directors in reviewing and approving the compensation structure for the directors. The directors may exercise all the powers of our Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whether outright or as security for any debt obligations of our Company or of any third party.

Qualification

There is no shareholding qualification for directors.

Benefits Upon Termination

Our directors are not currently entitled to benefits when they cease to be directors.

Employment Agreements

We have entered into an employment agreement with each of our executive officers. The terms of the employment agreements are substantially similar for each executive officer, except as noted below. We may terminate an executive officer's employment for cause, at any time, without notice or remuneration, for certain acts of the officer, including, but not limited to, a serious criminal act, willful misconduct to our detriment or a failure to perform agreed duties. Furthermore, either we or an executive officer may terminate employment at any time without cause upon advance written notice to the other party. Except in the case of Mr. Lawrence Yau Lung Ho, upon notice to terminate employment from either the executive officer or our Company, our Company may limit the executive officer's services for a period until the termination of employment. Each executive officer (or his estate, as applicable) is entitled to accrued amounts in relation to such executive officer's employment with us upon termination due to disability or death. We will indemnify an executive officer for his or her losses based on or related to his or her acts and decisions made in the course of his or her performance of duties within the scope of his or her employment.

Each executive officer has agreed to hold, both during and after the termination of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or as compelled by law, any of our or our customers' confidential information or trade secrets. Each executive officer also agrees to comply with all material applicable laws and regulations related to his or her responsibilities at our Company as well as all material written corporate and business policies and procedures of our Company.

Each executive officer is prohibited from gambling at any of our Company's facilities during the term of his or her employment and six months following the termination of such employment agreement.

Each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and for certain periods following the termination of such employment agreement. Specifically, each executive officer has agreed not to (i) assume employment with or provide services as a director for any of our competitors who operate in a restricted area for six months following termination of employment; (ii) solicit or seek any business orders from our customers for one year following termination of employment; or (iii) seek directly or indirectly, to solicit the services of any of our employees for one year following termination of employment. The restricted area is defined as Hong Kong, any other country or region in which our Company operates or intend to operate.

D. EMPLOYEES

Employees

We had 18,367 and 11,958 employees as of December 31, 2014 and 2013, respectively. The following table sets forth the number of employees categorized by the areas of operations and as a percentage of our workforce as of December 31, 2014 and 2013. Staff remuneration packages are determined taking into account market conditions and the performance of the individuals concerned, and are subject to review from time to time.

	As of December 31,			
	2014		2013	
	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
Mocha Clubs	750	4.1%	618	5.2%
Altira Macau	2,428	13.2%	2,264	18.9%
City of Dreams	9,244	50.3%	8,292	69.3%
Corporate and centralized services ⁽¹⁾	932	5.1%	648	5.5%
City of Dreams Manila	5,013	27.3%	136	1.1%
Total	18,367	100.0%	11,958	100.0%

Note:

(1) Includes staff for Studio City.

We have implemented a number of human resource initiatives over recent years for the benefit of our employees and their families. These initiatives include a unique in-house learning academy, an on-site high school diploma program, scholarship awards, as well as fast track promotion training initiatives jointly coordinated with the School of Continuing Study of Macau University of Science & Technology and Macao Technology Committee.

We provide defined contribution plans for our employees and executive officers in Macau, Hong Kong, the Philippines and certain other jurisdictions.

Macau

Our Macau employees participate in government-managed Social Security Fund Scheme (the “SSF Scheme”) operated by the Macau government. We are required to pay a monthly fixed contribution to the SSF Scheme to fund the benefits. Our obligation with respect to the SSF Scheme operated by the Macau government is only to make the required contributions under the scheme.

We provided option for our qualifying employees in Macau to enroll in voluntary defined contribution schemes (the “Macau Schemes”) operated by us. We contribute a fixed percentage of the eligible employees’ base salaries or fixed amount to the Macau Schemes. Our contributions to the Macau Schemes are vested to

employees in accordance with a vesting schedule with full vesting in 10 years from date of employment. The Macau Schemes were established under trust with the assets of the funds held separately from those of the Group by independent trustees in Macau.

Hong Kong

Our executive officers, Hong Kong employees and certain employees in other jurisdictions participate in Mandatory Provident Fund Schemes (the “MPF Schemes”) operated by us in Hong Kong. We are required to contribute a selected fixed percentage of the executive officers’ and employee’s base salaries to the MPF Scheme, which included our mandatory contribution portion.

The excess of contributions over our mandatory portion are treated as our voluntary contribution and are vested to the executive officers and employee in accordance with a vesting schedule with full vesting in 10 years from date of employment. Our mandatory contributions to the MPF Schemes are fully and immediately vested to the employee once they are paid. The MPF Scheme was established under trust with the assets of the funds held separately from those of us by an independent trustee in Hong Kong.

The Philippines

Our Philippines employees participate in government-managed Social Security System Scheme (the “SSS Scheme”) operated by the Philippines government. We are required to pay at a certain percentage of the employees’ relevant income and met the minimum mandatory requirements to fund the benefits. Our obligation with respect to the SSS Scheme operated by the Philippines government is only to make the required contributions under the scheme.

Other Jurisdictions

Our subsidiaries in certain other jurisdiction operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees’ payroll and met the minimum mandatory requirements.

Total contributions made into the defined contribution plans for the years ended December 31, 2014, 2013 and 2012 were US\$14.8 million, US\$8.5 million and US\$5.3 million, respectively.

E. SHARE OWNERSHIP

Share Ownership of Directors and Members of Senior Management

Except as disclosed in Item 7, each of our directors and members of senior management individually owns less than 1% of our outstanding ordinary shares.

For the ownership of our ordinary shares pursuant to options and restricted shares granted to directors under our 2006 Share Incentive Plan and our 2011 Share Incentive Plan, see “— Share Incentive Plans” below.

None of our directors or members of senior management who are shareholders have different voting rights from other shareholders of our Company.

Share Incentive Plans

2006 Share Incentive Plan

We adopted the 2006 Share Incentive Plan to attract and retain the best available personnel for positions of substantial responsibility, provide additional incentives to employees, directors and consultants and to promote the success of our business. The 2006 Share Incentive Plan has been succeeded by our 2011 Share

Incentive Plan. No further awards may be granted under the 2006 Share Incentive Plan. All subsequent awards will be issued under the 2011 Share Incentive Plan. Awards previously granted under the 2006 Share Incentive Plan shall remain subject to the terms and conditions of the 2006 Share Incentive Plan.

The following paragraphs describe the principal terms included in the 2006 Share Incentive Plan.

Types of Awards. The awards permitted to be granted under our 2006 Share Incentive Plan included options to purchase our shares and restricted shares.

Eligibility. We were permitted to grant awards to employees, directors and consultants of our Company or any of our related entities, including Melco, Crown, other joint venture entities of Melco or Crown, our own subsidiaries or any entities in which we hold a substantial ownership interest. However, we could grant options that are intended to qualify as incentive share options only to our employees.

Maximum Number of Shares. Under the 2006 Share Incentive Plan, the maximum aggregate number of shares which could be issued pursuant to all awards (including shares issuable upon exercise of options) was 100,000,000 over 10 years.

Plan Administration. Our compensation committee would administer the 2006 Share Incentive Plan and determine the provisions and terms and conditions of each award grant.

Award Agreement. Awards granted were to be evidenced by an award agreement that sets forth the terms, conditions and limitations for each award.

Exercise Price and Term of Awards. In general, the plan administrator would determine the exercise price of an option and set forth the price in the award agreement. The exercise price could be a fixed or variable price related to the fair market value of our shares. If we granted an incentive share option to an employee who, at the time of that grant, owned shares representing more than 10% of the voting power of all classes of our share capital, the exercise price could not be less than 110% of the fair market value of our shares on the date of that grant. The term of each award would be stated in the award agreement, and would not exceed 10 years from the date of the grant.

Vesting Schedule. In general, the plan administrator determined, or the award agreement would specify, the vesting schedule.

See “— B. Compensation of Directors and Executive Officers” for awards granted to our directors and executive officers under the 2006 Share Incentive Plan.

As of December 31, 2014, there was no unvested share option under the 2006 Share Incentive Plan.

2011 Share Incentive Plan

We adopted the 2011 Share Incentive Plan to provide our employees, directors and consultants with incentives to increase shareholder value, and to attract and retain the services of those upon whom we depend for the success of our business. The 2011 Share Incentive Plan was conditionally approved by our shareholders at the extraordinary general meeting held on October 6, 2011 and became effective upon commencement of dealings in our shares on the HKSE on December 7, 2011. The 2011 Share Incentive Plan succeeds the 2006 Share Incentive Plan.

The following paragraphs summarize the principal terms of the current 2011 Share Incentive Plan. Amendments to the 2011 Share Incentive Plan as a result of the proposed voluntary withdrawal of listing of our shares on HKSE will be proposed to the upcoming annual general meeting for shareholders to consider.

Types of Awards. The awards that may be granted under the plan include options, incentive share options, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units.

Eligibility. We may grant awards to directors, employees and consultants of our Company, any parent or subsidiary of our Company, or any of our related entities that our board designates as a related entity for the purposes of the 2011 Share Incentive Plan. Our compensation committee may from time to time select from among eligible individuals those to whom awards shall be granted. However, only employees of our Company or of a parent or subsidiary of our Company are eligible to receive incentive share option awards.

Maximum Number of Shares. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2011 Share Incentive Plan is 100,000,000 shares. This limit may be increased from time to time, but by no more than 10% of the shares then in issue as of the date of the shareholders' meeting to approve such increase. The shares which may be issued upon exercise of all outstanding awards granted and yet to be exercised under the plan shall not exceed 30% of the shares in issue from time to time, as prescribed under relevant listing rules of the HKSE.

Maximum Entitlement of Option Holders. The maximum aggregate number of shares underlying an option grant shall not, in any 12-month period up to the date of grant, exceed 1% of the number of shares in issue on the date of grant, unless shareholders' approval is obtained in accordance with the listing rules of the HKSE. The maximum aggregate number of shares to be issued upon exercise of options granted to a substantial shareholder or an independent non-executive director of our Company, or any of their respective associates, shall not exceed 0.1% of the shares in issue on the offer date or have an aggregate value, based on the official closing price of the shares as quoted by the HKSE on the offer date, in excess of HK\$5 million, unless shareholders' approval is obtained in accordance with the listing rules of the HKSE. Such limits may be amended from time to time by the HKSE. Our compensation committee may not grant options to a director, chief executive or substantial shareholder of our Company, or any of their respective associates, without approval by independent non-executive directors on the compensation committee at the time of such determination.

Option Periods and Payments. Our compensation committee may in its discretion determine, subject to the plan expiration period: the period within which shares must be taken up under an option; the minimum period, if any, for which an option must be held before it can be exercised; the amount, if any, payable on application or acceptance of the option; and the period within which payments or calls must or may be made.

Plan Administration. Our compensation committee will administer the 2011 Share Incentive Plan and has the power to, among other actions, designate eligible participants, determine the number and types of awards to be granted, and set the terms and conditions of each award granted. The compensation committee's decisions are final, binding, and conclusive for all purposes and upon all parties.

Award Agreement. Awards granted will be evidenced by an award agreement that sets forth the terms, conditions and limitations for each award.

Exercise Price. In general, the compensation committee may establish the exercise price or purchase price, if any, of any award. The exercise price of an option may be a fixed or variable price related to the fair market value of our ordinary shares, but in any event shall not be less than the highest of: the official closing price quoted on the HKSE on the date such option is offered in writing to a participant, or the offer date; the average of the official closing prices as quoted on the HKSE for the five business days immediately preceding the offer date; and the nominal value of an ordinary share. If we grant an incentive share option award to an employee who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of our shares, the exercise price may not be less than 110% of the fair market value of our ordinary shares on the date of that grant.

Term of Awards. The term of each award shall be stated in the award agreement, and may not exceed 10 years from the date of the grant. If the participant ceases to be eligible for any reason, the validity of the award shall depend on the terms and conditions of the award agreement. An incentive share option may not be exercised upon the earlier of (a) 10 years from the date of the grant; (b) three months after termination as an employee; and (c) one year after the date of termination of employment or service on account of disability or death.

Transferability. Rights in awards are personal to participants and, except as otherwise provided by our compensation committee, no award shall be assigned, transferred, or otherwise disposed of by a participant other than by will or the laws of descent and distribution.

Adjustments. In the event of any share split, combination or exchange of shares, spin-off, recapitalization, reorganization, merger, consolidation or any other change affecting our share capital, our compensation committee shall make proportionate and equitable adjustments to reflect such change with respect to: (i) the aggregate number and types of shares that may be issued under the plan; (ii) the terms and conditions of any outstanding awards; and (iii) the grant price or exercise price per share for any outstanding awards.

Change in Control and Corporate Transactions. In the event of a change in the control of our Company, our compensation committee may in its sole discretion provide for termination, purchase or realization of awards, or replacement of awards with other rights or property. Upon the consummation of a merger or consolidation in which our Company is not the surviving entity, a sale of substantially all of our assets, the complete liquidation or dissolution of our Company or a reverse takeover, each award will terminate, unless the award is assumed by the successor entity. If the successor entity assumes the award or replaces it with a comparable award, or replaces the award with a cash incentive program and provides for subsequent payout, the replacement award or cash incentive program will automatically become fully vested, exercisable and payable, as applicable, upon termination of the participant's employment without cause within 12 months of such corporate transaction. If the award is neither assumed nor replaced, it shall become fully vested and exercisable and released from any repurchase or forfeiture rights immediately prior to the effective date of such corporate transaction, provided that the participant remains eligible on the effective date of the corporate transaction.

Amendment and Termination. With the approval of the Board, our compensation committee may terminate, amend or modify the 2011 Share Incentive Plan, except certain amendments requiring Shareholders' approval pursuant to the applicable law. Except amendments made pursuant to the above, no termination, amendment, or modification of the 2011 Share Incentive Plan shall adversely affect in any material way any award previously granted under the 2011 Share Incentive Plan or any previous plans, without the prior written consent of the participant.

Expiration. The 2011 Share Incentive Plan will expire 10 years after December 7, 2011, the date on which it became effective. No awards may be granted pursuant to the 2011 Share Incentive Plan after that time.

Vesting Schedule. In general, our compensation committee determined, or the award agreement would specify, the vesting schedule.

As of the date of this annual report, we have granted (i) share options to subscribe for a total of 4,644,060 shares and (ii) restricted shares in respect of a total of 2,734,536 shares, pursuant to the 2011 Share Incentive Plan.

As of December 31, 2014 the unvested share options granted under the 2011 Share Incentive Plan represented approximately 0.163% of our issued share capital.

If all the unvested share options were to be exercised and vested during the year ended December 31, 2014 on an unaudited pro-forma basis, there would be a dilution effect on the shareholdings of our shareholders of approximately 0.163% and basic earnings per share of US\$0.0006.

On May 15, 2013, we announced our giving of the authorization to the trustee which administers our 2011 Share Incentive Plan to purchase ADSs on Nasdaq for the purpose of satisfying our obligations to deliver

ADSs under the 2011 Share Incentive Plan (“Purchase Program”). Under the Purchase Program, the trustee can purchase ADS on the open market at the price range to be determined by the Company’s management from time to time. This Purchase Program may be terminated or suspended by us at any time. During the year ended December 31, 2014, the trustee purchased on Nasdaq a total of 69,426ADSs (equivalent to 208,278 shares) and the total cost for acquiring these ADSs was approximately US\$1.7 million which, was fully paid during the year ended December 31, 2014.

As of December 31, 2014, there was no unvested share options and restricted share under the 2006 Share Incentive Plan. A summary of the unvested awards granted under the 2011 Share Incentive Plan as of December 31, 2014 is presented below:

	<u>Exercise price /grant date fair value per share (US\$)</u>	<u>Number of unvested share options/restricted shares</u>	<u>Vesting period</u>
Share Options			
2012 Long Term Incentive Plan	4.70	579,852	3 years
2013 Long Term Incentive Plan	8.42	855,630	3-4 years
2014 Long Term Incentive Plan	12.98	<u>1,230,354</u>	3 years
		<u>2,665,836</u>	
Restricted Shares			
2012 Long Term Incentive Plan	4.43	357,732	3 years
2013 Long Term Incentive Plan	8.27	508,479	3-4 years
2014 Long Term Incentive Plan	12.49	<u>701,681</u>	3 years
		<u>1,567,892</u>	

Details of the movement in share options granted under the 2006 Share Incentive Plan and the 2011 Share Incentive Plan during the year ended December 31, 2014 are as follows:

Name or category of participants	Date of grant of share options ⁽¹⁾	Exercisable period ⁽²⁾	Exercise price of share options (per Share) US\$	Share price at date of grant of share options US\$	Number of share options						
					Outstanding as at January 1, 2014	Granted during the period ⁽³⁾	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at December 31, 2014	
Directors :											
Lawrence Yau Lung Ho	March 17, 2009	March 17, 2010 to March 16, 2019	1.09	1.09	724,692	—	—	—	—	—	724,692
	March 17, 2009	March 17, 2011 to March 16, 2019	1.09	1.09	724,692	—	—	—	—	—	724,692
	March 17, 2009	March 17, 2012 to March 16, 2019	1.09	1.09	724,692	—	—	—	—	—	724,692
	March 17, 2009	March 17, 2013 to March 16, 2019	1.09	1.09	724,698	—	—	—	—	—	724,698
	November 25, 2009	November 25, 2010 to March 17, 2018	1.43	1.43	188,763	—	—	—	—	—	188,763
	November 25, 2009	November 25, 2011 to March 17, 2018	1.43	1.43	188,763	—	—	—	—	—	188,763
	November 25, 2009	November 25, 2012 to March 17, 2018	1.43	1.43	188,763	—	—	—	—	—	188,763
	November 25, 2009	November 25, 2013 to March 17, 2018	1.43	1.43	188,769	—	—	—	—	—	188,769
	March 23, 2011	March 23, 2012 to March 22, 2021	2.52	2.52	482,115	—	—	—	—	—	482,115
	March 23, 2011	March 23, 2013 to March 22, 2021	2.52	2.52	482,115	—	—	—	—	—	482,115
	March 23, 2011	March 23, 2014 to March 22, 2021	2.52	2.52	482,268	—	—	—	—	—	482,268
	March 29, 2012	March 29, 2013 to March 28, 2022	4.70	4.43	158,133	—	—	—	—	—	158,133
	March 29, 2012	March 29, 2014 to March 28, 2022	4.70	4.43	158,133	—	—	—	—	—	158,133
	March 29, 2012	March 29, 2015 to March 28, 2022	4.70	4.43	158,133	—	—	—	—	—	158,133
	May 10, 2013	May 10, 2014 to May 9, 2023	8.42	8.27	120,870	—	—	—	—	—	120,870
	May 10, 2013	May 10, 2015 to May 9, 2023	8.42	8.27	120,870	—	—	—	—	—	120,870
	May 10, 2013	May 10, 2016 to May 9, 2023	8.42	8.27	120,870	—	—	—	—	—	120,870
	March 28, 2014	March 28, 2017 to March 27, 2024	12.98	12.49 ⁽⁴⁾	—	320,343	—	—	—	—	320,343
Sub-total:					<u>5,937,339</u>	<u>320,343</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,257,682</u>

Name or category of participants	Date of grant of share options ⁽¹⁾	Exercisable period ⁽²⁾	Exercise price of share options (per Share) US\$	Share price at date of grant of share options US\$	Number of share options						
					Outstanding as at January 1, 2014	Granted during the period	Exercised during the period ⁽³⁾	Cancelled during the period	Lapsed during the period	Outstanding as at December 31, 2014	
Clarence Yuk Man Chung	March 18, 2008	March 18, 2009 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	—	14,157
	March 18, 2008	March 18, 2010 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	—	14,157
	March 18, 2008	March 18, 2011 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	—	14,157
	March 18, 2008	March 18, 2012 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	—	14,157
	March 17, 2009	March 17, 2010 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	—	34,509
	March 17, 2009	March 17, 2011 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	—	34,509
	March 17, 2009	March 17, 2012 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	—	34,509
	March 17, 2009	March 17, 2013 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	—	34,509
					<u>194,664</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>194,664</u>
					14,157	—	—	—	—	—	14,157
John Peter Ben Wang	March 18, 2008	March 18, 2009 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	—	14,157
	March 18, 2008	March 18, 2010 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	—	14,157
	March 18, 2008	March 18, 2011 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	—	14,157
	March 18, 2008	March 18, 2012 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	—	14,157
	March 17, 2009	March 17, 2010 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	—	34,509
	March 17, 2009	March 17, 2011 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	—	34,509
	March 17, 2009	March 17, 2012 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	—	34,509
	March 17, 2009	March 17, 2013 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	—	34,509
					<u>194,664</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>194,664</u>
					14,157	—	—	—	—	—	14,157

Name or category of participants	Date of grant of share options ⁽¹⁾	Exercisable period ⁽²⁾	Exercise price of share options (per Share) US\$	Share price at date of grant of share options US\$	Number of share options						
					Outstanding as at January 1, 2014	Granted during the period ⁽³⁾	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at December 31, 2014	
Robert Watson Mactier	September 10, 2007	September 10, 2008 to September 9, 2017	5.06	4.42	5,982	—	—	—	—	5,982	
	September 10, 2007	September 10, 2009 to September 9, 2017	5.06	4.42	11,967	—	—	—	—	11,967	
	September 10, 2007	September 10, 2010 to September 9, 2017	5.06	4.42	17,952	—	—	—	—	17,952	
	September 10, 2007	September 10, 2011 to September 9, 2017	5.06	4.42	23,946	—	—	—	—	23,946	
	March 18, 2008	March 18, 2009 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	14,157	
	March 18, 2008	March 18, 2010 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	14,157	
	March 18, 2008	March 18, 2011 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	14,157	
	March 18, 2008	March 18, 2012 to March 17, 2018	4.01	4.01	14,157	—	—	—	—	14,157	
	March 17, 2009	March 17, 2010 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	34,509	
	March 17, 2009	March 17, 2011 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	34,509	
	March 17, 2009	March 17, 2012 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	34,509	
	March 17, 2009	March 17, 2013 to March 16, 2019	1.09	1.09	34,509	—	—	—	—	34,509	
	Sub-total:					254,511	—	—	—	—	254,511
	Thomas Jefferson Wu	September 10, 2007	September 10, 2008 to September 9, 2017	5.06	4.42	5,982	—	(5,982)	—	—	—
September 10, 2007		September 10, 2009 to September 9, 2017	5.06	4.42	11,967	—	(11,967)	—	—	—	
September 10, 2007		September 10, 2010 to September 9, 2017	5.06	4.42	17,952	—	(17,952)	—	—	—	
September 10, 2007		September 10, 2011 to September 9, 2017	5.06	4.42	23,946	—	(23,946)	—	—	—	
March 18, 2008		March 18, 2009 to March 17, 2018	4.01	4.01	14,157	—	(14,157)	—	—	—	
March 18, 2008		March 18, 2010 to March 17, 2018	4.01	4.01	14,157	—	(14,157)	—	—	—	
March 18, 2008		March 18, 2011 to March 17, 2018	4.01	4.01	14,157	—	(14,157)	—	—	—	
March 18, 2008		March 18, 2012 to March 17, 2018	4.01	4.01	14,157	—	(14,157)	—	—	—	

Name or category of participants	Date of grant of share options ⁽¹⁾	Exercisable period ⁽²⁾	Exercise price of share options (per Share) US\$	Share price at date of grant of share options US\$	Number of share options						
					Outstanding as at January 1, 2014	Granted during the period	Exercised during the period ⁽³⁾	Cancelled during the period	Lapsed during the period	Outstanding as at December 31, 2014	
	March 18, 2008	March 18, 2012 to March 17, 2018	4.01	4.01	14,157	—	(14,157)	—	—	—	—
	March 17, 2009	March 17, 2010 to March 16, 2019	1.09	1.09	34,509	—	(34,509)	—	—	—	—
	March 17, 2009	March 17, 2011 to March 16, 2019	1.09	1.09	34,509	—	(34,509)	—	—	—	—
	March 17, 2009	March 17, 2012 to March 16, 2019	1.09	1.09	34,509	—	(34,509)	—	—	—	—
	March 17, 2009	March 17, 2013 to March 16, 2019	1.09	1.09	34,509	—	(34,509)	—	—	—	—
Sub-total:					254,511	—	(254,511)	—	—	—	—
All Directors' Sub-total:					6,835,689	320,343	(254,511)	—	—	—	6,901,521
Employees	September 10, 2007	September 10, 2008 to September 9, 2017	5.06	4.42	5,391	—	—	—	—	—	5,391
Employees	September 10, 2007	September 10, 2009 to September 9, 2017	5.06	4.42	11,970	—	—	—	—	—	11,970
Employees	September 10, 2007	September 10, 2010 to September 9, 2017	5.06	4.42	17,955	—	—	—	—	—	17,955
Employees	September 10, 2007	September 10, 2011 to September 9, 2017	5.06	4.42	23,940	—	—	—	—	—	23,940
Employees	March 18, 2008	March 18, 2009 to March 17, 2018	4.01	4.01	4,662	—	—	—	—	—	4,662
Employees	March 18, 2008	March 18, 2010 to March 17, 2018	4.01	4.01	4,662	—	—	—	—	—	4,662
Employees	March 18, 2008	March 18, 2011 to March 17, 2018	4.01	4.01	4,662	—	—	—	—	—	4,662
Employees	March 18, 2008	March 18, 2012 to March 17, 2018	4.01	4.01	4,671	—	—	—	—	—	4,671
Employees	November 25, 2008	November 25, 2010 to November 24, 2018	1.01	1.01	1,386,570	—	(41,526)	—	—	—	1,345,044
Employees	November 25, 2008	November 25, 2011 to November 24, 2018	1.01	1.01	1,736,727	—	(88,665)	—	(6,087)	—	1,641,975
Employees	January 20, 2009	January 20, 2010 to January 19, 2019	1.01	1.01	197,367	—	—	—	—	—	197,367
Employees	January 20, 2009	January 20, 2011 to January 19, 2019	1.01	1.01	197,367	—	—	—	—	—	197,367
Employees	January 20, 2009	January 20, 2012 to January 19, 2019	1.01	1.01	197,367	—	—	—	—	—	197,367

