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

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**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, 2009**

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)

\_\_\_\_\_

Leanne Palmer, Vice President, 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

The NASDAQ Stock Market LLC

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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.**

1,595,617,550 ordinary shares of Registrant outstanding as of December 31, 2009.

**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

Unless otherwise indicated, references in this annual report on Form 20-F to:

- “China,” “mainland China” and “PRC” are to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan;
- “Greater China” is to mainland China, Hong Kong, Macau and Taiwan, collectively;
- “HK\$” and “H.K. dollars” are to the legal currency of Hong Kong;
- “Hong Kong” is to the Hong Kong Special Administration Region of the People’s Republic of China;
- “Macau” and the “Macau SAR” are to the Macau Special Administrative Region of the People’s Republic of China;
- “Patacas” and “MOP” are to the legal currency of Macau;
- “Renminbi” and “RMB” are to the legal currency of China;
- “US\$” and “U.S. dollars” are to the legal currency of the United States; and
- “U.S. GAAP” is to the accounting principles generally accepted in the United States.

Unless the context indicates otherwise, “we,” “us,” “our company” and “MCE” refer to Melco Crown Entertainment Limited, formerly Melco PBL Entertainment (Macau) Limited, a Cayman Islands exempted company with limited liability, and its predecessor entities and its consolidated subsidiaries, including Melco Crown Gaming (Macau) Limited, formerly Melco PBL Gaming (Macau) Limited, or Melco Crown Gaming, a Macau company and the holder of the gaming subconcession; “Melco” refers to Melco International Development Limited, a Hong Kong-listed company; “Crown” refers to Crown Limited, an Australian-listed corporation which completed its acquisition of the gaming businesses and investments of PBL on December 12, 2007 and which is now our shareholder and as the context may require, shall include its predecessor, PBL; “PBL” refers to Publishing and Broadcasting Limited, an Australian-listed corporation which is now known as Consolidated Media Holdings Limited; “SPV” refers to Melco Crown SPV Limited, formerly Melco PBL SPV Limited, a Cayman Islands exempted company which is 50/50 owned by Melco Leisure and Entertainment Group Limited and Crown Asia Investments Pty. Ltd., formerly PBL Asia Investments Limited; and “our subconcession” refers to the Macau gaming subconcession held by our subsidiary, Melco Crown Gaming. Our other principal operating subsidiaries are (1) Altira Hotel Limited, or Altira Hotel (its former names were Melco Crown (CM) Hotel Limited and Melco PBL Hotel (Crown Macau) Limited) through which we currently operate the hotel and other non-gaming business at Altira Macau, (2) Altira Developments Limited, or Altira Developments (its former names were Melco Crown (CM) Developments Limited, Melco PBL (Crown Macau) Developments Limited and Great Wonders, Investments, Limited), through which we hold the land and buildings for Altira Macau, (3) Melco Crown (COD) Developments Limited, or Melco Crown (COD) Developments (its former names were Melco PBL (COD) Developments Limited and Melco Hotel and Resorts (Macau) Limited) through which we hold the land and buildings for City of Dreams, and (4) Melco Crown (COD) Hotels Limited, or Melco Crown (COD) Hotels (its former name was Melco PBL (COD) Hotels Limited) through which we currently operate the hotels and other non-gaming business at City of Dreams.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2009, 2008 and 2007 and as of December 31, 2009 and 2008.

We completed our initial public offering of 60,250,000 ADSs, each representing three ordinary shares, par value US\$0.01 per share in December 2006. Since December 19, 2006, we have listed our ADSs on The NASDAQ Stock Market LLC, or the Nasdaq, under the symbol “MPEL”. Immediately prior to our initial public offering of ADSs in December 2006, we had 1,000,000,000 total ordinary shares issued and outstanding. During the initial public offering, we initially issued 60,250,000 ADSs, representing 180,750,000 ordinary shares. In addition, we issued 60,382 ADSs representing 181,146 ordinary shares to Melco shareholders as an assured entitlements distribution. On January 8, 2007, we sold an additional 9,037,500 ADSs, representing 27,112,500 ordinary shares pursuant to the underwriters’ option to purchase these additional ADSs from us at the initial public offering price less the underwriting commission to cover over-allotments of the ADSs.

On November 6, 2007 we sold 37,500,000 ADSs, representing 112,500,000 ordinary shares in a follow-on offering. On May 1, 2009 we sold 22,500,000 ADSs and 67,500,000 ordinary shares, representing a total of 135,000,000 ordinary shares in a follow-on offering. On August 18, 2009 we sold 42,718,445 ADSs, representing 128,155,335 ordinary shares in a further follow-on offering.



## 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. These risks are not exhaustive. Other sections of this annual report on Form 20-F may include additional factors that could adversely impact our business and financial performance. Moreover, because we operate in a heavily regulated and evolving industry, may become highly leveraged, and operate in Macau, a market that has recently experienced extremely rapid growth and intense competition, 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:

- satisfaction of and compliance with conditions and covenants under the US\$1.75 billion City of Dreams Project Facility, or City of Dreams Project Facility, to maintain the facility;
- our ability to raise additional financing;
- our future business development, results of operations and financial condition;
- growth of the gaming market and visitation in Macau;
- our anticipated growth strategies;
- the liberalization of travel restrictions on PRC citizens and convertibility of the Renminbi;
- the uncertainty of tourist behavior related to spending and vacationing at casino resorts in Macau;
- fluctuations in occupancy rates and average daily room rates in Macau;
- 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, Sands China, Wynn Macau, Galaxy and MGM Grand Paradise;
- the formal grant of an occupancy permit for certain areas of City of Dreams that remain under construction or development;
- obtaining approval from the Macau government for an increase in the developable gross floor area of the City of Dreams site;
- the development of Macau Studio City;
- our entering into new development and construction and new ventures;

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- construction cost estimates for our development projects, including projected variances from budgeted costs;
- government regulation of the casino industry, including gaming license approvals and the legalization of gaming in other jurisdictions;
- the completion of infrastructure projects in Macau; and
- other factors described under “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 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 reflects selected historical financial data that should be read in conjunction with “Item 5. Operating and Financial Review and Prospects” and the consolidated financial statements and the notes thereto beginning on page F-1 of this annual report on Form 20-F. The historical results are not necessarily indicative of the results of operations to be expected in the future.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	<i>(In thousands of US\$, except share and per share data and operating data)</i>				
<b>Consolidated Statements of Operations Data:</b>					
Net revenues	\$ 1,332,873	\$ 1,416,134	\$ 358,496	\$ 36,101	\$ 17,328
Total operating costs and expenses	(1,604,920)	(1,414,960)	(554,313)	(93,754)	(21,050)
Operating (loss) income	\$ (272,047)	\$ 1,174	\$ (195,817)	\$ (57,653)	\$ (3,722)
Net loss	\$ (308,461)	\$ (2,463)	\$ (178,151)	\$ (73,479)	\$ (3,259)
<b>Loss per share</b>					
— Basic and diluted	\$ (0.210)	\$ (0.002)	\$ (0.145)	\$ (0.116)	\$ (0.006)
— ADS (1)	\$ (0.631)	\$ (0.006)	\$ (0.436)	\$ (0.348)	\$ (0.019)
<b>Shares used in calculating loss per share</b>					
— Basic and diluted	1,465,974,019	1,320,946,942	1,224,880,031	633,228,439	522,945,205

	December 31,				
	2009	2008	2007	2006	2005
	<i>(In thousands of US\$)</i>				
<b>Consolidated Balance Sheets Data:</b>					
Cash and cash equivalents	\$ 212,598	\$ 815,144	\$ 835,419	\$ 583,996	\$ 19,769
Restricted cash	236,119	67,977	298,983	—	—
Total assets	4,900,369	4,498,289	3,620,268	2,279,920	421,208
Total current liabilities	559,167	450,136	483,685	207,613	138,741
Total debts (2)	1,798,879	1,529,195	616,376	212,506	94,577
Total liabilities	2,391,325	2,089,685	1,191,727	389,554	163,024
Noncontrolling interests	—	—	—	—	19,492
Total equity	2,509,044	2,408,604	2,428,541	1,890,366	258,184

- (1) Each ADS represents three ordinary shares.
- (2) Includes amounts due to shareholders within one year, loans from shareholders and long-term debt.

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

- From January 1, 2005 to March 7, 2005, the financial statements reflect the consolidated financial statements of Mocha Slot Group Limited, or Mocha, Melco Crown (COD) Developments and Altira Developments because they were under common control for this period. The contributions by Melco of its 80% interest in Mocha, 70% interest in Altira Developments and 50.8% interest in the City of Dreams project to MPEL (Greater China) Limited, formerly Melco PBL Entertainment (Greater China) Limited, a company previously 80% indirectly owned by us and 20% owned by Melco, and cash contributions by Crown of US\$163 million, which were completed on March 8, 2005, were accounted for as the formation of a joint venture for which a carryover basis of accounting has been adopted.
- In September 2006, we acquired a Macau subconcession. Prior to this date we did not hold a concession or subconcession to operate gaming activities in Macau and we operated under a services agreement with SJM.
- In April 2006, we commenced construction of the City of Dreams project.
- On May 12, 2007, Altira Macau opened and became fully operational on July 14, 2007.
- On June 1, 2009, City of Dreams opened featuring a 420,000 sq. ft. casino with approximately 500 gaming tables and 1,300 gaming machines, as well as approximately 600 hotel rooms and 20 food and beverage outlets.
- In the last quarter of 2009, a further 800 rooms were progressively added to City of Dreams following grand opening and operations of Grand Hyatt Macau at City of Dreams.

## Exchange Rate Information

Although we will have certain expenses and revenues denominated in Patacas, our revenues and expenses will be denominated predominantly in Hong Kong dollars and in connection with a portion of our indebtedness and certain expenses, U.S. dollars. Periodic reports made to shareholders will be expressed in U.S. dollars using the then current exchange rates. The conversion of Hong Kong dollars into U.S. dollars in this annual report on Form 20-F is based on the noon buying rate in The City of New York for cable transfers of Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from Hong Kong dollars to U.S. dollars and from U.S. dollars to Hong Kong dollars in this annual report on Form 20-F were made at a rate of HK\$7.78 to US\$1.00. The noon buying rate in effect as of December 31, 2009 was HK\$7.7536 to US\$1.00. We make no representation that any Hong Kong dollar or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Hong Kong dollars, as the case may be, at any particular rate, the rates stated below, or at all. On March 16, 2010, the noon buying rate was HK\$7.7606 to US\$1.00.

The Hong Kong dollar is freely convertible into other currencies (including the U.S. dollar). Since October 7, 1983, the Hong Kong dollar has been officially linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The link is supported by an agreement between Hong Kong's three bank note-issuing banks and the Hong Kong government pursuant to which bank notes issued by such banks are backed by certificates of indebtedness purchased by such banks from the Hong Kong Government Exchange Fund in U.S. dollars at the fixed exchange rate of HK\$7.80 to US\$1.00 and held as cover for the bank notes issued. When bank notes are withdrawn from circulation, the issuing bank surrenders certificates of indebtedness to the Hong Kong Government Exchange Fund and is paid the equivalent amount in U.S. dollars at the fixed rate of exchange. Hong Kong's three bank note-issuing banks are The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China (Hong Kong) Limited.

In May 2005, the Hong Kong Monetary Authority broadened the link from the original rate of HK\$7.80 per US\$1.00 to a rate range of HK\$7.75 to HK\$7.85 per US\$1.00. No assurance can be given that the Hong Kong government will maintain the link at HK\$7.75 to HK\$7.85 per US\$1.00 or at all.

The following table sets forth the noon buying rate for U.S. dollars in The City of New York for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York.

Period	Noon Buying Rate			
	Period End	Average (1) (Hong Kong dollar per US\$1.00)	Low	High
March 2010 (through March 16, 2010)	7.7606	7.7606	7.7647	7.7574
February 2010	7.7619	7.7670	7.7716	7.7619
January 2010	7.7665	7.7624	7.7752	7.7539
December 2009	7.7536	7.7526	7.7572	7.7495
November 2009	7.7500	7.7497	7.7501	7.7495
October 2009	7.7497	7.7497	7.7502	7.7495
September 2009	7.7500	7.7503	7.7514	7.7498
2009	7.7536	7.7513	7.7618	7.7495
2008	7.7499	7.7814	7.8159	7.7497
2007	7.7984	7.8008	7.8289	7.7497
2006	7.7771	7.7685	7.7928	7.7506
2005	7.7533	7.7755	7.7999	7.7514

(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 Hong Kong dollar at a rate of HK\$1.00 = MOP 1.03. All translations from Patacas to U.S. dollars in this annual report on Form 20-F were made at the exchange rate of MOP 8.0134 = US\$1.00. The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Patacas.

## 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.

### (1) Risks Relating to Our Early Stage of Operation

*(a) We are in an early stage of operation of our business and properties, and so we are subject to significant risks and uncertainties. Our limited operating history may not serve as an adequate basis to judge our future operating results and prospects.*

In significant respects we remain in an early phase of our business operations and there is limited historical information available about our company upon which you can base your evaluation of our business and prospects. In particular, we opened Altira Macau less than three years ago and commenced operations at City of Dreams in June 2009. The Mocha Club business, which we acquired in 2005, commenced operations in 2003. Melco Crown Gaming acquired its subconcession in September 2006 and previously did not have any direct experience operating casinos in Macau. As a result, you should consider our business and prospects in light of the risks, expenses and challenges that we will face as an early-stage company with limited experience operating gaming businesses in an intensely competitive market. Among other things, we have continuing obligations to satisfy and comply with conditions and covenants under the US\$1.75 billion City of Dreams Project Facility so as to be able to continue to roll over existing revolving loans drawn down under the facility and to maintain the facility.

We have encountered and will continue to encounter risks and difficulties frequently experienced by early-stage companies, and those risks and difficulties may be heightened in a rapidly developing market such as the gaming market in Macau. 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;
- 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;
- develop and 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 market conditions;
- respond to changes in our regulatory environment;
- identify suitable locations and enter into new leases or right to use agreements (which are similar to license agreements) for new Mocha Clubs; and
- renew or extend lease 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 suffer 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 operation and cash flows.

**(2) Risks Relating to the Operation of Our Properties**

***(a) Because we are and will be dependent upon a limited number of properties for a substantial portion of our cash flow, we are and will be subject to greater risks than a gaming company with more operating properties.***

We are primarily dependent upon City of Dreams, Altira Macau and Mocha Clubs for our cash flow. Given that our operations are and will be conducted based on a small number of principal properties, we are and will be subject to greater risks than a gaming company with more operating properties due to the limited diversification of our businesses and sources of revenue.

***(b) Servicing the debt of our subsidiaries requires a significant amount of cash, and our subsidiaries may not generate a sufficient level of cash flow from their businesses to make scheduled payments on their debt.***

Our subsidiaries' ability to make scheduled payments of the principal of, to pay interest on or to refinance their indebtedness depends on our subsidiaries' future performance, which is subject to certain economic, financial, competitive and other factors beyond our control. Our subsidiaries may not generate cash flow from operations in the future sufficient to service their debt or make necessary capital repayments. If they are unable to generate such cash flow, our subsidiaries may be required to adopt one or more alternatives, such as selling assets, restructuring debt, incurring additional indebtedness or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our subsidiaries' ability to refinance their indebtedness will depend on the financial markets and their financial condition at such time. Our subsidiaries may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our subsidiaries' debt obligations and a material adverse effect on the value of our ADSs.

***(c) Our business depends substantially on the continuing efforts of our senior management, and our business may be severely disrupted if we lose their services or their other responsibilities cause them to be unable to devote sufficient time and attention to our company.***

We place substantial reliance on the gaming, project development and hospitality industry experience and knowledge of the Macau market possessed by members of our senior management team, including our co-chairman and chief executive officer, Mr. Lawrence Ho. 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 Mr. Ho or other members of our senior management could be difficult, and competition for personnel of similar experience could be intense in Macau. We do not currently carry key person insurance on any members of our senior management team.

***(d) We have recruited a substantial number of new employees for each of our properties and competition may limit our ability to attract or retain suitably qualified management and personnel.***

We require extensive operational management and staff to operate both Altira Macau and City of Dreams. Accordingly, we undertook a major recruiting program before both openings. The pool of experienced gaming and other skilled and unskilled personnel in Macau 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. In addition, we are not currently allowed under Macau government policy to hire non-Macau resident dealers, croupiers 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.

***(e) If we are unable to obtain approval for an increase in the developable gross floor area of the City of Dreams site and the consequent amendments to the terms of our land concession, we could forfeit all or a substantial part of our investment in the site and we would not be able to complete and fully operate the facility as planned.***

On August 13, 2008, the Macau government granted a land concession to Melco Crown (COD) Developments for lands consisting of approximately 113,325 square meters (1.2 million sq. ft.) that comprise the City of Dreams site in Cotai for a period of 25 years, renewable for further consecutive periods of up to ten years each. The land concession enables Melco Crown (COD) Developments to develop five star hotels, four star hotels, apartment hotels and a parking area with the total gross floor area of 515,156 square meters (approximately 5,545,093 sq. ft.). We have applied for an amendment to the land concession to enable the increase of the total developable gross floor area to 668,574 square meters (approximately 7,196,470 sq. ft.) for which we must pay an additional premium. In March 2010, our subsidiaries Melco Crown (COD) Developments and Melco Crown Gaming accepted the final terms for the revision of the land lease agreement and paid the additional premium. Following the publication in the Macau official gazette of such revision the land grant amendment process will be complete. We are unable to project with any certainty the exact timing of the publication of the revised land grant. Until the occurrence of such publication, the land grant amendment process is not complete and our ability to fully operate City of Dreams as planned remains at risk and we could potentially lose all or a substantial part of our investment in City of Dreams should the publication fail to occur.

***(f) 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. Such coverage includes property damage, business interruption and general liability. 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. If we incur loss, damage or liability for amounts exceeding the limits of our current or future insurance coverage, or for claims outside the scope of our current or future insurance coverage, our financial conditions and business operations could be materially and adversely affected. For example, certain casualty events, such as labor strikes, nuclear events, acts of war, loss of income due to cancellation of conventions or room reservations arising from fear of terrorism, contagious or infectious disease, deterioration or corrosion, insect or animal damage and pollution may not be covered under our policies. As a result, 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.

### **(3) Risks Relating to Our Business and Operations in Macau**

***(a) Conducting business in Macau has certain political and economic risks that may lead to significant volatility and have a material adverse effect on our results of operations.***

All of our operations are in Macau. Accordingly, our business development plans, results of operations and financial condition may be materially adversely affected by significant political, social and economic developments in Macau and China and by changes in government policies or changes in laws and regulations or the interpretations of these 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 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;
- changes in foreign exchange regulations;
- measures that may be introduced to control inflation, such as interest rate increases or bank account withdrawal controls; and
- changes in the rate or method of taxation.

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. Melco Crown Gaming's obligations to make certain payments to the Macau government under the terms of its subconcession include a fixed annual premium per year and a variable premium depending on the number and type of gaming tables and gaming machines that we operate. The results of any renegotiations could have a material adverse effect on our results of operations and financial condition.

The Macau government granted us land leases for lands for Altira Macau and for City of Dreams. We have applied for approval from the Macau government to increase the developable gross floor area of City of Dreams. The opening and operation of the areas of City of Dreams for which construction is not yet completed will be subject to our obtaining an occupancy permit for such areas.

In January 2008, Former Secretary for Public Works and Transport of Macau, Mr. Ao Man Long, was convicted and sentenced to a prison term of 28.5 years on charges involving corruption, bribery, irregular financial activities and money laundering. Those being tried and convicted in cases connected with the conviction of Mr. Ao in 2008 are related to local companies to whom several major public works and services contracts were awarded and for whom certain licensing procedures were allegedly expedited. Mr. Lao Sio-Lo was appointed the new Secretary for Transport and Public Works in March 2007. We cannot predict whether any ongoing or further prosecutions and investigations will adversely affect the functioning of the Macau Land, Public Works and Transports Bureau, any approvals that are pending before it, or for which applications may be made in the future (including with respect to our possible future projects), or will give rise to additional scrutiny or review of any approvals, including those for Altira Macau and City of Dreams, that were previously approved or granted through this Bureau and the Secretary for Transport and Public Works of Macau.

As we expect a significant number of patrons to come to our properties from China, general economic conditions and policies in China could have a significant impact on our financial prospects. A slowdown in economic growth and tightening of restrictions on travel imposed by China could adversely impact the number of visitors from China to our properties in Macau as well as the amounts they are willing to spend in our casinos, which could have a material adverse effect on the results of our operations and financial condition.

**(b) *The winnings of our patrons could exceed our casino winnings.***

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.

**(c) *Theoretical win rates for our casino operations depend on a variety of factors, some beyond our control.***

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.

**(d) *Our gaming business is subject to 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.



***(e) Because we depend upon our properties in one market for all of our cash flow, we will be subject to greater risks than a gaming company that operates in more markets.***

We are and will be primarily dependent upon City of Dreams, Altira Macau and Mocha Clubs for our cash flow. Given that our current operations are and will be conducted only at properties in Macau, we will be subject to greater risks than a gaming company with operating properties in several markets. These risks include:

- dependence on the gaming and leisure market in Macau and limited diversification of our businesses and sources of revenue;
- a decline in economic, competitive and political conditions in Macau or generally in Asia;
- inaccessibility to Macau due to inclement weather, road construction or closure of primary access routes;
- a decline in air or ferry passenger traffic to Macau due to higher ticket costs, fears concerning travel or otherwise;
- travel restrictions to Macau imposed now or in the future by China;
- changes in Macau governmental laws and regulations, or interpretations thereof, including gaming laws and regulations;
- natural and other disasters, including typhoons, outbreaks of infectious diseases or terrorism, affecting Macau;
- that the number of visitors to Macau does not increase at the rate that we have expected; and
- a decrease in gaming activities at our properties.

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

***(f) Our gaming operations could be adversely affected by restrictions on the export of the Renminbi and limitations of the Pataca exchange markets.***

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.

Our revenues in Macau are denominated in H.K. dollars and Patacas, the legal currency of Macau. Although currently permitted, we cannot assure you that H.K. dollars and Patacas will continue to be freely exchangeable into U.S. dollars. Although the exchange rate between the H.K. dollar and the U.S. dollar has been pegged since 1983 and the Pataca is pegged to the H.K. dollar, we cannot assure you that the H.K. dollar will remain pegged to the U.S. dollar and that the Pataca will remain pegged to the H.K. dollar. Also, because the currency market for Patacas is relatively small and undeveloped, our ability to convert large amounts of Patacas into U.S. dollars over a relatively short period of time may be limited. As a result, we may experience difficulty in converting Patacas into U.S. dollars.

***(g) Terrorism and the uncertainty of war, economic downturns and other factors affecting discretionary consumer spending and leisure travel may reduce visitation to Macau and harm our operating results.***

The strength and profitability of our business depends on consumer demand for casino resorts and leisure travel in general. Changes in Asian consumer preferences or discretionary consumer spending could harm our business. Terrorist acts could have a negative impact on international travel and leisure expenditures, including lodging, gaming and tourism. We cannot predict the extent to which future terrorist acts may affect us, directly or indirectly. In addition to fears of war and future acts of terrorism, other factors affecting discretionary consumer spending, including general economic conditions, amounts of disposable consumer income, fears of recession and lack of consumer confidence in the economy, may negatively impact our business. Consumer demand for hotel casino resorts and the type of luxury amenities we currently offer and plan to offer in the future are highly sensitive to downturns in the economy. An extended period of reduced discretionary spending and/or disruptions or declines in airline travel could significantly harm our operations.

***(h) An outbreak of the highly pathogenic avian influenza caused by the H5N1 virus (avian flu or bird flu), Severe Acute Respiratory Syndrome, or SARS, or H1N1 virus (swine flu) or other contagious disease may have an adverse effect on the economies of certain Asian countries and may adversely affect our results of operations.***

During 2004, large parts of Asia experienced unprecedented outbreaks of avian flu which, according to a report of the World Health Organization, or WHO, in 2004, placed the world at risk of an influenza pandemic with high mortality and social and economic disruption. As of December 30, 2009, the WHO has confirmed a total of 282 fatalities in a total number of 467 cases reported to the WHO, which only reports laboratory confirmed cases of avian flu since 2003. In particular, Guangdong Province, PRC, which is located across the Zhuhai Border from Macau, has confirmed several cases of avian flu. Currently, fully effective avian flu vaccines have not yet been developed and there is evidence that the H5N1 virus are evolving so there can be no assurance that an effective vaccine can be discovered 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 of avian flu, SARS, H1N1 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 or visitation to Macau, which may have a material adverse effect on our results of operations. The perception that an outbreak of avian flu, SARS or other contagious disease may occur again may also have an adverse effect on the economic conditions of countries in Asia.

***(i) Macau is susceptible to severe typhoons that may disrupt our operations.***

Macau is susceptible to severe typhoons. Macau consists of a peninsula and two islands off the coast of mainland China. In the event of a major typhoon or other natural disaster in Macau, our properties and business may be severely disrupted and our results of operations could be adversely affected. Although we or our operating subsidiaries do carry insurance coverage with respect to these events, our coverage may not be sufficient to fully indemnify us against all direct and indirect costs, including loss of business, that could result from substantial damage to, or partial or complete destruction of, our properties or other damages to the infrastructure or economy of Macau.

***(j) Any fluctuation in the value of the H.K. dollar, U.S. dollar or Pataca may adversely affect our indebtedness, expenses and profitability.***

Although the majority of our revenues are denominated in Hong Kong dollars, our expenses will be denominated predominantly in Patacas and in connection with a significant portion of our indebtedness and certain expenses, U.S. dollars. We expect to incur significant debt 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 and Patacas against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. Although the exchange rate between the H.K. dollar and the U.S. dollar has been pegged since 1983 and the Pataca is pegged to the H.K. dollar, we cannot assure you that the H.K. dollar will remain pegged to the U.S. dollar and that the Pataca will remain pegged to the H.K. dollar. We do not hedge our exposure to foreign currencies. 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. Any significant fluctuations in the exchange rates between H.K. dollars or Patacas 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.

***(k) Contract parties may not be able to secure adequate financing.***

During the course of our business, we may enter into agreements with contract parties from which we may derive income in relation to the operation of gaming business. The inability of such contract parties to raise sufficient funds to develop and/or undertake the relevant project and gaming operations may affect our ability to derive such income as contracted for in the relevant agreements, and this may have an adverse impact on our business.

#### **(4) Risks Relating to Our Operations in the Gaming Industry in Macau**

***(a) Because our operations face intense competition in Macau and elsewhere in Asia, we may not be able to compete successfully and we may lose or be unable to gain market share.***

The hotel, resort and casino businesses are highly competitive. Our competitors in Macau 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 us and may have more diversified resources and greater access to capital to support their developments and operations in Macau and elsewhere.

We also compete to some extent with casinos located in other countries, such as Malaysia, North Korea, South Korea, the Philippines, Cambodia, Australia, New Zealand and elsewhere in the world, including Las Vegas and Atlantic City in the United States. In addition, certain countries, such as Singapore have legalized casino gaming and others may in the future legalize casino gaming, including Japan, Taiwan and Thailand. Singapore awarded a casino license to Las Vegas Sands and a second casino license to Genting International Bhd. in 2006. Genting International Bhd. opened its casino on February 14, 2010 and Las Vegas Sands is scheduled to open its on April 27, 2010. 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 financial condition, results of operations or cash flows.

Our regional competitors also include Crown's Crown Casino Melbourne and Burswood Casino in 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.

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

Melco Crown Gaming is one of six companies authorized by the Macau government to operate gaming activities in Macau. 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.

***(c) 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 significant by increase our costs, which could cause our projects to be unsuccessful.***

Gaming is a highly regulated industry in Macau. Current laws, such as licensing requirements, tax rates and other regulatory obligations, including those for anti-money laundering, could change or become more stringent resulting in additional regulations being imposed upon the gaming operations in the Altira Macau casino, the City of Dreams casinos, the Mocha Clubs, and other future projects including Macau Studio City and any other locations we may operate from time to time. Any such adverse developments in the regulation of the gaming industry could be difficult to comply with and could significantly increase our costs, which could cause our projects to be unsuccessful.

In September 2009, the Macau government set a cap on commission payments to gaming promoters of 1.25% of net rolling. This policy, which is being enforced as of December 2009, may limit our ability to develop successful relationships with gaming promoters and attract rolling chip patrons. Any failure to comply with these regulations may result in the imposition of liabilities, fines and other penalties and may materially and adversely affect our gaming subconcession.

Also the Macau government has announced its intention to raise the minimum age required for the entrance in casinos in Macau from 18 years of age to 21 years of age. As far as employment is concerned, it was further announced that this measure, when adopted, would allow casino employees to maintain their positions while in the process of reaching the minimum required age. If implemented, this could adversely affect our ability to engage sufficient staff for the operation of our projects.

The Macau government announced that the number of gaming tables operating in Macau should not exceed 5,500 by the end of 2012.

Also, the Macau government announced that it intends to restrict the ability of operators to open slot lounges, such as our Mocha Clubs, in residential areas. This policy may limit our ability to find new sites or maintain existing sites for the operation of our Mocha Clubs. The Macau government also announced its intention to regulate and control the increase of gaming tables that may be operated in Macau, which may adversely affect the future expansion of our business.

Current Macau laws and regulations concerning gaming and gaming concessions and matters such as prevention of money laundering are, for the most part, fairly recent and there is little precedent on the interpretation of these laws and regulations. We believe that our organizational structure and operations are currently in compliance in all material respects with all applicable laws and regulations of Macau. However, these laws and regulations are complex and a court or an administrative or regulatory body may in the future render an interpretation of these laws and regulations or issue new or modified regulations that differ from our interpretation, which could have a material adverse effect on our financial condition, results of operations or cash flows.

Our activities in Macau are subject to administrative review and approval by various agencies of the Macau government. For example, our activities are subject to the administrative review and approval by the DICJ, the Health Department, Labour Bureau, Public Works Bureau, Fire Department, Finance Department and Macau Government Tourism Office. We cannot assure you that we will be able to obtain all necessary approvals, which may materially affect our business and operations. Macau law permits redress to the courts with respect to administrative actions. However, such redress is largely untested in relation to gaming regulatory issues.

***(d) Under Melco Crown Gaming’s subconcession, the Macau government may terminate the subconcession under certain circumstances without compensation to Melco Crown Gaming, which would prevent it from operating casino gaming facilities in Macau and could result in defaults under our indebtedness and a partial or complete loss of our investments in our projects.***

Under Melco Crown Gaming’s gaming subconcession, the Macau government has the right to unilaterally terminate our subconcession in the event of non-compliance by Melco Crown Gaming with its basic obligations under the subconcession and applicable Macau laws. If such a termination were to occur, Melco Crown Gaming would be unable to operate casino gaming in Macau. 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—Gaming Regulations—Subconcession Contract”. These events could lead to the termination of Melco Crown Gaming’s subconcession without compensation to Melco Crown Gaming. 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. Melco Crown Gaming has entered into a service agreement with New Cotai Entertainment (Macau) Limited, or New Cotai Entertainment, and New Cotai Entertainment, LLC pursuant to which Melco Crown Gaming will operate the casino premises in its hotel casino resorts. If New Cotai Entertainment, or other parties with whom we may, in the future, enter into similar agreements were to be found unsuitable or were to undertake actions that are inconsistent with Melco Crown Gaming’s subconcession terms and requirements, we could suffer penalties, including the termination of the subconcession.

Based on information from the Macau government, proposed amendments to the legislation with regard to reversion of casino premises are being considered. We expect that if such amendments take effect, on the expiry or any termination of Melco Crown Gaming’s subconcession, unless Melco Crown Gaming’s subconcession were extended, only that portion of casino premises within our developments as then designated with the approval of the Macau government, including all gaming equipment, would revert to the Macau government automatically without compensation to us. Until such amendments come into effect, all of our casino premises and gaming equipment would revert automatically without compensation to us.

The subconcession contract contains various general covenants, obligations and other provisions as to which the determination of compliance is subjective. For example, compliance with general and special duties of cooperation, special duties of information, and with obligations foreseen for the execution of our investment plan may be 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 be dependent 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 the subconcession contract, we are required to make a minimum investment in Macau of MOP 4.0 billion (US\$499.2 million), including investment in fully developing Altira Macau and City of Dreams, by December 2010. According to our financial statements, we believe that the amount we have invested in developing Altira Macau and City of Dreams as at December 31, 2009 is in excess of the minimum investment amount criteria as set out under the subconcession contract. We expect to obtain the necessary Macau government confirmation of our compliance with such minimum investment amount criteria. If we do not receive confirmation of compliance of this minimum investment amount criteria or if we do not meet the required deadline for satisfying other conditions in the subconcession contract, we may lose the right to continue operating our properties developed under the subconcession or suffer the termination of the subconcession by the Macau government.

Under Melco Crown Gaming’s subconcession, the Macau government is allowed to request various changes in the plans and specifications of our Macau properties and to make various other decisions and determinations that may be binding on us. For example, the Chief Executive of the Macau SAR has the right to require that we increase Melco Crown Gaming’s share capital or that we provide certain deposits or other guarantees of performance with respect to the obligations of our Macau subsidiaries in any amount determined by the Macau government to be necessary. Melco Crown Gaming is limited in its ability to raise additional capital by the need to first obtain the approval of the Macau gaming and governmental authorities before raising certain debt or equity. Melco Crown Gaming’s ability to incur debt or raise equity may also be restricted by our existing and any future loan facilities. 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.

Furthermore, pursuant to the subconcession contract, we are obligated to comply not only with the terms of that agreement, but also with laws, regulations, rulings and orders that the Macau government might promulgate in the future. We cannot assure you that we will be able to comply with any such laws, regulations, rulings or orders or that any such laws, regulations, rulings or orders would not adversely affect our ability to construct or operate our Macau properties. If any disagreement arises between us and the Macau government regarding the interpretation of, or our compliance with, a provision of the subconcession contract, we will be relying on the consultation and negotiation process with the applicable Macau governmental agency described above. During any such consultation, however, we will be obligated to comply with the terms of the subconcession contract as interpreted by the Macau government.