Name or category of participants	Date of grant of share options ⁽¹⁾	Exercisable period ⁽²⁾	Exercise price of share options (per Share) US\$	Share price at date of grant of share options US\$	Number of share options						
					Outstanding as at January 1, 2014	Granted during the period ⁽³⁾	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at December 31, 2014	
											Outstanding as at January 1, 2014
Employees	January 20, 2009	January 20, 2013 to January 19, 2019	1.01	1.01	197,373	—	—	—	—	—	197,373
Employees	November 25, 2009	November 25, 2010 to September 9, 2017	1.43	1.43	58,347	—	(2,991)	—	—	—	55,356
Employees	November 25, 2009	November 25, 2011 to September 9, 2017	1.43	1.43	62,337	—	(6,981)	—	—	—	55,356
Employees	November 25, 2009	November 25, 2012 to September 9, 2017	1.43	1.43	72,309	—	(16,953)	—	—	—	55,356
Employees	November 25, 2009	November 25, 2013 to September 9, 2017	1.43	1.43	139,737	—	(37,920)	—	—	—	101,817
Employees	November 25, 2009	November 25, 2010 to March 17, 2018	1.43	1.43	55,080	—	—	—	—	—	55,080
Employees	November 25, 2009	November 25, 2011 to March 17, 2018	1.43	1.43	56,328	—	(1,248)	—	—	—	55,080
Employees	November 25, 2009	November 25, 2012 to March 17, 2018	1.43	1.43	71,400	—	(16,320)	—	—	—	55,080
Employees	November 25, 2009	November 25, 2013 to March 17, 2018	1.43	1.43	120,270	—	(22,482)	—	—	—	97,788
Employees	November 25, 2009	November 25, 2010 to April 10, 2018	1.43	1.43	35,100	—	—	—	—	—	35,100
Employees	November 25, 2009	November 25, 2011 to April 10, 2018	1.43	1.43	35,100	—	—	—	—	—	35,100
Employees	November 25, 2009	November 25, 2012 to April 10, 2018	1.43	1.43	35,100	—	—	—	—	—	35,100
Employees	November 25, 2009	November 25, 2013 to April 10, 2018	1.43	1.43	35,100	—	—	—	—	—	35,100
Employees	May 26, 2010	May 26, 2012 to May 25, 2020	1.25	1.25	44,331	—	(25,461)	—	—	—	18,870
Employees	May 26, 2010	May 26, 2013 to May 25, 2020	1.25	1.25	90,498	—	(22,464)	—	—	—	68,034
Employees	May 26, 2010	May 26, 2013 to May 25, 2020	1.25	1.25	86,511	—	(49,128)	—	—	—	37,383
Employees	August 16, 2010	August 16, 2012 to August 15, 2020	1.33	1.25	150,000	—	—	—	—	—	150,000
Employees	August 16, 2010	August 16, 2014 to August 15, 2020	1.33	1.25	150,000	—	—	—	—	—	150,000
Employees	March 23, 2011	March 23, 2012 to March 22, 2021	2.52	2.52	699,573	—	(24,795)	—	—	—	674,778
Employees	March 23, 2011	March 23, 2013 to March 22, 2021	2.52	2.52	808,095	—	(87,618)	—	—	—	720,477

Name or category of participants	Date of grant of share options ⁽¹⁾	Exercisable period ⁽²⁾	Exercise price of share options (per Share) US\$	Share price at date of grant of share options US\$	Number of share options						
					Outstanding as at January 1, 2014	Granted during the period	Exercised during the period ⁽³⁾	Cancelled during the period	Lapsed during the period	Outstanding as at December 31, 2014	
Employees	March 23, 2011	March 23, 2014 to March 22, 2021	2.52	2.52	982,833	—	(154,842)	—	—	—	827,991
Employees	March 29, 2012	March 29, 2013 to March 28, 2022	4.70	4.43	364,776	—	(20,553)	—	—	—	344,223
Employees	March 29, 2012	March 29, 2014 to March 28, 2022	4.70	4.43	442,335	—	(40,944)	—	—	—	401,391
Employees	March 29, 2012	March 29, 2015 to March 28, 2022	4.70	4.43	442,380	—	—	(20,661)	—	—	421,719
Employees	May 10, 2013	May 10, 2014 to May 9, 2023	8.42	8.27	315,531	—	(12,897)	(9,054)	—	—	293,580
Employees	May 10, 2013	May 10, 2015 to May 9, 2023	8.42	8.27	315,531	—	—	(17,907)	—	—	297,624
Employees	May 10, 2013	May 10, 2016 to May 9, 2023	8.42	8.27	315,567	—	—	(17,904)	—	—	297,663
Employees	May 10, 2013	Nov 12, 2014 to May 9, 2023	8.42	8.27	18,603	—	—	—	—	—	18,603
Employees	May 10, 2013	Nov 12, 2016 to May 9, 2023	8.42	8.27	18,603	—	—	—	—	—	18,603
Employees	March 28, 2014	March 28, 2016 to March 27, 2024	12.98	12.49 ⁽⁴⁾	—	14,415	—	—	—	—	14,415
Employees	March 28, 2014	March 28, 2017 to March 27, 2024	12.98	12.49 ⁽⁴⁾	—	7,209	—	—	—	—	7,209
Employees	March 28, 2014	March 28, 2017 to March 27, 2024	12.98	12.49 ⁽⁴⁾	—	944,733	—	(56,346)	—	—	888,387
Employees	August 28, 2014	August 28, 2015 to August 27, 2024	9.66	9.56	—	11,331	—	(11,331)	—	—	—
Employees	August 28, 2014	August 28, 2016 to August 27, 2024	9.66	9.56	—	11,331	—	(11,331)	—	—	—
Employees	August 28, 2014	August 28, 2017 to August 27, 2024	9.66	9.56	—	11,331	—	(11,331)	—	—	—
Sub-total:					10,012,059	1,000,350	(673,788)	(155,865)	(6,087)	—	10,176,669
Total					16,847,748	1,320,693	(928,299)	(155,865)	(6,087)	—	17,078,190

Notes:

(1) Awards granted before the year of 2012 are under the 2006 Share Incentive Plan and awards granted during or after the year of 2012 are, and will be, under the 2011 Share Incentive Plan.

(2) The vesting period of the share options is from the date of grant until the commencement of exercisable period.

- (3) In respect of the share options exercised during the period, the weighted average closing price of the Shares immediately before the dates on which the options were exercised was US\$11.13.
- (4) Share price on the day before of the grant of share option is US\$12.04.

Details of the movement in restricted shares granted under the 2006 Share Incentive Plan and the 2011 Share Incentive Plan during the year ended December 31, 2014 are as follows:

Name or category of participants	Date of grant of restricted Shares ⁽¹⁾	Vesting date	Share price at date of grant of restricted Shares US\$	Number of restricted Shares										
				Outstanding as at January 1, 2014	Granted during the period	Reclassified during the period	Vested during the period	Cancelled during the period	Outstanding as at December 31, 2014					
Directors:														
Lawrence Yau Lung Ho	March 23, 2011	March 23, 2014	2.52	241,137	—	—	—	—	(241,137)	—	—	—	—	
	March 29, 2012	March 29, 2014	4.43	79,065	—	—	—	—	(79,065)	—	—	—	—	
	March 29, 2012	March 29, 2015	4.43	79,068	—	—	—	—	—	—	—	—	79,068	
	May 10, 2013	May 10, 2014	8.27	60,435	—	—	—	—	(60,435)	—	—	—	—	
	May 10, 2013	May 10, 2015	8.27	60,435	—	—	—	—	—	—	—	—	60,435	
	May 10, 2013	May 10, 2016	8.27	60,435	—	—	—	—	—	—	—	—	60,435	
	March 28, 2014	March 28, 2017	12.49	—	160,171	—	—	—	—	—	—	—	160,171	
Sub-total:				580,575	160,171	—	—	—	(380,637)	—	—	—	360,109	
James Douglas Packer	March 28, 2014	March 28, 2015	12.49	—	3,201	—	—	—	—	—	—	—	3,201	
	March 28, 2014	March 28, 2016	12.49	—	3,204	—	—	—	—	—	—	—	3,204	
	March 28, 2014	March 28, 2017	12.49	—	3,204	—	—	—	—	—	—	—	3,204	
Sub-total:				—	9,609	—	—	—	—	—	—	—	9,609	
Clarence Yuk Man Chung	March 23, 2011	March 23, 2014	2.52	15,858	—	—	—	—	(15,858)	—	—	—	—	
	March 29, 2012	March 29, 2014	4.43	22,590	—	—	—	—	(22,590)	—	—	—	—	
	March 29, 2012	March 29, 2015	4.43	22,590	—	—	—	—	—	—	—	—	22,590	
	May 10, 2013	May 10, 2014	8.27	4,836	—	—	—	—	(4,836)	—	—	—	—	
	May 10, 2013	May 10, 2015	8.27	4,836	—	—	—	—	—	—	—	—	4,836	
	May 10, 2013	May 10, 2016	8.27	4,833	—	—	—	—	—	—	—	—	4,833	
	March 28, 2014	March 28, 2015	12.49	—	3,201	—	—	—	—	—	—	—	3,201	
	March 28, 2014	March 28, 2016	12.49	—	3,204	—	—	—	—	—	—	—	3,204	
	March 28, 2014	March 28, 2017	12.49	—	3,204	—	—	—	—	—	—	—	3,204	
Sub-total:				75,543	9,609	—	—	—	(43,284)	—	—	—	41,868	

Name or category of participants	Date of grant of restricted Shares ⁽¹⁾	Vesting date	Share price at date of grant of restricted Shares US\$	Number of restricted Shares					
				Outstanding as at January 1, 2014	Granted during the period	Reclassified during the period	Vested during the period	Cancelled during the period	Outstanding as at December 31, 2014
John Peter Ben Wang	March 23, 2011	March 23, 2014	2.52	15,858	—	—	(15,858)	—	—
	March 29, 2012	March 29, 2014	4.43	9,036	—	—	(9,036)	—	—
	March 29, 2012	March 29, 2015	4.43	9,036	—	—	—	—	9,036
	May 10, 2013	May 10, 2014	8.27	4,836	—	—	(4,836)	—	—
	May 10, 2013	May 10, 2015	8.27	4,836	—	—	—	—	4,836
	May 10, 2013	May 10, 2016	8.27	4,833	—	—	—	—	4,833
	March 28, 2014	March 28, 2015	12.49	—	3,201	—	—	—	3,201
	March 28, 2014	March 28, 2016	12.49	—	3,204	—	—	—	3,204
	March 28, 2014	March 28, 2017	12.49	—	3,204	—	—	—	3,204
Sub-total:				48,435	9,609	—	(29,730)	—	28,314
William Todd Nisbet	May 10, 2013	May 10, 2014	8.27	4,836	—	—	(4,836)	—	—
	May 10, 2013	May 10, 2015	8.27	4,836	—	—	—	—	4,836
	May 10, 2013	May 10, 2016	8.27	4,833	—	—	—	—	4,833
	March 28, 2014	March 28, 2015	12.49	—	3,201	—	—	—	3,201
	March 28, 2014	March 28, 2016	12.49	—	3,204	—	—	—	3,204
	March 28, 2014	March 28, 2017	12.49	—	3,204	—	—	—	3,204
Sub-total:				14,505	9,609	—	(4,836)	—	19,278
Rowen Bruce Craigie	May 10, 2013	May 10, 2014	8.27	4,836	—	—	(4,836)	—	—
	May 10, 2013	May 10, 2015	8.27	4,836	—	—	—	—	4,836
	May 10, 2013	May 10, 2016	8.27	4,833	—	—	—	—	4,833
	March 28, 2014	March 28, 2015	12.49	—	3,201	—	—	—	3,201
	March 28, 2014	March 28, 2016	12.49	—	3,204	—	—	—	3,204
	March 28, 2014	March 28, 2017	12.49	—	3,204	—	—	—	3,204
Sub-total:				14,505	9,609	—	(4,836)	—	19,278
Robert Wason Mactier	March 23, 2011	March 23, 2014	2.52	15,858	—	—	(15,858)	—	—
	March 29, 2012	March 29, 2014	4.43	9,036	—	—	(9,036)	—	—
	March 29, 2012	March 29, 2015	4.43	9,036	—	—	—	—	9,036
	May 10, 2013	May 10, 2014	8.27	4,836	—	—	(4,836)	—	—
	May 10, 2013	May 10, 2015	8.27	4,836	—	—	—	—	4,836
	May 10, 2013	May 10, 2016	8.27	4,833	—	—	—	—	4,833
	March 28, 2014	March 28, 2015	12.49	—	3,201	—	—	—	3,201
	March 28, 2014	March 28, 2016	12.49	—	3,204	—	—	—	3,204
	March 28, 2014	March 28, 2017	12.49	—	3,204	—	—	—	3,204
Sub-total:				48,435	9,609	—	(29,730)	—	28,314

Name or category of participants	Date of grant of restricted Shares ⁽¹⁾	Vesting date	Share price at date of grant of restricted Shares US\$	Number of restricted Shares					
				Outstanding as at January 1, 2014	Granted during the period	Reclassified during the period	Vested during the period	Cancelled during the period	Outstanding as at December 31, 2014
Alec Yiu Wa Tsui	March 23, 2011	March 23, 2014	2.52	15,858	—	—	(15,858)	—	—
	March 29, 2012	March 29, 2014	4.43	9,036	—	—	(9,036)	—	—
	March 29, 2012	March 29, 2015	4.43	9,036	—	—	—	—	9,036
	May 10, 2013	May 10, 2014	8.27	4,836	—	—	(4,836)	—	—
	May 10, 2013	May 10, 2015	8.27	4,836	—	—	—	—	4,836
	May 10, 2013	May 10, 2016	8.27	4,833	—	—	—	—	4,833
	March 28, 2014	March 28, 2015	12.49	—	3,201	—	—	—	3,201
	March 28, 2014	March 28, 2016	12.49	—	3,204	—	—	—	3,204
	March 28, 2014	March 28, 2017	12.49	—	3,204	—	—	—	3,204
Sub-total:			48,435	9,609	—	—	(29,730)	—	28,314
Thomas Jefferson Wu	March 23, 2011	March 23, 2014	2.52	15,858	—	—	(15,858)	—	—
	March 29, 2012	March 29, 2014	4.43	9,036	—	—	(9,036)	—	—
	March 29, 2012	March 29, 2015	4.43	9,036	—	—	—	—	9,036
	May 10, 2013	May 10, 2014	8.27	4,836	—	—	(4,836)	—	—
	May 10, 2013	May 10, 2015	8.27	4,836	—	—	—	—	4,836
	May 10, 2013	May 10, 2016	8.27	4,833	—	—	—	—	4,833
	March 28, 2014	March 28, 2015	12.49	—	3,201	—	—	—	3,201
	March 28, 2014	March 28, 2016	12.49	—	3,204	—	—	—	3,204
	March 28, 2014	March 28, 2017	12.49	—	3,204	—	—	—	3,204
Sub-total:			48,435	9,609	—	—	(29,730)	—	28,314
James Andrew Charles MacKenzie	March 23, 2011	March 23, 2014	2.52	15,858	—	—	(15,858)	—	—
	March 29, 2012	March 29, 2014	4.43	9,036	—	—	(9,036)	—	—
	March 29, 2012	March 29, 2015	4.43	9,036	—	—	—	—	9,036
	May 10, 2013	May 10, 2014	8.27	4,836	—	—	(4,836)	—	—
	May 10, 2013	May 10, 2015	8.27	4,836	—	—	—	—	4,836
	May 10, 2013	May 10, 2016	8.27	4,833	—	—	—	—	4,833
	March 28, 2014	March 28, 2015	12.49	—	3,201	—	—	—	3,201
	March 28, 2014	March 28, 2016	12.49	—	3,204	—	—	—	3,204
	March 28, 2014	March 28, 2017	12.49	—	3,204	—	—	—	3,204
Sub-total:			48,435	9,609	—	—	(29,730)	—	28,314
All Directors' Sub-total:			927,303	246,652	—	—	(582,243)	—	591,712

Name or category of participants	Date of grant of restricted Shares ⁽¹⁾	Vesting date	Share price at date of grant of restricted Shares US\$	Number of restricted Shares					
				Outstanding as at January 1, 2014	Granted during the period	Reclassified during the period	Vested during the period	Cancelled during the period	Outstanding as at December 31, 2014
Employees	August 16, 2010	August 16, 2014	1.25	75,000	—	—	(75,000)	—	—
Employees	March 23, 2011	March 23, 2014	2.52	491,385	—	—	(491,385)	—	—
Employees	March 29, 2012	March 29, 2014	4.43	218,436	—	2,727	(221,163)	—	—
Employees	March 29, 2012	March 29, 2015	4.43	223,956	—	(2,727)	—	(10,335)	210,894
Employees	May 10, 2013	May 10, 2014	8.27	157,761	—	—	(153,237)	(4,524)	—
Employees	May 10, 2013	May 10, 2015	8.27	157,761	—	—	—	(8,949)	148,812
Employees	May 10, 2013	May 10, 2016	8.27	157,773	—	—	—	(8,955)	148,818
Employees	May 10, 2013	November 12, 2014	8.27	12,627	—	—	(12,627)	—	—
Employees	May 10, 2013	November 12, 2016	8.27	12,627	—	—	—	—	12,627
Employees	March 28, 2014	March 28, 2016	12.49	—	7,206	—	—	—	7,206
Employees	March 28, 2014	March 28, 2017	12.49	—	475,997	—	—	(28,174)	447,823
Employees	August 28, 2014	March 28, 2015	9.56	—	5,667	—	—	(5,667)	—
Employees	August 28, 2014	March 28, 2016	9.56	—	5,667	—	—	(5,667)	—
Employees	August 28, 2014	March 28, 2017	9.56	—	5,667	—	—	(5,667)	—
Sub-total:				1,507,326	500,204	—	(953,412)	(77,938)	976,180
Total				2,434,629	746,856	—	(1,535,655)	(77,938)	1,567,892

Note:

- (1) Awards granted before the year of 2012 are under the 2006 Share Incentive Plan and awards granted during or after the year of 2012 are, and will be, under the 2011 Share Incentive Plan.

A summary of the details in relation to the share options granted to participants under the 2011 Share Incentive Plan during 2014, is set out below:

Date of grant	March 28, 2014
Exercise price	US\$12.98 per share
Number of shares involved	1,286,700
Closing price of the shares on the date of grant	US\$12.4867 per share
Validity period of the share options	The share options are valid for a period of 10 years from the date of grant
Date of grant	August 28, 2014
Exercise price	US\$9.6554 per share
Number of shares involved	33,993
Closing price of the shares on the date of grant	US\$9.56 per share
Validity period of the share options	The share options are valid for a period of 10 years from the date of grant

Among the share options granted above, share options to subscribe for 320,343 shares were granted, with the approval of our compensation committee, to Mr. Lawrence Ho, our co-chairman, chief executive officer and executive director.

A summary of the details in relation to restricted shares granted to participants under the 2011 Share Incentive Plan during 2014, is set out below:

Date of grant	March 28, 2014
Number of shares involved	729,855
Vesting period	Maximum 3 years
Date of grant	August 28, 2014
Number of shares involved	17,001
Vesting period	To be vested equally over 3 years from the date of grant

Among the restricted shares granted above, 246,652 shares were granted, with the approval of our compensation committee, to the following directors of our Company, with details as follows:

Name	Position	Number of restricted shares	Number of underlying shares involved	Vesting date		
				March 28, 2015	March 28, 2016	March 28, 2017
Mr. Lawrence Yau Lung Ho	Co-chairman, chief executive officer and executive director	160,171	160,171	—	—	160,171
Mr. James Douglas Packer	Director (Co-Chairman)	9,609	9,609	3,201	3,204	3,204
Mr. Clarence Yuk Man Chung	Non-executive director	9,609	9,609	3,201	3,204	3,204
Mr. John Peter Ben Wang	Non-executive director	9,609	9,609	3,201	3,204	3,204
Mr. Rowen Bruce Craigie	Non-executive director	9,609	9,609	3,201	3,204	3,204
Mr. William Todd Nisbet	Non-executive director	9,609	9,609	3,201	3,204	3,204
Mr. James Andrew Charles MacKenzie	Independent non-executive director	9,609	9,609	3,201	3,204	3,204

Name	Position	Number of restricted shares	Number of underlying shares involved	Vesting date		
				March 28, 2015	March 28, 2016	March 28, 2017
Mr. Robert Wason Mactier	Independent non-executive director	9,609	9,609	3,201	3,204	3,204
Mr. Alec Yiu Wa Tsui	Independent non-executive director	9,609	9,609	3,201	3,204	3,204
Mr. Thomas Jefferson Wu	Independent non-executive director	9,609	9,609	3,201	3,204	3,204

MCP Share Incentive Plan

Apart from the 2006 Share Incentive Plan and the 2011 Share Incentive Plan, our subsidiary, MCP adopted the MCP Share Incentive Plan to promote the success and enhance the value of MCP, by linking the personal interests of members of the board of directors, employees and consultants of MCP, its subsidiaries, holding companies and affiliated companies. The MCP Share Incentive Plan, with amendments, was approved by MCP shareholders at the annual stockholders meeting held, and became effective, on June 21, 2013. The MCP Share Incentive Plan was also approved by our shareholders at the extraordinary general meeting on June 21, 2013. The Philippine Securities and Exchange Commission approved such amendments on June 24, 2013, which is the effective date of the MCP SIP.

The following paragraphs summarize the principal terms of the current MCP Share Incentive Plan. Amendments to the MCP Share Incentive Plan as a result of the proposed voluntary withdrawal of listing of our shares on the HKSE will be proposed to the upcoming annual general meeting for shareholders to consider.

Types of Awards. The awards that may be granted under the MCP Share Incentive Plan include options, incentive share options, restricted shares, share appreciation rights, dividend equivalents, share payments, deferred shares and restricted share units.

Eligibility. The compensation committee of the board of directors of MCP may grant awards to employees, directors and consultants of MCP, its subsidiary, holding companies and affiliated companies for the purposes of the MCP Share Incentive Plan. The compensation committee of the MCP Board may, from time to time, select from among all eligible individuals, those to whom awards shall be granted.

Plan Limit. The maximum aggregate number of MCP Shares which may be issued pursuant to all awards under the MCP Share Incentive Plan is 442,630,330. In any event, the total number of MCP Shares which may be issued pursuant to all awards under the MCP Share Incentive Plan shall not exceed 10% of the issued capital stock of MCP at the date of our Shareholders approval of the MCP Share Incentive Plan. The overall limit on the number of MCP Shares which may be issued upon exercise of all outstanding awards granted and yet to be exercised under the MCP Share Incentive Plan and any other share incentive plans of MCP must not exceed 5% of the MCP Shares in issue from time to time.

Maximum Entitlement of Option Holders. The maximum aggregate number of MCP Shares underlying option grants to each participant shall not, in any 12-month period up to the date of grant, exceed 1% of the number of MCP Shares in issue, unless the approval of our Shareholders is obtained in accordance with the Listing Rules. If the aggregate number of MCP Shares to be issued upon exercise of options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, exceeds 0.1% of the MCP Shares in issue on the offer date, and have an aggregate value, based on the official closing price of the MCP Shares as stated in the daily quotation sheets of the Philippine Stock Exchange on the offer date, in excess of an amount in peso which is equivalent to HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, the approval of our Shareholders shall be obtained in

accordance with the Listing Rules. Any grant of option to a director, chief executive or substantial shareholder of MCP or the Company, or any of their respective associates, shall be subject to the approval by independent non-executive directors of our compensation committee at the time of such determination (and in the event that the compensation committee of the board of directors of MCP offers to grant options to an independent non-executive director of the compensation committee of the Company at the time of determination, the vote of such independent non-executive director shall not be counted for the purposes of approving such grant).

Option Periods and Payments. The compensation committee of the board of directors of MCP may in its discretion determine, subject to the expiration date of the MCP Share Incentive Plan, the period at which an option may be exercised, in whole or in part, including exercised prior to vesting. The MCP compensation committee shall also determine the condition, if any, that must be satisfied before all or part of an option may be exercised including the methods by which the exercise price is paid.

Administration. The MCP compensation committee will administer the MCP Share Incentive Plan and has the power to, among other actions, designate eligible participants, determine the number and types of awards to be granted, and determine the terms and conditions of each award granted.

Award Agreement. Awards granted will be evidenced by an award agreement that sets forth the terms and conditions for each award.

Exercise Price. The MCP compensation committee determine the exercise price per share subject to an option, or purchase price, if any, of any award in compliance with the Listing Rules and the Securities Law from time to time. There is no requirement under the Philippine law for determining the exercise price of the options, except the exercise price shall not be below the par value of the shares. The MCP compensation committee has the absolute discretion in determining the exercise price of the options but in any event shall be in compliance with the Listing Rules and the Securities Regulation Code of the Philippines (as amended and the rules and regulations promulgated thereunder). If MCP grants an incentive share option award to an individual who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of MCP Shares, the exercise price may not be less than 110% of the fair market value of the MCP Shares on the date of that grant.

Term of Awards. The term of each award shall be stated in the award agreement, and may not exceed ten years from the date of the grant. If the participant ceases to be eligible for any reason, the validity of the award shall depend on the terms and conditions of the award agreement. Incentive share options may not be exercised, among others, three months after termination of employment as an employee.

Transferability. Rights in awards are personal to participants. No award shall be assigned, transferred, or otherwise disposed of by a participant other than by will or the laws of descent and distribution.

Adjustments. In the event of a capitalization issue, rights issue, sub-division or consolidation of MCP Shares or reduction of capital or any other change affecting the entitlement or benefits of the MCP Shares or the share price of a MCP Share, the compensation committee of the MCP Board shall make proportionate and equitable adjustments to reflect such change with respect to: (i) the aggregate number and types of shares that may be issued under the MCP Share Incentive Plan; (ii) the terms and conditions of any outstanding awards; and (iii) the grant price or exercise price per share for any outstanding awards, in order to preserve, but not increase, the benefits or potential benefits intended to be made available under the MCP Share Incentive Plan.

Change in Control and Corporate Transactions. In the event of a change in the control of MCP, the compensation committee of the MCP board of directors may in its sole discretion provide for termination, purchase or realization of awards, or replacement of awards with other rights or property. Upon the consummation of an amalgamation, arrangement or consolidation in which MCP is not the surviving entity, a sale of substantially all MCP assets, the complete liquidation or dissolution of MCP or a reverse takeover, each award will terminate unless the award is assumed by the successor entity. If the successor entity assumes the

award or replaces it with a comparable award, or replaces the award with a cash incentive program and provides for subsequent payout, the replacement award or cash incentive program will automatically become fully vested, exercisable and payable, as applicable, immediately upon termination of the participant's employment without cause within twelve months of such corporate transaction. If the award is neither assumed nor replaced, it shall automatically become fully vested and exercisable and released from any repurchase or forfeiture rights immediately prior to the effective date of such corporate transaction, provided that the participant remains eligible on the effective date of the corporate transaction.

Amendment and Termination. Subject to applicable law or regulation, the MCP compensation committee may terminate, amend or modify the MCP Share Incentive Plan upon obtaining the approval of MCP Board. If required by any applicable law or regulations, the approval of the shareholders of MCP and the Company for the amended plan shall also be obtained. No amendment, modification or termination shall adversely affect in any material way any award previously granted under MCP Share Incentive Plan without the prior written consent of the participant.

Expiration. The MCP Share Incentive Plan will expire ten years after June 24, 2013, the date on which it became effective. No awards may be granted pursuant to the MCP Share Incentive Plan after that time.

Vesting Schedule. In general, the compensation committee of the board of directors of MCP determines, and the award agreement would specify, the vesting schedule.

A summary of the unvested awards granted under the MCP Share Incentive Plan as of December 31, 2014 is presented below:

	<u>Exercise price/ grant date fair value per MCP Share (PHP)</u>	<u>Number of unvested MCP share options/restricted MCP Shares</u>	<u>Vesting period</u>
MCP Share Options			
2013 Long Term Incentive Plan	8.30	114,583,426	Within 3 years
2014 Long Term Incentive Plan	8.30	1,560,728	Within 4 years
2014 Long Term Incentive Plan	8.30	1,040,485	Within 4 years
2014 Long Term Incentive Plan	8.30	1,040,485	Within 4 years
2014 Long Term Incentive Plan	8.30	1,040,485	Within 4 years
2014 Long Term Incentive Plan	13.26	4,861,003	3 years
		<u>124,126,612</u>	
Restricted MCP Shares			
2013 Long Term Incentive Plan	8.30	57,291,711	Within 3 years
2014 Long Term Incentive Plan	13.48	780,362	Within 4 years
2014 Long Term Incentive Plan	13.00	520,243	Within 4 years
2014 Long Term Incentive Plan	12.76	520,243	Within 4 years
2014 Long Term Incentive Plan	12.96	520,243	Within 4 years
2014 Long Term Incentive Plan	13.00	4,738,684	3 years
		<u>64,371,486</u>	

Details of the movement in MCP share options granted under the MCP Share Incentive Plan during the year ended December 31, 2014 are as follows:

Name or category of participants	Date of grant of MCP share options	Exercisable period ⁽¹⁾	Exercise price of MCP share options (per MCP Share) PHP	Share price at date of grant of MCP share options PHP	Number of MCP share options					
					Outstanding as at January 1, 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at December 31, 2014
MCE Directors: Lawrence Yau Lung Ho	June 28, 2013	March 4, 2015 ⁽²⁾ to June 27, 2023	8.30	8.30	5,202,425	—	—	—	—	5,202,425
	June 28, 2013	April 29, 2015 to June 27, 2023	8.30	8.30	5,202,425	—	—	—	—	5,202,425
	June 28, 2013	April 29, 2016 to June 27, 2023	8.30	8.30	5,202,426	—	—	—	—	5,202,426
Sub-total:					<u>15,607,276</u>	—	—	—	—	<u>15,607,276</u>
James Douglas Packer	June 28, 2013	March 4, 2015 ⁽²⁾ to June 27, 2023	8.30	8.30	5,202,425	—	—	—	—	5,202,425
	June 28, 2013	April 29, 2015 to June 27, 2023	8.30	8.30	5,202,425	—	—	—	—	5,202,425
	June 28, 2013	April 29, 2016 to June 27, 2023	8.30	8.30	5,202,426	—	—	—	—	5,202,426
Sub-total:					<u>15,607,276</u>	—	—	—	—	<u>15,607,276</u>
MCE Directors' Sub-total:					<u>31,214,552</u>	—	—	—	—	<u>31,214,552</u>
MCE and MCP Directors: Clarence Yuk Man Chung	June 28, 2013	March 4, 2015 ⁽²⁾ to June 27, 2023	8.30	8.30	3,468,284	—	—	—	—	3,468,284
	June 28, 2013	April 29, 2015 to June 27, 2023	8.30	8.30	3,468,284	—	—	—	—	3,468,284
	June 28, 2013	April 29, 2016 to June 27, 2023	8.30	8.30	3,468,283	—	—	—	—	3,468,283
Sub-total:					<u>10,404,851</u>	—	—	—	—	<u>10,404,851</u>
William Todd Nisbet	June 28, 2013	March 4, 2015 ⁽²⁾ to June 27, 2023	8.30	8.30	2,601,213	—	—	—	—	2,601,213
	June 28, 2013	April 29, 2015 to June 27, 2023	8.30	8.30	2,601,213	—	—	—	—	2,601,213
	June 28, 2013	April 29, 2016 to June 27, 2023	8.30	8.30	2,601,212	—	—	—	—	2,601,212
Sub-total:					<u>7,803,638</u>	—	—	—	—	<u>7,803,638</u>

Number of MCP share options

Name or category of participants	Date of grant of MCP share options	Exercisable period ⁽¹⁾	Exercise price of MCP share options (per MCP Share) PHP	Share price at date of grant of MCP share options PHP	Outstanding as at January 1, 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at December 31, 2014
Alec Yiu Wa Tsui	June 28, 2013	March 4, 2015 ⁽²⁾ to June 27, 2023	8.30	8.30	650,303	—	—	—	—	650,303
	June 28, 2013	April 29, 2015 to June 27, 2023	8.30	8.30	650,303	—	—	—	—	650,303
	June 28, 2013	April 29, 2016 to June 27, 2023	8.30	8.30	650,303	—	—	—	—	650,303
Sub-total:					1,950,909	—	—	—	—	1,950,909
James Andrew Charles MacKenzie	June 28, 2013	March 4, 2015 ⁽²⁾ to June 27, 2023	8.30	8.30	650,303	—	—	—	—	650,303
	June 28, 2013	April 29, 2015 to June 27, 2023	8.30	8.30	650,303	—	—	—	—	650,303
	June 28, 2013	April 29, 2016 to June 27, 2023	8.30	8.30	650,303	—	—	—	—	650,303
Sub-total:					1,950,909	—	—	—	—	1,950,909
MCE and MCP Directors' Sub-total:					22,110,307	—	—	—	—	22,110,307
All Directors' Sub-total:					53,324,859	—	—	—	—	53,324,859
Employees	June 28, 2013	March 4, 2015 ⁽²⁾ to June 27, 2023	8.30	8.30	19,379,030	—	—	(520,242)	—	18,858,788
	June 28, 2013	April 29, 2015 to June 27, 2023	8.30	8.30	19,379,030	—	—	(520,242)	—	18,858,788
	June 28, 2013	April 29, 2016 to June 27, 2023	8.30	8.30	19,379,049	—	—	(520,243)	—	18,858,806
	February 17, 2014	April 29, 2015 to February 16, 2024	8.30	13.48 ⁽⁴⁾	—	520,242	—	—	—	520,242
	February 17, 2014	April 29, 2016 to February 16, 2024	8.30	13.48 ⁽⁴⁾	—	520,243	—	—	—	520,243
	February 17, 2014	April 29, 2017 to February 16, 2024	8.30	13.48 ⁽⁴⁾	—	520,243	—	—	—	520,243
	February 28, 2014	April 29, 2015 to February 27, 2024	8.30	13.00 ⁽⁵⁾	—	346,828	—	—	—	346,828
	February 28, 2014	April 29, 2016 to February 27, 2024	8.30	13.00 ⁽⁵⁾	—	346,828	—	—	—	346,828
	February 28, 2014	April 29, 2017 to February 27, 2024	8.30	13.00 ⁽⁵⁾	—	346,829	—	—	—	346,829
	March 27, 2014	April 29, 2015 to March 26, 2024	8.30	12.76 ⁽⁶⁾	—	346,828	—	—	—	346,828

Number of MCP share options

Name or category of participants	Date of grant of MCP share options	Exercisable period ⁽¹⁾	Exercise price of MCP share options (per Share) PHP	Share price at date of grant of MCP share options PHP	Number of MCP share options						
					Outstanding as at January 1, 2014	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at December 31, 2014	
	March 27, 2014	April 29, 2016 to March 26, 2024	8.30	12.76 ⁽⁶⁾	—	346,828	—	—	—	—	346,828
	March 27, 2014	April 29, 2017 to March 26, 2024	8.30	12.76 ⁽⁶⁾	—	346,829	—	—	—	—	346,829
	March 28, 2014	April 29, 2015 to March 27, 2024	8.30	12.96 ⁽⁷⁾	—	346,828	—	—	—	—	346,828
	March 28, 2014	April 29, 2016 to March 27, 2024	8.30	12.96 ⁽⁷⁾	—	346,828	—	—	—	—	346,828
	March 28, 2014	April 29, 2017 to March 27, 2024	8.30	12.96 ⁽⁷⁾	—	346,829	—	—	—	—	346,829
	May 30, 2014	May 30, 2015 to May 29, 2024	13.26	13.00 ⁽⁸⁾	—	1,620,326	—	—	—	—	1,620,326
	May 30, 2014	May 30, 2016 to May 29, 2024	13.26	13.00 ⁽⁸⁾	—	1,620,326	—	—	—	—	1,620,326
	May 30, 2014	May 30, 2017 to May 29, 2024	13.26	13.00 ⁽⁸⁾	—	1,620,351	—	—	—	—	1,620,351
Sub-total:					58,137,109	9,543,186	—	(1,560,727)	—	—	66,119,568
Others ⁽³⁾	June 28, 2013	March 4, 2015 ⁽²⁾ to June 27, 2023	8.30	8.30	1,560,728	—	—	—	—	—	1,560,728
	June 28, 2013	April 29, 2015 to June 27, 2023	8.30	8.30	1,560,728	—	—	—	—	—	1,560,728
	June 28, 2013	April 29, 2016 to June 27, 2023	8.30	8.30	1,560,729	—	—	—	—	—	1,560,729
Sub-total:					4,682,185	—	—	—	—	—	4,682,185
Total					116,144,153	9,543,186	—	(1,560,727)	—	—	124,126,612

Notes:

- (1) The vesting period of the MCP share options is from the date of grant until the commencement of exercisable period.
- (2) March 4, 2015 is the 30 days after the opening of City of Dreams Manila on February 2, 2015.
- (3) The category "Others" represents non-employees of our Group.
- (4) Share price on the day before of the grant of share option on February 14, 2014 is PHP13.60.
- (5) Share price on the day before of the grant of share option on February 27, 2014 is PHP12.70.
- (6) Share price on the day before of the grant of share option on March 26, 2014 is PHP12.74.
- (7) Share price on the day before of the grant of share option on March 27, 2014 is PHP12.76.
- (8) Share price on the day before of the grant of share option on May 29, 2014 is PHP12.98.

Details of the movement in restricted MCP Shares granted under the MCP Share Incentive Plan during the year ended December 31, 2014 are as follows:

Name or category of participants	Date of grant of restricted MCP Shares	Vesting date	Share price at date of grant of restricted MCP Shares PHP	Number of restricted MCP Shares							
				Outstanding as at January 1, 2014	Granted during the period	Vested during the period	Cancelled during the period	Outstanding as at December 31, 2014			
MCE Directors:											
Lawrence Yau Lung Ho	June 28, 2013	March 4, 2015 ⁽¹⁾	8.30	2,601,213	—	—	—	—	2,601,213		
	June 28, 2013	April 29, 2015	8.30	2,601,213	—	—	—	—	2,601,213		
	June 28, 2013	April 29, 2016	8.30	2,601,212	—	—	—	—	2,601,212		
Sub-total:				7,803,638	—	—	—	—	7,803,638		
James Douglas Packer											
	June 28, 2013	March 4, 2015 ⁽¹⁾	8.30	2,601,213	—	—	—	—	2,601,213		
	June 28, 2013	April 29, 2015	8.30	2,601,213	—	—	—	—	2,601,213		
	June 28, 2013	April 29, 2016	8.30	2,601,212	—	—	—	—	2,601,212		
Sub-total:				7,803,638	—	—	—	—	7,803,638		
MCE Directors' Sub-total:											
MCE and MCP Directors:											
Clarence Yuk Man Chung	June 28, 2013	March 4, 2015 ⁽¹⁾	8.30	1,734,142	—	—	—	—	1,734,142		
	June 28, 2013	April 29, 2015	8.30	1,734,142	—	—	—	—	1,734,142		
	June 28, 2013	April 29, 2016	8.30	1,734,141	—	—	—	—	1,734,141		
	May 30, 2014	May 30, 2015	13.00	—	224,640	—	—	—	224,640		
	May 30, 2014	May 30, 2016	13.00	—	224,640	—	—	—	224,640		
	May 30, 2014	May 30, 2017	13.00	—	224,642	—	—	—	224,642		
Sub-total:				5,202,425	673,922	—	—	—	5,876,347		
William Todd Nisbet											
	June 28, 2013	March 4, 2015 ⁽¹⁾	8.30	1,300,606	—	—	—	—	1,300,606		
	June 28, 2013	April 29, 2015	8.30	1,300,606	—	—	—	—	1,300,606		
	June 28, 2013	April 29, 2016	8.30	1,300,607	—	—	—	—	1,300,607		
	May 30, 2014	May 30, 2015	13.00	—	134,784	—	—	—	134,784		
	May 30, 2014	May 30, 2016	13.00	—	134,784	—	—	—	134,784		
	May 30, 2014	May 30, 2017	13.00	—	134,785	—	—	—	134,785		
Sub-total:				3,901,819	404,353	—	—	—	4,306,172		
Alec Yiu Wa Tsui											
	June 28, 2013	March 4, 2015 ⁽¹⁾	8.30	325,152	—	—	—	—	325,152		
	June 28, 2013	April 29, 2015	8.30	325,152	—	—	—	—	325,152		
	June 28, 2013	April 29, 2016	8.30	325,151	—	—	—	—	325,151		
	May 30, 2014	May 30, 2015	13.00	—	134,784	—	—	—	134,784		
	May 30, 2014	May 30, 2016	13.00	—	134,784	—	—	—	134,784		
	May 30, 2014	May 30, 2017	13.00	—	134,785	—	—	—	134,785		
Sub-total:				975,455	404,353	—	—	—	1,379,808		

Name or category of participants	Date of grant of restricted MCP Shares	Vesting date	Share price at date of grant of restricted MCP Shares PHP	Number of restricted MCP Shares				
				Outstanding as at January 1, 2014	Granted during the period	Vested during the period	Cancelled during the period	Outstanding as at December 31, 2014
James Andrew Charles MacKenzie	June 28, 2013	March 4, 2015 ⁽¹⁾	8.30	325,152	—	—	—	325,152
	June 28, 2013	April 29, 2015	8.30	325,152	—	—	—	325,152
	June 28, 2013	April 29, 2016	8.30	325,151	—	—	—	325,151
	May 30, 2014	May 30, 2015	13.00	—	134,784	—	—	134,784
	May 30, 2014	May 30, 2016	13.00	—	134,784	—	—	134,784
May 30, 2014	May 30, 2017	13.00	—	134,785	—	—	134,785	
Sub-total:				975,455	404,353	—	—	1,379,808
MCE and MCP Directors' Sub-total:				11,055,154	1,886,981	—	—	12,942,135
All Directors' Sub-total:				26,662,430	1,886,981	—	—	28,549,411
MCP Directors:								
MCP Directors:	May 30, 2014	May 30, 2015	13.00	—	140,400	—	—	140,400
	May 30, 2014	May 30, 2016	13.00	—	140,400	—	—	140,400
	May 30, 2014	May 30, 2017	13.00	—	140,400	—	—	140,400
Sub-total:				—	421,200	—	—	421,200
Employees								
	June 28, 2013	March 4, 2015 ⁽¹⁾	8.30	9,689,521	—	—	(260,122)	9,429,399
	June 28, 2013	April 29, 2015	8.30	9,689,521	—	—	(260,122)	9,429,399
	June 28, 2013	April 29, 2016	8.30	9,689,513	—	—	(260,121)	9,429,392
	February 17, 2014	April 29, 2015	13.48	—	260,120	—	—	260,120
	February 17, 2014	April 29, 2016	13.48	—	260,121	—	—	260,121
	February 17, 2014	April 29, 2017	13.48	—	260,121	—	—	260,121
	February 28, 2014	April 29, 2015	13.00	—	173,414	—	—	173,414
	February 28, 2014	April 29, 2016	13.00	—	173,414	—	—	173,414
	February 28, 2014	April 29, 2017	13.00	—	173,415	—	—	173,415
	March 27, 2014	April 29, 2015	12.76	—	173,414	—	—	173,414
	March 27, 2014	April 29, 2016	12.76	—	173,414	—	—	173,414
	March 27, 2014	April 29, 2017	12.76	—	173,415	—	—	173,415
	March 28, 2014	April 29, 2015	12.96	—	173,414	—	—	173,414
	March 28, 2014	April 29, 2016	12.96	—	173,414	—	—	173,414
	March 28, 2014	April 29, 2017	12.96	—	173,415	—	—	173,415
	May 30, 2014	May 30, 2015	13.00	—	810,158	—	—	810,158
	May 30, 2014	May 30, 2016	13.00	—	810,158	—	—	810,158
	May 30, 2014	May 30, 2017	13.00	—	810,187	—	—	810,187
Sub-total:				29,068,555	4,771,594	—	(780,365)	33,059,784

Name or category of participants	Date of grant of restricted MCP Shares	Vesting date	Share price at date of grant of restricted MCP Shares PHP	Number of restricted MCP Shares				
				Outstanding as at January 1, 2014	Granted during the period	Vested during the period	Cancelled during the period	Outstanding as at December 31, 2014
Others ⁽²⁾	June 28, 2013	March 4, 2015 ⁽¹⁾	8.30	780,363	—	—	—	780,363
	June 28, 2013	April 29, 2015	8.30	780,363	—	—	—	780,363
	June 28, 2013	April 29, 2016	8.30	780,365	—	—	—	780,365
Sub-total:				2,341,091	—	—	—	2,341,091
Total				58,072,076	7,079,775	—	(780,365)	64,371,486

Note:

(1) March 4, 2015 is the 30 days after the opening of City of Dreams Manila on February 2, 2015.

(2) The category “Others” represents non-employees of our Group.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth the beneficial ownership of our ordinary shares as of April 2, 2015 by all persons who are known to us to be the beneficial owners of 5% or more of our share capital.

<u>Name</u>	<u>Ordinary shares beneficially owned ⁽¹⁾</u>	
	<u>Number</u>	<u>%</u>
Melco Leisure ⁽²⁾⁽³⁾	599,229,043	34.29
Crown Asia Investments ⁽⁴⁾	599,229,043	34.29

- (1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, and includes voting or investment power with respect to the securities. Melco and Crown continue to have a shareholders' agreement relating to certain aspects of the voting and disposition of our ordinary shares held by them, and may accordingly constitute a "group" within the meaning of Rule 13d-3. See "— Melco Crown Joint Venture." However, Melco and Crown each disclaim beneficial ownership of the shares of our Company owned by the other.
- (2) The address of Melco and Melco Leisure is c/o The Penthouse, 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. Melco is listed on the Main Board of the HKSE.
- (3) Mr. Lawrence Yau Lung Ho, our co-chairman, chief executive officer and executive director as well as the chairman, chief executive officer and executive director of Melco, personally holds 25,299,132 ordinary shares of Melco, representing approximately 1.64% of Melco's ordinary shares outstanding. In addition, 118,339,024 ordinary shares of Melco are held by Lasting Legend Ltd., 291,868,606 ordinary shares of Melco are held by Better Joy Overseas Ltd., 25,724,447 ordinary shares of Melco are held by Mighty Dragon Developments Limited, 7,294,000 ordinary shares of Melco are held by The L3G Capital Trust, representing approximately 7.65%, 18.87%, 1.66% and 0.47% of Melco's shares, all of which companies are owned by persons and/or trusts affiliated with Mr. Ho. Mr. Ho also has interest in Great Respect Limited, a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho and his immediate family members and held 303,982,187 ordinary shares of Melco, representing 19.66% of Melco's shares. Therefore, we believe that Mr. Ho beneficially owns an aggregate of 772,510,396 ordinary shares of Melco, representing approximately 49.95% of Melco's ordinary shares outstanding.
- (4) The address of Crown and Crown Asia Investments is Level 3, Crown Towers, 8 Whiteman Street, Southbank, Victoria 3006, Australia. Crown is listed on the Australian Stock Exchange. As of April 2, 2015, Crown was approximately 50.01% owned by Consolidated Press Holdings Group, which is a group of companies owned by the Packer family.

As of December 31, 2014, a total of 1,633,701,920 ordinary shares were outstanding, of which 509,915,832 ordinary shares were registered in the name of a nominee of Deutsche Bank Trust Company Americas, the depository under the deposit agreement. We have no further information as to shares held, or beneficially owned, by U.S. persons. Since the completion of our initial public offering in December 2006, all ordinary shares underlying the ADSs have been held in Hong Kong by the custodian, Deutsche Bank AG, Hong Kong Branch, on behalf of the depository.

None of our shareholders will have different voting rights from other shareholders after the filing of this annual report. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

See “Item 4. Information on the Company — C. Organizational Structure” for our current corporate structure.

Melco Crown Joint Venture

In November 2004, Melco and PBL agreed to form an exclusive new joint venture in Asia to develop and operate casino, gaming machines and casino hotel businesses and properties in a territory defined to include Greater China (comprising Macau, China, Hong Kong and Taiwan), Singapore, Thailand, Vietnam, Japan, the Philippines, Indonesia, Malaysia and other countries that may be agreed (but not including Australia and New Zealand), or the Territory.

In March 2005, Melco and PBL concluded the joint venture arrangements resulting in our Company becoming a 50/50 owned holding company and entered into a shareholders’ deed that governed their joint venture relationship in our Company and our subsidiaries. Subsequently, Crown acquired all the gaming businesses and investments of PBL, including PBL’s investment in our Company. We act as the exclusive vehicle of Melco and Crown to carry on casino, gaming machines and casino hotel operations in Macau, while activities in other parts of the Territory will be carried out under other entities formed by Melco and Crown.

Original and Amended Shareholders’ Deed

Under the original shareholders’ deed, projects and activities of the joint venture in Greater China were to be undertaken by MCE Holdings Three Limited which is effectively owned 60% by Melco and 40% by PBL, with projects in the Territory outside Greater China to be undertaken by one or more other of our subsidiaries which are effectively owned 60% by PBL and 40% by Melco.