Melco Crown Gaming's failure to comply with the terms of its subconcession in a manner satisfactory to the Macau government could result in the termination of its subconcession. We cannot assure you that Melco Crown Gaming would always be able to operate gaming activities in a manner satisfactory to the Macau government. The loss of its subconcession would prohibit Melco Crown Gaming from conducting gaming operations 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 and a partial or complete loss of our investments in our projects.

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.

***(e) Melco Crown Gaming'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.***

Melco Crown Gaming's subconcession contract expires in 2022. Based on information from the Macau government, proposed amendments to the legislation with regard to reversion of casino premises are being considered. We expect that if such amendments take effect, on the expiry or any termination of Melco Crown Gaming's subconcession, unless Melco Crown Gaming's subconcession were extended, only that portion of casino premises within our developments as then designated with the approval of the Macau government, including all gaming equipment, would automatically revert to the Macau government without compensation to us. Until such amendments come into effect, all our casino premises and gaming equipment would revert automatically to the Macau government without compensation to us. 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 revenue 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 Gaming would be able to renew or extend its subconcession contract on terms favorable to us, or at all. We also cannot assure you that if Melco Crown Gaming's subconcession were redeemed, the compensation paid would be adequate to compensate us for the loss of future revenues.

***(f) While Melco Crown Gaming will not initially be required to pay corporate income taxes on income from gaming operations under the subconcession, this tax exemption will expire in 2011, and it may not be extended.***

The Macau government has granted to Melco Crown Gaming the benefit of a corporate tax holiday on gaming income in Macau for five years from 2007 to 2011. When this tax exemption expires, we cannot assure you that it will be extended beyond the expiration date.

Furthermore, the Macau government has granted to our subsidiary Altira Hotel declaration of utility purposes benefit, pursuant to which, for a period of 12 years, it is entitled to a vehicle and property tax holiday on any vehicles and immovable property that it owns or has been granted. Additionally, under the tax holiday, this entity will also be allowed to double the maximum rates applicable regarding depreciation and reintegration for purposes of assessment of corporate income tax for the same period of time. We have applied for the same tax holidays for Melco Crown (COD) Hotels in relation to the hotels at City of Dreams, but we cannot assure you that they will be granted by the Macau government on as favorable terms, or at all.

***(g) 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 our table gaming activities at our casinos to a limited degree on a credit basis, and expect to continue this practice in the future. 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.

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 are visitors from other jurisdictions, 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 do not enforce gaming debts. We may encounter forums that will refuse to enforce such debts, or 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. If we accrue large receivables from the credit extended to our customers, we could suffer a material adverse impact on our operating results if those receivables are deemed uncollectible. In addition, 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 revenue notwithstanding our uncollectible receivable.

***(h) The current credit environment may limit availability of credit to gaming patrons and may negatively impact our revenue.***

We conduct our table gaming activities at our casinos to a limited degree on a credit basis and our gaming promoters also conduct their operations by extending credit to gaming patrons. The general economic downturn and turmoil in the financial markets have placed broad limitations on the availability of credit from credit sources as well as lengthening the recovery cycle of extended credit. 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.

***(i) Our business may face a higher level of volatility due to our focus on the rolling chip segment of the gaming market.***

A significant proportion of our revenues is generated from the rolling chip segment of the gaming market. The revenues generated from the rolling chip segment of the gaming market are acutely volatile 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.

***(j) We depend upon gaming promoters for a portion of our gaming revenue 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, 2009, we had agreements in place with approximately 55 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.

***(k) 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 and the 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, in particular those who are engaged in gaming related activities, such as gaming promoters and developers and hotel operators that do not hold concessions or subconcessions and with which we have or may enter into services agreements, are important to our own reputation and to Melco Crown Gaming's ability to continue to operate in compliance with 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 reflect negatively on our own probity 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 harm to our and the shareholders' reputation, as well as impaired relationships with, and possibly sanctions from, gaming regulators with authority over our operations.



In particular, the reputations of the gaming promoters we deal with are important to our own reputation and Melco Crown Gaming's ability to continue to operate in compliance with its subconcession. While we endeavor to ensure high standards of probity and integrity in the gaming promoters with whom we are associated, we cannot assure you that the gaming promoters with whom we are associated will always maintain such high standards. If we were to deal with a gaming promoter whose probity was in doubt or who failed to operate in compliance with Macau law consistently, this may be considered by regulators or investors to reflect negatively on our own probity and compliance records. If a gaming promoter falls below our standards of probity, integrity and legal compliance, we and our shareholders may suffer harm to our or their reputation, as well as worsened relationships with, and possibly sanctions from, gaming regulators with authority over our operations.

***(l) Since May 2008, China has imposed government restrictions on Chinese citizens traveling from mainland China to Macau. If China or other countries impose further restrictions on travel to Macau, our business or results of operations could be adversely affected.***

We have made significant investments to develop our casino gaming and entertainment resort facilities and intend to make significant additional investments to develop Phase II at City of Dreams, based, in part, on our expectation of future visitor arrivals in Macau, particularly from mainland China. In 2007, 2008 and 2009, tourists from mainland China accounted for approximately 55.1%, 50.6% and 50.5%, respectively, of all visitors to Macau. If visitor arrivals from China and elsewhere fail to increase as anticipated or decrease further, our existing business and business prospects could be adversely affected.

Visitor arrivals from China and elsewhere may be negatively affected by visa and other travel restrictions from various countries. The Chinese government controls the flow of visitors from mainland China into Macau, as Chinese citizens must obtain visas to visit Macau. Under China's Individual Visit Scheme ("IVS"), Chinese citizens from 49 urban centers and economically developed regions in the PRC may be eligible to obtain visas to visit Macau individually and not as part of a tour. The number of permits granted under the IVS has been gradually increasing since the system was introduced in 2003.

Between May and September 2008, the Chinese government imposed tighter restrictions on travel to Macau and may impose further restrictions in the future. In May and July 2008, the Chinese government readjusted its 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 September 2008, it was publicly announced that mainland Chinese citizens with only a Hong Kong visa and not a Macau visa could no longer enter Macau from Hong Kong. In addition, in May 2009, China also began to restrict the operation of "below-cost" tour groups involving low up-front payments and compulsory shopping. These restrictions had a material adverse effect on the number of visitors to Macau from mainland China.

Visitor arrivals in Macau decreased by 5.2% to 21.8 million in 2009, compared to 22.9 million in 2008. Further restrictions on travel from China or other countries to Macau or any increase in prices of tours to Macau, as a result of new regulations on travel agencies or otherwise, may reduce the number of visitors to Macau in general and to our properties in particular.

***(m) 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 create 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. However, 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. Any incidents of money laundering, accusations 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.

***(n) If Macau's transportation infrastructure does not adequately support the development of Macau's gaming and leisure industry, visitation to Macau may not increase as currently expected, which may adversely affect our projects.***

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 the expected increase in visitation to Macau and adversely affect our projects.

**(5) Risks Relating to Our Indebtedness**

***(a) 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 long-term indebtedness, including the following:

- approximately US\$1.75 billion under the City of Dreams Project Facility primarily for the development and construction of City of Dreams, of which we have drawn down an amount equivalent to approximately US\$1.68 billion as of the date of this annual report; and
- financing for a significant portion of the costs of developing Phase II at the City of Dreams site, in an amount which is as yet undetermined.

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

- 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;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- 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 and our subsidiaries' assets, over which our lenders have taken or will take security.

***(b) 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 and to fund 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 debt is subject to a range of economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond our control. We may not be able to generate sufficient cash flow from operations to satisfy our existing and projected debt obligations, in which case, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments, or seek to raise additional capital. We cannot assure you that any 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. Our failure to generate sufficient cash flow to satisfy our existing and projected debt obligations, or to refinance our obligations on commercially reasonable terms, would have an adverse effect on our business, financial condition and results of operations.

***(c) The terms of our and our subsidiaries' indebtedness 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 City of Dreams Project Facility and associated facility and security documents that Melco Crown Gaming has entered into also contain a number of restrictive covenants that impose significant operating and financial restrictions on Melco Crown Gaming, and therefore, effectively on us. The covenants in the City of Dreams Project Facility restrict or limit, among other things, our and our subsidiaries' ability to:

- incur additional debt, including guarantees;
- create security or liens;
- dispose of assets;



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- make certain acquisitions and investments;
- make 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;
- enter into sale and leaseback transactions;
- engage in new businesses;
- issue preferred shares; and
- enter into transactions with shareholders and affiliates.

In addition, the restrictions under the City of Dreams Project Facility contain financial covenants, including requirements that we satisfy certain tests or ratios for the twelve month period commencing October 1, 2009 and ending September 30, 2010, and thereafter for each successive twelve month periods ending on the last day of each quarter of our financial year, such as:

- Consolidated Leverage Ratio, as defined in the City of Dreams Project Facility;
- Consolidated Interest Cover Ratio, as defined in the City of Dreams Project Facility; and
- Consolidated Cash Cover Ratio, as defined in the City of Dreams Project Facility.

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.

***(d) 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. We do not guarantee that we are able to satisfy all conditions precedent under our current or future debt facilities.***

Our current and future debt facilities 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.

***(e) 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 instruments. The value of the collateral may not be sufficient to repay all of our indebtedness, which could result in the loss of your investment as a shareholder.

***(f) Recent turmoil in the credit markets taken together with the role of the credit agencies may affect our ability to maintain current financing or obtain future financing which could result in delays in our project development schedule and could impact our ability to generate revenue from operations at our present and future projects.***

The recent turmoil in the credit markets may adversely affect our ability to maintain our current debt facility and to obtain additional or future financing for our operations and our current 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, this could adversely impact our existing operations, or cause delays in, or prevent completion of, the development of 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 recent turmoil in the credit markets.

**(6) Risks Relating to Our Corporate Structure and Ownership**

***(a) 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 the substantial majority of our outstanding shares, with each beneficially holding approximately 33.4% of our outstanding ordinary shares (exclusive of any ordinary shares represented by ADSs held by SPV) as of the date of this annual report. Melco and Crown have entered into a shareholders deed regarding the voting of their shares of our company under which each will agree 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 Crown and Melco, 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. If Melco or Crown provides shareholder support to us in the form of shareholder loans or provides credit support by guaranteeing our obligations, they may become our creditors with different interests than shareholders with only equity interests in us. The concentration of controlling ownership of our shares may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs.

***(b) Business conducted through joint ventures involves certain risks.***

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 MCE. As a joint venture controlled by Melco and Crown, there are special risks associated with the possibility that Melco and Crown may: (1) 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; (2) have operations and projects elsewhere in Asia that compete with our businesses in Macau and for available resources and management attention within the joint venture group; (3) take actions contrary to our policies or objectives; (4) be unable or unwilling to fulfill their obligations under the relevant joint venture or shareholders' deed; or (5) 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.

***(c) Melco and Crown may pursue additional casino projects in Asia, which, along with their current operations, may compete with our projects in Macau 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, which, along with their current operations, may compete with our projects in Macau 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's Crown Casino Melbourne and Burswood Casino in 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. Specifically, we have support arrangements with Melco and Crown under which they provide us technical expertise in connection with the on-going development of City of Dreams and the operations of the Altira Macau, City of Dreams and the Mocha Clubs businesses. Should Melco or Crown decide to focus more attention on casino gaming projects located in other areas of Asia 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, Melco or Crown may make strategic decisions to focus on their other projects rather than us, which could adversely affect our growth. We cannot guarantee you that Melco and Crown will make strategic and other decisions which do not adversely affect our business.

***(d) Changes in our share ownership, including a change of control or a change in the amounts or relative percentages of our shares owned by Melco and Crown, could result in our inability to draw loans or events of default under our indebtedness.***

The City of Dreams Project Facility includes provisions under which we may suffer an event of default upon the occurrence of a change of control with respect to Melco Crown Gaming, or a decline in the aggregate indirect holdings of Melco Crown Gaming shares by Melco and Crown below certain thresholds. Any occurrence of these events could be outside our control and could result in defaults and cross-defaults which cause the termination and acceleration of up to all of our credit facilities and potential enforcement of remedies by our lenders, which would have a material adverse effect on our financial condition and results of operations.

***(e) 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, then Crown maybe required to withdraw from the joint venture.***

Crown, through wholly owned subsidiaries, owns and operates the Crown Casino in Melbourne, Australia and the Burswood Casino in Perth, Australia. Crown's wholly owned subsidiaries hold casino licenses issued by the States of Victoria and Western Australia in Australia.

Crown, through a 50% owned joint venture subsidiary, owns and operates three casinos in the United Kingdom. The joint venture owns a 50% interest in a fourth casino in the United Kingdom.

Crown, through a 50% owned joint venture subsidiary, operates under a management agreement with the relevant provincial government authority seven casinos in British Columbia and two casinos in Alberta in Canada.

Under a previously announced Preferred Purchase Agreement, Crown has been required to be approved by gaming regulators in the State of Nevada and is undergoing approval in the State of Pennsylvania in the United States in relation to an investment in Cannery Casino Resorts LLC which owns and operates casinos in those states.

In all jurisdictions in which Crown, or one 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 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, then Crown may be required to withdraw from its joint venture with Melco 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 joint venture with Melco could cause the failure of conditions to drawing loans under our credit facilities or the occurrence of events that default under our credit facilities or as contemplated by our founders under their joint venture agreement.

***(f) We are a holding company and our only material sources of cash are and are expected to be dividends, distributions and payments under shareholder loans from our subsidiaries.***

We are a holding company with no material business operations of our own. Our only significant asset is the capital stock of our subsidiaries. We conduct virtually all of our business operations through our subsidiaries. Accordingly, our only material sources of cash are dividends, distributions and payments with respect to our ownership interests in or shareholder loans that we may make to our subsidiaries that are derived from the earnings and cash flow generated by our operating properties. Our subsidiaries might not generate sufficient earnings and cash flow to pay dividends, distributions or payments under shareholder loans in the future. In addition, our subsidiaries' debt instruments and other agreements, including those that we have entered into in connection with City of Dreams, limit or prohibit, or are expected to limit or prohibit, certain payments of dividends, other distributions or payments under shareholder loans to us.

**(7) Risks relating to future developments**

All our 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. These risks include the following:

- lack of sufficient or delays in availability of financing;
- 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;
- 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;
- disputes with and defaults by contractors and subcontractors;
- environmental, health and safety issues, including site accidents and the spread of viruses such as H1N1 or H5N1;
- 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 and 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 to complete. We cannot guarantee that our construction costs or total project costs for future projects will not increase beyond amounts initially budgeted.

**(8) Risks Relating to the ADSs**

***(a) 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, 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 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 March 16, 2010, the trading prices of our ADSs ranged from US\$2.27 to US\$23.55 per ADS and the closing sale price on March 16, 2010 was US\$4.85 per ADS. The market price for our 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 future projects;
- developments in the Macau market or other Asian gaming markets, including the announcement or completion of major new projects by our competitors;
- regulatory developments affecting us or our competitors;
- actual or anticipated fluctuations in our quarterly operating results;

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- 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 share of the Macau gaming market;
- addition or departure of our executive officers and key personnel;
- fluctuations in the exchange rates between the U.S. dollar, Hong Kong dollar, Pataca and Renminbi;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares or ADSs;
- sales or perceived sales of additional ordinary shares or ADSs or securities convertible or exchangeable or exercisable for ordinary 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.

***(b) We currently do not intend to pay dividends, and we cannot assure you that we will make dividend payments in the future.***

We may pay dividends to shareholders in the future; however, such 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 of directors. We currently intend to retain all of our earnings to finance the development and expansion of our business. Accordingly, we do not intend to declare or pay cash dividends on our ordinary shares in the near to medium term. Except as permitted under the Cayman Islands Companies Law (as amended) 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 the directors of our company determine is no longer needed. We currently have no reserve set aside from profits for the payment of dividends. We cannot assure you that we will make any dividend payments on our ordinary shares in the future. Our ability to pay dividends, and our subsidiaries' ability to pay dividends to us, may be further subject to restrictive covenants contained in the City of Dreams Project Facility, and in other facility agreements governing indebtedness we and our subsidiaries may incur.

***(c) Substantial future sales or perceived sales of our ADSs in the public market could cause the price of our ADSs to decline.***

Sales of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. All of the ordinary shares beneficially held by Melco and Crown are available for sale, subject to volume and other restrictions, as applicable, under Rule 144 and Rule 701 under the Securities Act and subject to the terms of their shareholders' deed. To the extent these shares are sold into the market, the market price of our ADSs could decline.

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. Sales of these registered shares in the public market could cause the price of our ADSs to decline.

Any decision by us to raise further equity in the market, which would result in dilution to existing shareholders, could cause the price of our ADSs to decline.

***(d) 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 amended and restated articles of association, 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 holders of ADSs or carry out the voting instructions of holders of ADSs in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to holders of ADSs in a timely manner, but we cannot assure holders of ADSs that they will receive the voting materials in time to ensure that they can instruct the depositary to vote their 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, holders of ADSs may not be able to exercise their right to vote and they may lack recourse if their ADSs are not voted as they requested. In addition, in their capacity as an ADS holder, they will not be able to convene a shareholder meeting.

***(e) Holders of ADSs may be subject to limitations on transfers of your ADSs.***

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.

***(f) 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 depositary 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 depositary 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 depositary 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 depositary 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 depositary may decide not to distribute such property and you will not receive such distribution.

***(g) 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, our shareholders may have less protection in terms of shareholder rights than they would under U.S. law.***

Our corporate affairs are governed by our amended and restated memorandum and articles of association, the Cayman Islands Companies Law (as amended) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands 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 the board of directors or controlling shareholders than they would as shareholders of a U.S. public company.

**(h) *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 and Hong Kong. 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 and Hong Kong 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 or Hong Kong 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 or Hong Kong courts would be competent to hear original actions brought in the Cayman Islands, Macau or Hong Kong against us or such persons predicated upon the securities laws of the United States or any state.

**(i) *We may be treated as a passive foreign investment company, which could result in adverse United States federal income tax consequences to U.S. Holders.***

Although the applicable rules are not clear, we believe that we were not in 2009, and we do not currently expect to be in 2010, a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. This determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, including the value of our assets (such as goodwill) and the amount and type of our income. Accordingly, there can be no assurance that we will not become a PFIC or that the U.S. Internal Revenue Service will agree with our conclusion regarding our PFIC status for any taxable year. If we are a PFIC in any year, U.S. Holders of the ADSs or ordinary shares could suffer adverse U.S. federal income tax consequences. 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**

Melco Crown Entertainment Limited 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 MCE. As a result, in May 2008, we changed our name to Melco Crown Entertainment Limited.

Our subsidiary Melco Crown Gaming is one of six companies authorized by the Macau government 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. 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, which has the highest initial listing standards of any exchange in the world based on financial and liquidity requirements.

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.

We have appointed CT Corporation System at 111 Eighth Avenue, New York, NY 10011 as our agent for service of process in the United States.

You should direct all inquiries to us at the address and telephone number of our principal executive offices set forth above. Our website is [www.melco-crown.com](http://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, through our subsidiary Melco Crown Gaming, operator of casino gaming and entertainment resort facilities focused on the Macau market. Melco Crown Gaming is one of six companies licensed, through concessions or subconcessions, to operate casinos in Macau.

We have chosen to focus on the Macau gaming market because we believe that Macau will continue to be one of the largest gaming destinations in the world. In 2009, 2008 and 2007, Macau generated approximately US\$14.9 billion, US\$13.6 billion and US\$10.4 billion of gaming revenue, respectively, according to the DICJ, compared to the US\$5.5 billion, US\$6.0 billion and US\$6.7 billion (excluding sports book and race book) of gaming revenue, respectively, generated on the Las Vegas Strip, according to the Nevada Gaming Control Board, and compared to the US\$3.9 billion, US\$4.5 billion and US\$4.9 billion of gaming revenue (excluding sports book and race book), respectively, generated in Atlantic City, according to the New Jersey Casino Control Commission. Gaming revenue in Macau has increased at a five-year CAGR from 2004 to 2009 of 23.60% compared to five-year CAGRs of 0.86% and -3.89% for the Las Vegas Strip and Atlantic City, respectively (excluding sports book and race book). Macau benefits from its proximity to one of the world's largest pools of existing and potential gaming patrons and is currently the only market in Greater China, and one of only several in Asia, to offer legalized casino gaming.

The Macau market is dominated by gaming table play heavily skewed to baccarat, which historically has accounted for more than 85% of all gaming revenues generated in Macau. There are two distinct forms or programs of baccarat which exist in Macau: rolling chip baccarat and non-rolling chip baccarat. A baccarat patron wagering under the rolling chip program will generally require credit in order to be able to buy-in to non-negotiable rolling chips and will earn a rebate derived from the volume of roll that the patron generates. The rebate has the effect of reducing the house advantage that exists to the favor of the casino on baccarat. Baccarat is also played in Macau on a non-rolling chip (or traditional cash chip) basis, which does not provide the patron with a rebate based on volume of play, and does not involve the provision of credit.

A substantial majority of the rolling chip baccarat segment revenue generated by the casino operators in Macau is derived from patrons who collaborate with gaming promoters, primarily in order to access the credit that is then available. A gaming promoter, also known as a junket representative, is a person who, for the purpose of promoting rolling chip gaming activity, arranges customer transportation and accommodation, and provides credit in their sole discretion, food and beverage services and entertainment in exchange for commissions or other compensation from a concessionaire or subconcessionaire. In 2009 the Macau government fixed the maximum commission that can be paid to junket operators.

Rolling chip program baccarat is referred to as the "VIP segment" in Macau and non-rolling chip baccarat, together with all other forms of gaming table and all gaming machines play, is collectively referred to as the "mass segment" in Macau.

Rolling chip volume and non-rolling chip volume are not equivalent. Rolling chip volume is a measure of amounts wagered and lost. Non-rolling chip volume measures buy-in. Therefore rolling chip volume will generally be substantially higher than non-rolling chip volume.

Macau enjoys a symbiotic relationship with the wider Asian region, and experiences a wide array of peaks and seasonal effects. The "Golden Weeks" and "Chinese New Year" holidays are the key periods where business and visitation fluctuate considerably.

Through our operations, we cater to a broad spectrum of potential gaming patrons, including patrons who seek the excitement of high stake rolling chip gaming, as well as more casual gaming patrons seeking a broader entertainment experience. We seek to attract these patrons from throughout Asia and in particular from Greater China.

Our leadership and vision have been evidenced over the last couple of years through the early development of the Mocha brand, the evolution of the Altira Macau (formerly known as Crown Macau) property, the ability to diversify our portfolio of properties and supporting our staff through market leading business models.

Our Mocha Clubs and Altira Macau operations have successfully driven a solid market share in their respective markets. The introduction of City of Dreams has rounded out these offerings and resulted in a well diversified gaming and entertainment mix within Macau.

Our aim to leverage the complimentary nature of and gain maximum benefit from each of our core assets will, we believe, enhance our market leadership position and strengthen our competitive advantage.



## **Operations**

### ***City of Dreams***

City of Dreams, an integrated urban entertainment resort development, has become a “must experience” destination in Macau since it opened in Cotai in June 2009. As the only major casino opening in Macau in 2009, the resort brings together a collection of world-renowned brands such as Crown, Grand Hyatt, Hard Rock and Dragone to create an exceptional guest experience that appeals to a broad spectrum of visitors from around Asia and the world. The initial opening of City of Dreams featured a 420,000 sq. ft. casino with approximately 500 gaming tables and approximately 1,300 gaming machines; over 20 restaurants and bars; an array of some of the world’s most sought-after retail brands; and The Bubble, an iconic and spectacular audio visual multimedia experience. The Crown Towers and the Hard Rock Hotel offer approximately 300 guest rooms each. Grand Hyatt Macau offers approximately 800 guest rooms. A Dragone inspired theater production is scheduled to open in the purpose-built Theater of Dreams in the second half of 2010. A second planned phase of development at City of Dreams will feature an apartment hotel consisting of approximately 800 units, which will be financed separately from the rest of the City of Dreams. The development of the apartment hotel is subject to the availability of additional financing, the Macau government’s approval and the approval of our lenders under our existing and any future debt facilities. Our project costs, including the casinos, the Hard Rock hotel, the Crown Towers hotel, the Grand Hyatt twin-tower hotel, the purpose built wet stage performance theater, all retail space together with food and beverage outlets, was US\$2.4 billion, consisting primarily of construction and fit-out costs, design and consultation fees, and excluding the cost of land, capitalized interest and reopening expenses.

### ***Altira Macau***

Altira Macau is designed to provide a luxurious casino and hotel experience which is primarily tailored to meet the cultural preferences and expectations of Asian rolling chip customers and the gaming promoters who collaborate with Altira Macau. We believe that gaming venues traditionally available to high-end patrons in Macau have not offered the luxurious accommodation and facilities we offer at Altira Macau, and instead have focused primarily on intensive gaming during day trips and short visits to Macau. Altira Macau won the “Best Casino Interior Design Award” in the first International Gaming Awards in 2008 which recognizes outstanding design in the casino sector. Altira Macau has now been awarded the Forbes Five Star rating in both Lodging and Spa categories by the 2010 Forbes Travel Guide (formerly Mobil Travel Guide).

The casino at Altira Macau has approximately 183,000 sq. ft. of gaming space and features approximately 210 gaming tables. The multi-floor layout provides general gaming areas as well as limited access high-limit private gaming areas and private gaming rooms catering to high-end patrons. High-limit tables located in the limited access private gaming areas provide our high-end patrons with a premium gaming experience in an exclusive private environment. The table limits on our main casino floors accommodate a full range of casino patrons. Due to the flexibility of our multi-floor layout, we are able to reconfigure our casino to meet the evolving demands of our patrons and target specific segments we deem attractive on a periodic basis.

Altira Hotel, located within the 38-story Altira Macau, is recognized as one of the leading hotels in Macau. The top floor of the hotel serves as the hotel lobby and reception area, providing guests with sweeping views of the surrounding area. The hotel comprises approximately 216 deluxe rooms, including 24 suites and 8 high end villas and features a luxurious interior design combining elegance and comfort with some of the latest in-room entertainment and communication facilities.

A number of restaurants and dining facilities are available at Altira Macau, including Tenmasa, a renowned Japanese restaurant in Tokyo, several Chinese and international restaurants, dining areas and restaurants focused around the gaming areas and a range of bars across multiple levels of the property. Altira Hotel also offers high-quality non-gaming entertainment venues, including a spa, gymnasium, outdoor garden podium and a sky terrace lounge.

The introduction of highly experienced local management in 2008 to the Altira Macau property has been successful. Our team has a deep understanding of its customers and will continue to hone the operational effectiveness of our property through the development of a tailored experience for its customers.

Altira is a property brand that has been developed in-house by the Company to target the Asian rolling chip market. The brand supports our overarching business objective at the Altira Macau property of developing our position as the premier Asian rolling chip casino. The rebranding of Crown Macau as Altira Macau reinforces two key strategies for the property: first, to align the brand positioning of the property with its concentrated market focus on Asian rolling chip customers which has prevailed since late 2007; and second, to focus the Crown property brand solely at the City of Dreams property targeting premium VIP customers sourced through the regional marketing networks operated by us. The Altira brand was launched in April 2009. In late 2009 Altira successfully transitioned from a gaming promoter aggregator model to one where we contract directly with all our gaming promoters.

### ***Mocha Clubs***

Mocha Clubs first opened in September 2003 and has expanded operations to eight clubs with a total of approximately 1,500 gaming machines, each club with an average of approximately 187 gaming machines and gaming space ranging from approximately 5,000 sq. ft. to 15,000 sq. ft. The clubs comprise the largest non-casino-based operations of electronic gaming machines in Macau and are conveniently located with strong pedestrian traffic, typically within three-star hotels. Each club site offers a relaxed ambiance and electronic tables without dealers or punters. Our Mocha Club gaming facilities include 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 each other in electronic roulette, baccarat and sicbo, a traditional Chinese dice game.

Mocha Clubs focus on mass market and casual gaming patrons, including local residents and day-trip customers, outside the conventional casino setting. The Mocha Club at Mocha Square which was temporarily closed for renovations from the end of 2007 resumed operations on February 20, 2009. We re-decorated the ground and first floors of the Hotel Taipa Square Mocha Club to facilitate easier access by customers during January 2009. As of December 31, 2009, Mocha had 1,561 gaming machines in operation, representing 11% of total machine installation in the market.

### ***Taipa Square Casino***

Taipa Square Casino held its grand opening on June 12, 2008. The casino has approximately 18,300 sq. ft. of gaming space and features approximately 31 gaming tables servicing mass market patrons. Taipa Square Casino operates within Hotel Taipa Square located on Taipa Island, opposite the Macau Jockey Club.

### **Development Projects**

#### ***General***

In the ordinary course of our business, in response to market developments and customer preferences, we have made and continue to make certain enhancements and refinements to our properties. We have incurred and will continue to incur these capital expenditures at our properties.

#### ***Future Pipeline Projects***

We continually seek out new opportunities for additional gaming or related businesses in Macau and will continue to target the development of a future project pipeline in Macau in order to maximize the business and revenue potential of Melco Crown Gaming's investment in its subconcession. This remains a core strategy for us. We will also maintain our focus on three principles in defining and setting the pace, form and structure for any future pipeline development. The three principles we adhere to are: (i) securing financing for any project before commencing construction; (ii) ensuring that our existing portfolio of properties is enhanced by the new development through a developed understanding of how the market for our properties and services has continued to evolve and segment; and (iii) pacing new supply in accordance with the demands of the market. We believe that the current capital raising market conditions will continue to be challenged for the foreseeable future and as such we expect that our existing pipeline of future development projects remains delayed beyond the end of the current year.

#### ***City of Dreams Phase II***

We are in the final stage of concluding a revision to our land lease agreement for City of Dreams pursuant to which we will be able to increase the developed gross floor area by approximately 1.6 million square feet. It is our current plan to develop an apartment hotel tower at City of Dreams and we continue to assess market conditions and other operating factors to ascertain whether this plan represents best use of the potential developable opportunity at City of Dreams.

#### ***Macau Studio City Project***

Melco Crown Gaming has entered into a services agreement with New Cotai Entertainment and New Cotai Entertainment, LLC, under which Melco Crown Gaming will operate the casino portions of the Macau Studio City project, a large scale integrated gaming, retail and entertainment resort development. The project is being developed by a joint venture between eSun Holdings Limited, CapitaLand Integrated Resorts Pte Ltd and New Cotai Holdings, LLC, which is primarily owned by investment funds and David Friedman, a former senior executive of Las Vegas Sands. Under the terms of the services agreement, Melco Crown Gaming will retain a percentage of the gross gaming revenues from the casino operations of Macau Studio City. We will not be responsible for any of the project's capital development costs, and the operating expenses of the casino will be substantially borne by New Cotai Entertainment. The formal opening of Macau Studio City has not yet been announced. Factors influencing the opening of this project include consensus amongst the joint venturers regarding the development of this project and the timing for the completion of financing for this project.

### ***Macau Peninsula Site***

In May 2006, we entered into a conditional agreement to acquire a third development site, which is located on the shoreline of Macau Peninsula near the current Macau Ferry Terminal, or Macau Peninsula site. The acquisition price for the site was HK\$1.5 billion (US\$192.8 million), of which we paid a deposit of HK\$100 million (US\$12.9 million). The targeted purchase completion date of July 27, 2009 for the acquisition of the peninsula site passed and the acquisition agreement was terminated by the relevant parties on December 17, 2009. The deposit under the acquisition agreement has been refunded to us. Our decision to terminate the agreement to acquire the Macau Peninsula site was based on our view that Cotai has established itself as the primary location for future development projects.

### **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 Macau. To achieve our objective, we have developed the following core business strategies:

#### ***Maintain a Strong Balance Sheet and Conservative Capital Structure, De-Leverage and Remain Alert to Opportunistic Growth Opportunities***

We believe that a strong balance sheet is a core foundation for our future growth strategy. We will continue to raise the development funds that we need when we are able to do so, not when we are required to do so, and we will in the first instance and as priority apply surplus cash generated from our operations to de-leveraging. Where applicable, we will plan our developments to include marketable non-core assets that can be sold to aid the financing of our core assets. Our time horizon for the future growth and development of the business is long and we understand that our history of development remains short. 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. We will endeavor to manage our business with this attitude and frame of mind.

#### ***Develop a Targeted Product Portfolio of Well-Recognized Branded Experiences***

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 our brands by building and maintaining higher quality properties than those that are generally available in Macau currently and which rival other high-end resorts located throughout Asia, and by providing a distinctive and unique set of experiences tailored to meet the cultural preferences and expectations of Asian customers.

Although we strive to have all of our properties consistently adhere to the ideals above, we have incorporated design elements at our properties that cater to specific customer segments. By utilizing a more focused strategy, we believe we can better service specific segments of the Macau gaming market.

#### ***Utilize Melco Crown Gaming's Subconcession to Maximize Our Business and Revenue Potential***

We intend to utilize Melco Crown Gaming's subconcession, which, like the other concessions and subconcessions, does not limit the number of casinos we can operate in Macau, to capitalize on the potential growth of the Macau gaming market provided by the greater independence, flexibility and economic benefits afforded by being a subconcessionaire. Possession of a subconcession gives us the ability to negotiate directly with the Macau government to develop and operate new projects without the need to partner with other concessionaires or subconcessionaires. Furthermore, concessionaires and subconcessionaires such as SJM and Galaxy have demonstrated that they can leverage their licensed status by entering into arrangements with developers and hotel operators that do not hold concessions or subconcessions to operate the gaming activities at their casinos under leasing or services arrangements and keep a percentage of the revenues. In 2008, the Macau government imposed a moratorium on new casino services agreements. In the event such moratorium is lifted, we may consider entering into other, similar arrangements with other such developers and hotel operators, subject to obtaining the relevant approvals.

#### ***Develop Comprehensive Marketing Programs***

We will continue to seek to attract customers to our properties by leveraging our brands and utilizing our own marketing resources and those of our founders. Altira Macau has combined its brand recognition with sophisticated customer management techniques and programs in order to build a significant database of repeat customers and loyalty club members. In addition, our international marketing network has established marketing offices in Beijing, Singapore, Taiwan and Malaysia 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 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;
- refine our own customer loyalty programs to further build a significant database of repeat customers, which we closely modeled on Crown's successful "Crown Club" program; and
- implement complimentary incentive programs and commission based programs with selected promoters to attract high-end customers.

#### ***Focus on Operating First Class Facilities***

We have assembled a dedicated management team with significant experience in operating large scale, high quality resort facilities.

Service quality and memorable experiences will continue to grow as a key differentiator among the operators in Macau. As the depth and quality of product offerings continue to develop and more memorable properties and experiences are created, tailored services will drive competitive advantage. As such, our focus on creating service experiences attuned to the tastes and expectations of an increasingly segmented, increasingly demanding and constantly evolving consumer is imperative.

The continued development of our staff and supporting resources are central to our success in this regard. We will invest in the long term development of our people through relevant training and experience sharing.

#### ***Leverage the Experiences and Resources of Our Founders***

We believe one of our great strengths is the combined resources of our shareholders, Melco and Crown. We intend to leverage their experiences and resources in the gaming industry in Asia and particularly with Chinese and other Asian patrons.

#### ***Our Properties***

We operate our gaming business in accordance with the terms and conditions of our gaming subconcession. In addition, our operations and development projects are also subject to the terms and conditions of land concessions and lease agreements for leased premises.

#### ***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 (approximately 1.2 million sq. ft.). On August 13, 2008, the Macau government formally granted a land concession for the City of Dreams site to Melco Crown (COD) Developments for a period of 25 years, renewable for further consecutive periods of up to ten years each. The premium is approximately MOP 842.1 million (equivalent to US\$105.1 million), of which approximately MOP 467.5 million (equivalent to US\$58.3 million) has been paid as of December 31, 2009 and the remaining premium of approximately MOP 374.6 million (equivalent to US\$46.8 million), accrued with 5% interest, will be paid in six biannual installments. We have also provided a guarantee deposit of approximately MOP 3.4 million (US\$424,000), subject to adjustments, in accordance with the relevant amount of government land use fees payable during the year. The land concession enables Melco Crown (COD) Developments to develop five star hotels, four star hotels, apartment hotels and a parking area with a total gross floor area of 515,156 square meters (approximately 5,545,093 sq. ft.). We have applied for an amendment to the land concession to enable the increase of the total developable gross floor area and on October 16, 2009 we received from the Macau government the initial terms for the revision of the land lease agreement pursuant to which we would be able to increase the developable gross floor area to 668,574 square meters (approximately 7,196,470 sq. ft.). In March 2010, our subsidiaries Melco Crown (COD) Developments and Melco Crown Gaming accepted the final terms for the revision of the land lease agreement and fully paid the additional premium in the amount of MOP 257.4 million (equivalent to US\$32.1 million) to the Macau government. Following the gazetting of such revision, the land grant amendment process will be complete. Under the revised land concession, the developable gross floor area at the site will be 668,574 square meters (approximately 7,196,470 sq. ft.).

During the construction period, we paid the Macau government land use fees at an annual rate of MOP 30.0 (US\$3.74) per square meter of land, or an aggregate annual amount of approximately MOP 3.4 million (US\$424,000). According to the terms of the revised offer from the Macau government, the annual government land use fees payable are approximately MOP 9.5 million (US\$1.2 million). The government land use fee amounts may be adjusted every five years.

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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.

Our purpose built 2,000 seat Theater of Dreams will stage “The House of Dancing Water” show. The production incorporates costumes, sets and audio and visual special effects. The cast of 77 international performance artists and the team of 130 production and technical staff have been recruited from 18 countries around the world. The House of Dancing Water is set to become the live entertainment centerpiece of City of Dreams’ overall leisure and entertainment offering. The production will reinforce City of Dreams’ position as a highly innovative and diverse entertainment-focused destination and strengthen the diversity of Macau as a multi-day stay market and one of Asia’s premier leisure and entertainment destinations.

### **Altira Macau**

The Altira Macau property and equipment is located on a plot of land of approximately 5,230 square meters (56,295 sq. ft.) under a 25-year land lease agreement with the Macau government which is renewable for successive periods of up to ten years until 2049, subject to obtaining approvals from the Macau government. The terms and conditions of the land lease agreement entered into in March 2006 by Altira Developments, our wholly-owned subsidiary through which Altira Macau was developed, require a land premium payment of approximately MOP 149.7 million (US\$18.7 million). The initial land premium payment of MOP 50.0 million (US\$6.2 million) was paid on November 25, 2005 upon acceptance of the terms and conditions of the agreement and the balance was paid in four equal semi-annual installments bearing interest at 5% per annum. We paid the outstanding balance in July 2006. A guarantee deposit of approximately MOP 157,000 (US\$20,000) was also paid upon signing of the lease and is subject to adjustments in accordance with the relevant amount of government land use fees payable during the year. We pay the Macau government land use fees of approximately MOP 1.4 million (US\$171,000) per annum. 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.

The Macau government approved total gross floor area for development for the Altira Macau site of approximately 95,000 square meters (1,022,600 sq. ft.).

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, casino and hotel furniture, fittings, and equipment.

### **Mocha Clubs**

Mocha Clubs operate at premises with a total floor area of approximately 63,010 sq. ft. at the following locations:

<b>Mocha Club</b>	<b>Opening Date</b>	<b>Location</b>	<b>Gaming Area (in sq. ft.)</b>
Mocha Altira	December 2008	Level 1 of Altira Macau	4,200
Mocha Square	October 2007	1/F, 2/F and 3/F of Mocha Square	6,000
Marina Plaza	December 2006	1/F and 2/F of Marina Plaza	12,500
Hotel Taipa	January 2006	G/F of Hotel Taipa	6,100
Sintra	November 2005	G/F and 1/F of Hotel Sintra	5,110
Taipa Square	March 2005	G/F, 1/F and 2/F of Hotel Taipa Square	14,500
Kingsway	April 2004	G/F of Kingsway Commercial Centre	6,100
Royal	September 2003	Lobby and 1/F of Hotel Royal	8,500
<b>Total</b>			<b>63,010</b>

For locations operating at leased or subleased premises, the lease and sublease terms are pursuant to lease agreements that expire at various dates through December 2021, which are renewable upon our giving notice prior to expiration and subject to incremental increases in monthly rentals, except for the Marina Plaza lease which will expire in 2011.

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.

### **Taipa Square Casino**

Taipa Square Casino premises, including the fit-out and gaming related equipment, located on the ground floor and level one within Hotel Taipa Square and having a floor area of approximately 1,700 square meters (approximately 18,300 sq. ft.), is operated under a Right-to-Use Agreement signed on June 12, 2008 with the owner, Hotel Taipa Square (Macau) Company Limited. The agreement is for a term of 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.

### **Other Premises**

Apart from the property sites for Altira Macau and City of Dreams, we maintain various offices and storage locations in Macau and Hong Kong. We lease all of our office and storage premises, except for five units located at Zhu Kuan Building whose property rights belong to us. The five units have a total area of approximately 839 square meters (approximately 9,029 sq. ft.) and we operate a Recruitment Center there. The five units were purchased by MPEL Properties Macau Limited, our indirect wholly owned subsidiary, for approximately HK\$79.7 million (US\$10.2 million) on August 15, 2008. The Zhu Kuan Building is erected on a plot of land under a land lease grant that expires on July 27, 2015. Such land lease grant is renewable for successive periods of up to ten years until 2049, subject to obtaining certain approvals from the Macau government.

### **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 strong 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. We hold various promotions and special events, operate loyalty programs and have developed a series of commission and other incentive-based programs for offer to gaming promoters and individuals alike, to be competitive in the Macau gaming environment.

### **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.

Gaming in Macau is administered through government-sanctioned concessions awarded to three different concessionaires — SJM, which is controlled by Dr. Stanley Ho, the father of Mr. Lawrence Ho, our co-chairman and chief executive officer, 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, a joint venture formed by MGM-Mirage and Ms. Pansy Ho, Dr. Stanley Ho's daughter and the sister of Mr. Lawrence Ho. Galaxy has granted a subconcession to The Venetian Macau, a subsidiary of US-based Las Vegas Sands Corporation, the developer of Sands Macao and the Venetian Macao. Melco Crown Gaming obtained its subconcession under the concession of Wynn Macau.

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 agreed under the existing concessions that it would not grant any additional gaming concessions until April 2009 and 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 by the end of 2012. In accordance with the DICJ the number of gaming tables operating in Macau as of December 2009 was 4,770. The Macau government 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 Government is prepared to authorize to operate.

SJM holds one of the three gaming concessions in Macau and currently operates multiple casinos throughout Macau. SJM has recently opened new facilities at Ponte 16 and Oceanus. Controlled by Dr. Stanley Ho, SJM has extensive experience in operating in the Macau market and long-established relationships in Macau.

Wynn Resorts (Macau), S.A. holds a gaming concession and opened the Wynn Macau in September 2006 on the Macau Peninsula. They are currently constructing an extension to Wynn Macau called Encore which is scheduled to open in 2010.



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Galaxy, the third concessionaire in Macau, currently operates multiple casinos in Macau. In October 2006, Galaxy opened the Galaxy StarWorld, a hotel and casino resort in Macau's central business and tourism district. Galaxy has also announced plans to develop Galaxy Mega Resort in Cotai.

With a subconcession under Galaxy's concession, The Venetian Macau Limited operates Sands Macao, together with the Venetian Macao and The Four Seasons Macau which are both located in Cotai.

MGM Grand Paradise, a joint venture, has been granted a subconcession under SJM's concession. In December 2007, MGM Grand Paradise opened the MGM Grand Macau, which is located next to Wynn Macau on the Macau Peninsula.

We may also face competition from casinos and gaming resorts located in other Asian destinations together with cruise ships. 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 the Philippines, although they are relatively small compared to those in Macau. In addition, there are a number of casino complexes in Cambodia. We believe Australia currently offers the closest gaming facilities in Asia comparable to Macau casinos. The major gaming markets in Australia are located in Melbourne, Perth, Sydney and the Gold Coast.

Singapore has legalized casino gaming and awarded casino licenses to Las Vegas Sands Corporation and Genting International Bhd. in 2006. Genting opened its resort in Sentosa, Singapore in February 2010. In addition, several other Asian countries are considering or are in the process of legalizing gambling and establishing casino-based entertainment complexes.

### **Intellectual Property**

We have registered the trademarks "Altira", "Mocha Club" and "City of Dreams" in Macau. We are currently examining the registration in Macau of certain other trademarks and service marks to be used in connection with the operations of our hotel casino projects in Macau. We have entered into a license agreement with Crown Melbourne Limited and obtained an exclusive and non-transferable license to use the Crown brand in Macau. Our hotel management agreements provide us the right to use the Grand Hyatt trademarks on a non-exclusive and non-transferable basis. Our trademark license agreements with Hard Rock Holdings Limited provide us the right to use the Hard Rock brand in Macau, which we plan to use at City of Dreams. Pursuant to these agreements, we have the exclusive right to use the Hard Rock brand for a hotel and casino facility at City of Dreams for a term of ten years based on percentages of revenues generated at the property payable to Hard Rock Holdings Limited. We also purchase gaming tables and gaming machines and enter into licensing agreements for the use of certain trade names 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. Crown Melbourne Limited, the owner of a number of "Crown" trademarks in Macau licensed to us has an ongoing legal proceeding regarding a number of "Crown" trademarks in Macau. For more information, see "—Legal and Administrative Proceedings".

### **Legal and Administrative Proceedings**

We are currently a party to certain legal proceedings which relate to matters arising out of the ordinary course of our business. Our management does not believe that the outcome of such proceedings will have a material adverse effect on our company's financial position or results of operations. Crown Melbourne Limited, a wholly-owned subsidiary of Crown and the owner of the "Crown" brand, registered a number of "Crown" based trademarks in Macau in 1996 and in 2005, sought to register other trademarks for the "Crown" brand. In August 2005, a company called Tin Fat Gestao E Investimentos Limitada, or Tin Fat, sought to have the registration of the registered marks removed on the basis of non-use and opposed the application for registration of the additional marks. These challenges mainly relate to the "accommodation" class of registration, not the gaming class. Tin Fat is the operator of a hotel adjacent to the Macau airport, which changed its name in 2004/2005 to Golden Crown China Hotel (Macau). Tin Fat has applied to register Golden Crown China Hotel (Macau) and the Chinese and Portuguese equivalents. Crown Melbourne Limited has successfully opposed these registrations and has defended a number of oppositions in the Macau Intellectual Property Department and the Court of First Instance in Macau. To date Tin Fat's applications and oppositions have all been unsuccessful and they have lodged numerous appeals in these actions. In some of the Key opposition matters (such as the CROWN trade mark), Crown Melbourne Limited has succeeded in the final Court of Appeal in Macau (Tin Fat cannot further appeal).

We understand that Crown Melbourne Limited intends to continue to vigorously defend all the remaining appeals lodged by Tin Fat. 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 as licensed to us by Crown Melbourne Limited. We understand that Crown Melbourne Limited intends to vigorously defend the appeal lodged by Tin Fat.

### **Gaming Regulations**

The ownership and operation of casino gaming facilities in Macau are subject to the general laws (e.g., Civil Code, Commercial Code) and to specific gaming laws, in particular, Law No. 16/2001, and various regulations govern the different aspects of the gaming activity. Macau's gaming operations are subject to the grant of a concession or subconcession by and regulatory control of the Macau government ("Dispatch" of the Chief Executive).

The laws, regulations and supervisory procedures of the Macau gaming authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the adequate operation and exploitation of games of fortune and chance;
- the fair and honest operation and exploitation of games of fortune and chance free of criminal influence;
- the protection of the Macau SAR interest in receiving the taxes resulting from the gaming operation; and
- the development of the tourism industry, social stability and economic development of the Macau SAR.

If we violate the Macau gaming laws, Melco Crown Gaming'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 laws 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 the conceded business without permission, which is not caused by force majeure or the occurrence of serious chaos in our overall organization and operation, or in the event of insufficiency of our facilities and equipment which may affect the normal operation of the conceded business, the Macau government would be entitled to replace Melco Crown Gaming directly or through a third party during the aforesaid termination or suspension or subsistence of the aforesaid chaos and insufficiency and to ensure the operation of the conceded business and cause the adoption of necessary measures to protect the subject matter of the subconcession contract. Under such circumstances, the expenses required for maintaining the normal operation of the conceded business would be borne by us. Limitation, conditioning or suspension of any gaming registration or license or the appointment of a supervisor could, and revocation of Melco Crown Gaming's subconcession would, materially adversely affect our gaming operations.

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 found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock of a registered corporation beyond the period of time prescribed by the Macau government may lose his rights to the shares. We are subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us, we:

- pay that person any dividend or interest upon our shares;
- allow that person to exercise, directly or indirectly, any voting right conferred through shares held by that person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to require that unsuitable person to relinquish his or her shares.

Additionally, the Macau government, pursuant to its regulatory and supervisory control of suitability, has the authority to reject any person owning or controlling the stock of any corporation holding a subconcession.



The Macau government also requires prior approval for the creation of a lien over real property, shares, gaming equipment and utensils of a concession or subconcession holder and restrictions on its stock in connection with any financing. In addition, the creation of a lien over real property, shares, gaming equipment and utensils of a concession or subconcession holder and 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 corporation 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.

The Macau government also has the power to supervise subconcessionaires in order to assure financial stability and capacity.

The 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 received; or
- the number and type of gaming devices operated.

In addition to special gaming taxes, we are also required to contribute to the Macau government an amount equivalent to 1.6% of the gross revenue 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 charity activities.

Furthermore, we are also obligated to contribute to Macau an amount equivalent to 2.4% of the gross revenue of the gaming business for urban development, tourism promotion and the social security to Macau.

We are required to collect and pay, through withholding, statutory taxes on commissions or other remunerations paid to gaming intermediaries.

In August 2009 the Macau government amended the legislation on gaming promoter activity (Administrative Regulation 6/2002) permitting the imposition of a cap on the percentage of commissions payable by casino operators to gaming promoters. In September 2009 the Secretary for Economy and Finance issued a dispatch implementing a commission cap of 1.25% of net rolling effective as of September 22, 2009. The commission cap regulations impose fines (ranging from 100,000.00 patacas up to 500,000.00 patacas) on casino operators that do not comply with the cap and other fines (ranging from 50,000.00 patacas up to 250,000.00 patacas) on casino 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 gaming operator, by publishing such decision on the DICJ website and in two Macau newspapers (in Chinese and Portuguese respectively).

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.

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

#### **Anti-Money Laundering Regulations in Macau**

In conjunction with current gaming laws and regulations, we will be required to comply with the laws and regulations relating to anti-money laundering activities in Macau. Law 2/2006 of April 3, 2006, which came into effect on April 4, 2006, the Administrative Regulation (AR) 7/2006 of May 15, 2006, which came into effect on November 12, 2006 and the DICJ Instruction 2/2006 of November 13, 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 following 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 AR 7/2006 and the DICJ Instruction 2/2006, we are required to track and mandatorily report cash transactions and granting of credit with the minimum amount of MOP 500,000 (US\$62,000). Pursuant to the legal requirements above, if the customer provides all required information, and 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 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 to make available for our employees our guidelines and training modules in our intranet and on-line sites.

### **Subconcession Contract**

A summary of the key terms of Melco Crown Gaming’s subconcession contract is as follows:

*Subconcession Term.* The subconcession contract will expire in June 2022, the current expiration date of Wynn Macau’s concession, or, if the Macau government exercises its redemption right, in 2017. Based on information from the Macau government, proposed amendments to the relevant legislation are being considered. We expect that if such amendments take effect, on the expiration date of Melco Crown Gaming’s subconcession, unless the subconcession term is extended, only that portion of casino premises within our developments to be designated with the approval of the Macau government, including all equipment, would automatically revert to the Macau government without compensation to us. Until such amendments come into effect, all of our casino premises and gaming equipment would revert automatically to the Macau government without compensation to us. The Macau government may exercise its redemption right by providing us one year’s prior notice and paying fair compensation or indemnity to us. The amount of such compensation or indemnity will be determined based on the amount of gaming revenue generated by City of Dreams during the tax year prior to the redemption. It would not reimburse us for any portion of the US\$900.0 million paid to Wynn Macau for the subconcession.

*Development of Gaming Projects/Financial Obligations.* The subconcession contract requires us to make a minimum investment in Macau of MOP 4.0 billion (US\$499.2 million), including investment in fully developing Altira Macau and the City of Dreams, by December 2010. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Operations in the Gaming Industry in Macau—Under Melco Crown Gaming’s subconcession, the Macau government may terminate the subconcession under certain circumstances without compensation to Melco Crown Gaming, which would prevent it from operating casino gaming facilities in Macau and could result in defaults under our indebtedness and a partial or complete loss of our investments in our projects”. As of December 31, 2009, we have invested in the aggregate approximately US\$2.75 billion in Altira Macau and City of Dreams properties. We filed an application to obtain confirmation from the Macau government that we have invested in our project in Macau over MOP4.0 billion (US\$499.2 million). The application is being analyzed by the Macau government and we are currently preparing additional information that has been requested by the Macau government. We expect to complete this procedure before December 2010.

*Payments.* In addition to the initial US\$900.0 million that we paid to Wynn Macau when we obtained the subconcession, we are required to make certain payments to the Macau government, including a fixed annual premium per year of MOP 30.0 million (US\$3.7 million) and a variable premium depending on the number and type of gaming tables and gaming machines that we operate. The variable premium is calculated as follows: (1) MOP 300,000 (US\$37,437) per year for each gaming table (subject to a minimum of 100 tables) located in special gaming halls or areas reserved exclusively for certain kinds of games or to certain players; (2) MOP 150,000 (US\$18,719) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kinds of games or to certain players; and (3) MOP 1,000 (US\$125) per year for each electrical or mechanical gaming machine, including the slot machine.

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*Termination Rights.* The Macau government has the right, after notifying Wynn Macau, to unilaterally terminate Melco Crown Gaming's subconcession in the event of non-compliance by us with our basic obligations under the subconcession and applicable Macau laws. 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 Gaming'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 Gaming;
- 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 Gaming or the grant of a subconcession or entering into any agreement to the same effect; or
- failure by a controlling shareholder in Melco Crown Gaming to dispose of its interest in Melco Crown Gaming, within 90 days, following notice from the gaming authorities of another jurisdiction in which such controlling shareholder is licensed to operate casino games of chance to the effect that such controlling shareholder no longer wishes to own shares in Melco Crown Gaming.

These events could lead to the termination of Melco Crown Gaming's subconcession without compensation to us regardless of whether any such event occurred with respect to us or with respect to our subsidiaries which will operate our Macau projects. Upon such termination, the designated casino gaming premises and related equipment in Macau would automatically revert to the Macau government 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.

*Ownership and Capitalization.* (1) Any person who directly acquires voting rights in Melco Crown Gaming will be subject to authorization from the Macau government, (2) Melco Crown Gaming 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 Gaming would be subject to authorization from the Macau government, except when such acquisition is wholly made through the shares of publicly listed companies, (3) any person who directly or indirectly acquires more than 5% of the shares in Melco Crown Gaming 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), (4) the Macau government's prior approval would be required for any recapitalization plan of Melco Crown Gaming, and (5) the Chief Executive of Macau could require the increase of Melco Crown Gaming's share capital if he deemed it necessary. Under the authorization for the transfer of obligations, the Macau government has imposed that the transfer of shares in any direct or indirect shareholders of Altira Hotel, Altira Developments and Melco Crown (COD) Developments is subject to authorization from the Macau government.

*Others.* In addition, the subconcession contract contains various general covenants and obligations and other provisions, with respect to which the determination as to compliance is subjective. For example, compliance with general and special duties of cooperation, special duties of information, and with obligations foreseen for the execution of our investment plan may be subjective.

## **Tax**

We were 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 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 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 in the case of Mocha Slot Group Limited, it was subject to Macau complementary tax of 12% on activities conducted in Macau before the transfer of all of the Mocha Clubs assets and business to Melco Crown Gaming.

Our subsidiaries incorporated in Macau are subject to Macau complementary tax of 12% on their activities conducted in Macau. Having obtained a subconcession, Melco Crown Gaming has applied and has been granted the benefit of a corporate tax holiday on Macau complementary tax (but not gaming tax). This tax holiday exempts us from paying the Macau complementary tax for five years from 2007 to 2011 on income from gaming generated by Altira Macau, Mocha Clubs and City of Dreams, but we will remain subject to Macau complementary tax on profits from our non-gaming businesses. When this tax exemption expires, we cannot assure you that it will be extended beyond the expiration date.

Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax 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 its activities conducted in Macau and another one is subject to corporate tax in Beijing, Singapore, Taiwan on the activities conducted in Beijing, Singapore, Taiwan respectively through its marketing offices located in these jurisdictions.

Our subsidiaries incorporated in New Jersey and Delaware in the United States are subject to US federal and relevant state and local taxes.

## **Dividend Distribution**

*Restrictions on Distributions.* We are a holding company with no material operations of our own. Our assets consist, and will continue to consist, of our shareholdings in our subsidiaries. Our subsidiaries' current and future financing facilities will restrict our subsidiaries' ability to pay dividends to us and any financings we may enter into will likely restrict our ability to pay dividends to our shareholders. There is a blanket prohibition on paying dividends during the construction phase of the City of Dreams. Upon completion of the construction of City of Dreams, the relevant subsidiaries will only be able to pay dividends if they satisfy certain financial tests and conditions.

*Distribution of Profits.* All of our subsidiaries incorporated in Macau are required to set aside a minimum ranging from 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 statement of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the financial statements in the year in which it is approved by the boards of directors of the subsidiaries. As of December 31, 2009 and 2008, the balance of the reserve amounted to US\$3,000 in each of these periods.

## C. ORGANIZATIONAL STRUCTURE

### *Current Corporate Structure*

We are a holding company for the following principal operating subsidiaries: (1) Melco Crown Gaming, which is the holder of our subconcession; (2) Altira Hotel, (3) Altira Developments, (4) Melco Crown (COD) Hotels, and (5) Melco Crown (COD) Developments.

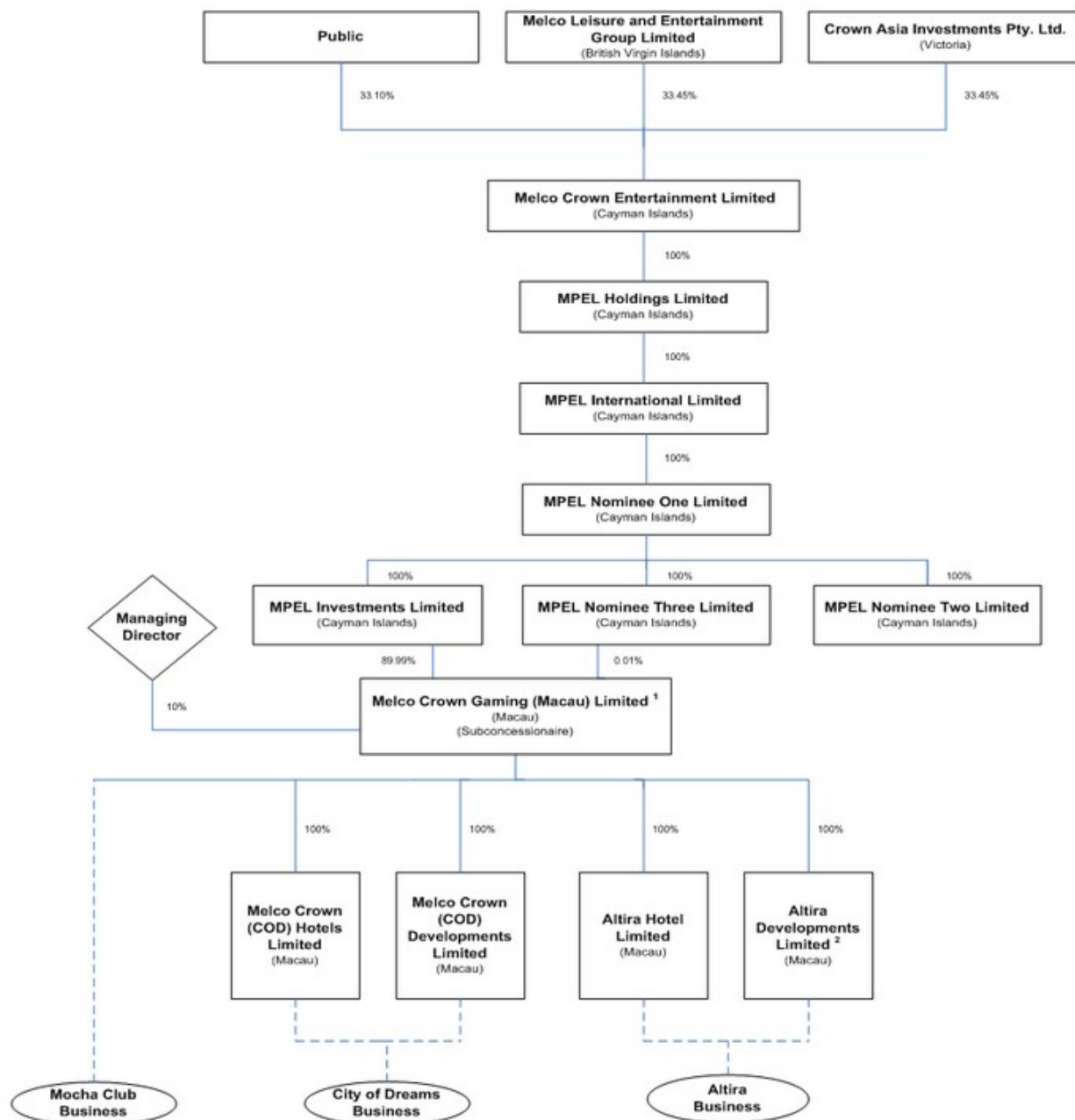
At the time of our initial public offering, through three intervening holding company subsidiaries incorporated in the Cayman Islands and wholly-owned by us (1) Melco PBL Holdings Limited, now MPEL Holdings Limited, (2) Melco PBL International Limited, now MPEL International Limited or MPEL International, and (3) Melco PBL Investments Limited, now MPEL Investments Limited or MPEL Investments, we held all of the class B shares of Melco Crown Gaming, representing 72% of the voting control of Melco Crown Gaming and the rights to virtually all the economic interests in Melco Crown Gaming. All of the class A shares of Melco Crown Gaming, representing 28% of its outstanding capital stock were owned by PBL Asia Limited, or PBL Asia (as to 18%) and, as required by Macau law, the managing director of Melco Crown Gaming (as to 10%). Mr. Lawrence Ho was appointed to serve as the managing director of Melco Crown Gaming. The class A shares were entitled as a class to an aggregate of MOP 1 in dividends and MOP 1 in proceeds of any winding up or liquidation of Melco Crown Gaming. MPEL Investments, PBL Asia, the managing director of Melco Crown Gaming and Melco Crown Gaming entered into a shareholders' agreement under which, among other things, PBL Asia agreed to vote its class A shares in the same manner as the class B shares on all matters submitted to a vote of shareholders of Melco Crown Gaming.

Prior to the close of the City of Dreams Project Facility, three more holding companies were incorporated through which we now hold our shares in Melco Crown Gaming: (1) MPEL Nominee One Limited or MPEL Nominee One, a Cayman Islands company, which is a 100% subsidiary of MPEL International and now holds 100% of the shares in MPEL Investments which in turn holds approximately 90% of the shares in Melco Crown Gaming made up of 1,799,999 class A shares and 7,200,000 class B shares ; (2) MPEL Nominee Three Limited or MPEL Nominee Three, a 100% subsidiary of MPEL Nominee One, which now holds one class A share in Melco Crown Gaming; and (3) MPEL Nominee Two Limited, which holds a minority shareholding in Melco Crown Gaming's Macau operating companies.

The above shareholding structure of Melco Crown Gaming was completed when PBL Asia transferred its 1,799,999 class A shares in Melco Crown Gaming to MPEL Investments and its one class A share to MPEL International on June 12, 2007 and when MPEL International transferred its one class A share in Melco Crown Gaming to MPEL Nominee Three on August 13, 2007. Mr. Lawrence Ho remains the Managing Director and 10% shareholder of Melco Crown Gaming. The shareholders' agreement for Melco Crown Gaming was terminated on December 7, 2007.

We also incorporated a direct wholly-owned subsidiary in Hong Kong, MPEL Services Limited (formerly Melco PBL Services Limited), for the purpose of entering into various administrative contracts, including leases for administrative office space, in Hong Kong.

The following diagram illustrates our company's organizational structure, and the place of formation, ownership interest and affiliation of each of our major subsidiaries as of December 31, 2009.



1. In respect of shares of each Macau subsidiary shown above, the shares are owned as to 96% by Melco Crown Gaming (Macau) Limited and 4% by MPEL Nominee Two Limited, except for the subsidiary referred to in footnote 2 below.
2. The shares of this company are owned as to 99.98% by Melco Crown Gaming (Macau) Limited, 0.01% by MPEL Nominee Three Limited and 0.01% by MPEL Nominee Two Limited.

## 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.*

Our audited historical consolidated financial statements and the audited historical financial statements of Mocha have been prepared in accordance with U.S. GAAP.

#### Overview

We are a holding company that, through our subsidiaries, develops, owns and operates casino gaming and entertainment resort facilities focused exclusively on the Macau market. We currently own and operate City of Dreams, which opened on June 1, 2009, Altira Macau which opened on May 12, 2007 and Mocha Clubs, a non-casino based operation of electronic gaming machines, which has been in operation since September 2003. 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 Early Stage of Development”. For detailed information regarding our operations and development projects, see “Item 4. Information on the Company—B. Business Overview”.

## A. OPERATING RESULTS

### Operations

#### *City of Dreams*

City of Dreams opened on June 1, 2009 and currently features a casino area of approximately 420,000 sq. ft. with a total of approximately 400 gaming tables and approximately 1,300 gaming machines; 1,400 hotel rooms and suites, over 20 restaurants and bars; 31 retail outlets; an innovative audio visual multimedia experience; recreation and leisure facilities, including health and fitness clubs, three swimming pools, spa and salons and banquet and meeting facilities. We are currently in the process of completing new entertainment venues to deliver our full service offering at City of Dreams. Our plan to construct an apartment hotel at City of Dreams is currently under evaluation.

#### *Altira Macau*

Altira Macau currently features a casino area of approximately 183,000 sq. ft. with a total of approximately 210 gaming tables, 216 deluxe hotel rooms, including 24 suites and 8 high end villas, several fine dining and casual restaurants, recreation and leisure facilities, including a health club, pool and spa and lounges and meeting facilities.

Since our opening of Altira Macau, we have further enhanced the casino in response to market demand and transferred the management of gaming machines to Mocha Clubs in 2008.

#### *Mocha Clubs*

Melco Crown Gaming currently operates eight Mocha Clubs in Macau with a total of approximately 1,500 gaming machines in operation.

#### *Taipa Square Casino*

Taipa Square Casino opened on June 12, 2008 and has approximately 18,300 sq. ft. of gaming space and features approximately 31 gaming tables.

## Future Pipeline Projects

### *The Macau Studio City Project*

Due to various developmental and financing issues related to Macau Studio City, a large scale integrated gaming, retail and entertainment resort development on Cotai, no estimated opening date can be projected at this point. Upon the completion of construction and occurrence of opening date for this project, we will be in a position to commence operating the casino portions of this project under a services agreement with New Cotai Entertainment (Macau) Limited. Other than entering into this services agreement, there have been no operating cashflows associated with this project.

## Summary of Financial Results

The following summarizes the results of our operations:

	Year Ended December 31,		
	2009	2008	2007
	<i>(in thousands of US\$)</i>		
Net revenues	\$ 1,332,873	\$ 1,416,134	\$ 358,496
Total operating costs and expenses	(1,604,920)	(1,414,960)	(554,313)
Operating (loss) income	(272,047)	1,174	(195,817)
Net loss	\$ (308,461)	\$ (2,463)	\$ (178,151)

Our results of operations for the years presented are not comparable for the following reasons:

- On June 1, 2009, City of Dreams opened featuring a 420,000 sq. ft. casino with approximately 500 gaming tables and 1,300 gaming machines, as well as approximately 600 hotel rooms and 20 food and beverage outlets.
- Following construction completion of Grand Hyatt Macau at City of Dreams in December 2009, a further 800 rooms were added.
- On May 12, 2007, Altira Macau opened and was fully operational by July 14, 2007.