Memorandum of Agreement

Simultaneously with PBL entering into an agreement with Wynn Macau to obtain a subconcession on March 4, 2006, Melco and PBL executed a memorandum of agreement on March 5, 2006, relating to the amendment of certain provisions of the shareholders’ deed and other commercial agreements between Melco and PBL in connection with their joint venture. Melco and PBL supplemented the memorandum of agreement by entering into a supplemental agreement to the memorandum of agreement on May 26, 2006. Under the memorandum of agreement, as amended, Melco and PBL agreed in principle to share on a 50/50 basis the risks, liabilities, commitments, capital contributions and economic value and benefits with respect to gaming projects in the Territory, including in Macau, subject to PBL obtaining the subconcession and the transfer of control of Melco Crown Macau to us. The principal terms and conditions of the shareholders’ deed, as amended by the memorandum of agreement and the supplemental agreement to the memorandum of agreement, are:

- Melco and PBL are to share on a 50/50 basis all the economic value and benefits with respect to all gaming projects in the Territory;
- Melco and PBL are to appoint an equal number of members to our board, with no casting vote in the event of a deadlock or other deadlock resolution provisions;
- All of the class A shares of Melco Crown Macau, representing 28% of all the outstanding capital stock of Melco Crown Macau, are to be owned by PBL Asia Limited (as to 18%) and the Managing Director of Melco Crown Macau (as to 10%), respectively. Mr. Lawrence Yau Lung Ho has been appointed to serve as the Managing Director of Melco Crown Macau. The holders of the class A shares, as a class, will have the right to one vote per share, receive an aggregate annual dividend of MOP1 and return of capital of an aggregate amount of MOP1 on a wind up or liquidation, but will have no right to participate in the winding up or liquidation assets;
- All of the class B shares of Melco Crown Macau, representing 72% of all the outstanding capital stock of Melco Crown Macau are to be owned by MPEL Investments, our wholly owned subsidiary. As the

holder of class B shares, we will have the right to one vote per share, receive the remaining distributable profits of Melco Crown Macau after payment of dividends on the class A shares, to return of capital after payment on the class A shares on a winding up or liquidation of Melco Crown Macau, and to participate in the winding up and liquidation assets of Melco Crown Macau;

- The shares of Altira Developments and Melco Crown (COD) Developments and the operating assets of Mocha would be transferred to Melco Crown Macau;
- MCE Holdings Three Limited and Mocha Slot Group Limited are to be liquidated or remain dormant; and
- The provisions of the shareholders' deed relating to the operation of our Company are to apply to Melco Crown Macau.

Shareholders' Deed

Melco and PBL entered into a shareholders' deed post our initial offering which was effective in December 2006. In connection with the acquisition of the gaming businesses and investments of PBL by Crown, Melco and Crown have entered into a new variation to the shareholders' deed with us, which became effective in July 2007. The new shareholders' deed includes the following principal terms:

Exclusivity. Melco and Crown must not (and must ensure that their respective Affiliates and major shareholders do not), other than through us, directly or indirectly own, operate or manage a casino, a gaming slots business or a casino hotel, or acquire or hold an interest in an entity that owns, operates or manages such businesses in Macau, except that Melco and Crown may acquire and hold up to 5% of the voting securities in a public company engaged in such businesses.

Directors. Melco and Crown may each nominate up to three directors and shall vote in favor of the three directors nominated by the other and will not vote to remove directors nominated by the other. Melco and Crown will procure that the number of directors appointed to our board shall not be less than ten. However, if the number of directors on our board is increased, each of Melco and Crown will agree to increase the number of directors that they will nominate so that not less than 60% of our board will be directors nominated by Melco and Crown and voted in favor of by the other.

Transfer of Shares. Without the approval of the other party, Melco and Crown may not create any security interest or agree to create any security interest in our shares. In addition, without approval from the other, Melco and Crown may not transfer or otherwise dispose of our shares, except for: (1) permitted transfers to their wholly owned subsidiaries; (2) transfers of up to 1% of our issued and outstanding shares over any three month period up to a total cap of 5% of our issued and outstanding shares; (3) transfers subject to customary rights of first refusal and tag-along rights in favor of Crown or Melco (as the case may be) with respect to their transfers of our shares; and (4) in the case of Melco, the assured entitlement distribution by Melco to its shareholders of the assured entitlement ADSs.

Events of Default. If there is an event of default, which is defined as a material breach of the shareholders' deed, an insolvency event of Melco or Crown or their subsidiaries which hold our shares, or a change in control of the Melco or Crown subsidiaries which hold our shares, and it is not cured within the prescribed time period, then the non-defaulting shareholder may exercise: (1) a call option to purchase our shares owned by the defaulting shareholder at a purchase price equal to 90% of the fair market value of the shares; or (2) a put option to sell all of the shares it owns in us to the defaulting shareholder at a purchase price equal to 110% of the fair market value of the shares.

Notice from a Regulatory Authority. If a regulatory authority directs either Melco or Crown to end its relationship with the other, or makes a decision that would have a material adverse effect on its rights or benefits in us, then Melco and Crown may serve a notice of proposed sale to the other and, if the other shareholder does not want to purchase those shares, may sell the shares to a third party.

Term. The shareholders' deed will continue unless agreed in writing by all of the parties or if a shareholder ceases to hold any of our shares in accordance with the shareholders' deed.

B. RELATED PARTY TRANSACTIONS

For discussion of significant related party transactions we entered into during the years ended December 31, 2014, 2013 and 2012, see note 24 to the consolidated financial statements included elsewhere in this annual report.

Employment Agreements

We have entered into employment agreements with key management and personnel of our Company and our subsidiaries. See "Item 6. Directors, Senior Management and Employees — C. Board Practices — Employment Agreements."

Equity Incentive Plans

See "Item 6. Directors, Senior Management and Employees — B. Compensation of Directors and Executive Officers."

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

We have appended consolidated financial statements filed as part of this annual report.

Legal and Administrative Proceedings

We are currently a party to certain legal and administrative proceedings which relate to matters arising out of the ordinary course of our business. Save as disclosed in the following paragraph, based on the current status of such proceedings and the information currently available, our management does not believe that the outcome of such proceedings will have a material adverse effect on our business, financial condition or results of operations.

An indictment from the Taipei District Prosecutors Office against our Taiwan branch office of a subsidiary and certain of its employees for alleged violations of certain Taiwan banking and foreign exchange laws was received in August 2014. In January 2013, the same Prosecutors Office froze one of such Taiwan branch office's deposit accounts in connection with the investigation related to this indictment. The frozen deposit account had a balance of approximately New Taiwan dollar 2.98 billion (equivalent to approximately US\$102.2 million) at the time the account was frozen. We have presented the balance of such deposit account as non-current restricted cash in our financial statements. We will vigorously defend any allegations against us, as based on Taiwan legal advice received, we believe our operations in Taiwan are in compliance with Taiwan laws. As at the date of this annual report, the indictment and the legal proceedings would have no immediate material impact on our business operations or financial position. We are monitoring this case closely and will re-assess the right and accessibility to the funds if there is any development in the case. We will account for the funds and provide relevant disclosure as and when appropriate as this case develops.

Crown Melbourne Limited, the owner of a number of “Crown” trademarks licensed to us, is from time to time involved in legal proceedings regarding “Crown” trademarks used in Macau. We understand that Crown Melbourne Limited will continue to take vigorous measures to protect its trademarks. We believe we have a valid right under our trademark license agreement with Crown Melbourne Limited to use the Crown trademarks in Macau in our hotel casino business.

Dividend Policy

On February 25, 2014, our board adopted a new dividend policy under which, subject to our capacity to pay from accumulated and future earnings and the cash balance and future commitments at the time of declaration of dividend, we intend to provide our shareholders with quarterly dividends in an aggregate amount per year of approximately 30% of an annual consolidated net income attributable to Melco Crown Entertainment.

On April 16, 2014, we paid a special dividend of US\$0.1147 per ordinary shares to our shareholders. On June 6, 2014, September 4, 2014 and December 4, 2014, we paid quarterly dividend of US\$0.0431 per ordinary share, US\$0.0259 per ordinary share and US\$0.0239 per ordinary share, respectively, to our shareholders. On February 12, 2015, the Company’s board declared a quarterly dividend of US\$0.0171 per ordinary share which was paid to our shareholders on March 16, 2015.

Our board retains complete discretion on whether to pay dividends, subject to the approval of our shareholders in the case of annual dividends and special dividends if paid out of funds other than profits. Even if our board decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board may deem relevant. Dividends will be declared and paid in Hong Kong dollars for holders of ordinary shares and U.S. dollars for holders of ADSs.

All of our subsidiaries incorporated in Macau are required to set aside a minimum of 10% to 25% of the entity’s profit after taxation to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity’s share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the subsidiaries’ statements of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the subsidiaries’ financial statements in the year or period in which it is approved by the boards of directors of the relevant subsidiaries.

Our 2011 Credit Facilities, the 2013 Senior Notes, Studio City Notes, Studio City Project Facility and other indebtedness we may incur contain, or may be expected to contain, restrictions on payment of dividends to us, which is expected to affect our ability to pay dividends in the foreseeable future. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Shares and ADSs. We cannot assure you that we will make dividend payments in the future.”

Under the Cayman Companies Law, subject to the provisions of our Articles, the share premium account of our Company may be applied to pay distributions or dividends to shareholders, provided that immediately following the date the distribution or dividend is proposed to be paid, we are able to pay our debts as they fall due in the ordinary course of business. The share premium included in our additional paid-in capital as of December 31, 2014 and 2013 amounted to approximately US\$2.3 billion and US\$2.6 billion respectively. We recorded retained earnings as of December 31, 2014 and accumulated losses as of December 31, 2013.

B. SIGNIFICANT CHANGES

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. OFFERING AND LISTING DETAILS

Our ADSs, each representing three ordinary shares, have been listed on Nasdaq under the symbol “MPEL” since December 19, 2006. Our ordinary shares were listed on the HKSE and began trading under the stock code “6883” on December 7, 2011.

The following table provides the high and low trading prices for our ADSs on Nasdaq and for our ordinary shares on the HKSE for the periods indicated as follows:

	Nasdaq		HKSE	
	High	Low	High	Low
	<i>(in US\$)</i>		<i>(in HK\$)</i>	
Monthly High and Low				
April 2015 (through April 2)	23.27	21.21	57.95	54.75
March 2015	25.16	20.40	70.05	53.65
February 2015	28.17	23.63	71.50	61.60
January 2015	25.57	21.70	65.55	56.20
December 2014	26.16	21.04	67.00	55.75
November 2014	27.12	24.10	70.85	62.05
October 2014	27.19	23.50	69.30	61.30
Quarterly High and Low				
First Quarter 2015	28.17	20.40	71.50	53.65
Fourth Quarter 2014	27.19	21.04	70.85	55.75
Third Quarter 2014	37.00	24.77	95.65	65.30
Second Quarter 2014	41.90	29.76	105.00	78.00
First Quarter 2014	45.70	35.06	126.80	93.60
Fourth Quarter 2013	39.42	31.20	102.50	83.00
Third Quarter 2013	32.24	21.32	85.00	55.70
Second Quarter 2013	25.20	20.46	65.50	55.65
First Quarter 2013	23.39	17.32	59.80	42.40
Annual High and Low				
2014	45.70	21.04	126.80	55.75
2013	39.42	17.32	102.50	42.40
2012	16.98	9.13	43.20	24.25
2011	16.15	6.46	—	—
2010	7.13	3.30	—	—

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our ADSs, each representing three ordinary shares, have been listed on Nasdaq under the symbol “MPEL” since December 19, 2006. Our ordinary shares have been listed on the HKSE under the stock code “6883” since December 7, 2011. On January 2, 2015, we applied for a voluntary withdrawal of listing of our ordinary shares on the Main Board of the HKSE, which was approved by our shareholders on March 25, 2015. The voluntary withdrawal of listing of our ordinary shares on HKSE is expected to take effect on July 3, 2015, following which our shares will only be traded on the Nasdaq Global Select Market in the form of ADSs.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

We incorporate by reference into this annual report the summary description of our amended and restated memorandum and articles of association, as conferred by Cayman law, contained in our registration statement on Form F-3 (File No. 333-178215) originally filed with the SEC on November 29, 2011, as amended.

C. MATERIAL CONTRACTS

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” and “Item 7. Major Shareholders and Related Party Transactions” or elsewhere in this annual report on Form 20-F.

D. EXCHANGE CONTROLS

Foreign Currency Exchange

The H.K. dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau. The H.K. dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the H.K. dollar. With regards to our operations in Macau, the majority of our revenues are denominated in H.K. dollars, given the H.K. dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau, while our expenses are denominated predominantly in Patacas and H.K. dollars. In addition, a significant portion of our indebtedness, as a result of the 2013 Senior Notes, Studio City Notes and certain expenses, have been and are denominated in U.S. dollars, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollars. We accept foreign currencies from our customers and therefore, in addition to H.K. dollars and Patacas, we also hold other foreign currencies.

No foreign exchange controls exist in Macau and Hong Kong and there is a free flow of capital into and out of Macau and Hong Kong. There are no restrictions on remittances of H.K. dollars or any other currency from Macau and Hong Kong to persons not resident in Macau and Hong Kong for the purpose of paying dividends or otherwise.

With regard to our subsidiaries registered in the Philippines, the currency primarily used for transactions, gaming or otherwise, is the Philippine peso. Also, we have certain indebtedness and bank accounts denominated in U.S. dollars. The Philippine peso is the only currency that is acceptable as legal tender in the country. The Philippines has been liberalizing foreign exchange controls in the country, and has adopted a floating exchange rate regime. In any event, Philippine peso still fluctuated against H.K. dollars and U.S. dollars from time to time. Although there are no restrictions or limits on the amounts of Philippine peso or foreign currency that may be taken in or out of the country, the Bangko Sentral ng Pilipinas (BSP), the Central Bank of the Philippines, imposed a requirement that inward and outward transfers of Philippine pesos in excess of PHP10,000 must be with prior authorization of BSP, while foreign currency in excess of USD10,000 or its equivalent must be declared to the Bureau of Customs Desk in the airport upon arrival or before departure, as the case may be.

E. TAXATION

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

United States Federal Income Taxation

The following discussion describes certain material U.S. federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the ADSs or ordinary shares. This discussion applies only to U.S. Holders that hold the ADSs or ordinary shares as capital assets within the meaning of Section 1221 of the United States Internal Revenue Code of 1986, as amended (generally, property held for investment) and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as of the date of this annual report and U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion neither deals with the tax consequences to any particular investor nor describes all of the tax consequences applicable to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to mark to market;
- U.S. expatriates;
- tax-exempt entities;

- persons liable for alternative minimum tax;
- persons holding ADSs or ordinary shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock;
- persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- partnerships or pass-through entities, or persons holding ADSs or ordinary shares through such entities.

INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ADSs OR ORDINARY SHARES.

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are the beneficial owner of ADSs or ordinary shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any State thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that holds ADSs or ordinary shares, your tax treatment will generally depend on your status and the activities of the partnership. If you are a partner in such partnership, you should consult your tax advisor.

The discussion below assumes the representations contained in the deposit agreement are true and the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms. If you own ADSs, you should be treated as the owner of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes.

The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the beneficial ownership of the underlying security (for example, pre-releasing ADSs to persons that do not have the beneficial ownership of the securities underlying the ADSs). Accordingly, the availability of the reduced tax rate for any dividends received by certain non-corporate U.S. Holders, including individuals U.S. Holders (as discussed below), could be affected by actions taken by intermediaries in the chain of ownership between the holders of ADSs and our Company if as a result of such actions the holders of ADSs are not properly treated as beneficial owners of underlying common shares.

Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares

Subject to the PFIC rules discussed below, the gross amount of any distributions we make to you with respect to the ADSs or ordinary shares (including the amount of any taxes withheld therefrom) generally will be includible in your gross income as dividend income on the date of receipt by the depository, in the case of ADSs,

or on the date of receipt by you, in the case of ordinary shares, but only to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Any such dividends will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from other U.S. corporations. To the extent the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), such excess amount will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and then, to the extent such excess amount exceeds your tax basis in your ADSs or ordinary shares, as capital gain. We currently do not, and we do not intend to, calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that any distribution will generally be reported as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, any dividends may be taxed at the lower capital gains rate applicable to “qualified dividend income,” provided (1) the ADSs or ordinary shares, as applicable, are readily tradable on an established securities market in the United States, (2) we are neither a PFIC nor treated as such with respect to you (as discussed below) for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Under U.S. Internal Revenue Service authority, ADSs will be considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on the Nasdaq, as are our ADSs. You should consult your tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends paid with respect to our ADSs or ordinary shares.

Any dividends we pay with respect to our ADSs or ordinary shares will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation generally will be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, any dividends we pay with respect to the ADSs or ordinary shares will generally constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

Taxation of Disposition of ADSs or Ordinary Shares

Subject to the PFIC rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of ADSs or ordinary shares equal to the difference between the amount realized for the ADSs or ordinary shares and your tax basis in the ADSs or ordinary shares. The gain or loss generally will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, that has held the ADSs or ordinary shares for more than one year, you may be eligible for reduced U.S. federal income tax rates. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize on a disposition of ADSs or ordinary shares will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes. You should consult your tax advisors regarding the proper treatment of gain or loss in your particular circumstances.

Passive Foreign Investment Company

Based on the market price of our ADSs and ordinary shares, and the composition of our income and assets, we do not believe we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2013. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you we will not be a PFIC for any taxable year. Furthermore, because PFIC status is a factual determination based on actual results for the entire taxable year, our U.S. counsel expresses no opinion with respect to our PFIC status and expresses no opinion with respect to this paragraph. A non-U.S. corporation will be a PFIC for U.S. federal income tax purposes for any taxable year if either:

- at least 75% of its gross income for such year is passive income; or

- at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income.

For this purpose, we will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs and ordinary shares, fluctuations in the market price of the ADSs and ordinary shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC.

If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, we generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold ADSs or ordinary shares, unless we cease to be a PFIC and you make a “deemed sale” election with respect to the ADSs or ordinary shares. If such election is made, you will be deemed to have sold ADSs or ordinary shares you hold at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences described in the following two paragraphs. After the deemed sale election, your ADSs or ordinary shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

For each taxable year we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any “excess distribution” you receive and any gain you recognize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or recognized gain will be allocated ratably over your holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

If we are a PFIC with respect to you for any taxable year, to the extent any of our subsidiaries are also PFICs or we make direct or indirect equity investments in other entities that are PFICs, you may be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by us in that proportion which the value of the ADSs or ordinary shares you own bears to the value of all of our ADSs or ordinary shares, as applicable, and you may be subject to the adverse tax consequences described in the preceding two paragraphs with respect to the shares of such lower-tier PFICs that you would be deemed to own. You should consult your tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the PFIC rules described above regarding excess distributions and recognized gains. If you make a mark-to-market election for the ADSs or ordinary shares, you will include in income for each year we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or ordinary shares, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss realized on the actual sale or other disposition of the ADSs or ordinary shares, to the extent the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make a mark-to-market election, any distributions we make would generally be subject to the rules discussed above under “— Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares,” except the lower rate applicable to qualified dividend income would not apply.

The mark-to-market election is available only for “marketable stock,” which generally is stock that is regularly traded on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Our ADSs are listed on the Nasdaq, which is a qualified exchange or other market for these purposes. Consequently, if the ADSs continue to be listed on Nasdaq and are regularly traded, and you are a holder of ADSs, we expect the mark-to-market election would be available to you if we were to become a PFIC. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that we own, a U.S. Holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. You should consult your tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

Alternatively, if a non-U.S. corporation is a PFIC, a holder of shares in that corporation may elect out of the PFIC rules described above regarding excess distributions and recognized gains by making a “qualified electing fund” election to include in income its *pro rata* share of the corporation’s income on a current basis. However, you may make a qualified electing fund election with respect to your ADSs or ordinary shares only if we agree to furnish you annually with certain tax information, and we currently do not intend to prepare or provide such information.

Unless otherwise provided by the U.S. Treasury, each U.S. Holder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. If we are or become a PFIC, you should consult your tax advisors regarding any reporting requirements that may apply to you.

You are strongly urged to consult your tax advisors regarding the application of the PFIC rules to your investment in ADSs or ordinary shares.

Information Reporting and Backup Withholding

Any dividend payments with respect to ADSs or ordinary shares and proceeds from the sale, exchange or other taxable disposition of ADSs or ordinary shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information in a timely manner.

Additional Reporting Requirements

Certain U.S. Holders who are individuals are required to report information relating to an interest in our common shares, subject to certain exceptions (including an exception for ADSs or ordinary shares held in accounts maintained by certain financial institutions). You should consult your tax advisors regarding the effect, if any, of these rules on your ownership and disposition of ADSs or ordinary shares.

THE DISCUSSION ABOVE IS A GENERAL DISCUSSION. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE ADSs OR ORDINARY SHARES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file an annual report on Form 20-F no later than four months after the close of each fiscal year, which is December 31. As permitted by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we have filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

Copies of reports and other information, when so filed, may be inspected without charge at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP. Our annual reports will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

Nasdaq Marketplace Rule 5250(d)(1) requires each issuer to distribute to shareholders copies of an annual report containing audited financial statements of our Company and its subsidiaries a reasonable period of time prior to our Company's annual meeting of shareholders. We do not intend to provide copies. However, shareholders can request a copy, in physical or electronic form, from us or our ADR depository bank, Deutsche Bank. In addition, we intend to post our annual report on our website <http://www.melco-crown.com>. Nasdaq Marketplace Rule 5255(c) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. Walkers, our Cayman Islands counsel, has provided a letter to the Nasdaq certifying that under the Companies Law (as amended) of the Cayman Islands, we are not required to deliver annual reports to our shareholders prior to an annual general meeting.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We believe our and our subsidiaries' primary exposure to market risk will be interest rate risk associated with our substantial indebtedness.

Interest Rate Risk

Our exposure to interest rate risk is associated with our substantial indebtedness bearing interest based on floating rates. As of December 31, 2014, we are subject to fluctuations in HIBOR and LIBOR as a result of our 2011 Credit Facilities, Aircraft Term Loan and Studio City Project Facility. In addition, we entered into interest rate swaps in connection with portion of our drawdown under our Studio City Project Facility in accordance with our lenders' requirements at such time under the Studio City Project Facility. As of December 31, 2014, we had five interest rate swap agreements with total nominal amount of HK\$1,867,199,900 (equivalent to approximately US\$240.0 million) that expired in March 2015. In March 2015, we entered another five interest rate swap agreements with total nominal amount of HK\$1,867,199,800 (equivalent to approximately US\$240.0 million) that will be expired in September 2015.

We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and we may supplement by hedging activities in a manner we deem prudent. We cannot be sure that these risk management strategies have had the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

As of December 31, 2014 and 2013, approximately 55% and 72%, respectively, of our total indebtedness was based on fixed rates. The decrease was primarily due to the drawdown of the term loan under Studio City Project Facility in July 2014, partially offset by the issuance of the Philippine Notes in January 2014 and the scheduled repayment of the term loan under 2011 Credit Facilities. Based on December 31, 2014 and 2013 indebtedness and interest rate swap levels, an assumed 100 basis point change in HIBOR and LIBOR would cause our annual interest cost to change by approximately US\$15.0 million and US\$7.1 million, respectively.

Interests in security we provide to the lenders under our credit facilities, or other security or guarantees, are required by the counterparties to our hedging transactions, which could increase our aggregate secured indebtedness. We do not intend to engage in transactions in derivatives or other financial instruments for trading or speculative purposes and we expect the provisions of our existing and any future credit facilities to restrict or prohibit the use of derivatives and financial instruments for purposes other than hedging.

Foreign Exchange Risk

Our exposure to foreign exchange rate risk is associated with the currency of our operations and our indebtedness and as a result of the presentation of our financial statements in U.S. dollars. The majority of our

revenues are denominated in H.K. dollars, given the H.K. dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau, while our expenses are denominated predominantly in Patacas, H.K. dollars and Philippine pesos. In addition, a significant portion of our indebtedness, as a result of the 2013 Senior Notes and Studio City Notes, and certain expenses, have been and are denominated in U.S. dollars, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollars. We also have a certain portion of our assets and liabilities, including the issuance of Philippine Notes in January 2014, denominated in Philippine pesos.

The value of the H.K. dollar, Pataca and Philippine peso against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. While the H.K. dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the H.K. dollar and the exchange rates between these currencies has remained relatively stable over the past several years, we cannot assure you that the current peg or linkages between the U.S. dollar, H.K. dollar and Pataca will not be broken or modified and subjected to fluctuation. Any significant fluctuations in the exchange rates between H.K. dollars, Patacas or Philippine pesos to U.S. dollars may have a material adverse effect on our revenues and financial condition.

We accept foreign currencies from our customers and as of December 31, 2014, in addition to H.K. dollars, Patacas and Philippine pesos, we also hold other foreign currencies. However, any foreign exchange risk exposure associated with those currencies is minimal.

We have not engaged in hedging transactions with respect to foreign exchange exposure of our revenues and expenses in our day-to-day operations during the years ended December 31, 2014 and 2013. Instead, we maintain a certain amount of our operating funds in the same currencies in which we have obligations, thereby reducing our exposure to currency fluctuations. However, we occasionally enter into foreign exchange transactions as part of financing transactions and capital expenditure programs.

See note 12 to the consolidated financial statements included elsewhere in this annual report for further details related to our indebtedness as of December 31, 2014.

Major currencies in which our cash and bank balances (including bank deposits with original maturity over three months and restricted cash) held as of December 31, 2014 were U.S. dollars, H.K. dollars, New Taiwan dollars, Philippine pesos and Patacas. Based on the cash and bank balances as of December 31, 2014 and 2013, an assumed 1% change in the exchange rates between currencies other than U.S. dollars against the U.S. dollar would cause a maximum foreign transaction gain or loss of approximately US\$31.1 million and US\$21.6 million for the years ended December 31, 2014 and 2013, respectively.