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. In addition to our debt facility we currently rely on operating cash flows from only three businesses, City of Dreams, Altira Macau and Mocha Clubs, all in Macau, which expose us to certain risks that competitors, whose operations are more diversified, may be better able to control.

## Key Performance Indicators (KPIs)

In leading our company to the achievement of our objectives and strategies, we monitor our performance utilizing gaming resort industry key performance indicators. These indicators are included in our discussion below of the Company's operational performance for the periods in which a Consolidated Statement of Operations is presented.

For casino revenue, KPIs are defined as follows:

- *Table games win* : the amount of wagers won net of wagers lost that is retained and recorded as casino revenue.
- *Drop* : the amount of cash and net markers issued that are deposited in a gaming table's drop box to purchase gaming chips plus gaming chips purchased at the casino cage.
- *Gaming machine handle (volume)* : the total amount wagered in gaming machines in aggregate for the period cited.
- *Win percentage-gaming machines* : actual win expressed as a percentage of gaming machine handle.
- *Hold percentage* : the amount of win (calculated before discounts and commissions) as a percentage of drop.
- *Expected hold percentage* : casino win based upon our mix of games as a percentage of drop assuming theoretical house advantage is achieved.



There are also additional specific indicators utilized to monitor table game performance in Macau, relating to the VIP and mass market segments. In our VIP segment, customers primarily purchase identifiable chips known as non-negotiable chips (“Rolling Chips”) from the casino cage and there is no deposit into a gaming table drop box from chips purchased from the cage. Non-negotiable chips can only be used to make wagers. Winning wagers are paid in cash chips.

VIP market segment KPIs are known as rolling chip indicators and mass market segment KPIs are known as non-rolling chip indicators. These are defined as follows:

- *Rolling chip volume*: the amount of non-negotiable gaming chips wagered and lost by the VIP market segment, therefore tracking the sum of all losing wagers.
- *Rolling chip hold percentage*: VIP table games win as a percentage of rolling chip volume.
- *Non-rolling chip volume*: the amount of table games drop in the mass market segment, therefore tracking the initial purchase of chips.
- *Non-rolling chip hold percentage*: Mass market table games win as a percentage of non-rolling chip volume.

Rolling chip volume and non-rolling chip volume are not equivalent. Rolling chip volume is a measure of amounts wagered and lost. Non-rolling chip volume measures buy in. Therefore rolling chip volume will generally be substantially higher than non-rolling chip volume. As these volumes are the base used in the calculation of hold percentage with the same use of gaming win as the numerator, the hold percentage is smaller in the VIP market segment as opposed to the mass market segment.

Our combined expected rolling chip table games hold percentage (calculated before discounts and commissions) across City of Dreams and Altira Macau is in the range of 2.7% to 3.0%.

Our combined expected non-rolling chip table games hold percentage is in the range from 16% to 20%, which is based on the mix of table games at our casino properties as each table game has its own theoretical win percentage and our combined expected gaming machine hold percentage is in the range from 5% to 6%.

For Hotel Operations, KPIs are defined as follows:

- *Average Daily Rate, or ADR*: calculated by dividing total room revenue (less service charges, if any) by total rooms occupied, i.e., average price of occupied rooms per day.
- *Hotel occupancy rate*: the average percentage of available hotel rooms occupied during a period
- *Revenue per Available Room, or REVPAR*: calculated by dividing total room revenue (less service charges, if any) by total rooms available, thereby representing a summary of hotel average daily room rates and occupancy.

As not all available rooms are occupied, average daily room rates are normally higher than revenue per available room.

Our business is and will be influenced most significantly by the growth of the gaming and leisure market in Macau. Such growth will be affected by visitation to Macau and whether Macau develops into a popular international destination for gaming patrons, other customers of leisure and hospitality services and MICE attendees, as well as our ability to compete effectively against our existing and future competitors for market share.

Our business is affected by the markets for both commercial (including retail) and residential real estate in Macau. Our plan to monetize the apartment hotel complex which may be constructed as Phase II of City of Dreams will be subject to fluctuations in the Macau real estate market.

## **Year Ended December 31, 2009 Compared to Year Ended December 31, 2008**

### ***Revenues***

Consolidated net revenues in 2009 were US\$1.33 billion, a decrease of US\$83.3 million (or 5.9%) from US\$1.42 billion for 2008. The decrease in net revenues was driven by a decline in global economic conditions combined with low rolling chip hold percentages at Altira Macau and City of Dreams and was partially offset by the opening of City of Dreams in June 2009 which contributed US\$552.1 million in net revenues.

Consolidated net revenues in 2009 comprised of US\$1.30 billion in casino revenues (97.9% of total net revenues) and US\$28.2 million of net non-casino revenues (2.1% of total net revenues). Consolidated net revenues in 2008 comprised of US\$1.41 billion in casino revenues (99.3% of total net revenues) and US\$10.2 million of net non-casino revenues (0.7% of total net revenues).

*Casino.* Casino revenues for the year ended December 31, 2009 of US\$1.30 billion represented a US\$101.3 million (or 7.2%) decrease from casino revenues of US\$1.41 billion for the year ended December 31, 2008 due to decrease in casino revenue at Altira Macau by US\$651.0 million to US\$653.0 million, primarily driven by a decline in rolling chip volume combined with lower rolling chip hold percentage, partially offset by revenue of US\$532.5 million attributable to the opening of the City of Dreams in June 2009 with approximately 500 gaming tables and approximately 1,300 gaming machines.

Altira Macau's rolling chip volume for 2009 of US\$37.5 billion represented a decrease of US\$24.8 billion from US\$62.3 billion for 2008. Altira Macau's hold percentage for VIP rolling chip table games (calculated before discounts and commissions) was 2.55% for 2009, below our expected level of 2.85% and a decrease from 2.85% for 2008. In the mass market table games segment, drop (non-rolling chip) was US\$273.0 million for 2009 which decreased by 22.7% from US\$353.2 million for 2008. The mass market hold percentage was 16.0% for 2009, within our expected range of 16.0% to 20.0% and an increase from 14.6% for 2008.

City of Dreams' rolling chip volume was US\$20.3 billion and hold percentage for VIP rolling chip table games (calculated before discounts and commissions) was 2.65% for 2009, below the expected level of 2.85%. In the mass table games segment, drop (non-rolling chip) totaled US\$912.6 million and the hold percentage was 16.3%, which was in line with the expected range of 16.0% to 20.0% for the year ended December 31, 2009. Average net win per gaming machine per day was US\$137.

Mocha Club's average net win per gaming machine per day for 2009 was US\$182, a decrease of approximately US\$54 over 2008.

*Rooms.* Room revenue of US\$41.2 million for the year ended December 31, 2009 represented a US\$24.1 million (or 141.2%) increase from room revenue of US\$17.1 million for the year ended December 31, 2008 due to the opening at City of Dreams, with approximately 1,650 hotel rooms across both properties. Altira Macau's ADR, occupancy and REVPAR were US\$219, 92% and US\$201, respectively, for the year ended December 31, 2009. This compares with the ADR, occupancy and REVPAR of US\$236, 94% and US\$222, respectively for 2008. City of Dreams' ADR, occupancy and REVPAR were US\$159, 84% and US\$133, respectively.

*Food, beverage and others.* Other non-casino revenues for the year ended December 31, 2009 included food and beverage revenue of US\$28.2 million, and entertainment, retail and other revenue of approximately US\$11.9 million. Other non-casino revenue for the year ended December 31, 2008 included food and beverage revenue of US\$16.1 million, and entertainment, retail and other revenue of approximately US\$5.4 million. The increase of US\$18.6 million was primarily due to opening of City of Dreams and offset by decrease in revenue at Altira Macau as a result of reduced visitation.

### ***Operating costs and expenses***

Total operating costs and expenses were US\$1.60 billion for the year ended December 31, 2009, an increase of US\$190.0 million (or 13.4%) from US\$1.41 billion for the year ended December 31, 2008. The increase in operating costs of US\$190.0 million was primarily related to commencement of operation at City of Dreams in June 2009 and was partially offset by a decrease in operating costs at Altira Macau due to cost-savings initiatives.

*Casino.* Casino expenses decreased by US\$29.6 million (or 2.6 %) to US\$1.13 billion in 2009 from US\$1.16 billion in 2008 primarily due to decrease in gaming tax of US\$328.3 million and US\$140.9 million in casino-related expenses associated with payroll-related expenses and our rolling chip program at Altira Macau. This decrease was offset by an increase of US\$440.7 million casino expenses attributable to the opening of City of Dreams.

*Rooms.* Room expenses, which represent the costs in operating the hotel facilities at Altira Macau and City of Dreams, increased by 373.7% to US\$6.4 million in 2009 from US\$1.3 million in 2008, primarily due to commencement of operations at City of Dreams in June 2009.

*Food, beverage and others.* Food, beverage and other expenses increased by US\$6.9 million (or 49.1%) to US\$20.9 million in 2009 from US\$14.0 million in 2008, primarily due to commencement of operation at City of Dreams and offset by decrease in expenses at Altira Macau driven by the associated decrease in revenue as described above.

*General and administrative.* General and administrative expenses increased by US\$40.3 million (or 44.4%) to US\$131.0 million in 2009 from US\$90.7 million in 2008, primarily due to commencement of operations at City of Dreams in June 2009.

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*Pre-opening costs.* Pre-opening costs of US\$91.9 million were incurred in 2009 relating to the opening of City of Dreams. In 2008 we incurred pre-opening costs associated with City of Dreams of US\$21.8 million. Such costs relate primarily to personnel training, equipment, marketing, advertising and other administrative costs in connection with the opening of the property.

*Amortization of gaming subconcession.* Amortization of gaming subconcession recorded on a straight-line basis remained stable at US\$57.2 million in 2009 and 2008.

*Amortization of land use rights.* Amortization of land use rights expenses for 2009 of US\$18.4 million remained relatively consistent with 2008 of US\$18.3 million.

*Depreciation and amortization.* Depreciation and amortization expense increased by US\$90.5 million (or 176.1%) to US\$141.9 million in 2009 from US\$51.4 million in 2008 primarily due to depreciation of assets of City of Dreams following its opening in June 2009.

*Property charges and others.* Property charges and others generally includes 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, 2009 was US\$7.0 million which primarily included US\$4.1 million related to the re-branding of Altira Macau and US\$2.9 million related to asset write-offs as a result of our termination of the Macau Peninsula project. Property charges and others for the year ended December 31, 2008 was US\$0.3 million related to a minor reconfiguration of the casino at Altira Macau.

### ***Non-operating (expenses) income***

Non-operating (expenses) income consists of interest income and expenses, amortization of deferred financing costs, loan commitment fees, foreign exchange gain and loss as well as other non-operating income.

Interest income decreased by US\$7.7 million (or 93.9%) to US\$0.5 million in 2009, mainly due to a decline in interest rates and a decrease in average cash balances as a result of increased investment in completing the construction of City of Dreams.

Total interest expenses, which primarily included interest paid or payable on shareholders' loans, the US\$1.75 billion City of Dreams Project Facility, and interest rate swap agreements for 2009 and 2008 totalled US\$82.3 million and US\$49.6 million respectively, of which US\$50.5 million and US\$49.6 million was capitalized. Interest expenses net of capitalized interest increased by US\$31.8 million, primarily due to cessation of capitalizable interest following the opening of City of Dreams together with additional borrowings under the City of Dreams Project Facility.

Other finance costs included US\$6.0 million of amortization of deferred financing costs net of capitalization and US\$2.3 million of loan commitment fees related to the US\$1.75 billion City of Dreams Project Facility. The decrease from 2008 was attributable to decreases in the undrawn commitments as a result of drawdowns, on the City of Dreams Project Facility during the second half of 2008 and the first half of 2009.

Net foreign exchange gains for 2009 were US\$491,000, mainly resulting from foreign exchange transaction gains on Australian dollars, compared to US\$1.4 million of net foreign exchange gains for 2008. Other non-operating income increased to US\$2.5 million in 2009 from US\$972,000 in 2008.

### ***Income tax credit***

Our negative effective income tax rate was 0.04% for the year ended December 31, 2009, as compared to 37.4% for the year ended December 31, 2008. The negative effective income tax rate for the years ended December 31, 2009 and 2008 differs from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of change in valuation allowance on the net deferred tax assets in 2009 and 2008, the impact of net loss of Macau gaming operations during the year ended December 31, 2009 and the effect of tax holiday of US\$8.9 million on Macau gaming operations during the year ended December 31, 2008 due to our income tax exemption in Macau, which is set to expire in 2011. Our management does not anticipate recording an income tax benefit related to deferred tax assets generated by our Macau operations; however, to the extent that the financial results of our Macau 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***

As a result primarily of the foregoing, there was a net loss of US\$308.5 million for 2009, compared to a net loss of US\$2.5 million in 2008.

## Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

### Revenues

Consolidated net revenues were US\$1.42 billion for 2008, an increase of US\$1.06 billion (or 295.0%) from US\$358.5 million for 2007. The increase in net revenues was driven by improved operating performance and a full year of operations at Altira Macau, which opened on May 12, 2007 and was fully operational by July 14, 2007.

Consolidated net revenues in 2008 comprised of US\$1.41 billion in casino revenues (99.3% of total net revenues) and US\$10.2 million of net non-casino revenues (0.7% of total net revenues). Consolidated net revenues in 2007 comprised of US\$348.7 million in casino revenues (97.3% of total net revenues) and US\$9.8 million of net non-casino revenues (2.7% of total net revenues).

*Casino.* Casino revenues for the year ended December 31, 2008 of US\$1.41 billion represented a US\$1.06 billion (or 303.2%) increase from casino revenues of US\$348.7 million for the year ended December 31, 2007. Altira Macau's rolling chip volume for 2008 of US\$62.3 billion represented an increase of US\$47.9 billion from US\$14.4 billion for 2007. Altira Macau's hold percentage for VIP rolling chip table games (calculated before discounts and commissions) was 2.85% for 2008, in line with our expected level and an increase from 2.4% for 2007. In the mass table games segment, drop (non-rolling chip) totaled US\$353.2 million for 2008 which increased by 46.8% from US\$240.6 million for 2007. The mass market hold percentage was 14.6%, below the expected range of 16% to 18%, a decrease from 16.5% for 2007. Altira Macau's gaming machine handle (volume) was US\$166.9 million for 2008 an increase of US\$24.8 million from US\$142.1 million for 2007 and gaming machine revenue was increased by 36.7% to US\$13.4 million for 2008. Mocha Club's average net win per gaming machine per day for 2008 was US\$236, an increase of approximately US\$16 over 2007.

*Rooms.* Room revenue of US\$17.1 million for the year ended December 31, 2008 represented a US\$11.4 million (or 201.3%) increase from room revenue of US\$5.7 million for the year ended December 31, 2007 due to a full year of operation at Altira Macau in 2008. Altira Macau's ADR, occupancy and REVPAR were US\$236, 94% and US\$222, respectively, for the year ended December 31, 2008. This compares with the ADR, occupancy and REVPAR of US\$266, 66% and US\$174, respectively, for the year ended December 31, 2007.

*Food, beverage and others.* Other non-casino revenues for the year ended December 31, 2008 included food and beverage revenue of US\$16.1 million, and entertainment, retail and other revenue of approximately US\$5.4 million. Other non-casino revenue for the year ended December 31, 2007 included food and beverage revenue of US\$11.1 million and entertainment, retail and other revenue of approximately US\$2.0 million.

### Operating costs and expenses

Total operating costs and expenses were US\$1.41 billion for the year ended December 31, 2008, an increase of US\$860.6 million (or 155.3%) from US\$554.3 million for the year ended December 31, 2007. The increase in operating costs of US\$860.6 million was primarily related to a full year of operations of Altira Macau with increases in expenses commensurate with the increase in revenues and offset by a decrease in pre-opening costs relating to Altira Macau as more fully described below.

*Casino.* Casino expenses increased by US\$856.0 million (or 281.7%) to US\$1.16 billion in 2008 from US\$303.9 million in 2007, primarily due to an increase in gaming tax of US\$574.3 million and US\$257.6 million in casino-related expenses associated with additional payroll-related expenses and our rolling chip program at Altira Macau

*Rooms.* Room expenses, which represent the costs in operating the hotel facility at Altira Macau, decreased by 39.6% to US\$1.3 million in 2008 from US\$2.2 million in 2007, primarily due to an increase in complementary sales and recording the related costs under casino expenses.

*Food, beverage and others.* Food, beverage and other expenses increased by US\$3.0 million (or 26.6%) to US\$14.0 million in 2008 from US\$11.0 million in 2007, primarily due to related increases in the revenue for these segments.

*General and administrative.* General and administrative expenses increased by US\$7.9 million (or 9.6%) to US\$90.7 million in 2008 from US\$82.8 million in 2007, primarily due to growth in our operations, which included US\$1.6 million in additional share-based compensation expense.

*Pre-opening costs.* Pre-opening costs of US\$21.8 million were incurred in 2008 relating to the opening of City of Dreams. In 2007 we incurred pre-opening costs associated with both Altira Macau, which opened on May 12, 2007, and City of Dreams of US\$37.0 million and US\$3.0 million respectively. Such costs related to personnel training costs, equipment and other administrative costs, in connection with the future opening of these properties.

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*Amortization of gaming subconcession.* Amortization of gaming subconcession recorded on a straight-line basis remained stable at US\$57.2 million in 2008 and 2007.

*Amortization of land use rights.* Amortization of land use rights expenses increased by US\$1.0 million (or 5.7%) to US\$18.3 million in 2008 from US\$17.3 million in 2007 primarily due to a full year of amortization expense related to the revised land concession cost for City of Dreams by US\$41.7 million in October 2007, which in turn increased the amount of monthly amortization.

*Depreciation and amortization.* Depreciation and amortization expense increased by US\$11.9 million (or 30.2%) to US\$51.4 million in 2008 from US\$39.5 million in 2007 primarily due to a full year of operation of Altira Macau.

*Property charges and others.* Property charges and others generally includes 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, 2008 was US\$0.3 million related to a minor reconfiguration of the casino at Altira Macau. There was no property charges and others for the year ended December 31, 2007.

### **Non-operating (expenses) income**

Non-operating (expenses) income consists of interest income and expenses, amortization of deferred financing costs, loan commitment fees, foreign exchange gain and loss as well as other non-operating income.

Interest income decreased to US\$8.2 million in 2008 from US\$18.6 million in 2007, mainly due to a decline in interest rates and a decrease in average cash balances due to increased investment in City of Dreams.

Interest expenses, which included interest paid or payable on shareholders' loans, the US\$1.75 billion City of Dreams Project Facility, and interest rate swap agreements in 2008 totalled US\$49.6 million and was fully capitalized. The increase from US\$14.5 million in 2007 was primarily due to additional borrowings drawn under the City of Dreams Project Facility together with a full year of interest charges for the City of Dreams Project Facility incurred in 2008 as compared with only three months in 2007.

Other finance costs included US\$0.8 million of amortization of deferred financing costs net of capitalization and US\$15.0 million of loan commitment fees related to the US\$1.75 billion City of Dreams Project Facility. The increase from 2007 was attributable to additional fees incurred on the undrawn commitment of this facility.

Net foreign exchange gains for 2008 were US\$1.4 million mainly resulting from foreign exchange transaction gains on H.K. dollar, compared to US\$3.8 million of net foreign exchange gains for 2007. Other non-operating income increased to US\$972,000 in 2008 from US\$275,000 in 2007.

### **Income tax credit**

Our negative effective tax rate was 37.4% for the year ended December 31, 2008, as compared to 0.8% for the year ended December 31, 2007. The negative effective income tax rate for the years ended December 31, 2008 and 2007 differ from statutory Macau Complementary Tax rate of 12% primarily due to the effect of change in valuation allowance on the net deferred tax assets in 2008 and 2007, the effect of tax holiday of US\$8.9 million on Macau gaming operations during the year ended December 31, 2008 and the impact of net loss of Macau gaming operations during the year ended December 31, 2007 due to our income tax exemption in Macau, which is set to expire in 2011. Management does not anticipate recording an income tax benefit related to deferred tax assets generated by our Macau operations; however, to the extent that the financial results of our Macau 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**

As a result primarily of the foregoing, there was a net loss of US\$2.5 million for 2008, compared to a net loss of US\$178.2 million in 2007.

### **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, including those relating to the estimated lives of depreciable assets, asset impairment, fair value of restricted shares and shares options granted, allowances for doubtful accounts, accruals for customer loyalty rewards, revenue recognition, income tax and fair value of derivative instruments and hedging activities. Judgments are based on historical experience, terms of existing contracts, industry trends and information available from outside sources, as appropriate. 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***

We depreciate property and equipment on a straight line basis over their estimated useful lives commencing from the time they are placed in service. The estimated useful lives are based on the nature of the assets as well as current operating strategy and legal considerations such as contractual life. Future events, such as property expansions, property developments and refurbishments, new competition, or new regulations, could result in a change in the manner in which we use certain assets requiring a change in the estimated useful lives of such assets.

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

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.

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 years ended December 31, 2009, 2008 and 2007, impairment losses amounting to US\$282,000, US\$17,000 and US\$421,000, respectively, were recognized to write off gaming equipment due to the reconfiguration of the casino at Altira Macau to meet the evolving demands of gaming patrons and target specific segments. During the year ended December 31, 2009, an impairment loss amounting to \$2.9 million was recognized to write off the construction in progress carried out at the Macau Peninsula site following termination of the related acquisition agreement in December 2009.

***Goodwill and purchased intangible assets***

We review the carrying value of goodwill and purchased intangible assets with indefinite useful lives, representing trademarks of Mocha Clubs, 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, discounted cash flow and market comparable methods. These valuation techniques are based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, appropriate discount rates, long-term growth rates and appropriate market comparables.

A detailed evaluation was performed as of December 31, 2009 and the computed fair value of our reporting unit was significantly in excess of the carrying amount. As a result of this evaluation, we determined that no impairment of goodwill existed as of December 31, 2009.

Trademarks of Mocha Clubs are tested for impairment using the relief-from-royalty method and we determined that no impairment of trademarks existed as of December 31, 2009. Under this method, we estimate the fair value of the intangible assets through internal and external valuations, mainly based on the after-tax cash flow associated with the revenue related to the royalty. These valuation techniques are based on a number of estimates and assumptions, including the projected future revenues of the trademarks, appropriate royalty rates, appropriate discount rates, and long-term growth rates.



### ***Share-based compensation***

We issued restricted shares and share options under our share incentive plan during the years ended December 31, 2009, 2008 and 2007. 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, 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 our company.

The expected volatility and expected term assumptions can impact the fair value of restricted shares and share options. Because of our limited trading history 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 2009 awards (excluding stock option exchange program), a 10% change in the volatility assumption would have resulted in a US\$223,000 change in fair value and a 10% change in the expected term assumption would have resulted in a US\$90,000 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 on reporting revenue gross as a principal versus net as an agent, when accounting for operations of Taipa Square Casino and Grand Hyatt Macau hotel. For the operations of Taipa Square Casino, given 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, we are the principal and casino revenue is therefore recognized on a gross basis. For the operations of Grand Hyatt Macau hotel, we are the owner of the hotel property and Hyatt operates the hotel under a management agreement as hotel manager, providing management services to us, and we receive all rewards and take substantial risks associated with the hotel business. As such, we are the principal and the transactions of the hotel are therefore recognized on a gross basis.

Rooms, food and beverage, entertainment, retail and other revenues are recognized when services are provided. Advance deposits on rooms are recorded as customer deposits until services are provided to the customer. Minimum operating and right to use fee, adjusted for contractual base fee and operating fee 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 and points earned in customer loyalty programs, such as the player's club loyalty program.

The retail value of rooms, food and beverage, 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 primarily included in the 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. At December 31, 2009 and 2008, a substantial portion of our markers were due from customers residing in foreign countries. Accounts 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 specific review of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions. In determining our allowance for estimated doubtful debts, we apply industry standard reserve percentages to aged account balances and we specifically analyze the collectability of each account with a balance over a specified dollar amount, based upon the age, the customer's financial condition, collection history and any other known information. The standard reserve percentages applied are based on our historical experience and take into consideration current industry and economic conditions. At December 31, 2009, 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\$3.2 million.

**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, 2009 and 2008, we recorded valuation allowances of US\$33.1 million and US\$16.1 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, 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 allowance 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. We account for derivative financial instruments in accordance with applicable accounting standards. 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 other comprehensive income (loss), 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**

The following table sets forth a summary of our cash flows for the periods indicated:

	<b>Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<i>(in thousands of US\$)</i>		
Net cash (used in) provided by operating activities	\$ (112,257)	\$ (11,158)	\$ 147,372
Net cash used in investing activities	(1,143,639)	(913,602)	(972,620)
Net cash provided by financing activities	653,350	904,485	1,076,671
Net (decrease) increase in cash and cash equivalents	(602,546)	(20,275)	251,423
Cash and cash equivalents at beginning of year	815,144	835,419	583,996
Cash and cash equivalents at end of year	<u>\$ 212,598</u>	<u>\$ 815,144</u>	<u>\$ 835,419</u>

**Operating activities**

Net cash used in operating activities was US\$112.3 million in 2009, compared to US\$11.2 million in 2008. There was a decrease in operating cash flow mainly attributable to a decline in gaming revenue as described in the foregoing section, increased working capital for City of Dreams and Altira and increased pre-opening activities for City of Dreams. Net cash used in operating activities was US\$11.2 million in 2008, compared to US\$147.4 million net cash provided by operating activities in 2007. This was primarily attributable to the decrease of outstanding gaming chips and tokens, customer deposits, commission payables and other gaming related accruals resulting from a decline in gaming activity at the end of 2008 compared to 2007.



### ***Investing activities***

Net cash used in investing activities was US\$1.14 billion in 2009, compared to US\$913.6 million in 2008, primarily due to increased construction and development activity relating to City of Dreams contributing to our total capital expenditures for the year ended December 31, 2009 of US\$937.1 million, payment of the City of Dreams land use rights of US\$30.6 million and an increase of US\$168.1 million in the amount of restricted cash due to a deposit of cash into bank accounts restricted in accordance with the City of Dreams Project Facility which will be immediately released upon the final completion of City of Dreams and until this time is available for use as required for the City of Dreams' costs under disbursement terms specified in the City of Dreams Project Facility.

Net cash used in investing activities was US\$913.6 million in 2008, compared to US\$972.6 million in 2007 primarily due to increased construction and development activity relating to City of Dreams, with capital expenditure for the year ended December 31, 2008 of US\$1.05 billion and payment of the City of Dreams land use rights deposit of US\$42.1 million. This increase was offset by a decrease of US\$231.0 million in the amount of restricted cash due to the utilization of funds on additional loan drawdowns from the City of Dream Project Facility in 2008. Drawdown proceeds from the facilities must be deposited into restricted accounts and pledged to the credit facility lenders.

### ***Financing activities***

*Proceeds from Our Financing.* Net cash provided by financing activities amounted to US\$653.4 million for the year ended December 31, 2009, primarily due to drawdown proceeds of US\$270.7 million from the City of Dreams Project Facility and proceeds from our follow-on public offerings in May 2009 and August 2009 totaling US\$383.5 million after deducting the offering expenses. Net cash provided by financing activities amounted to US\$904.5 million for the year ended December 31, 2008, primarily due to drawdown proceeds of US\$912.3 million from the City of Dreams Project Facility.

*Shareholder Loans and Contributions.* As of December 31, 2009, we have approximately US\$115.7 million of outstanding shareholder loans from Melco and Crown, of which US\$115.6 million was in the form of fixed term loans repayable in May 2011. The fixed term loan from Crown is at an interest rate of 3-months HIBOR per annum and the fixed term loan from Melco is at 3-months HIBOR per annum and at 3-months HIBOR plus 1.5% per annum only during the period from May 16, 2008 to May 15, 2009 with the remaining balance of US\$25,000 repayable on demand and non-interest bearing.

No fees or proceeds are payable to Melco and Crown in return for their contributions to us or our subsidiaries and their future economic interest in us is solely based on their share ownership in forming our company.

*City of Dreams Project Facility.* On September 5, 2007, Melco Crown Gaming and certain other subsidiaries specified as guarantors, or the Borrowing Group, entered into the US\$1.75 billion City of Dreams Project Facility to finance a portion of the total project costs of City of Dreams. On September 24, 2007, the first drawdown which comprised both Hong Kong dollars and US dollars totaling the equivalent of US\$500.2 million was made under the City of Dreams Project Facility. Financing costs of US\$0.9 million, US\$7.6 million and US\$49.7 million in relation to the City of Dreams Project Facility were paid accordingly during the years ended December 31, 2009, 2008 and 2007, respectively. Subsequent drawdowns took place in 2008 and 2009, which comprised of both Hong Kong dollars and US dollars totaling the equivalent of US\$912.3 million and US\$270.7 million, respectively, under the City of Dreams Project Facility. Subject to satisfaction of the relevant conditions precedent, a further US\$50.3 million remained available for future drawdowns as at December 31, 2009 and as of the date of this annual report.

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.

### **Description of Our Indebtedness**

#### ***City of Dreams Project Facility***

The budgeted cost of construction and development of City of Dreams funded from a combination of the following sources:

- cashflow generated from the operations of our existing businesses;
- borrowings under the US\$1.75 billion City of Dreams Project Facility; and
- a portion of the net proceeds from our initial offering and our follow-on offering in December 2006 and November 2007 respectively.

### *Drawdowns*

The final maturity date of the term loan facility is September 5, 2014 and the final maturity date of the revolving credit facility is September 5, 2012 or, if earlier, the date of repayment, prepayment or cancellation in full of the term loan facility.

We have now drawn down the full amount of the term loan facility and the availability period for this has expired. The revolving credit facility is available on a fully revolving basis from, in the case of any drawing for general working capital purposes or purposes of meeting cost overruns associated City of Dreams, the date upon which the term loan facility has been fully drawn, to the date that is one month prior to the revolving credit facility's final maturity date. As of December 31, 2009 we had drawn down a total of approximately US\$199.7 million from the revolving credit facility with a further US\$50.3 million still available for further utilization.

All drawings under the City of Dreams Project Facility are to be paid into a disbursement account that will be subject to security. As of December 31, 2009 total drawdowns which comprised both Hong Kong dollars and US dollars totaling the equivalent of approximately US\$1.68 billion have been made under the City of Dreams Project Facility. The rollover of existing revolving loans drawn under the City of Dreams Project Facility is subject to compliance with covenants and satisfaction of conditions precedent. Melco Crown Gaming is also required to undertake a program to hedge exposures to interest rate fluctuations under the City of Dreams Project Facility and in certain circumstances, currency fluctuations. The interests of the hedging counterparties under the hedging agreements are secured on a *pari passu* basis with the lenders.

### *Repayment*

The term loan facility will be repaid in quarterly installments according to an amortization schedule commencing December 5, 2010. Each revolving credit facility loan will be repaid in full on the last day of an agreed upon interest period ranging from one to six months, or rolled-over.

Melco Crown Gaming may make voluntary prepayments in respect of the term loan facility and the revolving credit facility, subject to certain conditions, without premium or penalty other than break costs, in minimum amounts of US\$20 million following the completion of City of Dreams and in full prior to completion. Voluntary prepayments will be applied to the term loan principal outstanding on the City of Dreams Project Facility and to maturities on a pro-rata basis and amounts prepaid will not be available for redrawing.

We must make mandatory prepayments in respect of the following amounts within the Borrowing Group under the City of Dreams Project Facility: (1) 50% of the net proceeds of any permitted equity issuance of any member of the Borrowing Group and all of the net proceeds of any permitted debt issuance of any member of the Borrowing Group; (2) the net proceeds of any asset sale, subject to reinvestment rights and certain exceptions; (3) net termination proceeds paid under Melco Crown Gaming's subconcession, any lease agreement, the hotel management agreements, or any other material contracts or agreements (subject to certain exceptions); (4) net proceeds or liquidated damages paid pursuant to obligation, default or breach under the certain documents relating to City of Dreams; (5) insurance proceeds net of expenses to obtain such proceeds, subject to reinvestment rights and certain exceptions; and (6) excess cashflow (as defined under various financial ratio tests).

### *Accounts*

The terms of the City of Dreams Project Facility require that all of the revenues of the gaming business operated by Melco Crown Gaming, including Altira Macau and City of Dreams, be paid into bank accounts established by Melco Crown Gaming, secured in favor of the security agent for the benefit of the lenders. In addition, subject to certain exceptions, all of the accounts of all of the members of the Borrowing Group have been pledged as security for the indebtedness. Subject to such security, such revenues will be paid out in order of priority, in accordance with specified cash waterfall arrangements.

### *Interest and Fees*

The U.S. dollar and H.K. dollar denominated drawdowns will bear an initial interest rate of LIBOR and HIBOR plus a margin of 2.75% per annum. Upon substantial completion of City of Dreams, the margin was reduced to 2.50% per annum. The interest rate margin will be further adjusted in accordance with the total debt to EBITDA ratio on a consolidated basis in respect of the Borrowing Group. We are obligated to pay a commitment fee quarterly in arrears from September 5, 2007 throughout the availability period. The commitment fee is payable on the daily undrawn amount under the relevant term loan facility and revolving credit facility.

*Melco and Crown Support*

In connection with the signing of the City of Dreams Project Facility in September 2007, Melco and PBL (Crown's predecessor) each provided an undertaking to Deutsche Bank AG, Hong Kong Branch, as agent under the City of Dreams Project Facility, to contribute additional equity up to an aggregate of US\$250 million (divided equally between Melco and PBL) to Melco Crown Gaming to pay any costs (i) associated with construction of City of Dreams and (ii) for which Deutsche Bank AG, Hong Kong Branch as agent has determined there is no other available funding. When Crown acquired the gaming businesses and investments of PBL, it also acquired this obligation. In support of such contingent equity commitment, Melco and Crown each agreed to maintain a direct or standby letter of credit in favor of the security agent for the City of Dreams Project Facility in an amount equal to the amount of contingent equity it is obliged to ensure is provided to Melco Crown Gaming until the final completion date of City of Dreams has occurred, and when certain debt service reserve accounts have been funded. Their letters of credit in the aggregate amount of US\$250 million were released and replaced by short-term deposits placed into bank accounts restricted in accordance with the City of Dreams Project Facility by the Company in May and September 2009, respectively. The balance of this restricted cash will be immediately released upon the final completion for City of Dreams and compliance with other release conditions under the City of Dreams Project Facility; until this time it is available for use as required for the payment of City of Dreams project construction costs based on disbursement terms under the City of Dreams Project Facility.

*Security*

Security for the City of Dreams Project Facility and hedging agreements include, among others:

- a first priority mortgage over all land and all present and future buildings on and fixtures to such land, and an assignment of land use rights under land concession agreements or equivalent held by the relevant entities in the Borrowing Group;
- the letters of credit described above in “—Description of Our Indebtedness—City of Dreams Project Facility—Melco and Crown Support”;
- charges over the bank accounts in respect of the Borrowing Group;
- assignment of the Borrowing Group's rights under certain insurance policies;
- first priority security over the Borrowing Group's chattels, receivables and other assets which are not subject to any security under any other security documentation;
- pledge over equipment and tools used in the gaming business by Melco Crown Gaming; and
- first priority charges over the issued share capital of the Borrowing Group.

*Covenants*

The Borrowing Group must comply with certain negative and affirmative covenants. These covenants include, among others, that, without obtaining consent from the Majority Lenders (as defined in the City of Dreams Project Facility), they may not:

- create or permit to subsist further charge or any form of encumbrance over its assets, property or revenues except as permitted under the City of Dreams Project Facility;
- sell, transfer or dispose of any of its assets unless such sale is conducted on an arm's length basis at a fair market value permitted in accordance with the terms of the City of Dreams Project Facility and the proceeds from the sale shall be credited to the relevant accounts over which the lenders have a first priority charge on;
- make any payment of fees under any agreement with Melco or Crown (or their affiliates) other than fees approved by the Majority Lenders or, after a certain date, in accordance with the waterfall, or enter into agreements with Melco or Crown or their affiliates except in certain limited circumstances;
- make any loan or guarantee indebtedness except for certain identified indebtedness and guarantees permitted;
- create any subsidiaries except as permitted under the City of Dreams Project Facility, such as those necessary for completion and operation of City of Dreams; or
- make investments other than within agreed upon limitations.

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In addition, the Borrowing Group will be required to comply with certain financial ratios and financial covenants each quarter, such as

- Consolidated Leverage Ratio, as defined in the City of Dreams Project Facility, cannot exceed 4.50 to 1 for the reporting periods ending September 30, 2010, December 31, 2010, March 31, 2011 and June 30, 2011, cannot exceed 4.00 to 1 for the reporting periods ending September 30, 2011, December 31, 2011 and March 31, 2012, and cannot exceed 3.75 to 1 for the reporting periods ending June 30, 2012 onwards;
- Consolidated Interest Cover Ratio, as defined in the City of Dreams Project Facility, must be greater than or equal to 2.50 to 1 for the reporting periods ending September 30, 2010, December 31, 2010 and March 31, 2011, and must be greater than or equal to 3.00 to 1 for the reporting periods ending June 30, 2011 onwards; and
- Consolidated Cash Cover Ratio, as defined in the City of Dreams Project Facility, must be greater than or equal to 1.10 to 1 for the reporting periods ending September 30, 2010 onwards.

### *Events of Default*

The City of Dreams Project Facility contains customary events of default including: (1) failure to make any payment when due; (2) breach of financial covenants; (3) cross default triggered by any other event of default in the facility agreements or other documents forming the indebtedness of the borrowers and/or guarantors; (4) failure by Crown and Melco to maintain the letters of credit according to the terms of the City of Dreams Project Facility; (5) breach of the credit facility documents, land agreements, lease agreements for the provision of gaming services or hotel management agreements; (6) insolvency or bankruptcy events; (7) misrepresentations on the part of the borrowers and guarantors in statements made in the loan documents delivered to the lenders; (8) failure to commence or complete the construction by certain specified dates; and (9) various change of control events involving us.

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.

On December 7, 2007, the City of Dreams Facility was amended to introduce a US borrower, Melco PBL (Delaware) LLC, now MPEL (Delaware) LLC, a wholly-owned subsidiary of Melco Crown Gaming.

### **Sources and Uses**

We have been able to meet our working capital needs, and we believe that we will be able to meet our working capital needs in the foreseeable future, with our operating cash flow, existing cash balances, proceeds from our follow-on public offering and additional financings.

New business developments or other unforeseen events may occur, resulting in the need to raise additional funds. There can be no assurances regarding the business prospects with respect to any other opportunity. Any other development would require us to obtain additional financing.

### **Other Liquidity Matters**

Melco Crown Gaming has a rating of “BB-” by Standard & Poor’s and a rating of “Ba3” by Moody’s Investors Service. For future borrowings, any decrease in our corporate rating could result in an increase in borrowing costs.

## **C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.**

We have entered into a license agreement with Crown Melbourne Limited and obtained an exclusive and non-transferable license to use the Crown trademark in Macau. Our hotel management agreements for the use of the Grand Hyatt and Hyatt Regency trademarks on a non-exclusive and non-transferable basis were terminated in August 2008 and replaced by a management agreement for the use of the Grand Hyatt trademarks to reflect the branding of the twin-tower hotels under the “Grand Hyatt” brand. In January 2007, we entered into a casino trademark license agreement and a hotel trademark license agreement (which was subsequently novated and amended by a Novation Agreement on August 20, 2008) with Hard Rock Holdings Limited, or Hard Rock, to use the Hard Rock brand in Macau at the City of Dreams. Pursuant to the agreements, we have the exclusive right to use the Hard Rock brand for the hotel and casino facility at the City of Dreams for a term of ten years based on percentages of revenues generated at the property payable to Hard Rock. 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. In addition, we have registered the trademarks “Mocha Club” and “City of Dreams” in Macau. We have registered in Macau certain trademarks and are currently in the process of applying for the registration of certain other trademarks and service marks to be used in connection with the operations of our hotel casino projects in Macau.

**D. TREND INFORMATION**

Other than as disclosed 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 18(d) to the consolidated financial statements included elsewhere in this annual report, we have not entered into any 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, 2009.

	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>					
<b>Contractual obligations</b>					
<b>Long-term debt obligations:</b>					
Loans from shareholders (1)	\$ —	115.6	—	—	115.6
Other long-term debt (2)	44.5	793.1	845.6	—	1,683.2
<b>Operating lease obligations:</b>					
Leases for office space, VIP lounge, recruitment and training center, staff quarter and Mocha Clubs locations	10.0	11.6	9.0	9.7	40.3
<b>Other contractual commitments:</b>					
Government land use fees payable for Altira Macau land (3)	0.2	0.3	0.3	2.8	3.6
Government land use fees payable for City of Dreams land (4)	1.2	2.4	2.4	22.0	28.0
Interest on land premium for City of Dreams land (4)	1.1	2.8	0.2	—	4.1
Construction, plant and equipment acquisition commitments (5)	32.6	—	—	—	32.6
Buses and limousines services commitments	2.6	—	—	—	2.6
Fixed premium on gaming subconcession	3.7	7.5	7.5	28.0	46.7
Trademark and memorabilia license fee commitments	0.9	1.8	1.8	4.0	8.5
Consultancy and other services commitments	2.7	1.3	0.8	—	4.8
<b>Total contractual obligations</b>	<b>\$ 99.5</b>	<b>936.4</b>	<b>867.6</b>	<b>66.5</b>	<b>1,970.0</b>

(1) Excludes the working capital loans provided by Melco and Crown, which had an outstanding balance of US\$25,000 as of December 31, 2009. As of December 31, 2009, the balance of the outstanding term loans from Melco and Crown, amounting to approximately US\$115.6 million was repayable in May 2011. The term loan from Melco as of December 31, 2009 is bearing interest at 3-months HIBOR per annum and at three months HIBOR plus 1.5% per annum only during the period from May 16, 2008 to May 15, 2009. The term loan from Crown as of December 31, 2009 bearing interest at 3-months HIBOR.

- (2) Other long-term debt represents US\$1.75 billion under the City of Dreams Project Facility. The City of Dreams Project Facility consists of a US\$1.5 billion term loan facility and a US\$250 million revolving credit facility. The term loan facility matures in September 2014 and is subject to quarterly amortization payments commencing in December 2010. The revolving credit facility matures in September 2012 or, if earlier, the date of repayment, prepayment or cancellation in full of the term loan facility and has no interim amortization payment.
- (3) Annual government land use fees payable is approximately MOP 1.4 million (US\$171,000) and is adjusted every five years as agreed between the Macau government and Altira Developments in accordance with the applicable market rates from time to time.
- (4) In April 2005, the Macau government offered to grant a medium-term lease of 25 years for City of Dreams to Melco Crown (COD) Developments, and Melco Crown (COD) Developments preliminarily accepted the offer on May 10, 2005. In February 2008, Melco Crown (COD) Developments and Melco Crown Gaming accepted the final terms of the land lease agreement, which required us to pay a land premium of approximately MOP 842.1 million (US\$105.1 million). We paid MOP 300.0 million (US\$37.4 million) of the land premium upon our acceptance of the final terms on February 11, 2008. On August 13, 2008 the Macau government formally granted the land concession to Melco Crown (COD) Developments of which approximately MOP 467.5 million (US\$58.3 million) has been paid as of December 31, 2009 and the remaining amount of approximately MOP 374.6 million (US\$46.8 million), accrued with 5% interest per annum, will be paid in six biannual installments. In November 2009, Melco Crown (COD) Developments and Melco Crown Gaming accepted in principle the initial terms for the revision of the land lease agreement from the Macau government for the increased developable gross floor area for City of Dreams and recognized additional land premium of approximately MOP 257.4 million (US\$32.1 million) payable to the Macau government. In March 2010, Melco Crown (COD) Developments and Melco Crown Gaming accepted the final terms for the revision of the land lease agreement and fully paid the additional land premium to the Macau government. The total outstanding balances of the land use right has been included in accrued expenses and other current liabilities and land use right payable as of December 31, 2009. We have also provided a guarantee deposit of approximately MOP 3.4 million (US\$424,000), upon signing of the government lease in February 2008. According to the terms of the revised offer from the Macau government, payment in the form of government land use fees in an aggregate amount of approximately MOP 9.5 million (US\$1.2 million) per annum is payable to Macau government and such amount may be adjusted every five years as agreed between the Macau government and Melco Crown (COD) Developments in accordance with the market rates from time to time.
- (5) The amount as of December 31, 2009 mainly represents construction contracts for the design and construction, plant and equipment acquisitions of City of Dreams of approximately US\$31.4 million. The balance includes the remaining payment obligations for Altira Macau and Mocha Clubs.

#### **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.

<b>Name</b>	<b>Age</b>	<b>Position/Title</b>
Lawrence (Yau Lung) Ho	33	Co-Chairman and Chief Executive Officer
James D. Packer	42	Co-Chairman
John Wang	49	Director
Clarence Chung	47	Director
Todd Nisbett	42	Director
Rowen B. Craigie	54	Director
James A. C. MacKenzie	56	Independent Director
Thomas Jefferson Wu	37	Independent Director
Alec Tsui	60	Independent Director
Robert Mactier	45	Independent Director
Simon Dewhurst	40	Chief Financial Officer
Stephanie Cheung	47	Executive Vice President and Chief Legal Officer
Nigel Dean	56	Executive Vice President and Chief Internal Audit Officer
Akiko Takahashi	56	Executive Vice President and Chief Human Resources/Corporate Social Responsibility Officer
Richard Tsiang	49	Executive Vice President and Chief Development Officer
Greg Hawkins	46	President of City of Dreams
Ted (Ying Tat) Chan	38	President of Altira Macau
Constance (Ching Hui) Hsu	36	President of Mocha Clubs

**Directors**

**Mr. Lawrence (Yau Lung) Ho** has served as our co-chairman and chief executive officer since our inception. Since November 2001, Mr. Ho has also served as the group managing director and, since March 2006, the chairman and chief executive officer of Melco. Mr. Ho serves on numerous boards and committees in Hong Kong, Macau and mainland China. In recognition of Mr. Ho's excellent directorship and entrepreneurial spirit, the Institutional Investor, a leading research and publishing organization, honored him as the "Best CEO" in the Conglomerates category in 2005. As a socially responsible young entrepreneur in Hong Kong, Mr. Ho was elected as one of the "Ten Outstanding Young Persons 2006", organized by the Junior Chamber International HK. In 2009, Mr. Ho was selected by FinanceAsia as one of the "Best CEOs in Hong Kong", "China Top 10 Financial and Intelligent Persons" judged by a panel led by the Beijing Cultural Development Institute and Fortune China; and was named "Young Entrepreneur of the Year" at Hong Kong's first Asia Pacific Entrepreneurship Awards. Mr. Ho worked at Jardine Fleming from September 1999 to October 2000 and iAsia Technology Limited (the predecessor of Value Convergence Holdings Limited) from October 2000 to November 2001. Mr. Ho graduated with a bachelor of arts degree in commerce from the University of Toronto, Canada and was awarded the Honorary Doctor of Business Administration degree by Edinburgh Napier University, Scotland for his contribution to business, education and the community in Hong Kong Macau and China.

**Mr. James D. Packer** has served as our co-chairman since our inception. Mr. Packer is the Executive Chairman of Crown and a member of the Crown Investment Committee. Mr. Packer is also Executive Chairman of Consolidated Press Holdings Limited (the largest shareholder of Crown) and Executive Deputy Chairman of Consolidated Media Holdings Limited. Mr. Packer is also a director of Crown Melbourne Limited, having been appointed on July 22, 1999, and Ellerston Capital Limited, having been appointed on August 6, 2004. Mr. Packer is also a director of Burswood Limited.

**Mr. John Peter Ben Wang** has served as our director since November 2006. Mr. Wang is currently a non-executive director of Oriental Ginza Holdings Limited and MelcoLot Limited, companies listed on the Stock Exchange of Hong Kong. He was the chief financial officer of Melco from 2004 to September 2009. Prior to joining Melco in 2004, Mr. Wang 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 had previously worked for Deutsche Morgan Grenfell (HK), CLSA (HK), Barclays (Singapore), SG Warburgs (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.

**Mr. Clarence (Yuk Man) Chung** has served as our director since November 2006. Mr. Chung has also been an executive director of Melco since May 2006. Mr. Chung joined Melco in December 2003 and assumed the role of chief financial officer. Before joining Melco, he was the chief financial officer at Megavillage Group, an investment banker at Lazard managing an Asian buy-out fund, a vice-president at Pacific Century Group, and a qualified accountant with Arthur Andersen. Mr. Chung is also the chairman and chief executive officer of Elixir Gaming Technologies, Inc., a company listed on the New York Stock Exchange (NYSE-Amex). Mr. Chung holds a masters degree in business administration from the Kellogg School of Management at Northwestern University and is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.



**Mr. Todd Nisbet** has served as our director since October 14, 2009. Mr. Nisbet joined the Crown Limited team in October of 2007. In his role as Executive Vice President — Design and Construction, Mr. Nisbet is responsible for all international project development and construction operations of Crown Limited. From August 2000 through July 2007, Mr. Nisbet held the position of Executive Vice President — Project Director for Wynn Design and Development, a development subsidiary of Wynn Resorts Limited (“Wynn”). Serving this role with Wynn, Mr. Nisbet was responsible for all project development and construction operations undertaken by Wynn. Prior to joining Wynn, Mr. Nisbet was the Vice President of Operations for Marnell Corrao Associates. During his 14 years at Marnell Corrao, he was responsible for managing various aspects of the construction of some of the Las Vegas’ most elaborate and industry-defining properties. Mr. Nisbet holds a Bachelor of Science degree in Finance from the University of Nevada, Las Vegas.

**Mr. Rowen B. Craigie** has served as our director since our inception. Mr. Craigie is the Chief Executive Officer and Managing Director of Crown. Mr. Craigie is also a director of Crown Melbourne Limited and Burswood Limited. Mr. Craigie previously served from 2007 to 2008 as the Chief Executive Officer of PBL Gaming and from 2002 to 2007 as the Chief Executive Officer of Crown Melbourne Limited. 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. He holds a Bachelor of Economics (Honours) degree from Monash University, Melbourne, Australia.

**Mr. James A. C. MacKenzie** has served as our director since April 2008. Mr. MacKenzie is also chairman of Mirvac Group and Pacific Brands Ltd. He led the transformation of the Victorian Government’s Personal Injury Schemes from 2000-2007 and he has previously held senior executive positions with ANZ Banking Group, Norwich Union and Standard Chartered Bank. A chartered accountant by profession, Mr. MacKenzie was a partner in both the Melbourne and Hong Kong offices of an international accounting firm now part of Deloitte. In 2003 Mr. MacKenzie was awarded the Australian Centenary Medal for services to public administration. He holds a Bachelor of Business (Accounting and Quantitative Methods) degree from the Swinburne University of Technology and has completed the Advanced Management Program at the University of Oxford and the Making Corporate Boards More Effective Course at the Harvard Business School. He is a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. He is the chairman of our audit committee.

**Mr. Thomas Jefferson Wu** has served as our independent director since our Nasdaq listing. Mr. Wu has been the managing director of Hopewell Holdings Ltd., a Hong Kong Stock Exchange-listed business conglomerate, since October 2009. He has served in various roles with the Hopewell Holdings group since 1999, including group controller, executive director, chief operating officer, deputy managing director and was the co-managing director from July 2007 to September 2009. He is also the managing director of Hopewell Highway Infrastructure Limited. He is a member of the Huadu District Committee and Standing Committee of The Chinese People’s Political Consultative Conference, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, a member of Pan-Pearl River Delta Panel of the Central Policy Unit, Hong Kong SAR Government, and a member of the China Trade Advisory Committee of Hong Kong Trade Development Council, a member of the Hong Kong SAR Government Steering Committee on the Promotion of Electric Vehicles, a council member of The Hong Kong Polytechnic University, a member of the Court of The Hong Kong University of Science and Technology, a member of the board of directors of The Community Chest of Hong Kong and The Hong Kong Sports Institute Limited. He also acts as the honorary consultant of the Institute of Accountants Exchange, honorary president of the Association of Property Agents and Realty Developers of Macau, vice chairman of The Chamber of Hong Kong Listed Companies and vice chairman of the Chinese Ice Hockey Association. He holds an MBA from Stanford University and a Bachelor’s degree in mechanical and aerospace engineering from Princeton University. He is the chairman of our compensation committee, a member of our audit committee and a member of our nominating and corporate governance committee.

**Mr. Alec Tsui** has served as our independent director since our Nasdaq listing. 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 prior to joining the Hong Kong Stock Exchange in 1994 as an executive director of the finance and operations services division and becoming the chief executive in 1997. He was the chairman of the Hong Kong Securities Institute from 2001 to 2004. He was an advisor and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002. Mr. Tsui is currently the Chairman of WAG Worldsec Corporate Finance Limited and an independent non-executive director of a number of listed companies in Hong Kong, Nasdaq and Shanghai, including Industrial and Commercial Bank of China (Asia) Limited, China Chengtong Development Group Limited, a property development company, COSCO International Holdings Limited, a conglomerate engaging in various businesses including ship trading, property development and investment, China Power International Development Limited, Greentown China Holdings Limited, a developer of residential properties, China Blue Chemical Limited, a fertilizer manufacturer, China Hui Yuan Juice Group Limited, Pacific Online Ltd., ATA Inc., an online educational testing provider and China Oilfield Services Limited, an oilfield services provider. Mr. Tsui graduated from the University of Tennessee with a Bachelor of Science degree and a Master of Engineering degree in industrial engineering. He completed a program for senior managers in government at the John F. Kennedy School of Government at Harvard University. 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. Robert W. Mactier** has served as our independent director since our Nasdaq listing in December 2006. Mr. Mactier is also the independent, non-executive Chairman of STW Communications Group Limited, a publicly listed Australian communications and advertising company and is a director of Aurora Community Television Limited. Since 1990 Mr. Mactier has held a variety of roles across the Australian investment banking and securities markets. He is currently a consultant to UBS Investment Bank in Australia. 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 Ord Minnett Securities Limited from May 1990 to October 1994 and E.L. & C. Baillieu Limited from November 1994 to February 1997. 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 sector and across the private equity sector. Prior to joining the investment banking industry, Mr. Mactier qualified as a chartered accountant, working with KPMG from January 1986 to April 1990 across their audit, management consulting and corporate finance practices. He holds a Bachelor's degree in economics from the University of Sydney, Australia and is a Member of the Australian Institute of Company Directors. Mr. Mactier is a member of our compensation committee and nominating and corporate governance committee.

#### *Executive Officers*

**Mr. Simon Dewhurst** is our chief financial officer. Prior to joining us, Mr. Dewhurst was the head of Media & Entertainment Investment Banking at CLSA Asia Pacific Markets from May 2001 to November 2006. Before joining CLSA, Mr. Dewhurst spent six years as a senior executive at News Corporation based in Hong Kong. Prior to joining News Corporation, Mr. Dewhurst was an experienced senior in the Audit and Business Advisory Division at Arthur Andersen & Co. between May 1991 and June 1995. Mr. Dewhurst holds a Bachelor of Sciences degree from Reading University in the U.K. He qualified as an Associate of the Institute of Chartered Accountants in England & Wales in 1994.

**Ms. Stephanie Cheung** is our executive vice president and chief legal officer. She also acts as the secretary to our board of directors. Prior to joining us, Ms. Cheung practised law with various international law firms including Troutman Sanders, Freshfields Bruckhaus Deringer and Baker & McKenzie. Ms. Cheung holds a Bachelor of Arts degree from the University of Toronto, Ontario, Canada, a Bachelor of Laws degree from Osgoode Hall Law School, Ontario, Canada, and an MBA (finance) from York University, Ontario, Canada.

**Mr. Nigel Dean** is our executive vice president and chief internal audit officer. Prior to joining us, Mr. Dean was general manager-corporate governance at Coles Myer Ltd, Australia's second largest retailer, where he was responsible for the implementation of Sarbanes-Oxley Act of 2002 and other corporate governance compliance programs. Other positions held at Coles Myer include the head of group internal audit for seven years and head of internal audit of the Supermarkets Division for four years. Previous experience in external and internal audit includes positions with Peat Marwick Mitchell & Co (now KPMG), Ford Asia-Pacific, CRA (now RioTinto) and Elders IXL Group. Mr. Dean is a Fellow of the Australian Institute of CPA's and a Certified Internal Auditor. He holds a Bachelor of Laws degree from Deakin University, a Diploma of Business Studies (accounting) from Swinburne College and an MBA from Monash University.

**Ms. Akiko Takahashi** is our executive vice president and chief officer, human resources/corporate social responsibility. Ms. Takahashi served as our group human resources director since December 2006. Prior to joining us, she was the global group director, human resources for Shangri-la Hotels and Resorts, an international luxury hotel group with over 24,000 employees, headquartered in Hong Kong. Between 1993 and 1995, she was senior vice president, human resources and services for Bank of America, Hawaii, FSB, where her last assignment was to lead the human resources integration for the largest international hotel joint venture in Japan. She began her career in the fashion retail industry in merchandising, operations and was VP Human Resources for a major retail group owned by Charles Feeney, founder of Duty Free Shoppers. Ms. Takahashi attended the University of Hawaii.

**Mr. Richard Tsiang** is our executive vice president and chief development officer. Mr. Tsiang joined us from MGM Grand in Macau, where he was the group chief financial officer. Prior to MGM, he was senior vice president and managing director, Asia-Pacific for Cendant Corporation, and chief financial officer, head of strategy, Asia for Yahoo! Mr. Tsiang has a bachelor of commerce and an MBA from the University of Melbourne. He is a chartered accountant having qualified while at PriceWaterhouseCoopers in Australia.

**Mr. Greg Hawkins** has served as our president of City of Dreams since May 2008. Prior to that he acted as the chief executive officer of Altira Macau from January 2006. Prior to joining us, he was general manager for gaming at SKYCITY Entertainment Group, or Skycity, a diversified gaming and entertainment enterprise listed in Australia and New Zealand. At Skycity, he managed the gaming operations and strategies across multiple casino businesses in New Zealand. He also served as a director of Skycity Australia during the period between 2001 and 2004, overseeing the operations of the Skycity's casino in Adelaide, Australia, as well as gaming machine and food and beverage businesses of Skycity in Auckland, New Zealand from 1998 to 2001. Before joining Skycity, he was with Crown Melbourne Limited beginning in 1994 as an initial member of the executive team that launched the Crown Casino Melbourne, and held senior management positions with the Victoria TAB gaming division during the period between 1990 and 1994. Mr. Hawkins graduated with a Bachelor's degree in applied science, majoring in mathematics and general science from Monash University.

**Mr. Ted (Yin Tat) Chan** has served as president of Altira Macau since November 2008. Mr. Chan was the chief executive officer of Amax Entertainment Holdings Limited from December 2007 until November 2008. Prior to joining Amax, Mr. Chan worked with our chief executive officer on special projects from September 2007 to November 2007 and was the general manager of Mocha Clubs from 2004 to 2007. From June 2002 to November 2006, Mr. Chan was the assistant to Mr. Lawrence Ho at Melco, and he was involved in the overall strategic development and management of the company. Mr. Chan served as a director of development at First Shanghai Financial Holding Limited from 1998 to May 2002, specializing in internet trading solutions and China business development. He graduated with a bachelor's degree in business administration from the Chinese University of Hong Kong and with a master's degree in financial management from the University of London, the United Kingdom.

**Ms. Constance (Ching Hui) Hsu** is our president of Mocha Clubs. Ms. Hsu has worked for Mocha Clubs since September 2003. She was Mocha's former financial controller and more recently the chief administrative officer overseeing finance, treasury, audit, legal compliance, procurement and administration and human resources functions. Ms Hsu obtained her Bachelor of Arts degree in business administration with major in accounting in the United States and an MBA (with concentration on financial services) from University of Science and Technology in Hong Kong. Ms Hsu is qualified as a Certified Public Accountant in the State of Washington, United States; a member of the American Institute of Certified Public Accountants; and an associate member of Hong Kong Institute of Certified Public Accountants.

## **B. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

In addition to the equity awards granted as described below, we paid aggregate remuneration of approximately US\$5.3 million to all the directors and senior executive officers of our Company as a group in relation to the year ended December 31, 2009.

Pursuant to our 2006 Share Incentive Plan (See “—E. Share Ownership—2006 Share Incentive Plan”), we may grant either restricted shares or options to purchase our ordinary shares. In 2009, we issued options to acquire 4,003,062 of our ordinary shares pursuant to our 2006 Share Incentive Plan to the directors and senior executive officers of our Company with exercise prices of US\$1.09 per share (US\$3.26 per ADS) and 3,337,770 restricted shares with grant date fair value ranging from US\$1.01 to US\$1.09 per share (US\$3.03 to US\$3.26 per ADS). The options expire ten years after the date of grant. In 2009, options to acquire 180,507 of our ordinary shares and 34,497 restricted shares held by the directors and senior executive officers were forfeited. In 2009, the Company cancelled certain options granted in 2007 and 2008 to acquire 3,864,509 of our ordinary shares held by senior executive officers. The exercise price of these options ranged from US\$4.01 to US\$5.06 per share (US\$12.04 to US\$15.19 per ADS). These cancelled options were re-issued at a ratio of 1.5 cancelled options to 1 re-issued option at the exercise price of US\$1.43 per share (US\$4.28 per ADS).

## **C. BOARD PRACTICES**

### **Composition of Board of Directors**

Our board of directors consists of ten directors, including three directors nominated by each of Melco and Crown and four independent directors. Nasdaq Marketplace Rule 4350(c) 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 4350(a)(5). However, Nasdaq Marketplace Rule 4350(a)(1) 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 Cayman Islands law, we are not required to have a majority of independent directors serving on our board of directors. We rely on this “home country practice” exception and do not have a majority of independent directors serving on our board of directors.

### **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. A shareholder has the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors 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.

On March 18, 2008, our board of directors adopted corporate governance guidelines with the intention of strengthening our corporate governance practice.

#### **Terms of Directors and Executive Officers**

Our officers are elected by and serve at the discretion of the board of directors. 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 of directors established an audit committee, a compensation committee and a nominating and corporate governance committee in December 2006.

#### ***Audit Committee***

Our audit committee consists of Messrs. Thomas Jefferson Wu, Alec Tsui and James MacKenzie, and is chaired by Mr. MacKenzie. All of them satisfy the "independence" requirements of the Nasdaq corporate governance rules. We believe that Mr. MacKenzie qualifies as an "audit committee financial expert". The charter of the audit committee was adopted by our board on November 28, 2006. It was amended and restated on several occasions, with the last amendment on November 25, 2009 to provide the audit committee members with clearer guidance to enable them to carry out their functions with regards to oversight of the independent auditors and internal audit. The purpose of the committee is to assist our board in overseeing and monitoring:

- the integrity of the financial statements of our company;
- the qualifications and independence of our independent auditors;
- the performance of our independent auditors;
- 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, which we expect to set up and will comprise certain members of our senior management; and
- the integrity and effectiveness of our internal audit function and risk management policies, procedures and practices.

The duties of the audit committee include:

- considering a tendering process for the appointment of the independent auditor every five years, selecting our independent auditors 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, undertaking a performance evaluation of the independent auditor on an annual basis and reporting the results of such evaluation to the Chief Executive Officer;

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- discussing with our independent auditor, among other things, issues regarding accounting and auditing principles and practices and the management's internal control report;
- approving related-party transactions, amounting to more than US\$256,000 per transaction or series of transactions, or of an unusual or non standard nature which are brought to its attention;
- Establishing and overseeing procedures for the handling of complaints and whistle blowing;
- deciding whether any material information regarding the quality or integrity of the Company's financial statements, which is brought to its attention by our disclosure committee, should be disclosed;
- approving the internal audit charter and annual audit plans;
- 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;
- together with our board, evaluating the performance of the audit committee;
- 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 Tsui and Robert Mactier, and is chaired by Mr. Wu. All of them satisfy the "independence" requirements of the Nasdaq corporate governance rules. The charter of the compensation committee was adopted by our board on November 28, 2006. It was amended and restated on several occasions with the latest amendment on December 16, 2008 to clarify the purpose, duties and powers of the compensation committee and to provide the compensation committee members with clearer guidance to enable them to carry out their functions.

The purpose of the compensation 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 compensation plans, policies and programs of our company.

Members of the compensation 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 compensation committee include:

- in consultation with senior management, making recommendations on our general compensation philosophy and overseeing the development and implementation of our compensation programs;
- making recommendation to the board with respect to the compensation packages of our directors and approving the compensation package of our senior executive officers, including the chief executive officer;
- overseeing our regulatory compliance with respect to compensation matters;
- together with the board, evaluating the performance of the compensation committee;
- assessing the adequacy of its charter; and
- cooperating 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 Tsui and Robert Mactier, and is chaired by Mr. Tsui. All of them satisfy the "independence" requirements of the Nasdaq Marketplace Rules. The charter of the nominating and corporate governance committee was adopted by our board on November 28, 2006. It was amended and restated on several occasions, with the latest on December 16, 2008 to clarify the purpose, duties and powers of the nominating and corporate governance committee and to provide the nominating and corporate governance committee members with clearer guidance to enable them to carry out their functions.

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The purpose of the nominating and corporate governance 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;
- oversight of our compliance with legal and regulatory requirements, in particular the legal and regulatory requirements of the Macau SAR (including the relevant laws related to the gaming industry), of the Cayman Islands, of the SEC and of the Nasdaq;
- 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:

- identifying and recommending to the board nominees for election or re-election to the board committees, or for appointment to fill any such vacancy;
- 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;
- together with the board, evaluating the performance of the committee;
- assessing the adequacy of its charter; and
- Cooperating 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 determine 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 the 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 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 is entitled to unpaid compensation 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 six months 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; (ii) solicit or seek any business orders from our customers; or (iii) seek directly or indirectly, to solicit the services of any of our employees. The restricted area is defined as Asia or Australasia or any other country or region in which our company operates.

#### D. EMPLOYEES

##### Employees

We had 9,631, 4,803, and 4,928 employees as of December 31, 2009, 2008 and 2007, 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, 2009, 2008 and 2007.

	December 31,					
	2009		2008		2007	
	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
Mocha	757	7.8%	615	12.8%	545	11.1%
Altira Macau	2,753	28.6	3,540	73.7	4,201	85.2
City of Dreams	5,718	59.4	317	6.6	83	1.7
Corporate and centralized services	403	4.2	331	6.9	99	2.0
<b>Total</b>	<b>9,631</b>	<b>100%</b>	<b>4,803</b>	<b>100%</b>	<b>4,928</b>	<b>100%</b>

None of our employees are members of any labor union and we are not party to any collective bargaining or similar agreement with our employees. We believe that our relationship with our employees is good. We recruited a significant number of employees in 2009 to cater for the opening of City of Dreams in June 2009 for which we developed human resources outreach programs in Macau and hosted several recruitment events in cities throughout China. See "Item 2d. Key Information—Risk Factors—Risks Relating to the Operation of Our Properties—We have recruited a substantial number of new employees for each of our properties and competition may limit our ability to attract or retain suitably qualified management and personnel."

We have implemented a number of human resource initiatives over recent years for the benefit of our employees and their families. These initiatives include unique in-house learning academy, an on-site high school diploma program, scholarship awards, corporate management trainee programs 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.



**E. SHARE OWNERSHIP**

Except as disclosed in Item 7 below, each director and member of senior management individually owns less than 1% of our outstanding ordinary shares.

**2006 Share Incentive Plan**

We have adopted a share incentive plan, or 2006 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. Under the 2006 Plan, the maximum aggregate number of shares which may be issued pursuant to all awards (including shares issuable upon exercise of options) is 100,000,000 over ten years. Our Board has recently approved the removal of the maximum award amount of 50,000,000 shares over the first five years. The removal of such maximum limit for the first five years was approved by our shareholders at our general meeting held in May 2009. As of December 31, 2009, 62,964,552 out of 100,000,000 shares remain available for the grant of stock options or restricted shares.

The following paragraphs describe the principal terms included in our 2006 plan.

*Types of Awards.* The awards we may grant under our 2006 plan include:

- options to purchase our ordinary shares; and
- restricted shares.

*Plan Administration.* The compensation committee will administer the plan and will determine the provisions and terms and conditions of each award grant.