Based on the balances of indebtedness denominated in currencies other than U.S. dollars as of December 31, 2014 and 2013, an assumed 1% change in the exchange rates between currencies other than U.S. dollars against the U.S. dollar would cause a foreign transaction gain or loss of approximately US\$20.5 million and US\$6.7 million for the years ended December 31, 2014 and 2013, respectively.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. DEBT SECURITIES

Not applicable.

B. WARRANTS AND RIGHTS

Not applicable.

C. OTHER SECURITIES

Not applicable.

D. AMERICAN DEPOSITORY SHARES

Persons depositing shares are charged a fee for each issuance of ADSs, including issuances resulting from distributions of shares, share dividends, share splits, bonus and rights distributions and other property, and for each surrender of ADSs in exchange for deposited securities. The fee in each case is US\$5.00 for each 100 ADSs, or any portion thereof, issued or surrendered. Any holder of ADSs is charged a fee not in excess of US\$5.00 per 100 ADSs (or portion thereof) issued upon the exercise of rights. The depositary also charges a fee of US\$2.00 per 100 ADSs for distribution of cash proceeds pursuant to a cash distribution, sale of rights and other entitlements or otherwise. The depositary may also charge an annual fee of US\$2.00 per 100 ADSs for the operation and maintenance costs in administering the facility. Persons depositing shares also may be charged the following expenses:

- Taxes and other governmental charges incurred by the depositary or the custodian on any ADR or share underlying an ADR, including any applicable interest and penalties thereon, and any share transfer or other taxes and other governmental charges;
- Cable, telex and facsimile transmission and delivery charges;
- Transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities including those of a central depository for securities (where applicable);
- Expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars;
- Fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to the shares, deposited securities and ADSs; and
- Any other fees, charges, costs or expenses that may be incurred by the depositary from time to time.

We will pay all other charges and expenses of the depositary and any agent of the depositary, except the custodian, pursuant to agreements from time to time between us and the depositary. We and the depositary may amend the fees described above from time to time.

Depositary fees payable upon the issuance and cancellation of ADSs are generally paid to the depositary by the brokers receiving the newly issued ADSs from the depositary and by the brokers delivering the ADSs to the depositary for cancellation. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary service fee are charged by the depositary to the holders of record of ADSs as of the applicable ADS record date.

In the case of cash distributions, service fees are generally deducted from the cash being distributed. In the case of distributions other than cash, such as stock dividends or certain rights, the depositary charges the applicable ADS record date holder concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or in The Depository Trust Company (“DTC”)), the depositary sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary generally collects the fees through the settlement systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients’ ADSs in DTC accounts in turn charge their clients’ accounts the amount of the service fees paid to the depositary.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this annual report, our management, with the participation of our chief executive officer and our chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act. In designing and evaluating the disclosure controls and procedures, it should be noted that any controls and procedures, no matter how well designed and operated, can only provide reasonable, but not absolute, assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC’s rules and forms, and accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control Over Financial Reporting

Our Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act.

Our Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our Company’s internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our Company’s assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our Company’s receipts and expenditures are being made only in accordance with authorizations of its management and directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our Company’s management assessed the effectiveness of our Company’s internal control over financial reporting as of December 31, 2014. In making this assessment, our Company’s management used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework (2013)* (“2013 framework”).

Based on this assessment, management concluded that, as of December 31, 2014, our Company’s internal control over financial reporting is effective based on this 2013 framework.

Attestation Report of the Registered Public Accounting Firm

The effectiveness of our Company’s internal control over financial reporting as of December 31, 2014, has been audited by Deloitte Touche Tohmatsu, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Controls Over Financial Reporting

There were no changes in our Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our Company’s internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board has determined that James Andrew Charles MacKenzie qualifies as “audit committee financial expert” as defined in Item 16A of Form 20-F. Each of the members of our audit committee satisfies the “independence” requirements of the Nasdaq corporate governance rules and Rule 10A-3 under the Exchange Act. See “Item 6. Directors, Senior Management and Employees.”

ITEM 16B. CODE OF ETHICS

Our board has adopted a code of business conduct and ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer and any other persons who perform similar functions for us. The code of business conduct and ethics was last amended on December 1, 2014. We have posted our current code of business conduct and ethics on our website at www.melco-crown.com. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person’s written request.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu, our principal external auditors, for the years indicated. We did not pay any other fees to our auditor during the years indicated below.

	Year Ended December 31,	
	2014	2013
	<i>(In thousands of US\$)</i>	
Audit fees ⁽¹⁾	\$892	\$957
Audit-related fees ⁽²⁾	108	103
Tax fees ⁽³⁾	48	63
All other fees ⁽⁴⁾	187	324

(1) “Audit fees” means the aggregate fees billed in each of the fiscal years indicated for our calendar year audits.

- (2) “Audit-related fees” means the aggregate fees billed in respect of the review of our interim financial statements for the six months ended June 30, 2014.
- (3) “Tax fees” include fees billed for tax consultations.
- (4) “All other fees” include the aggregate fees billed for enterprise resource planning (ERP) software consultations.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Deloitte Touche Tohmatsu, including audit services, audit-related services, tax services and other services as described above, other than those for *de minimis* services which are approved by our audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

During 2014, we repurchased our ordinary shares as described in the table below.

<u>Period</u>	<u>(a) Total number of ordinary shares repurchased</u>	<u>(b) Average purchase price per share (excluding commission costs)</u>	<u>(c) Total number of ordinary shares repurchased as part of publicly announced plans or programs</u>	<u>(d) Maximum number (or approximately dollar value) of shares that may yet be repurchased under the plans or programs</u>
		<i>US\$</i>		<i>US\$</i>
September	11,122,962	9.01	11,122,962	400 million
December	<u>25,526,382</u>	7.84	<u>25,526,382</u>	200 million
Total	<u>36,649,344</u>	8.19	<u>36,649,344</u>	200 million

On August 7, 2014, we announced that our board authorized a program to repurchase up to an aggregate of US\$500 million of shares of our outstanding common stock in the open market until the expiry of our current share repurchase mandate granted to our board upon conclusion of the 2015 annual general meeting or the revocation or variation of such mandate by our shareholders. The timing and amount of the repurchase transactions is determined by management and may depend on a variety of factors, including market conditions and other considerations. The program does not obligate us to acquire any amount of our ordinary shares and the program may be modified or discontinued at any time without prior notice.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Nasdaq Marketplace Rule 5255(c) permits foreign private issuers like us to follow “home country practice” in certain corporate governance matters. For example, Nasdaq Marketplace Rule 5605(b)(1)(A) generally requires that a majority of an issuer’s board of directors must consist of independent directors. We rely on this “home country practice” exception and do not have a majority of independent directors serving on our board.

In addition, Nasdaq Marketplace Rule 5250(d)(1) requires each issuer to distribute to shareholders copies of an annual report containing audited financial statements of our Company and its subsidiaries a reasonable period of time prior to our Company’s annual meeting of shareholders. We do not intend to provide copies. However, shareholders can request a copy, in physical or electronic form, from us or our ADR depository bank, Deutsche Bank. We intend to post our annual report on our website www.melco-crown.com.

Lastly, Nasdaq Marketplace Rule 5635(d) requires each issuer to obtain shareholder approval for the issuance of securities in connection with a transaction other than a public offering involving certain issuances of ordinary shares in amounts equaling 20% or more of such issuer's ordinary shares there outstanding. Walkers, our Cayman Islands counsel, has provided letters to Nasdaq certifying that under the Companies Law (as amended) of the Cayman Islands, we are not required to: (i) have a majority of independent directors serving on our board; (ii) deliver annual reports to our shareholders prior to an annual general meeting; or (iii) obtain shareholders' approval prior to any issuance of our ordinary shares. The foregoing is subject to our memorandum and articles of association, as amended and restated from time to time.

In September 2011, our board adopted Hong Kong corporate governance guidelines, which took effect upon the listing of our shares in Hong Kong, and were revised from time to time with the last update made in December 2014. As a company listed on the HKSE, we are expected to comply with applicable corporate governance and related requirements of the listing rules of the HKSE, including the Corporate Governance Code, unless an exemption is available. If we deviate from these corporate governance provisions, we are required to disclose the reasons for such deviation, if any, in our interim and annual reports.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Melco Crown Entertainment Limited and its subsidiaries are included at the end of this annual report.

ITEM 19. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Amended and Restated Memorandum and Articles of Association adopted on May 23, 2012 (incorporated by reference to Exhibit 3.1 from our registration statement on Form F-3 (File No. 333-178215), filed with the SEC on May 23, 2012)
2.1	Form of Registrant's American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated by reference to Exhibit 4.2 from our registration statement on Form F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.3	Form of Deposit Agreement among Melco Crown Entertainment Limited, the depositary and the holders and beneficial owners of the American depositary shares issued thereunder (incorporated by reference to Exhibit (a) from Amendment No. 1 to our registration statement on Form F-6 (File No. 333-139159) filed with the SEC on November 29, 2011)
2.4	Holdco 1 Subscription Agreement dated December 23, 2004 among our Company, Melco, PBL and PBL Asia Investments Limited (incorporated by reference to Exhibit 4.4 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.5	Supplemental Agreement to the Memorandum of Agreement dated May 26, 2006 between Melco and PBL (incorporated by reference to Exhibit 4.7 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.6	Deed of Variation and Amendment dated July 27, 2007 between our Company, Melco Leisure and Entertainment Group Limited, Melco International Development Limited, PBL Asia Investments Limited, Publishing and Broadcasting Limited and Crown Limited (incorporated by reference to Exhibit 4.11 from our registration statement on Form F-1 (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)
2.7	Amended and Restated Shareholders' Deed dated December 12, 2007 among our Company, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and Crown Limited (incorporated by reference to Exhibit 2.7 from our annual report on Form 20-F for the fiscal year ended December 31, 2007 (File No. 001-33178), filed with the SEC on April 9, 2008)
2.8	Form of Post-IPO Shareholders' Agreement among our Company, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and PBL (incorporated by reference to Exhibit 4.9 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.9	Form of Registration Rights Agreement among our Company, Melco and PBL (incorporated by reference to Exhibit 4.10 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.10	Indenture, dated November 26, 2012, among Studio City Finance Limited, certain subsidiaries of Studio City Finance Limited from time to time parties thereto, DB Trustees (Hong Kong) Limited, as trustee and collateral agent, Deutsche Bank Trust Company Americas, as principal paying agent, U.S. registrar and transfer agent, and Deutsche Bank Luxembourg S.A., as European registrar (incorporated by reference to Exhibit 2.10 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)

<u>Exhibit Number</u>	<u>Description of Document</u>
2.11	Pledge Agreement, dated November 26, 2012, by Studio City Finance Limited in favor of DB Trustees (Hong Kong) Limited as collateral agent (incorporated by reference to Exhibit 2.11 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.12	Pledge Over Accounts, dated November 26, 2012, among Studio City Finance Limited, DB Trustees (Hong Kong) Limited as collateral agent and Bank of China Limited, Macau Branch as escrow agent and note disbursement agent (incorporated by reference to Exhibit 2.12 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.13	Escrow Agreement, dated November 26, 2012, among Studio City Finance Limited, DB Trustees (Hong Kong) Limited as trustee and collateral agent and Bank of China Limited, Macau Branch as escrow agent (incorporated by reference to Exhibit 2.13 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.14	Intercompany Note, dated November 26, 2012, issued by Studio City Investments Limited (incorporated by reference to Exhibit 2.14 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.15	Note Disbursement and Account Agreement, dated November 26, 2012, among Studio City Finance Limited, Studio City Company Limited as borrower, DB Trustees (Hong Kong) Limited as trustee and collateral agent and Bank of China Limited, Macau Branch as note disbursement agent (incorporated by reference to Exhibit 2.15 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.16	Senior Term Loan and Revolving Facilities Agreement, dated January 28, 2013, among Studio City Investments Limited, Studio City Company Limited, certain guarantors as specified therein, Australia and New Zealand Banking Group Limited, Bank of America, N.A., Bank of China Limited, Macau Branch, Citigroup Global Markets Asia Limited, Credit Agricole Corporate and Investment Bank, Deutsche Bank AG, Hong Kong Branch, Industrial and Commercial Bank of China (Macau) Limited and UBS AG Hong Kong Branch as bookrunner mandated lead arrangers, certain other entities as specified therein as mandated lead arranger, lead arrangers, arranger, senior managers and managers, certain financial institutions as lenders, Deutsche Bank AG, Hong Kong Branch as facility agent, Industrial and Commercial Bank of China (Macau) Limited as agent and security trustee, disbursement agent and agent for the agent and security trustee and Bank of China Limited, Macau Branch as issuing bank (incorporated by reference to Exhibit 2.16 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.17	Indenture, dated February 7, 2013, among MCE Finance Limited, certain subsidiaries of MCE Finance Limited from time to time parties thereto and Deutsche Bank Trust Company Americas as trustee, principal paying agent, registrar and transfer agent (incorporated by reference to Exhibit 2.17 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.18	Amendment Agreement, dated March 1, 2013, between Studio City Investments Limited and Deutsche Bank AG, Hong Kong Branch as facility agent, relating to a senior facilities agreement dated January 28, 2013 (incorporated by reference to Exhibit 2.18 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)

<u>Exhibit Number</u>	<u>Description of Document</u>
2.19	Notes Facility and Security Agreement, dated December 19, 2013, among MCE Leisure Philippines as issuer of the Philippine Notes, MCP and certain of its subsidiaries from time to time as guarantors and pledgers thereto, various financial institutions as holders of the Philippine Notes, Australia and New Zealand Banking Group Limited and Deutsche Bank AG, Manila Branch as joint lead managers and Philippine National Bank — Trust Banking Group as facility agent, registrar, paying agent and security trustee (incorporated by reference to Exhibit 2.19 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 15, 2014)
2.20	Guaranty, dated January 21, 2014 by our Company in favor of Philippine National Bank — Trust Banking Group as facility agent on behalf of itself and the holders of Philippine Notes (incorporated by reference to Exhibit 2.20 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 15, 2014)
2.21	Loan Agreement dated December 23, 2013, among MCE (Philippines) Investments Limited as lender, MCE Leisure Philippines as borrower and MCP and certain of its subsidiaries from time to time as guarantors, in respect of a term loan facility by the lender to the borrower in the amount of up to US\$ 340 million (incorporated by reference to Exhibit 2.21 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 15, 2014)
4.1	Form of Indemnification Agreement with our directors and executive officers (incorporated by reference to Exhibit 10.1 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.2	Form of Directors' Agreement (incorporated by reference to Exhibit 10.2 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.3	Form of Employment Agreement between our Company and an executive officer (incorporated by reference to Exhibit 10.3 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.4	English Translation of Subconcession Contract for operating casino games of chance or games of other forms in the Macau Special Administrative Region between Wynn Macau and PBL Macau, dated September 8, 2006 (incorporated by reference to Exhibit 10.4 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.5	Senior Facilities Agreement dated September 5, 2007 for Melco PBL Gaming (Macau) Limited as Original Borrower, arranged by Australia and New Zealand Banking Group Limited, Banc of America Securities Asia Limited, Barclays Capital, Deutsche Bank AG, Hong Kong Branch and UBS AG Hong Kong Branch as Coordinating Lead Arrangers with Deutsche Bank AG, Hong Kong Branch acting as Agent and DB Trustees (Hong Kong) Limited acting as Security Agent (incorporated by reference to Exhibit 10.32 from our registration statement on Form F-1 (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)
4.6	Amendment Agreement in Respect of the Senior Facilities Agreement, dated December 7, 2007, between Melco PBL Gaming (Macau) Limited (now known as Melco Crown Macau) and Deutsche Bank AG, Hong Kong Branch as agent (incorporated by reference to Exhibit 4.6 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)

<u>Exhibit Number</u>	<u>Description of Document</u>
4.7	Second Amendment Agreement in Respect of the Senior Facilities Agreement, dated September 1, 2008, between Melco Crown Gaming (Macau) Limited (now known as Melco Crown Macau) and Deutsche Bank AG, Hong Kong Branch as agent (incorporated by reference to Exhibit 4.7 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.8	Third Amendment Agreement in Respect of the Senior Facilities Agreement, dated December 1, 2008, between Melco Crown Gaming (Macau) Limited (now known as Melco Crown Macau) and Deutsche Bank AG, Hong Kong Branch as agent (incorporated by reference to Exhibit 4.8 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.9	Fourth Amendment Agreement in Respect of the Senior Facilities Agreement, dated October 8, 2009, between Melco Crown Gaming (Macau) Limited (now known as Melco Crown Macau) and Deutsche Bank AG, Hong Kong Branch as agent (incorporated by reference to Exhibit 4.11 from our registration statement on Form F-4 (File No. 333-168823), as amended, initially filed with the SEC on August 18, 2010)
4.10	English Translation of Order of the Secretary for Public Works and Transportation published in Macau Official Gazette no. 9 of March 1, 2006 (incorporated by reference to Exhibit 10.13 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.11	Agreement dated March 9, 2005 between Melco Leisure and Entertainment Group Limited and MPBL (Greater China) (formerly known as Melco Entertainment Limited) (incorporated by reference to Exhibit 10.15 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.12	Assignment Agreement dated May 11, 2005 in relation to a memorandum of agreement dated October 28, 2004 and a subscription agreement in relation to convertible loan notes in the aggregate principal amount of HK\$1,175,000,000 to be issued by Melco among Great Respect, as assignor, MPBL (Greater China) (formerly known as Melco Entertainment Limited), as assignee, and Melco, as issuer (incorporated by reference to Exhibit 10.16 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.13	Novation and Termination Agreement (with respect to the Management Agreement for Grand Hyatt Macau dated June 18, 2006 and the Management Agreement for Hyatt Regency Macau dated June 18, 2006) dated August 30, 2008 between Hyatt of Macau Ltd., Melco Crown (COD) Developments Limited and Melco Crown COD (GH) Hotel Limited (incorporated by reference to Exhibit 4.20 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.14	Management Agreement dated August 30, 2008 between Melco Crown COD (GH) Hotel Limited and Hyatt of Macau Ltd (incorporated by reference to Exhibit 4.21 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.15	Hotel Trademark License Agreement by and between Hard Rock Holdings Limited and Melco Hotel and Resorts (Macau) Limited (now known as Melco Crown (COD) Developments Limited) dated January 22, 2007 (incorporated by reference to Exhibit 4.21 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001- 33178), as amended, initially filed with the SEC on March 30, 2007)

<u>Exhibit Number</u>	<u>Description of Document</u>
4.16	Novation Agreement (in respect of Hotel Trademark License Agreement) dated August 30, 2008 between Hard Rock Holdings Limited, Melco Crown (COD) Developments Limited and Melco Crown COD (HR) Hotel Limited (incorporated by reference to Exhibit 4.23 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.17	Casino Trademark License Agreement by and between Hard Rock Holdings Limited and Melco PBL Gaming Limited (now known as Melco Crown Macau) dated January 22, 2007 (incorporated by reference to Exhibit 4.22 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.18	Memorabilia Lease (casino) between Hard Rock Cafe International (STP) Inc. and Melco PBL Gaming Limited (now known as Melco Crown Macau) dated January 22, 2007 (incorporated by reference to Exhibit 4.23 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.19	Memorabilia Lease (hotel) between Hard Rock Cafe International (STP) Inc. and Melco Hotel and Resorts (Macau) Limited (now known as Melco Crown (COD) Developments Limited) dated January 22, 2007 (incorporated by reference to Exhibit 4.24 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.20	Novation Agreement (in respect of Hotel Memorabilia Lease) dated August 30, 2008 between Hard Rock Café International (STP), Inc., Melco Crown (COD) Developments Limited and Melco Crown COD (HR) Hotel Limited (incorporated by reference to Exhibit 4.27 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.21	Promissory Transfer of Shares Termination Agreement dated December 17, 2009 in connection with the termination of share purchase of Sociedade de Fomento Predial Omar, Limitada (“Omar”) between Double Margin Limited, Leong On Kei, a.k.a. Angela Leong, MPEL (Macau Peninsula) Limited and Omar (incorporated by reference to Exhibit 4.32 from our annual report on Form 20-F for the fiscal year ended December 31, 2009 (File No. 001-333178), filed with the SEC on March 31, 2010)
4.22	Shareholders’ Agreement relating to Melco PBL Gaming Limited (now known as Melco Crown Macau) dated November 22, 2006 among PBL Asia Limited, MPBL Investments, Manuela António and Melco PBL Gaming (incorporated by reference to Exhibit 10.22 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.23	Termination Letter dated December 15, 2006 in connection with Shareholders Agreement Relating to Melco PBL Gaming Limited (now known as Melco Crown Macau) dated November 22, 2006 (incorporated by reference to Exhibit 4.27 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.24	Letter dated December 15, 2006 in connection with appointment of Mr. Lawrence Ho as the managing director of Melco PBL Gaming Limited (now known as Melco Crown Macau) (incorporated by reference to Exhibit 4.28 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)

<u>Exhibit Number</u>	<u>Description of Document</u>
4.25	Termination Agreement relating to the Shareholders' Agreement dated December 15, 2006 among PBL Asia Limited, Melco PBL Investments Limited (now known as Melco Investments Limited), Lawrence Yau Lung Ho and Melco PBL Gaming (Macau) Limited (now known as Melco Crown Macau) (incorporated by reference to Exhibit 4.5 from our registration statement on Form F-3 (File No. 333-171847), filed with the SEC on January 25, 2010)
4.26	2006 Share Incentive Plan, amended by AGM in May 2009 (incorporated by reference to Exhibit 4.37 from our annual report on Form 20-F for the fiscal year ended December 31, 2009 (File No. 001-333178), filed with the SEC on March 31, 2010)
4.27	Trade Mark License dated November 30, 2006 between Crown Limited (now known as Crown Resorts Limited) and the Registrant as the licensee (incorporated by reference to Exhibit 10.24 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.28	Agreement between the Registrant and Melco Leisure and Entertainment Group Limited dated March 27, 2007 (incorporated by reference to Exhibit 4.32 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.29	Agreement between the Registrant and PBL Asia Investments Limited dated March 27, 2007 (incorporated by reference to Exhibit 4.33 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.30	English Translation of the amended Order of Secretary for Public Works and Transportation published in Macau Official Gazette No. 25/2008 in relation to the City of Dreams Land Concession (incorporated by reference to Exhibit 4.30 from our annual report on Form 20-F for the fiscal year ended December 31, 2010 (File No. 001-33178) filed with the SEC on April 1, 2011)
4.31	Fifth Amendment Agreement in Respect of the Senior Facilities Agreement, dated June 22, 2011, between, amongst others, Melco Crown Macau (now known as Melco Crown Macau), Deutsche Bank AG, Hong Kong Branch as agent and DB Trustees (Hong Kong) Limited as security agent (incorporated by reference to Exhibit 4.37 from our annual report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 001-33178), filed with the SEC on April 19, 2012)
4.32	Sale and Purchase Agreement, dated June 15, 2011, among Melco Crown Entertainment Limited, East Asia Satellite Television (Holdings) Limited and eSun Holdings Limited (incorporated by reference to Exhibit 4.38 from our annual report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 001-33178), filed with the SEC on April 19, 2012)
4.33	Implementation Agreement, dated June 15, 2011, among Melco Crown Entertainment Limited, MCE Cotai Investments Limited, New Cotai, LLC and New Cotai Holdings, LLC (incorporated by reference to Exhibit 4.39 from our annual report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 001-33178), filed with the SEC on April 19, 2012)
4.34	2011 Share Incentive Plan, adopted by EGM on October 6, 2011 (incorporated by reference to Exhibit 4.40 from our annual report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 001-33178), filed with the SEC on April 19, 2012)
4.35	Amendment No. 1 the Shareholders' Agreement relating to Studio City International Holdings Limited, dated September 25, 2012, among MCE Cotai Investments Limited, New Cotai, LLC, Melco Crown Entertainment Limited and Studio City International Holdings Limited (incorporated by reference to Exhibit 4.35 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)