*Award Agreement.* Awards granted will be evidenced by an award agreement that sets forth the terms, conditions and limitations for each award.

*Eligibility.* We may 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 may grant options that are intended to qualify as incentive share options only to our employees.

*Exercise Price and Term of Awards.* In general, the plan administrator will determine the exercise price of an option and set forth the price in the award agreement. The exercise price may be a fixed or variable price related to the fair market value of our common shares. If we grant an incentive share option 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 share capital, the exercise price cannot be less than 110% of the fair market value of our common shares on the date of that grant.

The term of each award shall be stated in the award agreement. The term of an award shall not exceed ten years from the date of the grant.

*Vesting Schedule.* In general, the plan administrator determines, or the award agreement will specify, the vesting schedule.

A summary of the awards pursuant to the 2006 Plan as of December 31, 2009, is presented below:

	<b>Exercise price/grant date fair value per ADS</b>	<b>Number of unvested share options / restricted shares</b>	<b>Vesting Period</b>
<b>Share Options</b>			
2007 Long Term Incentive Plan	\$14.15–\$15.19	335,181	4 to 5 years
2008 Long Term Incentive Plan	\$12.04–\$14.08	373,101	4 years
2008 Retention Program	\$3.04	13,002,339	3 years
2009 Cancel and Re-issue Program	\$4.28	3,612,327	4 years
2009 Long Term Incentive Plan	\$3.04–\$3.26	4,654,500	4 years
		<u>21,977,448</u>	
<b>Restricted Shares</b>			
2008 Long Term Incentive Plan	\$3.99–\$12.04	434,794	3 to 4 years
2008 Retention Program	\$3.04	2,167,059	3 years
2009 Long Term Incentive Plan	\$3.26	644,178	4 years
		<u>3,246,031</u>	

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. MAJOR SHAREHOLDERS**

The following table sets forth the beneficial ownership of our ordinary shares (exclusive of any ordinary shares represented by ADSs held by the SPV) as of December 31, 2009 by all persons who are known to us to be the beneficial owners of 5% or more of our share capital.

<b>Name</b>	<b>Ordinary shares beneficially owned (1)</b>	
	<b>Number</b>	<b>%</b>
Melco Leisure and Entertainment Group Limited (2)(3)(4)	533,750,000	33.45
Crown Asia Investments Pty. Ltd. (5)	533,750,000	33.45

- (1) Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, 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) Melco Leisure and Entertainment Group Limited is incorporated in the British Virgin Islands and is a wholly owned subsidiary of Melco. The address of Melco and Melco Leisure and Entertainment Group Limited is c/o The Penthouse, 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. Melco is listed on the Main Board of the Hong Kong Stock Exchange.
- (3) Mr. Lawrence Ho, our Co-Chairman and Chief Executive Officer and the Chairman, Chief Executive Officer and Executive Director of Melco, personally holds 7,890,617 ordinary shares of Melco, representing approximately 0.6% of Melco's ordinary shares outstanding as of March 2, 2010. In addition, 115,509,024 shares are held by Lasting Legend Ltd., 288,532,606 shares are held by Better Joy Overseas Ltd. and 7,294,000 shares are held by The L3G Capital Trust, all of which companies are owned by persons and or trusts affiliated with Mr. Lawrence Ho. Therefore, we believe that for purposes of Rule 13d-3, Mr. Ho beneficially owns 419,226,247 ordinary shares of Melco, representing approximately 34.08% of Melco's ordinary shares outstanding as of March 2, 2010. This does not include 298,982,188 shares which may be issued by Melco to Great Respect Limited as a result of any future conversion of conversion rights in full by Great Respect Limited under the amended convertible loan notes held by Great Respect Limited, a company controlled by a discretionary trust formed for the benefit of members of the Ho family (including Mr. Ho and Dr. Ho), upon the issuance of the land certificate for the City of Dreams site.
- (4) As of March 2, 2010, Dr. Stanley Ho personally held 18,587,789 ordinary shares of Melco. In addition, 3,127,107 shares of Melco are held by Lanceford Company Limited, a company 100% owned by Dr. Stanley Ho. Therefore, for purposes of Rule 13d-3, Dr. Ho may be deemed to beneficially own 21,714,896 ordinary shares representing approximately 1.77% of Melco's outstanding shares. Dr. Ho's beneficial ownership does not include 298,982,188 shares which may be issued by Melco to Great Respect Limited as a result of any future conversion of conversion rights in full by Great Respect Limited under the amended convertible loan notes held by Great Respect Limited upon the issuance of the land certificate for the City of Dreams site.
- (5) Crown Asia Investments Pty. Ltd., formerly PBL Asia Investments Limited, was incorporated in the Cayman Islands but is now a registered Australian company and is 100% indirectly owned by Crown. The address of Crown and Crown Asia Investments Pty. Ltd. is Level 3, Crown Towers, 8 Whiteman Street, Southbank, Victoria 3006, Australia. Crown is listed on the Australian Stock Exchange. As of February 28 2010, Crown was approximately 40.02% owned by Consolidated Press Holdings Group, which is a group of companies owned by the Packer family.

As of December 31, 2009 a total of 1,595,617,550 ordinary shares were outstanding, of which 528,112,273 ordinary shares were registered in the name of a nominee of Deutsche Bank Trust Company Americas, the depositary 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 quoted initially on the Nasdaq Global Market and since January 2009 on the Nasdaq Global Select Market have been held in Hong Kong by the custodian, Deutsche Bank AG, Hong Kong Branch, on behalf of the depositary. In October 2007, we appointed BOCI Securities Limited to assist us in the administration of our long term incentive plan.

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.

### **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).

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 Crown and Melco.

### ***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 MPEL (Greater China), 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 Gaming 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 of directors, with no casting vote in the event of a deadlock or other deadlock resolution provisions;
- All of the class A shares of Melco Crown Gaming, representing 28% of all the outstanding capital stock of Melco Crown Gaming, are to be owned by PBL Asia Limited (as to 18%) and the Managing Director of Melco Crown Gaming (as to 10%), respectively. Mr. Lawrence Ho has been appointed to serve as the Managing Director of Melco Crown Gaming. 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 MOP 1 and return of capital of an aggregate amount of MOP 1 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 Gaming, representing 72% of all the outstanding capital stock of Melco Crown Gaming 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 Gaming 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 Gaming, and to participate in the winding up and liquidation assets of Melco Crown Gaming;

- The shares of Altira Developments and Melco Crown (COD) Developments and the operating assets of Mocha would be transferred to Melco Crown Gaming;
- MPEL (Greater China) and Mocha 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 Gaming.

### **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.

See "Item 4. Information on the Company—C. Organization Structure" for our current corporate structure.

**B. RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2009, 2008 and 2007, we entered into the following material related party transactions:

	Year Ended December 31,		
	2009	2008	2007
	<i>(in thousands of US\$)</i>		
<i>Amounts paid/payable to affiliated companies</i>			
Advertising and promotional expenses	\$ 211	\$ 597	\$ 65
Consultancy fee capitalized in construction in progress	1,312	246	2,294
Consultancy fee recognized as expense	1,301	1,168	4,150
Management fees	45	1,698	—
Network support fee	28	52	238
Office rental	2,354	1,466	1,114
Operating and office supplies	257	255	707
Project management fees capitalized in construction in progress	—	—	1,442
Property and equipment	59,482	16,327	12,141
Repairs and maintenance	87	655	41
Service fee expense	748	781	—
Traveling expense capitalized in construction in progress	65	66	—
Traveling expense recognized as expense	2,809	1,387	746
<i>Amounts received/receivable from affiliated companies</i>			
Other service fee income	896	276	—
Rooms and food and beverage income	23	100	41
Sales proceeds for disposal of property and equipment	—	2,788	—
<i>Amounts paid/payable to shareholders</i>			
Interest charges capitalized in construction in progress	963	3,367	4,167
Interest charges recognized as expense	215	—	758

Details of those material related party transactions provided in the table above are as follows:

**(a) Amounts Due From Affiliated Companies**

Melco's subsidiary and its associated company — Melco's subsidiary and its associated company purchased rooms and food and beverage services from us during the years ended December 31, 2009, 2008 and 2007. Property and equipment was purchased from Melco's associated company during the year ended December 31, 2009. The outstanding balances due from Melco's subsidiary and its associated company as of December 31, 2009 and 2008 were US\$1,000 and US\$28,000, respectively, and the amounts were unsecured, non-interest bearing and repayable on demand.

(b) **Amounts Due To Affiliated Companies**

Elixir International Limited, or Elixir — We purchased property and equipment and services including repairs and maintenance, operating and office supplies, network support and consultancy from Elixir, a wholly-owned subsidiary of Melco, primarily related to the Altira Macau and City of Dreams projects during the years ended December 31, 2009, 2008 and 2007. Certain gaming machines were sold to Elixir during the year ended December 31, 2008 and Elixir purchased rooms and food and beverage services from us during the years ended December 31, 2009, 2008 and 2007. As of December 31, 2009, the outstanding balance due to Elixir was US\$5.0 million. As of December 31, 2008, the outstanding balance was a receivable from Elixir of US\$622,000. These amounts were unsecured, non-interest bearing and repayable on demand.

Sociedade de Turismo e Diversões de Macau, S.A.R.L., or STDM and its subsidiaries (together with STDM referred to STDM Group) and Shun Tak Holdings Limited and its subsidiaries (referred to Shun Tak Group) — We incurred expenses associated with its use of STDM and Shun Tak Group ferry and hotel accommodation services within Hong Kong and Macau during the years ended December 31, 2009, 2008 and 2007. Relatives of Mr. Lawrence Ho, our Co-Chairman and Chief Executive Officer, have beneficial interests within those companies. The traveling expenses in connection with construction of the Altira Macau and City of Dreams projects were capitalized as costs related to construction in progress during the construction period. STDM Group and Shun Tak Group provided advertising and promotional services to us during the years ended December 31, 2009, 2008 and 2007. We incurred rental expense from leasing office premises from STDM Group and Shun Tak Group during the years ended December 31, 2009, 2008 and 2007. As of December 31, 2009 and 2008, the outstanding balances due to STDM Group of US\$171,000 and US\$215,000 and Shun Tak Group of US\$440,000 and US\$8,000, respectively, were unsecured, non-interest bearing and repayable on demand.

Melco's subsidiaries and its associated companies — Melco's subsidiaries and its associated companies provided services to us primarily for the construction of Altira Macau and City of Dreams and their operations which included management of general and administrative matters for the years ended December 31, 2009, 2008 and 2007, consultancy fees during the years ended December 31, 2009 and 2008, and advertising and promotion, network support, system maintenance and administration support and repairs and maintenance fee during the years ended December 31, 2008 and 2007. We incurred rental expense from leasing office premises from Melco's subsidiaries during the years ended December 31, 2009, 2008 and 2007. We purchased property and equipment from Melco's subsidiaries and its associated companies during the years ended December 31, 2009, 2008 and 2007 and purchased operating and office supplies during the years ended December 31, 2008 and 2007. We reimbursed Melco's subsidiaries for service fees incurred on its behalf for rental, office administration, travel and security coverage for the operation of the office of our Chief Executive Officer during the years ended December 31, 2009 and 2008. Melco's subsidiaries and its associated companies purchased rooms and food and beverage services from us during the years ended December 31, 2009, 2008 and 2007. Other service fee income was received from Melco's subsidiary during the year ended December 31, 2009. Melco's subsidiaries fees charged for management of general administrative services, project management and consultancy, were determined based on actual cost incurred during the year ended December 31, 2007. The project management fee and consultancy fee in connection with the construction of Altira Macau and City of Dreams were capitalized as costs related to construction in progress during the construction period during the year ended December, 31, 2007 and no further project management fee incurred for 2008 and 2009.

As of December 31, 2009 and 2008, the outstanding balances due to Melco's subsidiaries and its associated companies of US\$720,000 and US\$1.5 million, respectively, were unsecured, non-interest bearing and repayable on demand.

Lisboa Holdings Limited, or Lisboa and Sociedade de Jogos de Macau S.A., or SJM — During the years ended December 31, 2009, 2008 and 2007, we paid rental expenses and service fees for Mocha Clubs gaming premises to Lisboa and SJM, companies in which a relative of Mr. Lawrence Ho has beneficial interest. There was no outstanding balance as of December 31, 2009 and 2008.

Crown's subsidiary — Crown's subsidiary provided services to us primarily for the construction of Altira Macau and City of Dreams and their operations which included general consultancy and management of sale representative offices during the years ended December 31, 2009, 2008 and 2007. Part of the consultancy charges was capitalized as costs related to construction in progress during construction period for the years ended December 31, 2009, 2008 and 2007. We reimbursed Crown's subsidiary for associated costs including traveling expenses during the years ended December 31, 2009, 2008 and 2007. We purchased property and equipment from Crown's subsidiary during the years ended December 31, 2009, 2008 and 2007. We received other service fee income from Crown's subsidiary during the years ended December 31, 2009 and 2008. Crown's subsidiary purchased rooms and food and beverage services from us during the years ended December 31, 2008 and 2007. As of December 31, 2009 and 2008, the outstanding balances due to Crown's subsidiary of US\$975,000 and US\$241,000, respectively, were unsecured, non-interest bearing and repayable on demand.

Shuffle Master Asia Limited, or Shuffle Master, and Stargames Corporation Pty. Limited, or Stargames — We purchased spare parts, property and equipment and lease of equipment with Shuffle Master during the years ended December 31, 2009, 2008 and 2007. We incurred repairs and maintenance expense with Shuffle Master and Stargames during the year ended December 31, 2008 and purchased property and equipment and lease of equipment with Stargames during the year ended December 31, 2007, in which our former Chief Operating Officer during this period was an independent non-executive director of its parent company. There was no outstanding balance with Stargames as of December 31, 2009 and 2008. As of December 31, 2009 and 2008, the outstanding balances due to Shuffle Master of nil and US\$4,000, respectively, were unsecured, non-interest bearing and repayable on demand.

Chang Wah Garment Manufacturing Company Limited, or Chang Wah — We purchased uniforms from Chang Wah during the years ended December 31, 2009 and 2008, a company in which a relative of Mr. Lawrence Ho has beneficial interest, for Altira Macau and the City of Dreams projects. As of December 31, 2009 and 2008, the outstanding balance due to Chang Wah of US\$32,000 and US\$10,000, respectively, were unsecured, non-interest bearing and repayable on demand.

MGM Grand Paradise Limited, or MGM — We paid rental expenses and purchased property and equipment from MGM during the year ended December 31, 2009, a company in which a relative of Mr. Lawrence Ho has beneficial interest, for City of Dreams. There was no outstanding balance with MGM as of December 31, 2009.

**(c) Amounts Due To/Loans From Shareholders**

Melco and Crown provided loans to us mainly used for working capital purposes, for the acquisition of the Altira Macau and the City of Dreams sites and for construction of Altira Macau and City of Dreams.

The outstanding loan balances due to Melco as of December 31, 2009 and 2008 amounted to US\$74.4 million in each of those years, were unsecured and interest bearing at 3-months HIBOR per annum and at 3-months HIBOR plus 1.5% per annum only during the period from May 16, 2008 to May 15, 2009. As of December 31, 2009, the loan balance due to Melco was repayable in May 2011.

Melco purchased rooms and food and beverage services from us during the year ended December 31, 2009. The amounts of US\$17,000 and US\$916,000 due to Melco as of December 31, 2009 and 2008, respectively, mainly related to interest payable on the outstanding loan balances, and they were unsecured, non-interest bearing and repayable on demand.

The outstanding loan balances due to Crown as of December 31, 2009 and 2008 amounted to US\$41.3 million in each of those years, and they were unsecured and interest bearing at 3-months HIBOR per annum. As of December 31, 2009, the loan balance due to Crown was repayable in May 2011.

The amounts of US\$8,000 and US\$116,000 due to Crown as of December 31, 2009 and 2008, respectively, related to interest payable on the outstanding loan balances, and they were unsecured, non-interest bearing and repayable on demand.

- (d) On May 17, 2006, MPEL Macau Peninsula entered into a conditional agreement to acquire a third development site located on the shoreline of Macau Peninsula near the current Macau Ferry Terminal or Macau Peninsula site. The acquisition was through the purchase of the entire issued share capital of a company holding title to the Macau Peninsula site. Dr. Stanley Ho was one of the directors but held no shares in such company. Dr. Stanley Ho is the father of Mr. Lawrence Ho, the chairman of Melco until he resigned this position in March 2006. The title holding company holds the rights to the land lease of Macau Peninsula site which was approximately 6,480 square meters. The aggregate consideration was US\$192.8 million, payable in cash of which a deposit of US\$12.9 million was paid upon signing of the sale and purchase agreement, financed from Melco and Crown, equally. The targeted completion date of July 27, 2009 for the acquisition of the Macau Peninsula site passed and the acquisition agreement was terminated by the relevant parties on December 17, 2009. The deposit under the acquisition agreement was refunded to us in December 2009.



## **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 Plan**

See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—2006 Share Incentive Plan”.

## **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 proceedings which relate to matters arising out of the ordinary course of our business. Our management does not believe that the outcome of such proceedings will have a material adverse effect on our company’s financial position or results of operations.

### **Dividend Policy**

We have never declared or paid any dividends, nor do we have any present plan to pay any cash dividends on our ordinary shares in the near to medium term. We currently intend to retain most, if not all, of our available funds and any future earnings to finance the construction and development of our projects, to service debt and to operate and expand our business.

Our board of directors has complete discretion on whether to pay dividends, subject to the approval of our shareholders. Even if our board of directors 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 the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

The debt facilities of our subsidiaries contain, or are 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 the ADSs—We currently do not intend to pay dividends, and we cannot assure you that we will make dividend payments in the future.”

### **B. SIGNIFICANT CHANGES**

We have no significant changes since the date of our audited consolidated financial statements included in this annual report on Form 20-F.

## **ITEM 9. THE OFFER AND LISTING**

### **A. OFFERING AND LISTING DETAILS**

Our ADSs, each representing three ordinary shares, have been listed on the Nasdaq since December 19, 2006. Our ADSs are traded under the symbol “MPEL”.

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The following table provides the high and low trading prices for our ADSs on the Nasdaq for the periods indicated as follows:

	Sales Price	
	High	Low
<b>Monthly High and Low</b>		
March 2010 (through March 16, 2010)	4.97	4.05
February 2010	4.17	3.30
January 2010	4.35	3.32
December 2009	4.67	3.26
November 2009	5.37	4.02
October 2009	7.35	4.95
September 2009	8.45	5.62
<b>Quarterly High and Low</b>		
First Quarter 2010 (up to March 16, 2010)	4.97	3.30
Fourth Quarter 2009	7.35	3.26
Third Quarter 2009	8.45	4.05
Second Quarter 2009	6.60	3.29
First Quarter 2009	4.65	2.27
Fourth Quarter 2008	4.89	2.31
Third Quarter 2008	9.63	3.77
Second Quarter 2008	14.76	9.00
First Quarter 2008	13.23	8.20
<b>Annual High and Low</b>		
2009	8.45	2.27
2008	14.76	2.31
2007	22.34	9.95
2006	23.55	18.88

### **B. PLAN OF DISTRIBUTION**

Not applicable.

### **C. MARKETS**

Our ADSs, each representing three ordinary shares, have been listed on the Nasdaq since December 19, 2006 under the symbol "MPEL".

### **D. SELLING SHAREHOLDERS**

Not applicable.

### **E. DILUTION**

Not applicable.

### **F. EXPENSES OF THE ISSUE**

Not applicable.

## **ITEM 10. ADDITIONAL INFORMATION**

### **A. SHARE CAPITAL**

In an extraordinary general meeting of shareholders held on May 19, 2009, our shareholders approved an increase in our authorized capital from US\$15,000,000 divided into 1,500,000,000 ordinary shares of a par value of US\$0.01 each to US\$25,000,000 divided into 2,500,000,000 ordinary shares of a par value of US\$0.01 each, was approved.

### **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 F-1 registration statement (File No. 333-146780) originally filed with the SEC on October 18, 2007, 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 Hong Kong dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau. The Hong Kong dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the Hong Kong dollar. Although we will have certain expenses and revenues denominated in Patacas in Macau, our revenues and expenses will be denominated predominantly in Hong Kong dollars and in connection with most of our indebtedness and certain expenses, U.S. dollars. 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 Hong Kong 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.

## 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 the material U.S. federal income tax consequences of an investment in the ADSs to U.S. Holders (defined below) that purchase the ADSs in cash pursuant to an offering. This discussion applies only to investors that hold the ADSs or ordinary shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as in effect on the date hereof and on U.S. Treasury regulations in effect or, in some cases, proposed, on the date hereof, 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.

This discussion does not address the tax consequences to U.S. Holders in light of their particular circumstances or U.S. Holders subject to special treatment under U.S. federal income tax law, such as:

- banks;
- insurance companies;
- dealers in securities;
- certain former citizens or residents of the United States;
- persons that elect to mark their securities to market;
- tax-exempt entities;
- real estate investment trusts;
- regulated investment companies;
- persons holding an ADS or ordinary share as part of a straddle, hedging, conversion or other integrated transaction;
- persons that actually or constructively own 10% or more of our voting stock; or
- persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation or pursuant to the conversion of another instrument.

This discussion does not address any U.S. state or local or non-U.S. tax consequences or any U.S. federal estate, gift or alternative minimum tax consequences.

**U.S. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS U.S. STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE ADSs OR ORDINARY SHARES.**

As used in this discussion, the term “U.S. Holder” means a beneficial owner of an ADS or ordinary share that is for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any State thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity treated as a partnership for the U.S. federal income tax purposes holds the ADSs or ordinary shares, the tax treatment of such entity and each partner thereof generally will depend on the status and activities of such entity and the particular partner.

***Tax Treatment of ADSs***

A U.S. Holder of the ADSs generally should be treated, for U.S. federal income tax purposes, as the holder of the underlying ordinary shares represented by those ADSs.

***Dividends and Other Distributions on the ADSs or Ordinary Shares***

Subject to the passive foreign investment company rules discussed below, the gross amount of any distribution to a U.S. Holder with respect to an ADS or ordinary shares generally will be included in such U.S. Holder’s gross income as ordinary dividend income on the date of receipt by the depository, in the case of an ADS, or by such U.S. Holder, in the case of an ordinary share, to the extent that the amount of such distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent that the amount of such distribution exceeds our current and accumulated earnings and profits, it generally will be treated first as a tax-free return of such U.S. Holder’s tax basis in such ADS or ordinary share, and to the extent the amount of such distribution exceeds such U.S. Holder’s tax basis in such ADS or ordinary share, the excess generally will be treated as capital gain. 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 from us generally will be treated as a dividend. Any dividend from us will not be eligible for the dividends-received deduction generally allowed to corporations in respect of dividends received from U.S. corporations.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, for taxable years beginning before January 1, 2011, dividends may constitute “qualified dividend income” that is taxed at the lower applicable capital gains rate provided that (1) the ADSs or ordinary shares, as applicable, are readily tradable on an established securities market in the United States, (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. For this purpose, ADSs listed on the Nasdaq will be considered to be readily tradable on an established securities market in the United States. U.S. Holders should consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to the ADSs or ordinary shares and certain special rules that apply to such dividends (including rules relating to foreign tax credit limitations).

Dividends on the ADSs or ordinary shares generally will constitute non-U.S. source income for foreign tax credit limitation purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed on the ADSs or ordinary shares generally will be treated as “passive category income” or, in the case of certain U.S. Holders, as “general category income.”

### ***Sale, Exchange or Other Disposition of the ADSs or Ordinary Shares***

Subject to the passive foreign investment company rules discussed below, a U.S. Holder generally will recognize gain or loss on any sale, exchange or other disposition of an ADS or ordinary share equal to the difference between the amount realized on such sale, exchange or other disposition and such U.S. Holder's tax basis in such ADS or ordinary share. Such gain or loss generally will be capital gain or loss. A non-corporate U.S. Holder, including an individual U.S. Holder, who has held such ADS or ordinary share for more than one year generally will be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

### ***Passive Foreign Investment Company***

Although the applicable rules are not clear, we believe that we were not in 2009, and we do not currently expect to be in 2010, a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. This determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, including the value of our assets (such as goodwill) and the amount and type of our income. Accordingly, there can be no assurance that we will not be a PFIC or that the U.S. Internal Revenue Service will agree with our conclusion regarding our PFIC status in any taxable year. If we are a PFIC in any taxable year, U.S. Holders of the ADSs or ordinary shares could suffer adverse U.S. federal income tax consequences as discussed below.

In general, a corporation organized outside the United States will be treated as a PFIC in any taxable year in which either (1) at least 75% of its gross income is "passive income" or (2) on average at least 50% of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities transactions and from the sale or exchange of property that gives rise to passive income. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

If we are a PFIC in any taxable year during which a U.S. Holder owns the ADSs or ordinary shares, such U.S. Holder could be liable for additional taxes and interest charges upon certain distributions by us or upon a sale, exchange or other disposition of the ADSs or ordinary shares at a gain, whether or not we continue to be a PFIC. The tax will be determined by allocating such distributions or gain ratably to each day of such U.S. Holder's holding period. The amount allocated to the current taxable year and any portion of such U.S. Holder's holding period prior to the first taxable year in which we are a PFIC will be taxed as ordinary income (rather than capital gain) earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates applicable to ordinary income for each such taxable year, and an interest charge will also be imposed on the amount of taxes for each such taxable year. In addition, a person who acquires the ADSs or ordinary shares from a deceased U.S. Holder who held such ADSs or ordinary shares in a taxable year in which we are a PFIC generally will be denied the step-up of the tax basis in such ADSs or ordinary shares for U.S. federal income tax purposes to fair market value of such ADSs or ordinary shares at the date of such deceased U.S. Holder's death, which would otherwise generally be available with respect to a decedent dying in any year other than 2010. Instead, such person will have a tax basis in such ADSs or ordinary shares equal to the lower of such fair market value or such deceased U.S. Holder's tax basis in such ADSs or ordinary shares.

The tax consequences that would apply if we were a PFIC would be different from those described above if a "mark-to-market" election is available and a U.S. Holder validly makes such an election as of the beginning of such U.S. Holder's holding period of the ADSs or ordinary shares. If such election is validly made, (1) such U.S. Holder generally will be required to take into account the difference, if any, between the fair market value of, and such U.S. Holder's tax basis in, the ADSs or ordinary shares at the end of each taxable year in which we are a PFIC as ordinary income or, to the extent of any net mark-to-market gains previously included in income, ordinary loss, and to make corresponding adjustments to such U.S. Holder's tax basis in the ADSs or ordinary shares and (2) any gain from a sale, exchange or other disposition of the ADSs or ordinary shares in a taxable year in which we are a PFIC will be treated as ordinary income, and any loss from such sale, exchange or other disposition will be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss. A mark-to-market election is available only if the ADSs or ordinary shares, as the case may be, are considered "marketable stock". Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. The Nasdaq constitutes a qualified exchange, and a non-U.S. securities exchange constitutes a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations. Since the ordinary shares are not themselves listed on any securities exchange, the mark-to-market election may not be available for the ordinary shares even if the ADSs are traded on the Nasdaq.

The tax consequences that would apply if we were a PFIC would also be different from those described above if a valid qualified electing fund, or QEF, election in respect of us has been in effect during a U.S. Holder's entire holding period of the ADSs or ordinary shares. A QEF election with respect to us would be available only if we agree to provide U.S. Holders with certain information. As we do not intend to provide U.S. Holders with the required information, U.S. Holders should assume that a QEF election is unavailable.

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If we are a PFIC in any taxable year during which a U.S. Holder owns the ADSs or ordinary shares, such U.S. Holder (i) may also suffer adverse tax consequences under the PFIC rules described above with respect to any other PFIC in which we have a direct or indirect equity interest and (ii) generally will be required to file annually a statement with its U.S. federal income tax returns.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of an investment in a PFIC.

### ***Information Reporting and Backup Withholding***

Under certain circumstances, information reporting and/or backup withholding may apply to U.S. Holders with respect to payments made on or proceeds from the sale, exchange or other disposition of the ADSs or ordinary shares, unless an applicable exemption is satisfied.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the U.S. Internal Revenue Service.

### ***Disclosure Requirements for Specified Foreign Financial Assets***

Under recent legislation, individual U.S. Holders (and certain U.S. entities specified in IRS guidance) who, during any taxable year, hold any interest in any "specified foreign financial asset" generally will be required to file with their U.S. federal income tax returns a statement setting forth certain information if the aggregate value of all such assets exceeds \$50,000. "Specified foreign financial asset" generally includes any financial account maintained with a non-U.S. financial institution and may also include the ADSs or ordinary shares if they are not held in an account maintained with a U.S. financial institution. Substantial penalties may be imposed for a failure to comply. U.S. Holders should consult their tax advisors as to the possible application to them of this new filing requirement.

## **F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

## **G. STATEMENT BY EXPERTS**

Not applicable.

## **H. DOCUMENTS ON DISPLAY**

We previously filed with the SEC our registration statement on Form F-1, as amended and prospectus under the Securities Act of 1933, with respect to our ordinary shares.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, or 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 annually a Form 20-F no later than six months after the close of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at Judiciary Plaza, 100 F Street, N.E., Washington, D.C. 20549, and at the regional office of the SEC located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. 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](http://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 4350(b) requires each issuer to distribute to shareholders copies of an annual report containing audited financial statements of the company and its subsidiaries a reasonable period of time prior to the 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 [www.melco-crown.com](http://www.melco-crown.com). Nasdaq Marketplace Rule 4350(a)(1) 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 Cayman Islands law, 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***

We have entered into interest rate swaps in connection with our drawdowns under the City of Dreams Project Facility in accordance with our lenders' requirements under the City of Dreams Project Facility. We have incurred substantial indebtedness which will bear interest at floating rates based on LIBOR and HIBOR plus a margin of 2.75% per annum until substantial completion of the City of Dreams, at which time, the floating interest rate will be reduced to LIBOR or HIBOR plus a margin of 2.50% per annum. The City of Dreams Project Facility also provides for further reductions in the margin if the Borrowing Group satisfy certain prescribed leverage ratio tests upon completion of the City of Dreams. Accordingly, we are subject to fluctuations in HIBOR and LIBOR. The lenders under the City of Dreams Project Facility require us to hedge a minimum of 50% of our floating rate debt through interest rate swaps, caps or other derivatives transactions in accordance with our lenders' requirements. We may also hedge our exposure to floating interest rates in a manner we deem prudent. 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.

As of December 31, 2009, all of our borrowings are at floating rates. Based on December 31, 2009 debt and interest rate swap levels, an assumed 100 basis point change in the HIBOR and LIBOR would cause our annual interest cost to change by approximately US\$9.6 million.

### ***Foreign Exchange Risk***

The Hong Kong dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau. The Hong Kong dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the Hong Kong dollar. Although we will have certain expenses and revenues denominated in Patacas in Macau, our revenues and expenses will be denominated predominantly in Hong Kong dollars and in connection with most of our indebtedness and certain expenses, U.S. dollars. We cannot assure you that the current peg or linkages between the U.S. dollar, Hong Kong dollar and Pataca will not be broken or modified. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and to Operating in Macau—Any fluctuation in the value of the H.K. dollar, U.S. dollar or Pataca may adversely affect our expenses and profitability." In addition, Altira Macau and Mocha Clubs accept foreign exchange for their cage cash. We and our subsidiaries do not engage in hedging transactions with respect to foreign exchange risk.

### ***Credit Risk***

We have conducted, and expect to continue to conduct, our table gaming activities at our casinos on a limited credit basis as well as a cash basis. It is a common practice in Macau for gaming promoters to bear the responsibility for issuing and subsequently collecting credit. While we expect that most of our gaming credit play will be via gaming promoters, who will therefore bear this credit risk, we may also grant gaming credit directly to certain customers. 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. As most of our gaming customers are expected to be visitors from other jurisdictions, principally Hong Kong and the PRC, we may not have access to a forum in which we will be able to collect all of our gaming receivables. 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 currently conduct and plan to continue to conduct credit evaluations of customers and generally do not require collateral or other security from our customers. We have established an allowance for doubtful receivables primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers. In the event a customer has been extended credit and has lost back to us the amount borrowed and the receivable from that customer is still deemed uncollectible, Macau gaming tax will still be payable.



**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. DEBT SECURITIES**

Not Applicable

**B. WARRANT 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 U.S. \$ 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:

- Expenses incurred by the depositary, the custodian or their respective agents in connection with inspections of the relevant share register maintained by the local registrar: an annual fee of U.S.\$1.00 per 100 ADSs (such fee to be assessed against holders of record as at the date or dates set by the depositary as it sees fit and collected at the discretion of the depositary, subject to the Company's prior consent, by billing such holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions);
- Taxes and other governmental charges incurred by the depositary or the custodian on any ADR or ordinary shares underlying an ADR, including any applicable interest and penalties thereon, and any share transfer or other taxes and other governmental charges;
- Cable, telex, electronic transmission and delivery expenses;
- 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;
- the fees and expenses incurred by the depositary in connection with the delivery of deposited securities, including any fees of a central depository for securities in the local market, where applicable; and
- Any other fees, charges, costs or expenses that may be incurred by the depositary from time to time.

In the case of cash distributions, fees are generally deducted from the cash being distributed. Service fees may be collected from holders of ADSs in a manner determined by the depositary with respect to ADSs registered in the name of investors (whether certificated or in book-entry form) and ADSs held in brokerage and custodian accounts (via DTC). In the case of distributions other than cash (i.e., stock dividends, rights, etc.), 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 book-entry form), 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 may, if permitted by the settlement systems provided by DTC, collect the fees through such settlement systems (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 such case may in turn charge their clients' accounts the amount of the service fees paid to the depositary.

In the event of refusal to pay the service fee, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the service fee from any distribution to be made to the ADS holder.

If any tax or other governmental charge is payable by the holders and/or beneficial owners of ADSs to the depositary, the depositary, the custodian or the Company may withhold or deduct from any distributions made in respect of deposited securities and may sell for the account of the holder and/or beneficial owner any or all of the deposited securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the holder and the beneficial owner thereof remaining fully liable for any deficiency.

## **PART II**

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable. See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

#### **Use of Proceeds**

The proceeds relating to our registration statement on Form F-1 (File No. 333-139088), filed by us in connection with our initial public offering of ADSs and declared effective by the SEC on December 18, 2006, which, after deduction of fees and expenses, amounted to US\$1.1 billion, and the additional US\$160.6 million in net proceeds from the sale of additional ADSs pursuant to the underwriters’ exercise of the over-allotment option in January 2007, were primarily used to repay our Subconcession Facility dated September 4, 2006 amounting to US\$500 million and to pay development costs of Altira Macau and City of Dreams, including approximately US\$668 million for the acquisition of property and equipment for these projects, and working capital.

The proceeds relating to our registration statement on Form F-1 (File No. 333-146780), filed by us in connection with our follow-on public offering of ADSs, which, after deduction of fees and expenses, amounted to US\$570 million, were primarily used for development costs of City of Dreams and working capital.

The proceeds relating to our registration statements on Form F-3 (File No. 333- 158545), filed by us in connection with our follow-on public offerings of ADSs, which, after deduction of fees and expenses, totally amounted to US\$383.5 million, were primarily used for cash security to reduce or replace the letters of credit maintained by Melco and Crown and working capital, with the balance being maintained in interest bearing bank deposits as of the date of this annual report.

### **ITEM 15. CONTROLS AND PROCEDURES**

#### **Evaluation of 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(3) and 15d-15(3) 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 the desired control objectives were achieved.

## **Management's Annual Report on Internal Control Over Financial Reporting**

The 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.

The 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. The 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 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 the 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 the 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.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making this assessment, the Company's management used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in "Internal Control—Integrated Framework".

Based on this assessment, management concluded that, as of December 31, 2009, the Company's internal control over financial reporting is effective based on this framework.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009, 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 the Company's internal control over financial reporting (as such term is defined in Rules 13(a)-15(f) and 15(d)-15(f) under the Exchange Act) during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined that James MacKenzie qualifies as "audit committee financial expert" as defined in Item 16A of Form 20-F. Each of the members of the Audit Committee is an "independent director" as defined in the Nasdaq Marketplace Rules.

#### **ITEM 16B. CODE OF ETHICS**

Our board of directors 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 September 29, 2009. We have filed our current code of business conduct and ethics as an exhibit to this annual statement on Form 20-F, and posted the code of business conduct and ethics on our website at [www.melco-crown.com](http://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 periods indicated. We did not pay any other fees to our auditor during the periods indicated below.

	Year Ended December 31,	
	2009	2008
	(In thousands of US\$)	
Audit fees (1)	\$ 1,070	\$ 1,356
Audit-related fees (2)	75	139
Tax fees (3)	69	24
All other fees (4)	400	—

- (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 statement for the six months ended June 30, 2009 and 2008.
- (3) “Tax fees” include fees billed for tax consultations.
- (4) “All other fees” includes the aggregate fees billed in respect of our follow-on public offerings in May 2009 and August 2009, which amounted to US\$300,000.

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**

None.

**ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

Nasdaq Marketplace Rule 4350(a)(1) permits foreign private issuers like us to follow “home country practice” in certain corporate governance matters. For example, Nasdaq Marketplace Rule 4350(c) 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 of directors. In addition, Nasdaq Marketplace Rule 4350(b) requires each issuer to distribute to shareholders copies of an annual report containing audited financial statements of the company and its subsidiaries a reasonable period of time prior to the 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](http://www.melco-crown.com). Lastly, Nasdaq Marketplace Rule 4350 (i)(1)(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 Cayman Islands law, we are not required to: (i) have a majority of independent directors serving on our board of directors; (ii) deliver annual reports to our shareholders prior to an annual general meeting; or (iii) to obtain shareholders’ approval prior to any issuance of our ordinary shares.

**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**

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1*	Amended and Restated Memorandum and Articles of Association amended by EGM in May 2009
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 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 the Registrant, the depositary and Owners and Beneficial Owners of the American Depositary Shares issued thereunder (incorporated by reference to Exhibit 4.3 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.4	Holdco 1 Subscription Agreement dated December 23, 2004 among the Registrant (formerly known as Melco PBL Holdings Limited), Melco, PBL and PBL Asia Investments Limited (incorporated by reference to Exhibit 4.4 from our F-1 registration statement (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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.6	Deed of Variation and Amendment relating to the Registrant dated July 27, 2007 between Melco Leisure and Entertainment Group Limited, Melco International Development Limited, PBL Asia Investments Limited, Publishing and Broadcasting Limited, Crown Limited and the Registrant (incorporated by reference to Exhibit 4.11 from our F-1 registration statement (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)
2.7	Amended and Restated Shareholders' Deed Relating to the Registrant dated December 12, 2007 among the Registrant, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and Crown Limited (incorporated by reference to Exhibit 2.7 from our Form 20-F registration statement (File No. 001-33178), filed with the SEC on April 9, 2008)
2.8	Form of Post-IPO Shareholders' Agreement among the Registrant, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and PBL (incorporated by reference to Exhibit 4.9 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.9	Form of Registration Rights Agreement among the Registrant, Melco and PBL (incorporated by reference to Exhibit 4.10 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.1	Form of Indemnification Agreement with the Registrant's directors and executive officers (incorporated by reference to Exhibit 10.1 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.2	Form of Directors' Agreement of the Registrant (incorporated by reference to Exhibit 10.2 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.3	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant (incorporated by reference to Exhibit 10.3 from our F-1 registration statement (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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)

<b>Exhibit Number</b>	<b>Description of Document</b>
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 F-1 registration statement (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)
4.6	Amendment Agreement in Respect of Senior Facilities Agreement dated December 7, 2007 for Melco PBL Gaming (Macau) Limited as Company and Deutsche Bank AG, Hong Kong Branch, as Agent (Incorporated by reference to Exhibit 4.6 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.7	Second Amendment Agreement in Respect of Senior Facilities Agreement dated September 1, 2008 for Melco Crown Gaming (Macau) Limited as Company and Deutsche Bank AG, Hong Kong Branch, as Agent (Incorporated by reference to Exhibit 4.7 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.8	Third Amendment Agreement in Respect of Senior Facilities Agreement dated December 1, 2008 for Melco Crown Gaming (Macau) Limited as Company and Deutsche Bank AG, Hong Kong Branch, as Agent (Incorporated by reference to Exhibit 4.8 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.9	Agreement dated May 9, 2006 between Dr. Stanley Ho and MPBL International, regarding sale and transfer of Mocha Slot Group Limited, together with Deed of Assignment dated May 9, 2006 between Dr. Ho, as assignor, and MPBL International, as assignee (incorporated by reference to Exhibit 10.8 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.10	English Translation of Sale and Purchase Agreement dated September 21, 2006 between Mocha and Melco PBL Gaming (now Melco Crown Gaming) (incorporated by reference to Exhibit 10.9 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.11	Letter Agreement in relation to termination of the Mocha service arrangement dated March 15, 2006 among Mocha, SJM and Melco (incorporated by reference to Exhibit 10.10 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.12	First Supplementary Agreement to Joint Venture dated February 8, 2005 Relating to transfer of 70% interests in Altira Developments (its former names were Melco Crown (CM) Developments, MPBL Crown Macau Developments and Great Wonders) to MPBL (Greater China) (formerly known as Melco Entertainment Limited) among STD M, Melco and MPBL (Greater China) (incorporated by reference to Exhibit 10.11 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.13	Agreement dated March 17, 2005 Relating to transfer of 30% shareholding in Altira Developments (its former names were Melco Crown (CM) Developments, MPBL Crown Macau Developments and Great Wonders) from STD M to Melco among STD M, Melco and MPBL (Greater China) (formerly known as Melco Entertainment Limited) (incorporated by reference to Exhibit 10.12 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.14	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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.15	Contract Document dated November 24, 2004 for the design and construction of the hotel and casino at Junction of Avenida Dr. Sun Yat Sen and Avenida de Kwong Tung, Taipa, Macau between Altira Developments (its former names were Melco Crown (CM) Developments, MPBL Crown Macau Developments and Great Wonders) and Paul Y. Construction Company Limited (incorporated by reference to Exhibit 10.14 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)

<b>Exhibit Number</b>	<b>Description of Document</b>
4.16	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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.17	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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.18	Transfer Deed in relation to the entire issued equity capital of Melco Crown (COD) Developments (formerly known as MPBL (COD) Developments) and Assignment Deed in relation to a memorandum of agreement dated October 28, 2004, dated May 17, 2005, between Melco Leisure and Entertainment Group Limited and MPBL (Greater China) (incorporated by reference to Exhibit 10.16 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.19	Construction Management Agreement dated August 22, 2007 for the Construction and Commissioning of City of Dreams, Macau for Melco Crown (COD) Developments Limited (formerly known as MPBL (COD) Developments) (incorporated by reference to Exhibit 10.33 from our F-1 registration statement (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)
4.20	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 From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.21	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 From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009) .
4.22	Hotel Trademark License Agreement by and between Hard Rock Holdings Limited and Melco Crown (COD) Developments (formerly known as Melco PBL (COD) Developments Limited and Melco Hotel and Resorts (Macau) 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)
4.23	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 From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.24	Casino Trademark License Agreement by and between Hard Rock Holdings Limited and Melco PBL Gaming (now Melco Crown Gaming) 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)
4.25	Memorabilia Lease (casino) between Hard Rock Cafe International (STP) Inc. and Melco PBL Gaming (now Melco Crown Gaming) 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)
4.26	Memorabilia Lease (hotel) between Hard Rock Cafe International (STP) Inc. and Melco Crown (COD) Developments 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)



<b>Exhibit Number</b>	<b>Description of Document</b>
4.27	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 From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.28	Promissory Transfer of Shares Agreement dated May 17, 2006 with respect to the sale and transfer of Omar Limited (incorporated by reference to Exhibit 10.21 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.29	Extension Letter (with respect to the Promissory Transfer of Shares Agreement) to Melco PBL (Macau Peninsula) Limited from Double Margin, Angela Leong and Omar dated January 25, 2007 (Incorporated by reference to Exhibit 4.29 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.30	Extension Letter (with respect to the Promissory Transfer of Shares Agreement) to Melco PBL (Macau Peninsula) Limited from Double Margin and Angela Leong dated July 17, 2007 (Incorporated by reference to Exhibit 4.30 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.31	Extension Letter (with respect to the Promissory Transfer of Shares Agreement) to MPEL (Macau Peninsula) Limited from Double Margin and Angela Leong dated July 2, 2008 (Incorporated by reference to Exhibit 4.31 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.32*	Promissory Transfer of Shares Termination Agreement dated 17 December 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
4.33	Shareholders’ Agreement relating to Melco PBL Gaming (now Melco Crown Gaming) 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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.34	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)
4.35	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)
4.36	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 F-3 registration statement (File No. 333-148849), filed with the SEC on January 25, 2008)
4.37*	2006 Share Incentive Plan Amended by AGM in May 2009
4.38	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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.39	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)

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<b>Exhibit Number</b>	<b>Description of Document</b>
4.40	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)
4.41*	English Translation of 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.
8.1*	List of Subsidiaries
11.1*	Code of Business Conduct and Ethics, amended and approved as of September 29, 2009
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Walkers

\* Filed with this Annual Report on Form 20-F

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MELCO CROWN ENTERTAINMENT LIMITED

Consolidated Financial Statements  
For the years ended December 31, 2009, 2008 and 2007  
Report of Independent Registered Public Accounting Firm

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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 internal control over financial reporting of Melco Crown Entertainment Limited and subsidiaries (the "Company") as of December 31, 2009, based on the criteria established in Internal Control — Integrated Framework 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, 2009, based on the criteria established in Internal Control — Integrated Framework 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 related financial statements included in Schedule 1 as of and for the year ended December 31, 2009 of the Company and our report dated March 31, 2010 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

**/s/ Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
March 31, 2010

**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, 2009 and 2008, and the related consolidated statements of operations, shareholders’ equity, and cash flows for the years ended December 31, 2009, 2008 and 2007. Our audits also included the related financial statements 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years ended December 31, 2009, 2008 and 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such related financial statements included in Schedule 1, 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, 2009, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 31, 2010 expressed an unqualified opinion on the Company’s internal control over financial reporting.

**/s/ Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
March 31, 2010

**MELCO CROWN ENTERTAINMENT LIMITED****CONSOLIDATED BALANCE SHEETS****(In thousands of U.S. dollars, except share and per share data)**

	December 31,	
	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 212,598	\$ 815,144
Restricted cash	236,119	67,977
Accounts receivable, net (Note 3)	299,700	72,755
Amounts due from affiliated companies (Note 19(a))	1	650
Inventories	6,534	2,170
Prepaid expenses and other current assets	19,768	17,556
<b>Total current assets</b>	<b>774,720</b>	<b>976,252</b>
PROPERTY AND EQUIPMENT, NET (Note 4)	2,786,646	2,107,722
GAMING SUBCONCESSION, NET (Note 5)	713,979	771,216
INTANGIBLE ASSETS, NET (Note 6)	4,220	4,220
GOODWILL (Note 6)	81,915	81,915
LONG-TERM PREPAYMENT AND DEPOSITS	52,365	60,894
DEFERRED TAX ASSETS (Note 14)	—	28
DEFERRED FINANCING COST	38,948	49,336
DEPOSIT FOR ACQUISITION OF LAND INTEREST (Note 7)	—	12,853
LAND USE RIGHTS, NET (Note 8)	447,576	433,853
<b>TOTAL</b>	<b>\$ 4,900,369</b>	<b>\$ 4,498,289</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 8,719	\$ 2,494
Accrued expenses and other current liabilities (Note 9)	497,767	442,671
Income tax payable	768	1,954
Current portion of long-term debt (Note 10)	44,504	—
Amounts due to affiliated companies (Note 19(b))	7,384	1,985
Amounts due to shareholders (Note 19(c))	25	1,032
<b>Total current liabilities</b>	<b>559,167</b>	<b>450,136</b>
LONG-TERM DEBT (Note 10)	1,638,703	1,412,516
OTHER LONG-TERM LIABILITIES (Note 11)	20,619	38,304
DEFERRED TAX LIABILITIES (Note 14)	17,757	19,191
LOANS FROM SHAREHOLDERS (Note 19(c))	115,647	115,647
LAND USE RIGHT PAYABLE (Note 18(a))	39,432	53,891
COMMITMENTS AND CONTINGENCIES (Note 18)		
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares at US\$0.01 par value per share (Authorized – 2,500,000,000 and 1,500,000,000 shares and issued – 1,595,617,550 and 1,321,550,399 shares as of December 31, 2009 and 2008 (Note 13))	15,956	13,216
Treasury shares, at US\$0.01 par value per share (471,567 and 385,180 shares as of December 31, 2009 and 2008 (Note 13))	(5)	(4)
Additional paid-in capital	3,088,768	2,689,257
Accumulated other comprehensive losses	(29,034)	(35,685)
Accumulated losses	(566,641)	(258,180)
<b>Total shareholders' equity</b>	<b>2,509,044</b>	<b>2,408,604</b>
<b>TOTAL</b>	<b>\$ 4,900,369</b>	<b>\$ 4,498,289</b>

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,		
	2009	2008	2007
<b>OPERATING REVENUES</b>			
Casino	\$ 1,304,634	\$ 1,405,932	\$ 348,725
Rooms	41,215	17,084	5,670
Food and beverage	28,180	16,107	11,121
Entertainment, retail and others	11,877	5,396	1,964
Gross revenues	1,385,906	1,444,519	367,480
Less: promotional allowances	(53,033)	(28,385)	(8,984)
Net revenues	<u>1,332,873</u>	<u>1,416,134</u>	<u>358,496</u>
<b>OPERATING COSTS AND EXPENSES</b>			
Casino	(1,130,302)	(1,159,930)	(303,922)
Rooms	(6,357)	(1,342)	(2,222)
Food and beverage	(16,853)	(12,745)	(10,541)
Entertainment, retail and others	(4,004)	(1,240)	(504)
General and administrative	(130,986)	(90,707)	(82,773)
Pre-opening costs	(91,882)	(21,821)	(40,032)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,190)
Amortization of land use rights	(18,395)	(18,269)	(17,276)
Depreciation and amortization	(141,864)	(51,379)	(39,466)
Property charges and others	(7,040)	(290)	(387)
Total operating costs and expenses	<u>(1,604,920)</u>	<u>(1,414,960)</u>	<u>(554,313)</u>
<b>OPERATING (LOSS) INCOME</b>	<u>(272,047)</u>	<u>1,174</u>	<u>(195,817)</u>
<b>NON-OPERATING (EXPENSES) INCOME</b>			
Interest income	498	8,215	18,640
Interest expenses, net of capitalized interest	(31,824)	—	(770)
Amortization of deferred financing costs	(5,974)	(765)	(1,005)
Loan commitment fees	(2,253)	(14,965)	(4,760)
Foreign exchange gain, net	491	1,436	3,832
Other income, net	2,516	972	275
Total non-operating (expenses) income	<u>(36,546)</u>	<u>(5,107)</u>	<u>16,212</u>
<b>LOSS BEFORE INCOME TAX</b>	<u>(308,593)</u>	<u>(3,933)</u>	<u>(179,605)</u>
<b>INCOME TAX CREDIT (Note 14)</b>	<u>132</u>	<u>1,470</u>	<u>1,454</u>
<b>NET LOSS</b>	<u>\$ (308,461)</u>	<u>\$ (2,463)</u>	<u>\$ (178,151)</u>
<b>LOSS PER SHARE:</b>			
Basic and diluted	<u>\$ (0.210)</u>	<u>\$ (0.002)</u>	<u>\$ (0.145)</u>
<b>SHARES USED IN LOSS PER SHARE CALCULATION:</b>			
Basic and diluted	<u>1,465,974,019</u>	<u>1,320,946,942</u>	<u>1,224,880,031</u>

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)

	Common Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Losses	Total Shareholders' Equity	Comprehensive Loss
	Shares	Amount	Shares	Amount					
BALANCE AT JANUARY 1, 2007	1,180,931,146	\$ 11,809	—	\$ —	\$ 1,955,383	\$ 740	\$ (77,566)	\$ 1,890,366	
Net loss for the year	—	—	—	—	—	—	(178,151)	(178,151)	\$ (178,151)
Foreign currency translation adjustment	—	—	—	—	—	(1,685)	—	(1,685)	(1,685)
Change in fair value of interest rate swap agreements	—	—	—	—	—	(10,131)	—	(10,131)	(10,131)
Share-based compensation (Note 15)	—	—	—	—	5,346	—	—	5,346	
Shares issued, net of offering expenses (Note 13)	139,612,500	1,396	—	—	721,400	—	—	722,796	
Shares issued upon restricted shares vested (Note 13)	<u>395,256</u>	<u>4</u>	<u>—</u>	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
BALANCE AT DECEMBER 31, 2007	1,320,938,902	13,209	—	—	2,682,125	(11,076)	(255,717)	2,428,541	<u>\$ (189,967)</u>
Net loss for the year	—	—	—	—	—	—	(2,463)	(2,463)	\$ (2,463)
Change in fair value of interest rate swap agreements	—	—	—	—	—	(24,609)	—	(24,609)	(24,609)
Reversal of over-accrued offering expenses	—	—	—	—	117	—	—	117	
Share-based compensation (Note 15)	—	—	—	—	7,018	—	—	7,018	
Shares issued upon restricted shares vested (Note 13)	226,317	3	—	—	(3)	—	—	—	
Shares issued for future exercises of share options (Note 13)	<u>385,180</u>	<u>4</u>	<u>(385,180)</u>	<u>(4)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
BALANCE AT DECEMBER 31, 2008	1,321,550,399	13,216	(385,180)	(4)	2,689,257	(35,685)	(258,180)	2,408,604	<u>\$ (27,072)</u>
Net loss for the year	—	—	—	—	—	—	(308,461)	(308,461)	\$ (308,461)
Foreign currency translation adjustment	—	—	—	—	—	(11)	—	(11)	(11)
Change in fair value of interest rate swap agreements	—	—	—	—	—	6,662	—	6,662	6,662
Share-based compensation (Note 15)	—	—	—	—	11,807	—	—	11,807	
Shares issued, net of offering expenses (Note 13)	263,155,335	2,631	—	—	380,898	—	—	383,529	
Shares issued upon restricted shares vested (Note 13)	8,297,110	83	—	—	6,831	—	—	6,914	
Shares issued for future vesting of restricted shares (Note 13)	2,614,706	26	(2,614,706)	(26)	—	—	—	—	
Issuance of shares for restricted shares vested (Note 13)	<u>—</u>	<u>—</u>	<u>2,528,319</u>	<u>25</u>	<u>(25)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
BALANCE AT DECEMBER 31, 2009	<u>1,595,617,550</u>	<u>\$ 15,956</u>	<u>(471,567)</u>	<u>\$ (5)</u>	<u>\$ 3,088,768</u>	<u>\$ (29,034)</u>	<u>\$ (566,641)</u>	<u>\$ 2,509,044</u>	<u>\$ (301,810)</u>

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,		
	2009	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (308,461)	\$ (2,463)	\$ (178,151)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	217,496	126,885	113,932
Amortization of deferred financing costs	5,974	765	1,005
Impairment loss recognized on property and equipment	3,137	17	421
Loss (gain) on disposal of property and equipment	640	(328)	585
Allowance for doubtful debts	16,757	5,378	2,733
Share-based compensation	11,385	6,855	5,256
Changes in operating assets and liabilities:			
Accounts receivable	(243,702)	(28,743)	(51,711)
Amounts due from affiliated companies	649	89	151
Inventories	(4,364)	(686)	(1,288)
Prepaid expenses and other current assets	(5,824)	(1,503)	(13,924)
Long-term prepayment and deposits	(1,712)	1,219	(7,899)
Deferred tax assets	28	(28)	—
Accounts payable	6,225	(3,670)	3,172
Accrued expenses and other current liabilities	193,009	(110,567)	273,166
Income tax payable	(1,186)	394	1,301
Amounts due to affiliated companies	(1,220)	(3,461)	428
Amounts due to shareholders	25	—	—
Other long-term liabilities	321	784	950
Deferred tax liabilities	(1,434)	(2,095)	(2,755)
Net cash (used in) provided by operating activities	<u>(112,257)</u>	<u>(11,158)</u>	<u>147,372</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	(937,074)	(1,053,992)	(668,281)
Deposits for acquisition of property and equipment	(2,712)	(34,699)	(5,356)
Prepayment of show production cost	(21,735)	(16,127)	—
Changes in restricted cash	(168,142)	231,006	(298,983)
Payment for land use rights	(30,559)	(42,090)	—
Proceeds from sale of property and equipment	3,730	2,300	—
Refund of deposit for acquisition of land interest	12,853	—	—
Net cash used in investing activities	<u>(1,143,639)</u>	<u>(913,602)</u>	<u>(972,620)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of deferred financing costs	(870)	(7,641)	(49,735)
Loans from shareholders	—	(181)	(96,583)
Payment of principal of capital leases	—	—	(16)
Proceeds from issue of share capital	383,529	—	722,796
Proceeds from long-term debt	270,691	912,307	500,209
Net cash provided by financing activities	<u>653,350</u>	<u>904,485</u>	<u>1,076,671</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(602,546)</b>	<b>(20,275)</b>	<b>251,423</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>815,144</u></b>	<b><u>835,419</u></b>	<b><u>583,996</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 212,598</u></b>	<b><u>\$ 815,144</u></b>	<b><u>\$ 835,419</u></b>

The accompanying notes are an integral part of the consolidated financial statements.

**MELCO CROWN ENTERTAINMENT LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOWS – continued**  
**(In thousands of U.S. dollars)**

	Year Ended December 31,		
	2009	2008	2007
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS</b>			
Cash paid for interest (net of capitalized interest)	\$ (27,978)	\$ (181)	\$ (596)
Cash paid for tax	\$ (2,457)	\$ —	\$ —
<b>NON-CASH INVESTING ACTIVITIES</b>			
Construction costs and property and equipment funded through accrued expenses and other current liabilities	\$ 91,648	\$ 246,998	\$ 132,356
Land use right cost funded through land use right payable, accrued expenses and other current liabilities and loans from shareholders	\$ 22,462	\$ —	\$ 41,680
Costs of property and equipment funded through amounts due from (to) affiliated companies	\$ 4,427	\$ 1,562	\$ 1,598
Disposal of property and equipment through amount due from an affiliated company	\$ —	\$ (2,788)	\$ —
Deferred financing costs funded through accounts payable and accrued expenses and other current liabilities	\$ —	\$ 1,427	\$ 575
Provision of bonus funded through restricted shares issued and vested	<u>\$ 6,914</u>	<u>\$ —</u>	<u>\$ —</u>

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” together with its subsidiaries, “MCE”) was incorporated in the Cayman Islands on December 17, 2004 and completed an initial public offering of its ordinary shares in December 2006. MCE is a developer, owner and, through its subsidiary, Melco Crown Gaming (Macau) Limited (“Melco Crown Gaming”), operator of casino gaming and entertainment resort facilities focused on the Macau Special Administrative Region of the People’s Republic of China (“Macau”) market. MCE currently owns and operates City of Dreams – an integrated urban entertainment resort which opened in June 2009, Taipa Square Casino which opened in June 2008, Altira Macau (formerly known as Crown Macau) – a casino and hotel resort which opened in May 2007, and Mocha Clubs – a non-casino-based operations of electronic gaming machines which has been in operation since September 2003. MCE’s American depository shares (“ADS”) are traded on the Nasdaq Global Select Market under the symbol “MPEL”. The Company changed its name from Melco PBL Entertainment (Macau) Limited to Melco Crown Entertainment Limited pursuant to shareholders’ resolutions passed on May 27, 2008.

As of December 31, 2009 and 2008, the major shareholders of the Company are Melco International Development Limited (“Melco”), a company listed in the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”), and Crown Limited (“Crown”), an Australian-listed corporation, which completed its acquisition of the gaming businesses and investments of Publishing and Broadcasting Limited (“PBL”) on December 12, 2007. PBL, an Australian-listed corporation, is now known as Consolidated Media Holdings Limited.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation and Principles of Consolidation**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US 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 US 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 Company and on various other assumptions that the Company believes to be reasonable under the circumstances. Accordingly, actual results could differ from those estimates.

**(c) Fair Value Measurements**

Fair values are measured in accordance with the accounting standards for fair value measurements. The Company partially adopted by the provisions effective on January 1, 2008 for financial assets, financial liabilities and non-financial assets and non-financial liabilities recognized or disclosed at fair value in the consolidated financial statements, and adopted the remaining provisions effective on January 1, 2009 for all non-recurring fair value measurements of non-financial assets and non-financial liabilities. These accounting standards define fair value 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.

The carrying values of the Company’s financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, other current assets, amounts due from (to) affiliated companies, accounts payable, accrued expenses and other current liabilities, amounts due to shareholders, loans from shareholders, land use right payable, interest rate swap agreements and debt instruments approximate their fair values.

**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**

**(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 equivalents are placed with financial institutions with high-credit ratings and quality.

**(e) Restricted Cash**

Restricted cash consists of cash deposited into bank accounts and restricted in accordance with the Company's senior secured credit facility ("City of Dreams Project Facility") as disclosed in Note 10 to the consolidated financial statements. This restricted cash will be immediately released upon the final completion of the City of Dreams Project and until this time is available for use as required for the City of Dreams project costs under disbursement terms specified in the City of Dreams Project Facility. As of December 31, 2009 and 2008, the restricted cash balance was \$236,119 and \$67,977, respectively.

**(f) Accounts Receivable and Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino receivables. The Company issues credit in the form of markers to approved casino customers following investigations of creditworthiness. As of December 31, 2009 and 2008, a substantial portion of the Company's markers were due from customers residing in foreign countries.

Accounts receivable, including casino and hotel receivables, is typically non-interest bearing and is initially recorded at cost. Amounts are written off when management deems it is probable the receivable is uncollectible. Recoveries of amounts previously written off are recorded when received. An estimated allowance for doubtful debts is maintained to reduce the Company's receivables to their carrying amounts, which approximates fair value. The allowance is estimated based on specific review of customer accounts as well as management's experience with collection trends in the casino industry and current economic and business conditions.

**(g) Inventories**

Inventories consist of retail merchandise, food and beverage items, which are stated at the lower of cost or market value, and certain operating supplies. 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.



**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****(h) Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Gains or losses on dispositions of property and equipment are included in operating income (loss). Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method from the time the assets are placed in service. Estimated useful lives are as follows:

Classification	Estimated useful life
Buildings	7 to 25 years or over the term of the land use right agreement, whichever is shorter
Furniture, fixtures and equipment	2 to 7 years
Plant and gaming machinery	3 to 5 years
Leasehold improvements	10 years or over the lease term, whichever is shorter
Motor vehicles	5 years

Direct and incremental costs related to the construction of assets, including costs under the construction contracts, duties and tariffs, equipment installation and shipping costs, are capitalized.

**(i) Capitalization of Interest and Amortization of Deferred Financing Costs**

Interest and amortization of deferred financing costs incurred on funds used to construct the Company'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 loans from shareholders, City of Dreams Project Facility and interest rate swap agreements. The capitalization of interest and amortization of deferred financing costs ceases once a project is substantially complete 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 Company's outstanding borrowings to the average amount of accumulated 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 \$82,310, \$49,629 and \$14,490, of which \$50,486, \$49,629 and \$13,720 were capitalized for the years ended December 31, 2009, 2008 and 2007, respectively. Additionally, deferred financing costs of \$4,414, \$7,262 and \$1,011 were capitalized for the years ended December 31, 2009, 2008 and 2007, respectively.

**(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 Gaming, 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 costs 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 in certain circumstances that indicate the carrying value of the goodwill may not be recoverable, and written down when impaired.

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 Company'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 Company's intangible assets with indefinite lives represent Mocha Clubs trademarks.

**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)**

The Company evaluates the recoverability of 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 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 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 years ended December 31, 2009, 2008 and 2007, impairment losses amounting to \$282, \$17 and \$421, respectively, were recognized to write off gaming equipment due to the reconfiguration of the casino at Altira Macau to meet the evolving demands of gaming patrons and target specific segments. During the year ended December 31, 2009, an impairment loss amounting to \$2,855 was recognized to write off the construction in progress carried out at the Macau Peninsula site following termination of the related acquisition agreement as disclosed in Note 7 to the consolidated financial statements. These impairment losses were included in “Property Charges and Others” line item in the consolidated statements of operations.

**(m) Deferred Financing Costs**

Direct and incremental costs incurred in obtaining loans are capitalized and amortized over the terms of the related debt agreements using the effective interest method. Approximately \$10,388, \$8,027 and \$2,016 were amortized during the years ended December 31, 2009, 2008 and 2007, respectively, of which a portion was capitalized as mentioned in Note 2(i) to the consolidated financial statements.

**(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 Company 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 Company follows the accounting standards for reporting revenue gross as a principal versus net as an agent, when accounting for operations of Taipa Square Casino and Grand Hyatt Macau hotel. For the operations of Taipa Square Casino, given the Company 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. For the operations of Grand Hyatt Macau hotel, the Company is the owner of the hotel property, and the hotel manager operates the hotel under a management agreement providing management services to the Company, and the Company receives all rewards and takes substantial risks associated with the hotel business, it is the principal and the transactions of the hotel are therefore recognized on a gross basis.

Rooms, food and beverage, entertainment, retail and other revenues are recognized when services are provided. Advance deposits on rooms are recorded as customer deposits until services are provided to the customer. Minimum operating and right to use fee, adjusted for contractual base fee and operating fee 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 Company'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, 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, 2009, 2008 and 2007, is primarily included in casino expenses as follows:

	Year Ended December 31,		
	2009	2008	2007
Rooms	\$ 6,778	\$ 4,240	\$ 903
Food and beverage	17,296	9,955	7,029
Entertainment, retail and others	3,448	—	—
	<u>\$ 27,522</u>	<u>\$ 14,195</u>	<u>\$ 7,932</u>

**(p) Point-Loyalty Programs**

The Company operates different loyalty programs in certain of its properties to encourage repeat business from loyal slot machine customers and table games patrons. Members earn points based on gaming activity and such points can be redeemed for free play and other free goods and services. The Company 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 results in a reduction of the accruals.

**(q) Gaming Tax**

The Company is subject to taxes based on gross gaming revenue in Macau. These gaming taxes are an assessment on the Company's gaming revenue and are recorded as an expense within the "Casino" line item in the consolidated statements of operations. These taxes totaled \$737,485, \$767,544 and \$187,875 for the years ended December 31, 2009, 2008 and 2007, 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 Company incurred pre-opening costs in connection with Altira Macau prior to its opening in May 2007 and City of Dreams prior to its opening in June 2009 and continues to incur such costs related to remaining portion of City of Dreams project and other one-off activities related to the marketing of new facilities and operations.

**(s) Advertising Expenses**

The Company expenses all advertising costs as incurred. Advertising costs incurred during development periods are included in pre-opening costs. Once a project is completed, advertising costs are mainly included in general and administrative expenses. Total advertising costs were \$29,018, \$5,283 and \$26,854 for the years ended December 31, 2009, 2008 and 2007, respectively.

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

(t) **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 U.S. dollars and, Hong Kong dollars or the Macau Patacas, 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 loss.

(u) **Share-Based Compensation Expenses**

The Company issued restricted shares and share options under its share incentive plan during the years ended December 31, 2009, 2008 and 2007.

The Company 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, with such estimate updated periodically and with actual forfeitures recognized currently to the extent they differ from the estimate.

Further information on the Company's share-based compensation arrangements is included in Note 15 to the consolidated financial statements.

(v) **Income Tax**

The Company is subject to income taxes in Hong Kong, Macau, the United States of America 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.

The Company's income tax returns are subject to examination by tax authorities in the jurisdictions where it operates. The Company assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes which the Company adopted on January 1, 2007. 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.

**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) Loss Per Share**

Basic loss per share is calculated by dividing the net loss available to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss available to ordinary shareholders by the weighted-average number of ordinary shares outstanding adjusted to include the potentially dilutive effect of outstanding stock-based awards.