<u>Exhibit Number</u>	<u>Description of Document</u>
4.36	Cooperation Agreement, dated October 25, 2012, among SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Commercial Properties, Inc., Belle Corporation, PremiumLeisure and Amusement, Inc., MCE Leisure (Philippines) Corporation, MCE Holdings (Philippines) Corporation and MCE Holdings No. 2 (Philippines) Corporation (incorporated by reference to Exhibit 4.36 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
4.37	Contract of Lease, dated October 25, 2012, between Belle Corporation and MCE Leisure (Philippines) Corporation (incorporated by reference to Exhibit 4.37 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
4.38	Closing Arrangement Agreement, dated October 25, 2012, among SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Commercial Properties, Inc., SM Development Corporation, Belle Corporation, PremiumLeisure and Amusement, Inc., MCE Leisure (Philippines) Corporation, MCE Holdings (Philippines) Corporation, MCE Holdings No. 2 (Philippines) Corporation, MPEL Projects Limited and Melco Property Development Limited (incorporated by reference to Exhibit 4.38 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
4.39	Acquisition Agreement, dated December 7, 2012, among Interpharma Holdings & Management Corporation, Pharma Industries Holdings Limited, MCE (Philippines) Investments Limited and MCE (Philippines) Investments No.2 Corporation (incorporated by reference to Exhibit 4.40 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
4.40	Operating Agreement, dated March 13, 2013, among Belle Corporation, SM Investments Corporation, PremiumLeisure and Amusement, Inc., MCE Holdings No. 2 (Philippines) Corporation, MCE Holdings (Philippines) Corporation and MCE Leisure (Philippines) Corporation (incorporated by reference to Exhibit 4.42 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
4.41	Sixth Amendment Agreement in Respect of the Senior Facilities Agreement, dated April 5, 2013, between Melco Crown Macau and Deutsche Bank AG, Hong Kong Branch as agent (incorporated by reference to Exhibit 4.43 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
4.42	Amendment No. 2 to the Shareholders' Agreement relating to Studio City International Holdings Limited, dated May 17, 2013, among MCE Cotai Investments Limited, New Cotai, LLC, Melco Crown Entertainment Limited and Studio City International Holdings Limited (incorporated by reference to Exhibit 4.44 from our annual report on Form 20-F for the fiscal year ended December 31, 2013 (File No. 001-33178), filed with the SEC on April 15, 2014)
4.43*#	Amendment No. 3 to the Shareholders' Agreement relating to Studio City International Holdings Limited dated June 3, 2014 among MCE Cotai Investments Limited, New Cotai, LLC, Melco Crown Entertainment Limited and Studio City International Holdings Limited
4.44*#	Amendment No. 4 to the Shareholders' Agreement relating to Studio City International Holdings Limited dated July 21, 2014, among MCE Cotai Investments Limited, New Cotai, LLC, Melco Crown Entertainment Limited and Studio City International Holdings Limited
8.1*	List of Subsidiaries
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

<u>Exhibit Number</u>	<u>Description of Document</u>
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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* Filed with this annual report on Form 20-F

Confidential treatment requested

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

MELCO CROWN ENTERTAINMENT LIMITED

Date: April 15, 2015

By: /s/ Lawrence Yau Lung Ho

Name: Lawrence Yau Lung Ho

Title: Co-Chairman and Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Amended and Restated Memorandum and Articles of Association adopted on May 23, 2012 (incorporated by reference to Exhibit 3.1 from our registration statement on Form F-3 (File No. 333-178215), filed with the SEC on May 23, 2012)
2.1	Form of Registrant's American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated by reference to Exhibit 4.2 from our registration statement on Form F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.3	Form of Deposit Agreement among Melco Crown Entertainment Limited, the depositary and the holders and beneficial owners of the American depositary shares issued thereunder (incorporated by reference to Exhibit (a) from Amendment No. 1 to our registration statement on Form F-6 (File No. 333-139159) filed with the SEC on November 29, 2011)
2.4	Holdco 1 Subscription Agreement dated December 23, 2004 among our Company, Melco, PBL and PBL Asia Investments Limited (incorporated by reference to Exhibit 4.4 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.5	Supplemental Agreement to the Memorandum of Agreement dated May 26, 2006 between Melco and PBL (incorporated by reference to Exhibit 4.7 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.6	Deed of Variation and Amendment dated July 27, 2007 between our Company, Melco Leisure and Entertainment Group Limited, Melco International Development Limited, PBL Asia Investments Limited, Publishing and Broadcasting Limited and Crown Limited (incorporated by reference to Exhibit 4.11 from our registration statement on Form F-1 (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)
2.7	Amended and Restated Shareholders' Deed dated December 12, 2007 among our Company, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and Crown Limited (incorporated by reference to Exhibit 2.7 from our annual report on Form 20-F for the fiscal year ended December 31, 2007 (File No. 001-33178), filed with the SEC on April 9, 2008)
2.8	Form of Post-IPO Shareholders' Agreement among our Company, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and PBL (incorporated by reference to Exhibit 4.9 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.9	Form of Registration Rights Agreement among our Company, Melco and PBL (incorporated by reference to Exhibit 4.10 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.10	Indenture, dated November 26, 2012, among Studio City Finance Limited, certain subsidiaries of Studio City Finance Limited from time to time parties thereto, DB Trustees (Hong Kong) Limited, as trustee and collateral agent, Deutsche Bank Trust Company Americas, as principal paying agent, U.S. registrar and transfer agent, and Deutsche Bank Luxembourg S.A., as European registrar (incorporated by reference to Exhibit 2.10 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)

<u>Exhibit Number</u>	<u>Description of Document</u>
2.11	Pledge Agreement, dated November 26, 2012, by Studio City Finance Limited in favor of DB Trustees (Hong Kong) Limited as collateral agent (incorporated by reference to Exhibit 2.11 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.12	Pledge Over Accounts, dated November 26, 2012, among Studio City Finance Limited, DB Trustees (Hong Kong) Limited as collateral agent and Bank of China Limited, Macau Branch as escrow agent and note disbursement agent (incorporated by reference to Exhibit 2.12 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.13	Escrow Agreement, dated November 26, 2012, among Studio City Finance Limited, DB Trustees (Hong Kong) Limited as trustee and collateral agent and Bank of China Limited, Macau Branch as escrow agent (incorporated by reference to Exhibit 2.13 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.14	Intercompany Note, dated November 26, 2012, issued by Studio City Investments Limited (incorporated by reference to Exhibit 2.13 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.15	Note Disbursement and Account Agreement, dated November 26, 2012, among Studio City Finance Limited, Studio City Company Limited as borrower, DB Trustees (Hong Kong) Limited as trustee and collateral agent and Bank of China Limited, Macau Branch as note disbursement agent (incorporated by reference to Exhibit 2.13 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.16	Senior Term Loan and Revolving Facilities Agreement, dated January 28, 2013, among Studio City Investments Limited, Studio City Company Limited, certain guarantors as specified therein, Australia and New Zealand Banking Group Limited, Bank of America, N.A., Bank of China Limited, Macau Branch, Citigroup Global Markets Asia Limited, Credit Agricole Corporate and Investment Bank, Deutsche Bank AG, Hong Kong Branch, Industrial and Commercial Bank of China (Macau) Limited and UBS AG Hong Kong Branch as bookrunner mandated lead arrangers, certain other entities as specified therein as mandated lead arranger, lead arrangers, arranger, senior managers and managers, certain financial institutions as lenders, Deutsche Bank AG, Hong Kong Branch as facility agent, Industrial and Commercial Bank of China (Macau) Limited as agent and security trustee, disbursement agent and agent for the agent and security trustee and Bank of China Limited, Macau Branch as issuing bank (incorporated by reference to Exhibit 2.16 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.17	Indenture, dated February 7, 2013, among MCE Finance Limited, certain subsidiaries of MCE Finance Limited from time to time parties thereto and Deutsche Bank Trust Company Americas as trustee, principal paying agent, registrar and transfer agent (incorporated by reference to Exhibit 2.17 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
2.18	Amendment Agreement, dated March 1, 2013, between Studio City Investments Limited and Deutsche Bank AG, Hong Kong Branch as facility agent, relating to a senior facilities agreement dated January 28, 2013 (incorporated by reference to Exhibit 2.18 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)

<u>Exhibit Number</u>	<u>Description of Document</u>
2.19	Notes Facility and Security Agreement, dated December 19, 2013, among MCE Leisure Philippines as issuer of the Philippine Notes, MCP and certain of its subsidiaries from time to time as guarantors and pledgers thereto, various financial institutions as holders of the Philippine Notes, Australia and New Zealand Banking Group Limited and Deutsche Bank AG, Manila Branch as joint lead managers and Philippine National Bank — Trust Banking Group as facility agent, registrar, paying agent and security trustee (incorporated by reference to Exhibit 2.19 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 15, 2014)
2.20	Guaranty, dated January 21, 2014 by our Company in favor of Philippine National Bank — Trust Banking Group as facility agent on behalf of itself and the holders of Philippine Notes (incorporated by reference to Exhibit 2.20 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 15, 2014)
2.21	Loan Agreement dated December 23, 2013, among MCE (Philippines) Investments Limited as lender, MCE Leisure Philippines as borrower and MCP and certain of its subsidiaries from time to time as guarantors, in respect of a term loan facility by the lender to the borrower in the amount of up to US\$ 340 million (incorporated by reference to Exhibit 2.21 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 15, 2014)
4.1	Form of Indemnification Agreement with our directors and executive officers (incorporated by reference to Exhibit 10.1 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.2	Form of Directors' Agreement (incorporated by reference to Exhibit 10.2 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.3	Form of Employment Agreement between our Company and an executive officer (incorporated by reference to Exhibit 10.3 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.4	English Translation of Subconcession Contract for operating casino games of chance or games of other forms in the Macau Special Administrative Region between Wynn Macau and PBL Macau, dated September 8, 2006 (incorporated by reference to Exhibit 10.4 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.5	Senior Facilities Agreement dated September 5, 2007 for Melco PBL Gaming (Macau) Limited as Original Borrower, arranged by Australia and New Zealand Banking Group Limited, Banc of America Securities Asia Limited, Barclays Capital, Deutsche Bank AG, Hong Kong Branch and UBS AG Hong Kong Branch as Coordinating Lead Arrangers with Deutsche Bank AG, Hong Kong Branch acting as Agent and DB Trustees (Hong Kong) Limited acting as Security Agent (incorporated by reference to Exhibit 10.32 from our registration statement on Form F-1 (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)
4.6	Amendment Agreement in Respect of the Senior Facilities Agreement, dated December 7, 2007, between Melco PBL Gaming (Macau) Limited and Deutsche Bank AG, Hong Kong Branch as agent (incorporated by reference to Exhibit 4.6 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.7	Second Amendment Agreement in Respect of the Senior Facilities Agreement, dated September 1, 2008, between Melco Crown (Macau) Limited and Deutsche Bank AG, Hong Kong Branch as agent (incorporated by reference to Exhibit 4.7 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)

<u>Exhibit Number</u>	<u>Description of Document</u>
4.8	Third Amendment Agreement in Respect of the Senior Facilities Agreement, dated December 1, 2008, between Melco Crown (Macau) Limited and Deutsche Bank AG, Hong Kong Branch as agent (incorporated by reference to Exhibit 4.8 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.9	Fourth Amendment Agreement in Respect of the Senior Facilities Agreement, dated October 8, 2009, between Melco Crown (Macau) Limited and Deutsche Bank AG, Hong Kong Branch as agent (incorporated by reference to Exhibit 4.11 from our registration statement on Form F-4 (File No. 333-168823), as amended, initially filed with the SEC on August 18, 2010)
4.10	English Translation of Order of the Secretary for Public Works and Transportation published in Macau Official Gazette no. 9 of March 1, 2006 (incorporated by reference to Exhibit 10.13 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.11	Agreement dated March 9, 2005 between Melco Leisure and Entertainment Group Limited and MPBL (Greater China) (formerly known as Melco Entertainment Limited) (incorporated by reference to Exhibit 10.15 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.12	Assignment Agreement dated May 11, 2005 in relation to a memorandum of agreement dated October 28, 2004 and a subscription agreement in relation to convertible loan notes in the aggregate principal amount of HK\$1,175,000,000 to be issued by Melco among Great Respect, as assignor, MPBL (Greater China) (formerly known as Melco Entertainment Limited), as assignee, and Melco, as issuer (incorporated by reference to Exhibit 10.16 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.13	Novation and Termination Agreement (with respect to the Management Agreement for Grand Hyatt Macau dated June 18, 2006 and the Management Agreement for Hyatt Regency Macau dated June 18, 2006) dated August 30, 2008 between Hyatt of Macau Ltd., Melco Crown (COD) Developments Limited and Melco Crown COD (GH) Hotel Limited (incorporated by reference to Exhibit 4.20 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.14	Management Agreement dated August 30, 2008 between Melco Crown COD (GH) Hotel Limited and Hyatt of Macau Ltd (incorporated by reference to Exhibit 4.21 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.15	Hotel Trademark License Agreement by and between Hard Rock Holdings Limited and Melco Hotel and Resorts (Macau) Limited (now known as Melco Crown (COD) Developments Limited) dated January 22, 2007 (incorporated by reference to Exhibit 4.21 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001- 33178), as amended, initially filed with the SEC on March 30, 2007)
4.16	Novation Agreement (in respect of Hotel Trademark License Agreement) dated August 30, 2008 between Hard Rock Holdings Limited, Melco Crown (COD) Developments Limited (now known as Melco Crown (COD) Developments Limited) and Melco Crown COD (HR) Hotel Limited (incorporated by reference to Exhibit 4.23 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)

<u>Exhibit Number</u>	<u>Description of Document</u>
4.17	Casino Trademark License Agreement by and between Hard Rock Holdings Limited and Melco PBL Gaming Limited Melco Hotel and Resorts (Macau) Limited (now known as Melco Crown Macau) dated January 22, 2007 (incorporated by reference to Exhibit 4.22 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.18	Memorabilia Lease (casino) between Hard Rock Cafe International (STP) Inc. and Melco PBL Gaming (now known as Melco Crown Macau) dated January 22, 2007 (incorporated by reference to Exhibit 4.23 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.19	Memorabilia Lease (hotel) between Hard Rock Cafe International (STP) Inc. and Melco Crown (COD) Developments Limited dated January 22, 2007 (incorporated by reference to Exhibit 4.24 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.20	Novation Agreement (in respect of Hotel Memorabilia Lease) dated August 30, 2008 between Hard Rock Café International (STP), Inc., Melco Crown (COD) Developments Limited and Melco Crown COD (HR) Hotel Limited (incorporated by reference to Exhibit 4.27 from our annual report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 001-33178), filed with the SEC on March 31, 2009)
4.21	Promissory Transfer of Shares Termination Agreement dated December 17, 2009 in connection with the termination of share purchase of Sociedade de Fomento Predial Omar, Limitada (“Omar”) between Double Margin Limited, Leong On Kei, a.k.a. Angela Leong, MPEL (Macau Peninsula) Limited and Omar (incorporated by reference to Exhibit 4.32 from our annual report on Form 20-F for the fiscal year ended December 31, 2009 (File No. 001-333178), filed with the SEC on March 31, 2010)
4.22	Shareholders’ Agreement relating to Melco PBL Gaming Limited Melco Hotel and Resorts (Macau) Limited (now known as Melco Crown Macau) dated November 22, 2006 among PBL Asia Limited, MPBL Investments, Manuela António and Melco PBL Gaming (incorporated by reference to Exhibit 10.22 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.23	Termination Letter dated December 15, 2006 in connection with Shareholders Agreement Relating to Melco PBL Gaming (Macau) Limited dated November 22, 2006 (incorporated by reference to Exhibit 4.27 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.24	Letter dated December 15, 2006 in connection with appointment of Mr. Lawrence Ho as the managing director of Melco PBL Gaming (Macau) Limited (incorporated by reference to Exhibit 4.28 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.25	Termination Agreement relating to the Shareholders’ Agreement dated December 15, 2006 among PBL Asia Limited, Melco PBL Investments Limited, Lawrence Yau Lung Ho and Melco PBL Gaming (Macau) Limited (incorporated by reference to Exhibit 4.5 from our registration statement on Form F-3 (File No. 333-171847), filed with the SEC on January 25, 2010)
4.26	2006 Share Incentive Plan, amended by AGM in May 2009 (incorporated by reference to Exhibit 4.37 from our annual report on Form 20-F for the fiscal year ended December 31, 2009 (File No. 001-333178), filed with the SEC on March 31, 2010)

<u>Exhibit Number</u>	<u>Description of Document</u>
4.27	Trade Mark License dated November 30, 2006 between Crown Limited and the Registrant as the licensee (incorporated by reference to Exhibit 10.24 from our registration statement on Form F-1 (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.28	Agreement between the Registrant and Melco Leisure and Entertainment Group Limited dated March 27, 2007 (incorporated by reference to Exhibit 4.32 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.29	Agreement between the Registrant and PBL Asia Investments Limited dated March 27, 2007 (incorporated by reference to Exhibit 4.33 from our annual report on Form 20-F for the fiscal year ended December 31, 2006 (File No. 001-33178), as amended, initially filed with the SEC on March 30, 2007)
4.30	English Translation of the amended Order of Secretary for Public Works and Transportation published in Macau Official Gazette No. 25/2008 in relation to the City of Dreams Land Concession (incorporated by reference to Exhibit 4.30 from our annual report on Form 20-F for the fiscal year ended December 31, 2010 (File No. 001-33178) filed with the SEC on April 1, 2011)
4.31	Fifth Amendment Agreement in Respect of the Senior Facilities Agreement, dated June 22, 2011, between, amongst others, Melco Crown Macau, Deutsche Bank AG, Hong Kong Branch as agent and DB Trustees (Hong Kong) Limited as security agent (incorporated by reference to Exhibit 4.37 from our annual report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 001-33178), filed with the SEC on April 19, 2012)
4.32	Sale and Purchase Agreement, dated June 15, 2011, among Melco Crown Entertainment Limited, East Asia Satellite Television (Holdings) Limited and eSun Holdings Limited (incorporated by reference to Exhibit 4.38 from our annual report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 001-33178), filed with the SEC on April 19, 2012)
4.33	Implementation Agreement, dated June 15, 2011, among Melco Crown Entertainment Limited, MCE Cotai Investments Limited, New Cotai, LLC and New Cotai Holdings, LLC (incorporated by reference to Exhibit 4.39 from our annual report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 001-33178), filed with the SEC on April 19, 2012)
4.34	2011 Share Incentive Plan, adopted by EGM on October 6, 2011 (incorporated by reference to Exhibit 4.40 from our annual report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 001-33178), filed with the SEC on April 19, 2012)
4.35	Amendment No. 1 to the Shareholders' Agreement relating to Studio City International Holdings Limited, dated September 25, 2012, among MCE Cotai Investments Limited, New Cotai, LLC, Melco Crown Entertainment Limited and Studio City International Holdings Limited (incorporated by reference to Exhibit 4.35 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
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4.38	Closing Arrangement Agreement, dated October 25, 2012, among SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Commercial Properties, Inc., SM Development Corporation, Belle Corporation, PremiumLeisure and Amusement, Inc., MCE Leisure (Philippines) Corporation, MCE Holdings (Philippines) Corporation, MCE Holdings No.2 (Philippines) Corporation, MPEL Projects Limited and Melco Property Development Limited (incorporated by reference to Exhibit 4.38 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
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4.40	Operating Agreement, dated March 13, 2013, among Belle Corporation, SM Investments Corporation, PremiumLeisure and Amusement, Inc., MCE Holdings No. 2 (Philippines) Corporation, MCE Holdings (Philippines) Corporation and MCE Leisure (Philippines) Corporation (incorporated by reference to Exhibit 4.42 from our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 001-33178), filed with the SEC on April 18, 2013)
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* Filed with this annual report on Form 20-F

Confidential treatment requested

MELCO CROWN ENTERTAINMENT LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

/s/ Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 25, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Melco Crown Entertainment Limited and subsidiaries (the “Company”) as of December 31, 2014, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financing Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the consolidated financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2014 of the Company and our report dated March 25, 2015 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 25, 2015

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

	December 31,	
	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,597,655	\$ 1,381,757
Bank deposits with original maturity over three months	110,616	626,940
Restricted cash	1,447,034	770,294
Accounts receivable, net (Note 3)	253,665	287,880
Amounts due from affiliated companies (Note 24(a))	1,079	23
Deferred tax assets (Note 17)	532	—
Income tax receivable	15	18
Inventories	23,111	18,169
Prepaid expenses and other current assets	69,254	54,898
Assets held for sale (Note 4)	—	8,468
Total current assets	3,502,961	3,148,447
PROPERTY AND EQUIPMENT, NET (Note 5)	4,696,391	3,308,846
GAMING SUBCONCESSION, NET (Note 6)	427,794	485,031
INTANGIBLE ASSETS, NET (Note 7)	4,220	4,220
GOODWILL (Note 7)	81,915	81,915
LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS (Note 8)	287,558	345,667
RESTRICTED CASH	369,549	373,371
DEFERRED TAX ASSETS (Note 17)	115	93
DEFERRED FINANCING COSTS, NET	174,872	114,431
LAND USE RIGHTS, NET (Note 9)	887,188	951,618
TOTAL ASSETS	\$10,432,563	\$ 8,813,639
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable (Note 10)	\$ 14,428	\$ 9,825
Accrued expenses and other current liabilities (Note 11)	1,005,720	928,751
Income tax payable	6,621	6,584
Capital lease obligations, due within one year (Note 13)	23,512	27,265
Current portion of long-term debt (Note 12)	262,750	262,566
Amounts due to affiliated companies (Note 24(b))	3,626	2,900
Amount due to a shareholder (Note 24(c))	—	79
Total current liabilities	1,316,657	1,237,970
LONG-TERM DEBT (Note 12)	3,640,031	2,270,894
OTHER LONG-TERM LIABILITIES (Note 14)	93,441	28,492
DEFERRED TAX LIABILITIES (Note 17)	58,949	62,806
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR (Note 13)	278,027	253,029
LAND USE RIGHTS PAYABLE (Note 23(c))	3,788	35,466
COMMITMENTS AND CONTINGENCIES (Note 23)		

MELCO CROWN ENTERTAINMENT LIMITED

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

	December 31,	
	2014	2013
SHAREHOLDERS' EQUITY		
Ordinary shares at US\$0.01 par value per share (Authorized – 7,300,000,000 shares as of December 31, 2014 and 2013 and issued – 1,633,701,920 and 1,666,633,448 shares as of December 31, 2014 and 2013, respectively (Note 16))	\$ 16,337	\$ 16,667
Treasury shares, at cost (17,684,386 and 16,222,246 shares as of December 31, 2014 and 2013, respectively (Note 16))	(33,167)	(5,960)
Additional paid-in capital	3,092,943	3,479,399
Accumulated other comprehensive losses	(17,149)	(15,592)
Retained earnings	1,227,177	772,156
Total Melco Crown Entertainment Limited shareholders' equity	4,286,141	4,246,670
Noncontrolling interests	755,529	678,312
Total equity	5,041,670	4,924,982
TOTAL LIABILITIES AND EQUITY	\$10,432,563	\$ 8,813,639

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

MELCO CROWN ENTERTAINMENT LIMITED

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

	Year Ended December 31,		
	2014	2013	2012
OPERATING REVENUES			
Casino	\$ 4,654,184	\$ 4,941,487	\$ 3,934,761
Rooms	136,427	127,661	118,059
Food and beverage	84,895	78,880	72,718
Entertainment, retail and others	108,417	103,739	90,789
Gross revenues	4,983,923	5,251,767	4,216,327
Less: promotional allowances	(181,614)	(164,589)	(138,314)
Net revenues	4,802,309	5,087,178	4,078,013
OPERATING COSTS AND EXPENSES			
Casino	(3,246,404)	(3,452,736)	(2,834,762)
Rooms	(12,669)	(12,511)	(14,697)
Food and beverage	(23,513)	(29,114)	(27,531)
Entertainment, retail and others	(62,073)	(64,212)	(62,816)
General and administrative	(311,696)	(255,780)	(226,980)
Payments to the Philippine Parties	(870)	—	—
Pre-opening costs	(93,970)	(17,014)	(5,785)
Development costs	(10,734)	(26,297)	(11,099)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,237)
Amortization of land use rights	(64,471)	(64,271)	(59,911)
Depreciation and amortization	(246,686)	(261,298)	(261,449)
Property charges and others	(8,698)	(6,884)	(8,654)
Gain on disposal of assets held for sale	22,072	—	—
Total operating costs and expenses	(4,116,949)	(4,247,354)	(3,570,921)
OPERATING INCOME	685,360	839,824	507,092
NON-OPERATING INCOME (EXPENSES)			
Interest income	20,025	7,660	10,958
Interest expenses, net of capitalized interest	(124,090)	(152,660)	(109,611)
Change in fair value of interest rate swap agreements	—	—	363
Amortization of deferred financing costs	(28,055)	(18,159)	(13,272)
Loan commitment and other finance fees	(18,976)	(25,643)	(1,324)
Foreign exchange (loss) gain, net	(6,155)	(10,756)	4,685
Other income, net	2,313	1,661	115
Loss on extinguishment of debt (Note 12)	—	(50,935)	—
Costs associated with debt modification (Note 12)	—	(10,538)	(3,277)
Total non-operating expenses, net	(154,938)	(259,370)	(111,363)
INCOME BEFORE INCOME TAX	530,422	580,454	395,729
INCOME TAX (EXPENSE) CREDIT (Note 17)	(3,036)	(2,441)	2,943
NET INCOME	527,386	578,013	398,672
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	80,894	59,450	18,531
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED	\$ 608,280	\$ 637,463	\$ 417,203

MELCO CROWN ENTERTAINMENT LIMITED

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

	Year Ended December 31,		
	2014	2013	2012
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED PER SHARE:			
Basic	\$ 0.369	\$ 0.386	\$ 0.254
Diluted	\$ 0.366	\$ 0.383	\$ 0.252
WEIGHTED AVERAGE SHARES USED IN NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED PER SHARE CALCULATION:			
Basic	1,647,571,547	1,649,678,643	1,645,346,902
Diluted	1,660,503,130	1,664,198,091	1,658,262,996

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

MELCO CROWN ENTERTAINMENT LIMITED

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

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

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

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

	Year Ended December 31,		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for capitalized construction costs	\$ (977,182)	\$ (496,915)	\$ (79,211)
Changes in restricted cash	(678,151)	268,414	(1,047,019)
Payment for acquisition of property and equipment	(237,715)	(78,250)	(141,269)
Placement of bank deposits with original maturity over three months	(110,616)	(626,940)	—
Advance payments for construction costs	(107,587)	(161,633)	—
Deposits for acquisition of property and equipment	(99,443)	(17,198)	(7,708)
Payment for land use rights	(50,541)	(64,297)	(53,830)
Payment for entertainment production costs	(1,346)	(2,064)	(1,788)
Payment for contract acquisition costs	—	(27,722)	—
Payment for security deposit	—	(4,293)	—
Proceeds from deposits on sale of assets held for sale	—	1,285	—
Net payment for acquisition of assets and liabilities	—	—	(5,315)
Proceeds from sale of property and equipment	1,117	343	422
Net proceeds from sale of assets held for sale	29,255	—	—
Withdrawals of bank deposits with original maturity over three months	626,940	—	—
Net cash used in investing activities	<u>(1,605,269)</u>	<u>(1,209,270)</u>	<u>(1,335,718)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(342,718)	—	—
Repurchase of shares for retirement	(300,495)	—	—
Principal payments on long-term debt	(262,563)	(1,667,969)	(2,755)
Payment of deferred financing costs	(12,742)	(129,133)	(30,297)
Purchase of shares under trust arrangement for future vesting of restricted shares	(1,721)	(8,770)	—
Principal payments on capital lease obligations	(228)	(38)	—
Prepayment of deferred financing costs	—	(56,535)	(18,812)
Deferred payment for acquisition of assets and liabilities	—	(25,000)	(25,000)
Proceeds from exercise of share options	736	4,017	3,599
Capital contribution from noncontrolling interests	92,000	280,000	140,000
Net proceeds from issuance of shares of a subsidiary	122,167	338,461	—
Proceeds from long-term debt	1,632,514	1,000,000	868,000
Net cash provided by (used in) financing activities	<u>926,950</u>	<u>(264,967)</u>	<u>934,735</u>
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	<u>(397)</u>	<u>(5,149)</u>	<u>1,935</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	215,898	(327,452)	551,185
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,381,757</u>	<u>1,709,209</u>	<u>1,158,024</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,597,655</u>	<u>\$ 1,381,757</u>	<u>\$ 1,709,209</u>

MELCO CROWN ENTERTAINMENT LIMITED

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

	Year Ended December 31,		
	2014	2013	2012
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS			
Cash paid for interest (net of capitalized interest)	\$ (95,118)	\$ (127,807)	\$ (102,015)
Cash paid for tax (net of refunds)	(7,154)	(333)	(1,129)
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Costs of property and equipment funded through capital lease obligations	850	288,535	—
Costs of property and equipment funded through accrued expenses and other current liabilities and other long-term liabilities	60,738	15,744	10,967
Costs of property and equipment funded through amounts due to affiliated companies	2,809	215	428
Construction costs funded through accrued expenses and other current liabilities, other long-term liabilities and capital lease obligations	200,800	87,611	49,508
Land use rights costs funded through accrued expenses and other current liabilities and land use rights payable	—	14,608	69,057
Deferred financing costs funded through accrued expenses and other current liabilities	248	4,522	7,080

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

MELCO CROWN ENTERTAINMENT LIMITED

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

1. COMPANY INFORMATION

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

The Company together with its subsidiaries (collectively referred to as the “Group”) is a developer, owner and operator of casino gaming and entertainment resort facilities in Asia. The Group currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People’s Republic of China (“Macau”), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Taipa Square Casino, a casino located at Taipa, Macau. The Group’s business also includes the Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. The Group is also developing Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, Melco Crown (Philippines) Resorts Corporation (“MCP”), an indirect majority owned subsidiary of the Company whose common shares are listed on The Philippine Stock Exchange, Inc. under the stock code of “MCP”, through MCP’s subsidiary, MCE Leisure (Philippines) Corporation (“MCE Leisure”), currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila. City of Dreams Manila commenced operations on December 14, 2014, with a grand opening of the integrated resort on February 2, 2015.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Principles of Consolidation

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

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

(b) Use of Estimates

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

(c) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell the asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date.

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) **Fair Value of Financial Instruments** - continued

The Group estimated the fair values using appropriate valuation methodologies and market information available as of the balance sheet date.

(d) **Cash and Cash Equivalents**

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

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

(e) **Restricted Cash**

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

(f) **Accounts Receivable and Credit Risk**

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of casino receivables. The Group issues credit in the form of markers to approved casino customers following investigations of creditworthiness including to its gaming promoters in Macau, which receivable can be offset against commissions payable and any other value items held by the Group to the respective customer and for which the Group intends to set-off when required. As of December 31, 2014 and 2013, a substantial portion of the Group's markers were due from customers residing in foreign countries. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries.

Accounts receivable, including casino, hotel and other receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems it is probable the receivable is uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful debts is maintained to reduce the Group's receivables to their carrying amounts, which approximates fair value. The allowance is estimated based on specific review of customer

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(f) **Accounts Receivable and Credit Risk** - continued

accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions. Management believes that as of December 31, 2014 and 2013, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

(g) **Inventories**

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

(h) **Property and Equipment, Net**

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

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

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

Property and equipment and other long-lived assets with a finite useful life are depreciated and amortized on a straight-line basis over the asset's estimated useful life. Estimated useful lives are as follows:

<u>Classification</u>	<u>Estimated Useful Life</u>
Buildings	7 to 25 years or over the term of the land use right agreement or lease agreement, whichever is shorter
Transportation	5 to 10 years
Leasehold improvements	3 to 10 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	2 to 10 years
Plant and gaming machinery	3 to 5 years

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

Interest and amortization of deferred financing costs incurred on funds used to construct the Group's casino gaming and entertainment resort facilities during the active construction period are capitalized. Interest subject to capitalization primarily includes interest paid or payable on the Group's long-term debt except for the Aircraft Term Loan as disclosed in Note 12, interest rate swap agreements, the land

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

premium payables for the land use rights where City of Dreams and Studio City are located and the capital lease obligations. The capitalization of interest and amortization of deferred financing costs ceases once a project is substantially completed or development activity is suspended for more than a brief period. The amount to be capitalized is determined by applying the weighted average interest rate of the Group's outstanding borrowings to the average amount of accumulated qualifying capital expenditures for assets under construction during the year and is added to the cost of the underlying assets and amortized over their respective useful lives. Total interest expenses incurred amounted to \$220,974, \$183,647 and \$120,021, of which \$96,884, \$30,987 and \$10,410 were capitalized for the years ended December 31, 2014, 2013 and 2012, respectively. No amortization of deferred financing costs were capitalized during the years ended December 31, 2014, 2013 and 2012.

(j) Gaming Subconcession, Net

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

(k) Goodwill and Intangible Assets, Net

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value.

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

(m) Deferred Financing Costs, Net

Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are capitalized and amortized over the terms of the related debt agreements using the effective interest method. Amortization expense of approximately \$28,055, \$18,159 and \$13,272 were recorded during the years ended December 31, 2014, 2013 and 2012, respectively.

(n) Land Use Rights, Net

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

(o) Revenue Recognition and Promotional Allowances

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(o) Revenue Recognition and Promotional Allowances - continued

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

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

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

(p) Point-loyalty Programs

The Group operates different loyalty programs in certain of its properties to encourage repeat business mainly from loyal slot machine customers and table games patrons. Members earn points primarily based on gaming activity and such points can be redeemed for free play and other free goods and services. The Group accrues for loyalty program points expected to be redeemed for cash and free play as a reduction to gaming revenue and accrues for loyalty program points expected to be redeemed for free goods and services as casino expense. The accruals are based on management's estimates and assumptions regarding the redemption value, age and history with expiration of unused points resulting in a reduction of the accruals.

(q) Gaming Taxes

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

(r) Pre-opening Costs

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

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(s) **Development Costs**

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

(t) **Advertising and Promotional Expenses**

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

(u) **Foreign Currency Transactions and Translations**

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

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

(v) **Share-based Compensation Expenses**

The Group measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award and recognizes that cost over the service period. Compensation is attributed to the periods of associated service and such expense is being recognized on a straight-line basis over the vesting period of the awards. Forfeitures are estimated at the time of grant and actual forfeitures are recognized currently to the extent they differ from the estimate.

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

(w) **Income Tax**

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(w) **Income Tax - continued**

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

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

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

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(y) Accounting for Derivative Instruments and Hedging Activities

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

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

(z) Comprehensive Income and Accumulated Other Comprehensive Losses

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

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

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Foreign currency translation adjustment	\$(17,130)	\$(15,592)
Change in the fair value of interest rate swap agreements	(19)	—
	<u>\$(17,149)</u>	<u>\$(15,592)</u>

(aa) Recent Changes in Accounting Standards

Newly Adopted Accounting Pronouncements:

In February 2013, the Financial Accounting Standards Board ("FASB") issued an authoritative pronouncement related to obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The pronouncement provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this pronouncement is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(aa) Recent Changes in Accounting Standards - continued

Newly Adopted Accounting Pronouncements - continued

the reporting entity expects to pay on behalf of its co-obligors. The guidance in this pronouncement also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The adoption of this guidance was effective for the Group as of January 1, 2014 and did not have a material impact on the Group's consolidated financial results or disclosures.

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

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

Recent Accounting Pronouncements Not Yet Adopted:

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

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(aa) **Recent Changes in Accounting Standards - continued**

Recent Accounting Pronouncements Not Yet Adopted - continued

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

3. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable, net are as follows:

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

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

Movement of allowance for doubtful debts are as follows:

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

MELCO CROWN ENTERTAINMENT LIMITED

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

3. ACCOUNTS RECEIVABLE, NET - continued

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

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

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

4. ASSETS HELD FOR SALE

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

5. PROPERTY AND EQUIPMENT, NET

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

MELCO CROWN ENTERTAINMENT LIMITED

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

5. PROPERTY AND EQUIPMENT, NET - continued

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

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

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

6. GAMING SUBCONCESSION, NET

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

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

7. GOODWILL AND INTANGIBLE ASSETS, NET

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

7. GOODWILL AND INTANGIBLE ASSETS, NET - continued

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

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

8. LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER ASSETS

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

	December 31,	
	2014	2013
Entertainment production costs	\$ 73,819	\$ 72,853
Less: accumulated amortization	(34,646)	(26,416)
Entertainment production costs, net	39,173	46,437
Advance payments for construction costs	107,563	161,633
Deposits for acquisition of property and equipment	47,158	15,694
Input value-added tax, net	43,841	—
Other deposits and other long-term prepayments	39,708	35,747
Long-term receivables, net	10,115	6,250
Prepayment of deferred financing costs	—	79,906
Long-term prepayments, deposits and other assets	\$287,558	\$345,667

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

9. LAND USE RIGHTS, NET

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

9. LAND USE RIGHTS, NET - continued

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

10. ACCOUNTS PAYABLE

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

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

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

In connection with Studio City Project Facility (as defined in Note 12), Studio City Company Limited (“Studio City Company”), an indirect subsidiary which the Company holds 60% interest, entered into certain floating-for-fixed interest rate swap agreements in September 2014 that will expire in March 2015 to

MELCO CROWN ENTERTAINMENT LIMITED

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

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES - continued

limit its exposure to interest rate risk. Under the interest rate swap agreements, Studio City Company pays a fixed interest rate of 0.28% per annum of the notional amount, and receives variable interest which is based on the applicable Hong Kong Interbank Offered Rate (“HIBOR”) for each of the payment dates. All these interest rate swap agreements will expire in March 2015.

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

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

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

12. LONG-TERM DEBT

Long-term debt consisted of the following:

	December 31,	
	2014	2013
Studio City Project Facility	\$1,295,689	\$ —
2013 Senior Notes	1,000,000	1,000,000
Studio City Notes	825,000	825,000
2011 Credit Facilities	417,166	673,883
Philippine Notes	336,195	—
Aircraft Term Loan	28,731	34,577
	3,902,781	2,533,460
Current portion of long-term debt	(262,750)	(262,566)
	\$3,640,031	\$2,270,894

2011 Credit Facilities

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

On June 30, 2011, the 2011 Credit Facilities, which was subsequently amended from time to time, became effective and among other things: (i) reduced the Term Loan Facility to HK\$6,241,440,000 (equivalent to \$802,241) (the “2011 Term Loan Facility”) and increased the Revolving Credit Facility to HK\$3,120,720,000

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

2011 Credit Facilities - continued

(equivalent to \$401,121) (the “2011 Revolving Credit Facility”), both of which are denominated in Hong Kong dollars; (ii) introduced new lenders and removed certain lenders originally under the City of Dreams Project Facility; (iii) extended the repayment maturity date; (iv) reduced and removed certain restrictions imposed by the covenants in the City of Dreams Project Facility; and (v) removed MPEL (Delaware) LLC, a wholly-owned subsidiary of the Borrower which was subsequently dissolved on May 31, 2012, from the borrowing group which included the Borrower and certain of its subsidiaries as defined under the City of Dreams Project Facility (the “2011 Borrowing Group”).

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

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

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

The 2011 Credit Facilities also contain certain covenants customary for such financings including, but not limited to: limitations on (i) incurring additional liens; (ii) incurring additional indebtedness (including guarantees); (iii) making certain investments; (iv) paying dividends and other restricted payments; (v) creating any subsidiaries; (vi) selling assets; and (vii) entering into any contracts for the construction or financing of an additional hotel tower in connection with the development of City of Dreams except with

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

2011 Credit Facilities - continued

plans approved by the lenders in accordance with the terms of the 2011 Credit Facilities. The 2011 Credit Facilities removed the financial covenants under the City of Dreams Project Facility, and replaced them with, without limitation, a leverage ratio, total leverage ratio and interest cover ratio. The first test date of the financial covenants was September 30, 2011. As of December 31, 2014, management believes that the 2011 Borrowing Group was in compliance with each of the financial restrictions and requirements.

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

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

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

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

2010 Senior Notes

On May 17, 2010, MCE Finance Limited (“MCE Finance”), a wholly-owned subsidiary of the Company, issued and listed the \$600,000 10.25% senior notes, due 2018 (the “2010 Senior Notes”) on the Official List of Singapore Exchange Securities Trading Limited (“SGX-ST”). The purchase price paid by the initial purchasers was 98.671% of the principal amount. The 2010 Senior Notes were general obligations of MCE

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

2010 Senior Notes - continued

Finance, secured by a first-priority pledge of the intercompany note (the “Intercompany Note”) representing the on-lending of the gross proceeds from the issuance of the 2010 Senior Notes by MCE Finance to an indirect subsidiary of MCE Finance to reduce the indebtedness under the City of Dreams Project Facility, ranked equally in right of payment to all existing and future senior indebtedness of MCE Finance and ranked senior in right of payment to any existing and future subordinated indebtedness of MCE Finance. The 2010 Senior Notes would have matured on May 15, 2018. Interest on the 2010 Senior Notes was accrued at a rate of 10.25% per annum and was payable semi-annually in arrears on May 15 and November 15 of each year, commenced on November 15, 2010.

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

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

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

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

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

On January 28, 2013, MCE Finance made a cash tender offer to repurchase the 2010 Senior Notes at a cash consideration plus accrued interest and also solicited consents to amend the terms of the 2010 Senior Notes to substantially remove the debt incurrence, restricted payment and other restrictive covenants (the “Tender Offer”). Closing of the Tender Offer and consent solicitation were conditioned upon MCE Finance receiving net proceeds from offering of the 2013 Senior Notes (as described below) in an amount sufficient to

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

2010 Senior Notes - continued

repurchase the tendered 2010 Senior Notes and related fees and expenses and other general conditions. The Tender Offer expired on February 26, 2013 and \$599,135 aggregate principal amount of the 2010 Senior Notes were tendered. On February 27, 2013, MCE Finance elected to redeem the remaining outstanding 2010 Senior Notes in aggregate principal amount of \$865 on March 28, 2013, at a price equal to 100% of the principal amount outstanding plus applicable premium as of, and accrued and unpaid interest to March 28, 2013. The accounting for the total redemption costs of \$102,497, unamortized deferred financing costs of \$23,793 and unamortized issue discount of \$5,962 in relation to the 2010 Senior Notes as of the redemption date are disclosed as below under the 2013 Senior Notes.

RMB Bonds

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

Deposit-Linked Loan

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

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

Aircraft Term Loan

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

2013 Senior Notes

On February 7, 2013, MCE Finance issued and listed \$1,000,000 5% senior notes, due 2021 (the “2013 Senior Notes”) and priced at 100% at par on the SGX-ST. The 2013 Senior Notes are general obligations of MCE Finance, rank equally in right of payment to all existing and future senior indebtedness of MCE

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

2013 Senior Notes - continued

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

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

2013 Senior Notes - continued

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

Studio City Notes

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

Studio City Notes - continued

which was deposited in a bank account of Studio City Finance (the “Note Interest Reserve Account”), and is restricted for use to pay future interest payments until the opening date (the “Opening Date”) of the Studio City project as defined in the Studio City Project Facility.

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

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

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

Studio City Notes - continued

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

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

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

Studio City Project Facility

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

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

Studio City Project Facility - continued

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

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

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

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

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

The Studio City Borrower is obligated to pay a commitment fee quarterly in arrears on the undrawn amount of the Studio City Project Facility throughout the availability period which started from January 28, 2013.

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

Studio City Project Facility - continued

The Studio City Borrower recognized loan commitment fees on the Studio City Project Facility of \$15,153 and \$23,190, respectively, during the years ended December 31, 2014 and 2013.

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

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

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

Philippine Notes

On January 24, 2014, MCE Leisure issued PHP15 billion 5% senior notes, due 2019 (the “Philippine Notes”) (equivalent to \$336,825 based on exchange rate on transaction date) at par of 100% of the principal

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

Philippine Notes - continued

amount and offered to certain primary institutional lenders as noteholders via private placement in the Philippines, which was priced on December 19, 2013.

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

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

The Philippine Notes mature on January 24, 2019. Interest on the Philippine Notes is accrued at a rate of 5% per annum and is payable semi-annually in arrears on January 24 and July 24 of each year, commenced on July 24, 2014. In addition, the Philippine Notes includes a tax gross up provision requiring MCE Leisure to pay without any deduction or withholding for or on account of tax.

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

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

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

* Long-term debt repayable within five years

** Long-term debt repayable after five years

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

12. LONG-TERM DEBT - continued

The long-term debt are repayable as follows:

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

13. CAPITAL LEASE OBLIGATIONS

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

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

14. OTHER LONG-TERM LIABILITIES

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

15. FAIR VALUE MEASUREMENTS

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

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

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

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

The Group’s financial assets and liabilities recorded at fair value have been categorized based upon the fair value in accordance with the accounting standards. As of December 31, 2014, the interest rate swap

MELCO CROWN ENTERTAINMENT LIMITED

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

15. FAIR VALUE MEASUREMENTS - continued

agreements carried at fair value and the fair value of these interest rate swap agreements approximated the amounts the Group would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields. Since significant observable inputs are used in the valuation model, the interest rate swap arrangements represented a level 2 measurement in the fair value hierarchy.

16. CAPITAL STRUCTURE

Ordinary and Treasury Shares

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

New Shares Issued by the Company

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

Shares Purchased under a Trust Arrangement

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

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

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

16. CAPITAL STRUCTURE - continued

Ordinary and Treasury Shares - continued

Shares Purchased under a Trust Arrangement - continued

2013, the shares purchased under trust arrangement has a balance of 484,416 and 743,259 ordinary shares, respectively, for future issuance upon vesting of restricted shares.

Shares Repurchased for Retirement

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

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

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

17. INCOME TAXES

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

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

The Macau Government has granted to subsidiaries of the Company, Altira Hotel Limited ("Altira Hotel"), in 2007, and Melco Crown (COD) Hotels Limited ("Melco Crown (COD) Hotels"), in 2011 and 2013, the declaration of utility purposes benefit in respect of Altira Macau, Hard Rock Hotel, Crown Towers hotel and Grand Hyatt Macau hotel, pursuant to which they are entitled to a property tax holiday, for a period of 12 years, on any immovable property that they own or have been granted. Under such declaration of utility

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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17. INCOME TAXES - continued

purposes benefit, they will also be allowed to double the maximum rates applicable regarding depreciation and reintegration for the purposes of assessing the Macau Complementary Tax. The Macau Government has also granted to Altira Hotel and Melco Crown (COD) Hotels a declaration of utility purposes benefit on specific vehicles purchased, pursuant to which they were entitled to a vehicle tax holiday, provided that there is no change in use or disposal of those vehicles within 5 years from the date of purchase. The grant of further vehicle tax holiday is subject to the satisfaction by the Group of certain criteria determined by the Macau Government.

The provision for income tax consisted of:

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

MELCO CROWN ENTERTAINMENT LIMITED

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

17. INCOME TAXES - continued

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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17. INCOME TAXES - continued

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

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

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

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

As of December 31, 2014 and 2013, valuation allowance of \$127,927 and \$88,610 were provided, respectively, as management believes that it is more likely than not that these deferred tax assets will not be

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

17. INCOME TAXES - continued

realized. As of December 31, 2014, adjusted operating tax loss carry forwards, amounting to \$153,845, \$177,728 and \$245,405 will expire in 2015, 2016 and 2017, respectively. Adjusted operating tax loss carried forwards of \$159,715 has expired during the year ended December 31, 2014.

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

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

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

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

18. SHARE-BASED COMPENSATION

2006 Share Incentive Plan

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

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18. SHARE-BASED COMPENSATION - continued

2006 Share Incentive Plan - continued

subsequent awards will be issued under the 2011 Share Incentive Plan. Accordingly, no share option and restricted share were granted under the 2006 Share Incentive Plan during the years ended December 31, 2014, 2013 and 2012.

Share Options

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

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

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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18. SHARE-BASED COMPENSATION - continued

2006 Share Incentive Plan - continued

Restricted Shares

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

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

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

2011 Share Incentive Plan

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

Share Options

The Group granted share options to certain personnel under the 2011 Share Incentive Plan during the years ended December 31, 2014, 2013 and 2012, with the exercise price for share options granted in 2014 and 2013 determined at the higher of the closing price on the date of grant and the average closing price for the five trading dates preceding the date of grant of the Company's ordinary shares trading on the Hong Kong Stock Exchange, while the exercise price for share options granted in 2012 determined at the closing price on the date of grant. These share options became exercisable over vesting periods of three to four years. The share options granted expire 10 years from the date of grant.

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18. SHARE-BASED COMPENSATION - continued

2011 Share Incentive Plan - continued

Share Options - continued

The Group uses the Black-Scholes valuation model to determine the estimated fair value for each option granted, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. Expected volatility is based on the historical volatility of the Company's ADS trading on the NASDAQ Global Select Market. Expected term is based upon the vesting term or the historical of expected term of publicly traded companies. The risk-free interest rate used for each period presented is based on the United States of America Treasury yield curve at the time of grant for the period equal to the expected term.

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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18. SHARE-BASED COMPENSATION - continued

2011 Share Incentive Plan - continued

Share Options - continued

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

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

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

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

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

Restricted Shares

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

MELCO CROWN ENTERTAINMENT LIMITED

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

18. SHARE-BASED COMPENSATION - continued

2011 Share Incentive Plan - continued

Restricted Shares - continued

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

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

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

MCP Share Incentive Plan

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

MELCO CROWN ENTERTAINMENT LIMITED

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

18. SHARE-BASED COMPENSATION - continued

MCP Share Incentive Plan - continued

Share Options

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

18. SHARE-BASED COMPENSATION - continued

MCP Share Incentive Plan - continued

Share Options - continued

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

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

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

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

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

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

Restricted Shares

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

MELCO CROWN ENTERTAINMENT LIMITED

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

18. SHARE-BASED COMPENSATION - continued

MCP Share Incentive Plan - continued

Restricted Shares - continued

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

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

19. EMPLOYEE BENEFIT PLANS

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

Employees

Macau

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

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

Hong Kong

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

The Philippines

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

Other Jurisdictions

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

MELCO CROWN ENTERTAINMENT LIMITED

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

19. EMPLOYEE BENEFIT PLANS - continued

Executive Officers

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

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

20. DISTRIBUTION OF PROFITS

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

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

21. DIVIDENDS

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

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

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

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

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

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

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

(a) Provisional License

On October 25, 2012, further to the Cooperation Agreement as mentioned in item (b) below, PAGCOR acknowledged the inclusion of, amongst others, MCE Leisure as a co-licensee, as well as the "special purpose entity", to take effect as of March 13, 2013, the effective date of the Cooperation Agreement, allowing MCE Leisure to be the operator to operate the casino business and as representative for itself and on behalf of the other co-licensees including SM Investments Corporation, SM Land, Inc., SM Hotels and Conventions Corporation, SM Commercial Properties, Inc. and SM Development Corporation (collectively the "SM Group"), PremiumLeisure and Amusement, Inc. ("PLAI") and Belle under the Provisional License in their dealings with PAGCOR. SM Group, Belle and PLAI are collectively referred to as the "Philippine Parties". As a result, MCE Holdings (Philippines) Corporation, a direct subsidiary of MCP, and its subsidiaries including MCE Leisure (collectively the "MCE Holdings Group") and the Philippine Parties together became co-licensees (the "Licensees") under the Provisional License granted by PAGCOR for the establishment and operation of City of Dreams Manila. The Provisional License, as well as any regular license to be issued to replace it upon satisfaction of certain conditions, is concurrent with section 13 of Presidential Decree No. 1869, will expire on July 11, 2033. Further details of the terms and commitments under the Provisional License are included in Note 23(c).

MELCO CROWN ENTERTAINMENT LIMITED

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

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

(b) Cooperation Agreement

On March 13, 2013, a cooperation agreement (the “Cooperation Agreement”) and other related arrangements which were entered on October 25, 2012 between MCE Holdings Group and the Philippine Parties became effective upon completion of the closing arrangement conditions with minor changes to the original terms (except for certain provisions which were effective on signing).

The Cooperation Agreement governs the relationship and the rights and obligations of the Licensees. Under the Cooperation Agreement, MCE Leisure has been designated as the operator to operate City of Dreams Manila and appointed as the sole and exclusive representative of the Licensees in connection with the Provisional License and the operation and management of City of Dreams Manila until the expiry of the Provisional License (currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms). Further details of the commitment under the Cooperation Agreement are included in Note 23(c).

(c) Operating Agreement

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

(d) MCP Lease Agreement

On March 13, 2013, the MCP Lease Agreement which was entered on October 25, 2012, and was subsequently amended from time to time, between MCE Leisure and Belle became effective upon completion of closing arrangement conditions and with minor changes from the original terms. Under the MCP Lease Agreement, Belle agreed to lease to MCE Leisure the land and certain of the building structures for City of Dreams Manila. The lease continues until termination of the Operating Agreement (currently expected to be on July 11, 2033 or unless terminated earlier in accordance with its terms). The leased property is used by MCE Leisure and any of its affiliates exclusively as a hotel, casino and resort complex with retail, entertainment, convention, exhibition, food and beverages services as well as other activities ancillary, related or incidental to the operation of any of the preceding uses. Further information in relation to the MCP Lease Agreement was disclosed in Notes 13 and 23(c).

MELCO CROWN ENTERTAINMENT LIMITED

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

23. COMMITMENTS AND CONTINGENCIES

(a) **Capital Commitments**

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

(b) **Lease Commitments and Other Arrangements**

Operating Leases – As a Lessee

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

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

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

As Grantor of Operating and Right To Use Arrangement

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

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

23. COMMITMENTS AND CONTINGENCIES - continued

(c) Other Commitments

Gaming Subconcession

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

- i) To pay the Macau Government a fixed annual premium of \$3,744 (MOP30,000,000).
- ii) To pay the Macau Government a variable premium depending on the number and type of gaming tables and gaming machines that the Group operates. The variable premium is calculated as follows:
 - \$37 (MOP300,000) per year for each gaming table (subject to a minimum of 100 tables) reserved exclusively for certain kind of games or to certain players;
 - \$19 (MOP150,000) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kind of games or to certain players; and
 - \$0.1 (MOP1,000) per year for each electrical or mechanical gaming machine, including the slot machine.
- iii) To pay the Macau Government a sum of 1.6% of the gross revenues of the gaming business operations on a monthly basis, that will be made available to a public foundation for the promotion, development and study of social, cultural, economic, educational, scientific, academic and charity activities, to be determined by the Macau Government.
- iv) To pay the Macau Government a sum of 2.4% of the gross revenues of the gaming business operations on a monthly basis, which will be used for urban development, tourist promotion and the social security of Macau.
- v) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.
- vi) Melco Crown Macau must maintain two bank guarantees issued by a specific bank with the Macau Government as the beneficiary in a maximum amount of \$62,395 (MOP500,000,000) from September 8, 2006 to September 8, 2011 and a maximum amount of \$37,437 (MOP300,000,000) from September 8, 2011 until the 180th day after the termination date of the gaming subconcession.

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

Land Concession Contracts

The Company's subsidiaries have entered into concession contracts for the land in Macau on which Altira Macau, City of Dreams and Studio City properties and development projects are located. The title to the land lease right is obtained once the related land concession contract is published in the Macau official gazette. The contracts have a term of 25 years, which is renewable for further consecutive periods of 10 years, subject to payment of a special contribution to be defined by the

MELCO CROWN ENTERTAINMENT LIMITED

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

23. COMMITMENTS AND CONTINGENCIES - continued

(c) Other Commitments - continued

Land Concession Contracts - continued

Macau Government, and impose special development conditions. The Company's land holding subsidiaries are required to i) pay an upfront land premium, which is recognized as land use right in the consolidated balance sheets and a nominal annual government land use fee, which is recognized as general and administrative expense and may be adjusted every five years; and ii) place a guarantee deposit upon acceptance of the land lease terms, which is subject to adjustments from time to time in line with the amounts paid as annual land use fee. During the land concession term, amendments have been sought which have or will result in revisions to the development conditions, land premium and government land use fees.

Altira Macau

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

City of Dreams

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

Studio City

On July 25, 2012, the Macau Government published in the Macau official gazette the final amendment for revision of the land concession contract for Studio City Land on which Studio City is located (see Note 9). The amendment revised the land premium to approximately \$174,954, with \$23,561 paid in 2006 and \$35,316 paid in June 2012 upon acceptance of the final amendment proposal and the remaining amount of approximately \$116,077 is payable in five biannual instalments, accruing with 5% interest per annum, with the first instalment paid in January 2013. As of December 31, 2014 and 2013, the total outstanding balance of the land premium was included in accrued expenses and other

MELCO CROWN ENTERTAINMENT LIMITED

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

23. COMMITMENTS AND CONTINGENCIES - continued

(c) Other Commitments - continued

Land Concession Contracts - continued

Studio City - continued

current liabilities in an amount of \$24,376 and \$46,982, and in land use right payable in an amount of nil and \$24,376, respectively. According to the revised land amendment, the government land use fees were revised to \$490 per annum during the development period of Studio City; and to \$1,131 per annum after the development period. As of December 31, 2014, the Group's total commitment for government land use fees for Studio City site to be paid during the remaining term of the land concession contract which expires in October 2026 was \$11,055.

Provisional License

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

- For the amount of \$650,000: (a) in the case of the Philippine Parties, the land and building structures having an aggregate value as determined by PAGCOR of not less than \$325,000, and (b) in the case of MCE Leisure, the fit-out and furniture, gaming equipment, additional improvements, inventory and supplies as well as intangible property and entertainment facilities inside or outside of the building structures, having an aggregate value as determined by PAGCOR of not less than \$325,000.
- For the remaining \$350,000, the Philippine Parties and MCE Leisure shall make equal contributions of \$175,000 to City of Dreams Manila. The Licensees agree to contribute such amounts and for such purposes as notified by MCE Leisure (or in certain circumstances the Philippine Parties) to PAGCOR (subject to any recommendations PAGCOR may make).

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

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

- Within 30 days from getting approval by PAGCOR of the project implementation plan, to submit a bank guarantee, letter of credit or surety bond in the amount of PHP100,000,000 (equivalent to \$2,241) to guarantee the Licensees' completion of City of Dreams Manila and is subject to forfeiture in case of delay in construction which delay exceeds 50% of the schedule, of which SM Group had submitted a surety bond of PHP100,000,000 (equivalent to \$2,241) to PAGCOR on February 17, 2012.
- Seven days prior to commencement of operation of the casino, to secure a surety bond in favor of PAGCOR in the amount of PHP100,000,000 (equivalent to \$2,241) to ensure prompt and punctual remittance/payment of all license fees, of which MCE Leisure had secured a surety bond of PHP100,000,000 (equivalent to \$2,241) in December 2014.

MELCO CROWN ENTERTAINMENT LIMITED

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

23. COMMITMENTS AND CONTINGENCIES - continued

(c) Other Commitments - continued

Provisional License - continued

- The Licensees are required to maintain an escrow account into which all funds for development of City of Dreams Manila must be deposited and all funds withdrawn from this account must be used only for such development and to deposit \$100,000 in the escrow account and maintain a balance of \$50,000 until the completion of City of Dreams Manila, of which MCE Leisure had setup the escrow account in March 2013.
- License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the gross gaming revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% junket operation.
- For taxable periods prior to April 1, 2014, under the terms of the Provisional License, PAGCOR and the Licensees agreed the license fees that are paid to PAGCOR by the Licensees are in lieu of all taxes with reference to the income component of the gross gaming revenues. In May 2014, PAGCOR temporarily reduced the license fees by 10% to 5% and 15% of gross gaming revenues effective from April 1, 2014. The license fee reduction is required to be used for the payment of corporate income taxes and any portion not used for such payment must be repaid to PAGCOR in quarterly and annual true-up payments (as defined). This adjustment will address the additional exposure to corporate income tax on the Licensees brought by the Philippine Bureau of Internal Revenue ("BIR") Revenue Memorandum Circular ("RMC") No. 33-2013 dated April 17, 2013. The 10% license fee adjustment is a temporary measure to address the unilateral BIR action and is not intended to modify, amend or revise the Provisional License. PAGCOR and the Licensees agreed to revert to the original license fee structure under the Provisional License in the event BIR action is permanently restrained, corrected or withdrawn. PAGCOR and the Licensees also agreed that the 10% license fee adjustment is not an admission of the validity of BIR RMC No. 33-2013 and it is not a waiver of any of the remedies against any assessments by BIR for corporate income tax on the gaming revenue of the Licensees in the Philippines.
- In addition to the above license fees, the Licensees are required to remit 2% of casino revenues generated by non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by Licensees and approved by PAGCOR, of which the foundation was setup by MCE Leisure on February 19, 2014.
- PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% except rental income received from retail concessionaires.

Grounds for revocation of the license, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of December 31, 2014 and 2013, MCE Holdings Group as one of the parties as Licensees has complied with the required debt-to-equity ratio under definition as agreed with PAGCOR.

MELCO CROWN ENTERTAINMENT LIMITED

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

23. COMMITMENTS AND CONTINGENCIES - continued

(c) Other Commitments - continued

Cooperation Agreement

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

MCP Lease Agreement

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

(d) Guarantees

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

- Melco Crown Macau has issued a promissory note ("Livrança") of \$68,635 (MOP550,000,000) to a bank in respect of bank guarantees issued to the Macau Government as disclosed in Note 23(c)(vi) to the consolidated financial statements.
- The Company has entered into two deeds of guarantee with third parties amounted to \$35,000 to guarantee certain payment obligations of the City of Dreams' operations.
- Pursuant to the Commitment Letter for the Studio City Project Facility entered into on October 19, 2012 as disclosed in Note 12, the Studio City Borrower, among others provided an indemnity on customary terms to the Studio City Lenders and their affiliates, including in connection with any breach of such Commitment Letter and related documents, such as a breach of warranty in respect of factual information and financial projections provided by or on behalf of the Company and the Studio City Borrower to the Studio City Lenders and their affiliates. On the same date, under the terms of an agreement between, among others, the Company and New Cotai Investments to regulate how indemnity claims under the Commitment Letter are dealt with and funded, the Company has indemnified New Cotai Investments and the Studio City Borrower in respect of any act or omission of the Company or its affiliates (other than Studio City International and its subsidiaries) resulting from such person's gross negligence, willful misconduct or bad faith.
- Under the Cooperation Agreement, Belle has irrevocably and unconditionally guaranteed to MCE Holdings Group the due and punctual observance, performance and discharge of all obligations of PLAI and each SM Group's company, and indemnified MCE Holdings Group against any and all loss incurred in connection with any default by the Philippine Parties under the Cooperation Agreement. MCE Leisure has likewise irrevocably and unconditionally guaranteed to each of the Philippine Parties the due and punctual observance, performance and discharge of all obligations of MCE Holdings Group, and indemnified the Philippine Parties against any and all loss incurred in connection with any default by MCE Holdings Group under the Cooperation Agreement.

MELCO CROWN ENTERTAINMENT LIMITED

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

23. COMMITMENTS AND CONTINGENCIES - continued

(d) **Guarantees** - continued

- In October 2013, Studio City Developments entered into a trade credit facility of HK\$200,000,000 (equivalent to \$25,707) (“Trade Credit Facility”) with a bank to meet the construction payment obligations of the Studio City project. The Trade Credit Facility is guaranteed by Studio City Company. As of December 31, 2014, the Trade Credit Facility of approximately \$5,424 was utilized.
- MCE Leisure has issued a corporate guarantee of PHP100,000,000 (equivalent to \$2,241) to a bank in respect of surety bond issued to PAGCOR as disclosed in Note 23(c).

(e) **Litigation**

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

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

24. RELATED PARTY TRANSACTIONS

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

<u>Related companies</u>	<u>Nature of transactions</u>	<u>Year Ended December 31,</u>		
		<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Transactions with affiliated companies</i>				
Crown’s subsidiary	Consultancy fee expense	\$ 387	\$ 370	\$ 428
	Purchase of property and equipment	830	371	351
	Software license fee expense	312	312	312
Lisboa Holdings Limited ⁽¹⁾	Office rental expense	1,810	895	1,157
Melco’s subsidiaries and its associated companies	Consultancy fee expense	546	643	483
	Office rental expense	—	308	586
	Purchase of property and equipment	2,852	597	1,479
	Service fee expense ⁽²⁾	775	802	646
	Other service fee income	632	510	345
	Rooms and food and beverage income	115	49	161

MELCO CROWN ENTERTAINMENT LIMITED

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

24. RELATED PARTY TRANSACTIONS - continued

<u>Related companies</u>	<u>Nature of transactions</u>	<u>Year Ended December 31,</u>		
		<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Transactions with affiliated companies - continued</i>				
Shun Tak Holdings Limited and its subsidiaries (collectively referred to as the "Shun Tak Group") ⁽¹⁾				
	Office rental expense	\$ 199	\$ 171	\$ 136
	Traveling expense ⁽³⁾	3,641	2,962	2,976
Sky Shuttle Helicopters Limited ("Sky Shuttle") ⁽¹⁾				
	Traveling expense	1,399	1,809	1,711
Sociedade de Jogos de Macau S.A. ("SJM") ⁽¹⁾				
	Traveling expense ⁽³⁾	515	570	327
Sociedade de Turismo e Diversões de Macau, S.A. and its subsidiaries (collectively referred to as the "STDM Group") ⁽¹⁾				
	Office rental expense	1,457	1,405	1,404
	Service fee expense	203	222	216
	Traveling expense ⁽³⁾	14	113	33
<i>Transactions with shareholders</i>				
Crown				
	Consultancy fee capitalized in deferred financing costs	—	—	222
Melco				
	Development costs	—	—	3,000

Notes

- (1) Companies in which a relative/relatives of Mr. Lawrence Yau Lung Ho, the Company's Chief Executive Officer, has/have beneficial interests.
- (2) The amounts mainly represent the Company's reimbursement to Melco's subsidiary for service fees incurred on its behalf for rental, office administration, travel and security coverage for the operation of the office of the Company's Chief Executive Officer.
- (3) Traveling expenses including ferry and hotel accommodation services within Hong Kong and Macau.

Other Related Party Transaction

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

MELCO CROWN ENTERTAINMENT LIMITED

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

24. RELATED PARTY TRANSACTIONS - continued

(a) Amounts Due From Affiliated Companies

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

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

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

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

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

(b) Amounts Due To Affiliated Companies

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

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

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

(c) Amount Due To A Shareholder

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

MELCO CROWN ENTERTAINMENT LIMITED

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

25. SEGMENT INFORMATION

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

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

Total Assets

	December 31,		
	2014	2013	2012
Macau:			
Mocha Clubs	\$ 173,150	\$ 159,927	\$ 176,830
Altira Macau	501,105	573,814	617,847
City of Dreams	3,133,680	3,148,657	3,147,322
Studio City	3,987,912	2,519,461	1,844,706
Sub-total	<u>7,795,847</u>	<u>6,401,859</u>	<u>5,786,705</u>
The Philippines:			
City of Dreams Manila	1,070,723	631,377	30,193
Corporate and Others	1,565,993	1,780,403	2,130,568
Total consolidated assets	<u>\$10,432,563</u>	<u>\$ 8,813,639</u>	<u>\$ 7,947,466</u>

Capital Expenditures

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

MELCO CROWN ENTERTAINMENT LIMITED

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

25. SEGMENT INFORMATION - continued

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

	Year Ended December 31,		
	2014	2013	2012
NET REVENUES			
Macau:			
Mocha Clubs	\$ 147,373	\$ 148,683	\$ 143,260
Altira Macau	744,850	1,033,801	966,770
City of Dreams	3,848,623	3,857,049	2,920,912
Studio City	1,767	1,093	160
Sub-total	4,742,613	5,040,626	4,031,102
The Philippines:			
City of Dreams Manila	7,564	—	—
Corporate and Others	52,132	46,552	46,911
Total net revenues	<u>\$4,802,309</u>	<u>\$5,087,178</u>	<u>\$4,078,013</u>
ADJUSTED PROPERTY EBITDA⁽¹⁾			
Macau:			
Mocha Clubs	\$ 36,337	\$ 40,222	\$ 36,065
Altira Macau	84,795	147,340	154,697
City of Dreams	1,165,632	1,193,211	805,719
Studio City	(1,296)	(1,059)	(670)
Sub-total	1,285,468	1,379,714	995,811
The Philippines:			
City of Dreams Manila	6	(603)	(476)
Total adjusted property EBITDA	<u>1,285,474</u>	<u>1,379,111</u>	<u>995,335</u>
OPERATING COSTS AND EXPENSES			
Payments to the Philippine Parties	(870)	—	—
Pre-opening costs	(90,556)	(13,969)	(5,785)
Development costs	(10,734)	(26,297)	(11,099)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,237)
Amortization of land use rights	(64,471)	(64,271)	(59,911)
Depreciation and amortization	(246,686)	(261,298)	(261,449)
Land rent to Belle	(3,562)	(3,045)	—
Share-based compensation	(20,401)	(14,987)	(8,973)
Property charges and others	(8,698)	(6,884)	(8,654)
Gain on disposal of assets held for sale	22,072	—	—
Corporate and Others expenses	(118,971)	(91,299)	(75,135)
Total operating costs and expenses	<u>(600,114)</u>	<u>(539,287)</u>	<u>(488,243)</u>
OPERATING INCOME	<u>\$ 685,360</u>	<u>\$ 839,824</u>	<u>\$ 507,092</u>

MELCO CROWN ENTERTAINMENT LIMITED

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

25. SEGMENT INFORMATION - continued

	Year Ended December 31,		
	2014	2013	2012
NON-OPERATING INCOME (EXPENSES)			
Interest income	\$ 20,025	\$ 7,660	\$ 10,958
Interest expenses, net of capitalized interest	(124,090)	(152,660)	(109,611)
Change in fair value of interest rate swap agreements	—	—	363
Amortization of deferred financing costs	(28,055)	(18,159)	(13,272)
Loan commitment and other finance fees	(18,976)	(25,643)	(1,324)
Foreign exchange (loss) gain, net	(6,155)	(10,756)	4,685
Other income, net	2,313	1,661	115
Loss on extinguishment of debt	—	(50,935)	—
Costs associated with debt modification	—	(10,538)	(3,277)
Total non-operating expenses, net	(154,938)	(259,370)	(111,363)
INCOME BEFORE INCOME TAX	530,422	580,454	395,729
INCOME TAX (EXPENSE) CREDIT	(3,036)	(2,441)	2,943
NET INCOME	527,386	578,013	398,672
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	80,894	59,450	18,531
NET INCOME ATTRIBUTABLE TO MELCO CROWN ENTERTAINMENT LIMITED	\$ 608,280	\$ 637,463	\$ 417,203

Note

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

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

Long-lived Assets

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

MELCO CROWN ENTERTAINMENT LIMITED

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

26. ACQUISITION OF SUBSIDIARIES

Acquisition of MCP

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

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

The net assets acquired in the transaction are as follows:

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

MELCO CROWN ENTERTAINMENT LIMITED

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

27. CHANGE IN SHAREHOLDING OF THE PHILIPPINE SUBSIDIARIES

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

On April 24, 2013, MCP and MCE Investments completed a placing and subscription transaction (the "Placing and Subscription Transaction"), under which MCE Investments offered and sold in a private placement to various institutional investors of 981,183,700 common shares of MCP at the offer price of PHP14 per share (equivalent to \$0.34 per share) (the "Offer"). In connection with the Offer, MCE Investments granted an over-allotment option (the "Over-allotment Option") of up to 117,075,000 common shares of MCP at the offer price of PHP14 per share (equivalent to \$0.34 per share) to a stabilizing agent (the "Stabilizing Agent"). MCE Investments then used the proceeds from the Offer to subscribe to an equivalent number of common shares in MCP at the subscription price of PHP14 per share (equivalent to \$0.34 per share). On May 23, 2013, the Stabilizing Agent exercised the Over-allotment Option and subscribed for 36,024,600 common shares of MCP at the offer price of PHP14 per share (equivalent to \$0.34 per share). MCE Investments then used the proceeds from the Over-allotment Option to subscribe to an equivalent number of common shares in MCP at the subscription price of PHP14 per share (equivalent to \$0.34 per share). The aforesaid transactions decreased the Company's shareholding in MCP and the Group recognized an increase of \$227,134 in the Company's additional paid-in capital which reflects the adjustment to the carrying amount of the noncontrolling interest of MCP.

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

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

27. CHANGE IN SHAREHOLDING OF THE PHILIPPINE SUBSIDIARIES - continued

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

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

28. SUBSEQUENT EVENTS

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

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

MELCO CROWN ENTERTAINMENT LIMITED

**ADDITIONAL INFORMATION - FINANCIAL STATEMENT SCHEDULE 1
FINANCIAL INFORMATION OF PARENT COMPANY
BALANCE SHEETS**

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

	December 31,	
	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,708	\$ 3,414
Amount due from an affiliated company	1,091	—
Amounts due from subsidiaries	238,090	74,930
Prepaid expenses and other current assets	7,565	3,717
Total current assets	254,454	82,061
INVESTMENTS IN SUBSIDIARIES	5,915,023	5,492,941
TOTAL ASSETS	\$ 6,169,477	\$ 5,575,002
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accrued expenses and other current liabilities	\$ 2,920	\$ 2,336
Income tax payable	239	128
Amounts due to affiliated companies	24	1,783
Amounts due to subsidiaries	183,872	181,819
Amount due to a shareholder	—	67
Total current liabilities	187,055	186,133
ADVANCE FROM A SUBSIDIARY	1,696,090	1,142,199
OTHER LONG-TERM LIABILITIES	191	—
SHAREHOLDERS' EQUITY		
Ordinary shares at US\$0.01 par value per share (Authorized—7,300,000,000 shares as of December 31, 2014 and 2013 and issued—1,633,701,920 and 1,666,633,448 shares as of December 31, 2014 and 2013, respectively)	16,337	16,667
Treasury shares, at cost (17,684,386 and 16,222,246 shares as of December 31, 2014 and 2013, respectively)	(33,167)	(5,960)
Additional paid-in capital	3,092,943	3,479,399
Accumulated other comprehensive losses	(17,149)	(15,592)
Retained earnings	1,227,177	772,156
Total shareholders' equity	4,286,141	4,246,670
TOTAL LIABILITIES AND EQUITY	\$ 6,169,477	\$ 5,575,002

MELCO CROWN ENTERTAINMENT LIMITED

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

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

MELCO CROWN ENTERTAINMENT LIMITED

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

	Year Ended December 31,		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 608,280	\$ 637,463	\$ 417,203
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Share-based compensation	12,576	11,249	8,973
Amortization of deferred financing cost	—	748	3,732
Loss on extinguishment of debt	—	679	—
Reclassification of accumulated income of forward exchange rate contracts from accumulated other comprehensive losses	—	—	(138)
Dividend received from subsidiary	420,000	—	—
Share of results of subsidiaries	(620,023)	(658,016)	(441,112)
Changes in operating assets and liabilities:			
Amount due from an affiliated company	(1,091)	1,113	438
Prepaid expenses and other current assets	(2,429)	(367)	3,649
Long-term prepayments	—	—	135
Accrued expenses and other current liabilities	584	(4,129)	(1,852)
Income tax payable	111	394	(333)
Amount due to a shareholder	(67)	67	—
Amounts due to affiliated companies	(1,759)	1,724	7
Amounts due to subsidiaries	2,053	1,189	(238)
Other long-term liabilities	191	—	—
Net cash provided by (used in) operating activities	<u>418,426</u>	<u>(7,886)</u>	<u>(9,536)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to subsidiaries	(155,883)	(497,325)	(277,945)
Amounts due from subsidiaries	(167,606)	1,800	(26,975)
Repayment of advance to a subsidiary	400	1,337	10,512
Change in restricted cash	—	368,177	—
Net cash used in investing activities	<u>(323,089)</u>	<u>(126,011)</u>	<u>(294,408)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(342,718)	—	—
Repurchase of shares for retirement	(300,495)	—	—
Purchase of shares under trust arrangement for future vesting of restricted shares	(1,721)	(8,770)	—
Principal payments on long-term debt	—	(721,455)	—
Proceeds from exercise of share options	—	4,017	3,599
Advance from a subsidiary	553,891	860,632	225,427
Net cash (used in) provided by financing activities	<u>(91,043)</u>	<u>134,424</u>	<u>229,026</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,294	527	(74,918)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,414	2,887	77,805
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,708</u>	<u>\$ 3,414</u>	<u>\$ 2,887</u>

MELCO CROWN ENTERTAINMENT LIMITED

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

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

2. Basis of Presentation

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

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