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

	Year Ended December 31,		
	2009	2008	2007
Weighted-average number of ordinary shares outstanding used in the calculation of basic loss per share	1,465,974,019	1,320,946,942	1,224,880,031
Incremental weighted-average number of ordinary shares from assumed exercised of restricted shares and share options using the treasury stock method	—	—	—
Weighted-average number of ordinary shares outstanding used in the calculation of diluted loss per share	<u>1,465,974,019</u>	<u>1,320,946,942</u>	<u>1,224,880,031</u>

During the years ended December 31, 2009, 2008 and 2007, the Company had securities which would potentially dilute basic loss per share in the future, but which were excluded from the computation of diluted loss per share as their effect would have been anti-dilutive. Such outstanding securities consist of restricted shares and share options which result in an incremental weighted-average number of 13,931,088, 3,897,756 and 2,380,112 ordinary shares from the assumed conversion of these restricted shares and share options using the treasury stock method for the years ended December 31, 2009, 2008 and 2007, respectively.

**(x) Accounting for Derivative Instruments and Hedging Activities**

The Company uses derivative financial instruments such as floating-for-fixed interest rate swap agreements to hedge its risks associated with interest rate fluctuations in accordance with lenders' requirements under the City of Dreams Project Facility. The Company accounts for derivative financial instruments in accordance with applicable accounting standards. 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 other comprehensive income (loss), 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 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.

Further information on the Company's outstanding financial instrument arrangements as of December 31, 2009 is included in Note 11 to the 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****(y) Accumulated Other Comprehensive Income (Loss)**

Accumulated other comprehensive income (loss) represents foreign currency translation adjustments and changes in the fair value of interest rate swap agreements. As of December 31, 2009 and 2008, the Company's accumulated other comprehensive income (loss) consisted of the following:

	December 31,	
	2009	2008
Foreign currency translation adjustment	\$ (956)	\$ (945)
Changes in the fair value of interest rate swap agreements	<u>(28,078)</u>	<u>(34,740)</u>
	<u>\$ (29,034)</u>	<u>\$ (35,685)</u>

**(z) Reclassifications**

The consolidated financial statements for prior years reflect certain reclassifications, which have no effect on previously reported net loss or other subtotals of the Company's consolidated financial statements, to conform to the current year presentation.

**(aa) Recent Changes in Accounting Standards**

In June 2009, the Financial Accounting Standards Board ("FASB") issued new accounting standards regarding the FASB accounting standards codification and the hierarchy of generally accepted accounting principles. FASB accounting standards codification ("Codification") is to be the single source of authoritative on governmental US GAAP recognized by FASB although rules and interpretive releases of the U.S. Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative US GAAP for SEC registrants. These new accounting standards are effective for interim and annual periods ending after September 15, 2009. On the effective date of these new accounting standards, the Codification will supersede all then-existing non-SEC accounting and reporting standards. The adoption of these new accounting standards did not have a material impact on the Company's financial position, results of operations and cash flows.

In January 2010, the FASB issued new accounting standards regarding new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurement on a gross basis rather than as a net basis as currently required. Those accounting standards also clarify existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value and are effective for annual and interim periods beginning after December 15, 2009, except for the requirement to provide the level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for annual and interim periods beginning after December 15, 2010. Early application is permitted and in the period of initial adoption, entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. The adoption of these new accounting standards is not expected to have a material impact on the Company's financial position, results of operations and cash flows.

**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**

	December 31,	
	2009	2008
Components of accounts receivable, net are as follows:		
Casino	\$ 320,789	\$ 78,649
Hotel	2,457	1,647
Other	681	572
Sub-total	\$ 323,927	\$ 80,868
Less: allowance for doubtful debts	(24,227)	(8,113)
	<u>\$ 299,700</u>	<u>\$ 72,755</u>

During the years ended December 31, 2009 and 2008, the Company has provided allowance for doubtful debts of \$16,114 and \$5,378 and has written off accounts receivables of \$643 and nil, respectively.

**4. PROPERTY AND EQUIPMENT, NET**

	December 31,	
	2009	2008
Cost		
Buildings	\$ 2,219,127	\$ 312,007
Furniture, fixtures and equipment	307,305	77,289
Plant and gaming machinery	114,983	69,104
Leasehold improvements	97,188	36,770
Motor vehicles	3,375	1,502
Sub-total	\$ 2,741,978	\$ 496,672
Less: accumulated depreciation	(249,780)	(107,847)
Sub-total	\$ 2,492,198	\$ 388,825
Construction in progress	294,448	1,718,897
Property and equipment, net	<u>\$ 2,786,646</u>	<u>\$ 2,107,722</u>

As of December 31, 2009 and 2008, construction in progress primarily included interest paid or payable on loans from shareholders, City of Dreams Project Facility and interest rate swap agreements, amortization of deferred financing costs and other direct incidental costs capitalized (representing insurance, salaries and wages and certain other professional charges incurred directly in relation to the City of Dreams project). As of December 31, 2009 and 2008, total cost capitalized for construction in progress amounted to \$35,713 and \$114,700, respectively, for the City of Dreams project.

**5. GAMING SUBCONCESSION, NET**

	December 31,	
	2009	2008
Deemed cost	\$ 900,000	\$ 900,000
Less: accumulated amortization	(186,021)	(128,784)
Gaming subconcession, net	<u>\$ 713,979</u>	<u>\$ 771,216</u>



**MELCO CROWN ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)****5. GAMING SUBCONCESSION, NET – continued**

The deemed cost was determined based on the estimated fair value of the gaming subconcession. The gaming subconcession is amortized on a straight-line basis over the term of the gaming subconcession agreement which expires in June 2022. The Company expects that amortization of the gaming subconcession will be approximately \$57,237 each year from 2010 through 2021, and approximately \$27,135 in 2022.

**6. GOODWILL AND INTANGIBLE ASSETS, NET**

Goodwill and other intangible assets with indefinite useful lives, representing trademarks of Mocha Clubs, are not amortized. The Company has performed annual tests for impairment of goodwill and trademarks in accordance with the accounting standards regarding goodwill and other intangible assets and concluded that there was no impairment.

To assess potential impairment of goodwill, the Company performs an assessment of the carrying value of the 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, the Company 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 Company estimates 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, discounted cash flow and market comparable methods. These valuation techniques are based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, appropriate discount rates, long-term growth rates and appropriate market comparables.

Trademarks of Mocha Clubs are tested for impairment using the relief-from-royalty method. Under this method, the Company estimates the fair value of the intangible assets through internal and external valuations, mainly based on the after-tax cash flow associated with the revenue related to the royalty. These valuation techniques are based on a number of estimates and assumptions, including the projected future revenues of the trademarks, appropriate royalty rates, appropriate discount rates, and long-term growth rates.

**7. DEPOSIT FOR ACQUISITION OF LAND INTEREST**

On May 17, 2006, a subsidiary of the Company, MPEL (Macau Peninsula) Limited (“MPEL Macau Peninsula”) entered into a conditional agreement to acquire a third development site located on the shoreline of Macau Peninsula near the current Macau Ferry Terminal or Macau Peninsula site. The acquisition was through the purchase of the entire issued share capital of a company holding title to the Macau Peninsula site which was approximately 6,480 square meters. The aggregate consideration was \$192,802, payable in cash of which a deposit of \$12,853 was paid upon signing of the sale and purchase agreement, financed from Melco and Crown, equally, and was included in deposit for acquisition of land interest as of December 31, 2008. The balance was payable on completion of the acquisition, which was subject to conditions that were not under the control of the Company. The targeted completion date of July 27, 2009 for the acquisition of the Macau Peninsula site passed and the acquisition agreement was terminated by the relevant parties on December 17, 2009. The deposit under the acquisition agreement was refunded to the Company in December 2009.

**8. LAND USE RIGHTS, NET**

Land use rights consisted of the following:

	December 31,	
	2009	2008
Altira Macau	\$ 141,543	\$ 141,543
City of Dreams	376,021	343,903
	517,564	485,446
Less: accumulated amortization	(69,988)	(51,593)
Land use rights, net	<u>\$ 447,576</u>	<u>\$ 433,853</u>

**MELCO CROWN ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)****8. LAND USE RIGHTS, NET – continued**

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 date of the leases of the land use rights of the Altira Macau and City of Dreams projects were March 2031 and August 2033, respectively.

In November 2009, the Company's subsidiaries, Melco Crown (COD) Developments Limited ("Melco Crown (COD) Developments") and Melco Crown Gaming accepted in principle the initial terms for the revision of the land lease agreement from the Macau government and recognized additional land premium of \$32,118 payable to the Macau government for the increased developable gross floor area of Cotai Land in Macau, where the City of Dreams site located. In March 2010, Melco Crown (COD) Developments and Melco Crown Gaming accepted the final terms for the revision of the land lease agreement and fully paid the additional premium to the Macau government. Following the publication in the Macau official gazette of such revision, the land grant amendment process will be complete.

**9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	December 31,	
	2009	2008
Construction costs payable	\$ 80,668	\$ 246,998
Customer deposits	50,829	9,808
Outstanding gaming chips and tokens	136,774	54,758
Other gaming related accruals	53,294	32,699
Gaming tax accruals	67,376	42,038
Land use right payable	29,781	13,763
Operating expense accruals	67,701	42,607
Interest rate swap liabilities	11,344	—
	<u>\$ 497,767</u>	<u>\$ 442,671</u>

**10. LONG-TERM DEBT**

On September 5, 2007, Melco Crown Gaming ("Borrower") entered into the City of Dreams Project Facility with certain lenders in the aggregate amount of \$1,750,000 to fund the City of Dreams project. The City of Dreams Project Facility consists of a \$1,500,000 term loan facility (the "Term Loan Facility") and a \$250,000 revolving credit facility (the "Revolving Credit Facility"). The Term Loan Facility matures on September 5, 2014 and is subject to quarterly amortization payments commencing on December 5, 2010. The Revolving Credit Facility matures on September 5, 2012 or, if earlier, the date of repayment, prepayment or cancellation in full of the Term Loan Facility and has no interim amortization payment. Drawdowns on the Term Loan Facility are, subject to satisfaction of conditions precedent specified in the City of Dreams Project Facility agreement, including registration of the land concession and execution of construction contracts, compliance with affirmative, negative and financial covenants and the provision of certificates from technical consultants, available until January 5, 2010. The Revolving Credit Facility will be made available on a fully revolving basis from the date upon which the Term Loan Facility has been fully drawn, to the date that is one month prior to the Revolving Credit Facility's final maturity date.

The indebtedness under the City of Dreams Project Facility is guaranteed by certain subsidiaries of the Company (together with the Borrower collectively referred to as the "Borrowing Group"). Security for the City of Dreams Project Facility includes a first-priority mortgage over the lands where Altira Macau and the City of Dreams is located which are held by the subsidiaries of the Company, 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 equivalent; charges over the bank accounts in respect of the 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 Borrowing Group which are not subject to any security under any other security documentation; first priority charges over the issued share capital of the Borrowing Group; equipment and tools used in the gaming business by the Borrowing Group; as well as other customary security.

**MELCO CROWN ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**10. LONG-TERM DEBT – continued**

The City of Dreams Project Facility agreement contains certain affirmative and negative covenants customary for such financings, including, but not limited to, limitations on incurring additional liens, incurring additional indebtedness, (including guarantees), making certain investment, paying dividends and other restricted payments, creating any subsidiaries and selling assets. The City of Dreams Project Facility also requires the Borrowing Group to comply with certain financial covenants, including, but not limited to, a consolidated leverage ratio, a consolidated interest cover ratio and a consolidated cash cover ratio.

In addition, there are provisions that limit or prohibit certain payment of dividends and other distributions by the Borrowing Group to the Company. As of December 31, 2009 and 2008, the net assets of the Borrowing Group of approximately \$1,543,000 and \$1,832,000 were restricted from being distributed under the terms of the City of Dreams Project Facility, respectively.

Melco Crown Gaming is also required to undertake a program to hedge 50% of the outstanding indebtedness on the City of Dreams Project Facility, which is achieved through interest rate swap agreements to limit the impact of increases in interest rates on its floating rate debt derived from the City of Dreams Project Facility. Details of the hedging agreements are included in Note 11 to the consolidated financial statements.

Borrowings under the City of Dreams Project Facility bear interest at the London Interbank Offered Rate (“LIBOR”) or Hong Kong Interbank Offered Rate (“HIBOR”) plus a margin of 2.75% per annum until substantial completion of the City of Dreams project, at which time the interest rate is reduced to LIBOR or HIBOR plus a margin of 2.50% per annum. The City of Dreams Project Facility also provides for further reductions in the margin if the Borrowing Group satisfy certain prescribed leverage ratio tests upon completion of the City of Dreams project. Melco Crown Gaming is obligated to pay a commitment fee quarterly in arrears on the undrawn amount of the City of Dreams Project Facility throughout the availability period. During the years ended December 31, 2009, 2008 and 2007, the Company incurred loan commitment fees of \$2,253, \$14,965 and \$4,760, respectively.

In connection with the signing of the City of Dreams Project Facility in September 2007, Melco and Crown each provided an undertaking to the agent under the City of Dreams Project Facility, to contribute additional equity up to an aggregate of \$250,000 (divided equally between Melco and Crown) to Melco Crown Gaming to pay any costs (i) associated with construction of the City of Dreams project and (ii) for which the agent has determined there is no other available funding. In support of such contingent equity commitment, Melco and Crown each provided letters of credit in favor of the security agent for the City of Dreams Project Facility to the amount of \$250,000. Balance of the contingent equity that Melco and Crown would be obliged to provide to Melco Crown Gaming is required to be maintained until the final completion date of the City of Dreams project, and when certain debt service reserve accounts are funded. The letters of credit amounting to \$174,000 and \$76,000 were released and replaced by short-term deposits placed by Melco Crown Gaming in May and September 2009, respectively.

Melco Crown Gaming drew down a total of \$70,951, which includes \$12,685 and HK\$453,312,004 (equivalent to \$58,266), during the year ended December 31, 2009 (2008: a total of \$912,307, which includes \$176,384 and HK\$5,725,483,618 (equivalent to \$735,923)) on the Term Loan Facility and a total of \$199,740, which includes \$32,469 and HK\$1,301,364,572 (equivalent to \$167,271) (2008: nil), were drawn on the Revolving Credit Facility, respectively.

As of December 31, 2009 and 2008, total outstanding borrowings relating to the City of Dreams Project Facility was \$1,683,207 and \$1,412,516, respectively. Management believes the Company is in compliance with all covenants as of December 31, 2009 and 2008. As of December 31, 2009, approximately \$50,349 of the City of Dreams Project Facility remains available for future drawdown.

Total interest incurred on long-term debt for the years ended December 31, 2009, 2008 and 2007 were \$50,824, \$40,178 and \$9,695, respectively, of which \$37,374, \$40,178 and \$9,552, were capitalized as discussed in Note 2(i) to the 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)****10. LONG-TERM DEBT – continued**

During the years ended December 31, 2009 and 2008, the Company's average borrowing rates were approximately 5.73% and 5.58% per annum, respectively.

Maturities of the Company's long-term debt as of December 31, 2009 are as follows:

<b>Year ending December 31,</b>	
2010	\$ 44,504
2011	267,024
2012	526,102
2013	385,702
2014	459,875
	1,683,207
Current portion of long-term debt	(44,504)
	<u>\$ 1,638,703</u>

**11. OTHER LONG-TERM LIABILITIES**

	December 31,	
	2009	2008
Interest rate swap liabilities	\$ 16,727	\$ 34,733
Deferred rent liabilities	3,613	3,371
Other deposits received	279	200
	<u>\$ 20,619</u>	<u>\$ 38,304</u>

In connection with the signing of the City of Dreams Project Facility in September 2007 as disclosed in Note 10 to the consolidated financial statements, Melco Crown Gaming entered into floating-for-fixed interest rate swap agreements to limit its exposure to interest rate risk. In addition to the eight interest rate swap agreements entered in 2007 that expire in 2010, Melco Crown Gaming entered into six and another three interest rate swap agreements in 2008 and 2009 that expire in 2011 and 2012, respectively. Under the interest rate swap agreements, Melco Crown Gaming pays a fixed interest rate ranging from 1.96% to 4.74% per annum of the notional amount, and receives variable interest which is based on the applicable HIBOR for each on the payment date. As of December 31, 2009 and 2008, the notional amounts of the outstanding interest rate swap agreements amounted to \$842,127 and \$714,235, respectively.

These interest rate swap agreements were and are expected to remain highly effective in fixing the interest rate and qualify for cash flow hedge accounting. Therefore, there was no impact on consolidated statements of operations from changes in the fair value of the hedging instruments. Instead, the fair value of the instruments were recorded as assets or liabilities on the Company's consolidated balance sheets, with an offsetting adjustment to the accumulated other comprehensive income (loss).

As of December 31, 2009 and 2008, the fair values of interest rate swap agreements were recorded as interest rate swap liabilities, of which \$11,344 and nil were included in accrued expenses and other current liabilities and \$16,727 and \$34,733 were included in other long-term liabilities, respectively. The Company estimates that over the next twelve months, \$23,855 of the net unrealized losses on the interest rate swaps will be reclassified from accumulated other comprehensive income (loss) into interest expenses.

**MELCO CROWN ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)****12. FAIR VALUE MEASUREMENTS**

The carrying values of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, other current assets, amounts due from (to) affiliated companies and shareholders, accounts payable, accrued expenses and other current liabilities approximate their fair values due to the short-term nature of these instruments. The carrying values of long-term debt, loans from shareholders and land use right payable approximate their fair values as they carry market interest rates. As of December 31, 2009, the Company did not have any non-financial assets or liabilities that are recognized or disclosed at fair value in the consolidated financial statements. The Company's financial assets and liabilities recorded at fair value have been categorized based upon the fair value in accordance with the accounting standards. The following fair value hierarchy table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

	Quoted Prices In Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2009
Interest rate swap liabilities	\$ —	\$ 28,071	\$ —	\$ 28,071

The Company has seventeen interest rate swap agreements. Eight of the interest rate swap agreements which expire in 2010 with an aggregate fair value of \$11,344 were recorded as accrued expenses and other current liabilities. The remaining nine interest rate swap agreements with an aggregate fair value of \$16,727 which expire in 2011 and 2012 accordingly were recorded as other long-term liabilities in the consolidated balance sheet. The fair values of the interest rate swap agreements 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. Since significant observable inputs are used in the valuation model, the interest rate swap arrangements are considered a level 2 item in the fair value hierarchy.

**13. CAPITAL STRUCTURE**

On January 8, 2007, the Company issued 9,037,500 ADSs, representing 27,112,500 ordinary shares, pursuant to the underwriters' option to subscribe these ADSs from the Company to cover over-allotments of the ADSs in its initial public offering in December 2006.

On November 6, 2007, the Company offered 37,500,000 ADSs, representing 112,500,000 ordinary shares, to the public in a follow-on offering.

On May 1, 2009, the Company issued 67,500,000 ordinary shares and 22,500,000 ADSs, representing a total of 135,000,000 ordinary shares, to the public in a follow-on offering with a net proceed after deducting the offering expenses amounted to \$174,417.

On May 19, 2009, the Company approved the resolution to increase the authorized share capital from 1.5 billion ordinary shares of a nominal or par value of USD0.01 each to 2.5 billion ordinary shares of a nominal or par value of USD0.01 each.

On August 18, 2009, the Company issued an additional 42,718,445 ADSs, representing 128,155,335 ordinary shares, to the public in a further follow-on offering with a net proceed after deducting the offering expenses amounted to \$209,112.

In connection with the Company's restricted shares granted as disclosed in Note 15 to the consolidated financial statements, 8,297,110, 226,317 and 395,256 ordinary shares were vested and issued during the years ended December 31, 2009, 2008 and 2007, respectively.

**MELCO CROWN ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)****13. CAPITAL STRUCTURE – continued**

The Company issued 2,614,706 and 385,180 ordinary shares to its depository bank for issuance to employees upon their future exercise of vested restricted shares and share options during the years ended December 31, 2009 and 2008, respectively. As of December 31, 2009, 2,528,319 of these ordinary shares have been issued to employees and the balance of 471,567 ordinary shares continues to be held by the Company for future issuance.

As of December 31, 2009 and 2008, the Company had 1,595,145,983 and 1,321,165,219 ordinary shares issued and outstanding, respectively.

**14. INCOME TAX CREDIT**

The Company and certain subsidiaries are exempt from tax in the Cayman Islands or British Virgin Islands, where they are incorporated, however, the Company is subject to Hong Kong Profits Tax on its activities conducted in Hong Kong. Certain subsidiaries incorporated or conducting businesses in Hong Kong, Macau, the United States of America and other jurisdictions are subject to Hong Kong Profits Tax, Macau Complementary Tax, income tax in the United States of America and in other jurisdictions, respectively during the years ended December 31, 2009, 2008 and 2007.

Pursuant to the approval notices issued by Macau government dated June 7, 2007, Melco Crown Gaming has been exempted from Macau Complementary Tax for income generated from gaming operations for five years commencing from 2007 to 2011.

The Macau government has granted to a subsidiary of the Company, Altira Hotel Limited, the declaration of utility purpose benefit in 2007, pursuant to which, for a period of 12 years, it is entitled to a vehicle and property tax holiday on any vehicles and immovable property that it owns or has been granted. Under such tax holiday, it will also be allowed to double the maximum rates applicable regarding depreciation and reintegration for purposes of assessment of Macau Complementary Tax.

The provision for income tax consisted of:

	Year Ended December 31,		
	2009	2008	2007
<b>Income tax provision for current year:</b>			
Macau Complementary Tax	\$ 190	\$ —	\$ —
Hong Kong Profits Tax	731	892	1,301
Sub-total	921	892	1,301
<b>Under (over) provision of income tax in prior years:</b>			
Macau Complementary Tax	\$ 2	\$ —	\$ —
Hong Kong Profits Tax	351	(239)	—
Sub-total	353	(239)	—
<b>Deferred tax (credit) charge:</b>			
Macau Complementary Tax	\$ (1,537)	\$ (2,038)	\$ (2,812)
Hong Kong Profits Tax	131	(85)	57
Sub-total	(1,406)	(2,123)	(2,755)
<b>Total income tax credit</b>	<b>\$ (132)</b>	<b>\$ (1,470)</b>	<b>\$ (1,454)</b>

**MELCO CROWN ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)****14. INCOME TAX CREDIT – continued**

A reconciliation of the income tax credit to loss before income tax per the consolidated statements of operations is as follows:

	Year Ended December 31,		
	2009	2008	2007
Loss before income tax	\$ (308,593)	\$ (3,933)	\$ (179,605)
Macau Complementary Tax rate	12%	12%	12%
Income tax credit at Macau Complementary Tax rate	(37,031)	(472)	(21,553)
Effect of different tax rates of subsidiaries operating in other jurisdiction	235	126	641
Under (over) provision in prior year	353	(239)	—
Effect of income for which no income tax expense is payable	(633)	(1,102)	(2,671)
Effect of expense for which no income tax benefit is receivable	2,978	779	1,048
Effect of tax holiday granted by Macau government	—	(8,855)	—
Losses that cannot be carried forward	15,639	—	20,045
Change in valuation allowance	18,327	8,293	1,036
	<u>\$ (132)</u>	<u>\$ (1,470)</u>	<u>\$ (1,454)</u>

Macau Complementary Tax and Hong Kong Profits Tax have been provided at 12% (2008 and 2007: 12%) and 16.5% (2008: 16.5% and 2007: 17.5%) on the estimated taxable income earned in or derived from Macau and Hong Kong, respectively during the relevant years, if applicable. No provision of the income tax in the United States of America and other jurisdictions as the subsidiaries incurred tax loss for the years ended December 31, 2009, 2008 and 2007 where they operate.

Melco Crown Gaming has been granted with tax holidays on casino gaming profits by the Macau government in 2007. Melco Crown Gaming reported net loss during the years ended December 31, 2009 and 2007 which had no impact to the basic and diluted loss per share of the Company. During the year ended December 31, 2008, Melco Crown Gaming reported net income and had the Company been required to pay such taxes, the Company's consolidated net loss for the year ended December 31, 2008 would have been increased by \$8,855 and basic and diluted loss per share would have reported additional loss of \$0.007 per share. The Company'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 concession agreement.

The negative effective tax rates for the years ended December 31, 2009, 2008 and 2007 were 0.04%, 37.4% and 0.8%, respectively. The negative effective tax rate for the years ended December 31, 2009, 2008 and 2007 differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of change in valuation allowance for the relevant years together with impact of net loss of Melco Crown Gaming during the years ended December 31, 2009 and 2007 and tax exemption granted by the Macau government as described in the preceding paragraph during the year ended December 31, 2008.



**MELCO CROWN ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)****14. INCOME TAX CREDIT – continued**

The deferred income tax assets and liabilities as of December 31, 2009 and 2008, consisted of the following:

	December 31,	
	2009	2008
<b>Deferred income tax assets</b>		
Net operating loss carryforwards	\$ 33,085	\$ 16,088
Depreciation and amortization	—	28
Sub-total	<u>33,085</u>	<u>16,116</u>
<b>Valuation allowance</b>		
Current	(7,311)	(1,330)
Long-term	(25,774)	(14,758)
Sub-total	<u>(33,085)</u>	<u>(16,088)</u>
<b>Total net deferred income tax assets</b>	<u>\$ —</u>	<u>\$ 28</u>
<b>Deferred income tax liabilities</b>		
Land use rights	\$ (17,149)	\$ (18,686)
Intangible assets	(505)	(505)
Unrealized capital allowance	(103)	—
Net deferred income tax liabilities	<u>\$ (17,757)</u>	<u>\$ (19,191)</u>

As of December 31, 2009 and 2008, valuation allowance of \$33,085 and \$16,088 were provided respectively, as management does not believe that it is more likely than not that these deferred tax assets will be realized. As of December 31, 2009, operating loss carry forwards amounting to \$60,930, \$62,055 and \$152,725 will expire in 2010, 2011 and 2012, respectively. Operating tax loss of \$11,085 has expired during the year ended December 31, 2009.

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.

An evaluation of the tax position for recognition was conducted by the Company 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. Uncertain tax benefits associated with the tax positions were measured based solely on the technical merits of being sustained on examinations. The Company concluded that there was no significant uncertain tax position requiring recognition in the consolidated financial statements for the years ended December 31, 2009, 2008 and 2007 and there is no material unrecognized tax benefit which would favourably affect the effective income tax rate in future periods. As of December 31, 2009 and 2008, there was no interest and penalties related to uncertain tax positions being recognized in the consolidated financial statements. The Company does not anticipate any significant increases or decreases to its liability for unrecognized tax benefit within the next twelve months.

The positions for tax years 2009, 2008 and 2007 remain open and subject to examination by the Hong Kong, Macau, and the United States of America and other jurisdictions' tax authorities until the statute of limitations expire in each corresponding jurisdiction.

**MELCO CROWN ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)****15. SHARE-BASED COMPENSATION**

The Company has adopted a share incentive plan in 2006, 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 share incentive plan, the Company may grant either options to purchase the Company's ordinary shares or restricted shares. The plan administrator will determine the exercise price of an option and set forth the price in the award agreement. The exercise price may be a fixed or variable price related to the fair market value of the Company's ordinary shares. If the Company grants an incentive share option to an employee who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of its share capital, the exercise price cannot be less than 110% of the fair market value of its ordinary shares on the date of that grant. The term of an award shall not exceed 10 years from the date of the grant. The maximum aggregate number of shares which may be issued pursuant to all awards (including shares issuable upon exercise of options) is 100,000,000 over 10 years. The Board of Directors of the Company has approved the removal of the maximum award amount of 50,000,000 shares over the first five years. The removal of such maximum limit for the first five years was approved by the shareholders of the Company at the general meeting held in May 2009. As of December 31, 2009 and 2008, 62,964,552 shares and 69,570,105 shares out of 100,000,000 shares remain available for the grant of stock options or restricted shares respectively.

The Company granted ordinary share options to certain personnel during the years ended December 31, 2009 and 2008 with exercise price determined at the closing price of the date of grant. During the year ended December 31, 2007, the exercise price of share options granted in September 2007 were determined at the closing price preceding the date of grant; and exercise price of share options granted in November 2007 were determined at the higher of the average of the closing price for the five trading days following from the date of grant and the closing price on the fifth trading day. These ordinary share options became exercisable over different vesting periods ranging from three years to five years with different vesting scale. The ordinary share options granted expire 10 years after the date of grant, except for options granted in the exchange program, described below, which have a range of 7.7 to 8.3 year life.

During the year ended December 31, 2009, the Board of Directors of the Company approved a proposal to allow for a one-time stock option exchange program, designed to provide eligible employees an opportunity to exchange certain outstanding underwater stock options for a lesser amount of new stock options to be granted with lower exercise prices. Stock options eligible for exchange were those that were granted on or prior to April 11, 2008 under the Company's share incentive plan in 2006. A total of approximately 5.4 million eligible stock options were tendered by employees, representing 94% of the total stock options eligible for exchange. The Company granted an aggregate of approximately 3.6 million new stock options in exchange for the eligible stock options surrendered. The exercise price of the new stock options was \$1.43, which was the closing price of the Company's ordinary share on the grant date. No incremental stock option expense was recognized for the exchange because the fair value of the new options, using Black-Scholes valuation model, was approximately equal to the fair value of the surrendered options they replaced. The significant assumptions used to determine the fair value of the new options includes expected dividend of nil, expected stock price volatility of 87.29%, risk-free interest rate of 2.11% and expected average life of 5.6 years.

During the year ended December 31, 2009, the Company settled bonus provision related to the year ended December 31, 2008 to senior level employees with approximately 6.4 million restricted shares granted and vested on the same date in 2009. The total fair value of those restricted shares amounted to \$6,914 and approximated the bonus balance accrued as of December 31, 2008 in the consolidated balance sheet.

The Company has also granted restricted shares to certain personnel during the years ended December 31, 2009, 2008 and 2007. These restricted shares have a vesting period ranging from six months to five years. The grant date fair value is determined with reference to the market closing price at date of grant as adjusted by the factor that these restricted shares are not entitled to dividends during the vesting period.

MELCO CROWN ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued  
(In thousands of U.S. dollars, except share and per share data)

15. SHARE-BASED COMPENSATION – continued

The Company uses the Black-Scholes valuation model to determine the estimated fair value for each option grant issued, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Expected volatility is based on the historical volatility of a peer group of publicly traded companies. Expected term is based upon the vesting term or the historical of expected term of publicly traded companies. The risk-free interest rate used for each period presented is based on the 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 was estimated at the date of grant using the following weighted-average assumptions (excludes options granted in the 2009 stock option exchange program described above):

	December 31,		
	2009	2008	2007
Expected dividend yield	—	—	—
Expected stock price volatility	74.60%	57.65%	38.26%
Risk-free interest rate	1.45%	1.67%	3.96%
Forfeiture rate	—	—	—
Expected average life of options (years)	5.5	4.7	5.2

*Share Options*

A summary of share options activity under the share incentive plan as of December 31, 2009 and 2008, and changes during the years ended December 31, 2009, 2008 and 2007 are presented below:

	Number of Share Options	Weighted- Average Exercise Price per Share	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2007	—	—		
Granted	3,908,390	\$ 5.02		
Exercised	—	—		
Forfeited	(191,514)	\$ 5.06		
Expired	—	—		
Outstanding at December 31, 2007	3,716,876	\$ 5.02		
Granted	20,558,343	\$ 1.83		
Exercised	—	—		
Forfeited	(2,003,178)	\$ 4.34		
Expired	(1,795)	\$ 5.06		
Outstanding at December 31, 2008	22,270,246	\$ 2.14		
Granted	4,792,536	\$ 1.07		
Granted under option exchange program	3,612,327	\$ 1.43		
Exercised	—	—		
Forfeited	(2,809,419)	\$ 1.93		
Expired	(104,738)	\$ 4.58		
Cancelled under option exchange program	(5,418,554)	\$ 4.39		
Outstanding at December 31, 2009	<u>22,342,398</u>	<u>\$ 1.26</u>	<u>8.8</u>	<u>\$ 1,600</u>
Exercisable at December 31, 2009	<u>364,950</u>	<u>\$ 4.62</u>	<u>7.9</u>	<u>—</u>

**MELCO CROWN ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)****15. SHARE-BASED COMPENSATION – continued***Share Options – continued*

A summary of share options vested and expected to vest at December 31, 2009 are presented below:

	Vested			
	<u>Number of Share Options</u>	<u>Weighted- Average Exercise Price per Share</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Range of exercise prices per share (\$4.01 - \$5.06) (Note)	<u>364,950</u>	<u>\$ 4.62</u>	<u>7.9</u>	<u>—</u>

Note: 1,593,810 share options vested during the year ended December 31, 2009 of which 104,738 share options expired. In addition, 1,507,507 vested share options were cancelled under the option exchange program during the year ended December 31, 2009.

	Expected to Vest			
	<u>Number of Share Options</u>	<u>Weighted- Average Exercise Price per Share</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Range of exercise prices per share (\$1.01 - \$5.06)	<u>21,977,448</u>	<u>\$ 1.21</u>	<u>8.8</u>	<u>\$ 1,600</u>

The weighted-average fair value of share options granted during the years ended December 31, 2009 (excludes options granted in the 2009 stock option exchange program), 2008 and 2007 were \$0.67, \$0.80 and \$1.64, respectively. No share options were exercised during the years ended December 31, 2009, 2008 and 2007 and therefore no cash proceeds and tax benefits were recognized.

As of December 31, 2009, there was \$16,782 unrecognized compensation costs related to unvested share options. The costs are expected to be recognized over a weighted-average period of 2.71 years.

MELCO CROWN ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued  
(In thousands of U.S. dollars, except share and per share data)

15. SHARE-BASED COMPENSATION – continued

*Restricted Shares*

A summary of the status of the share incentive plan's restricted shares as of December 31, 2009, and changes during the years ended December 31, 2009, 2008 and 2007 are presented below:

	Number of Restricted Shares	Weighted- Average Grant Date Fair Value
Unvested at January 1, 2007	2,532,010	\$ 6.33
Granted	—	—
Vested	(395,256)	6.33
Forfeited	(130,310)	6.33
Unvested at December 31, 2007 and January 1, 2008	2,006,444	\$ 6.33
Granted	6,529,844	1.30
Vested	(226,317)	6.33
Forfeited	(771,895)	5.88
Unvested at December 31, 2008 and January 1, 2009	7,538,076	\$ 2.02
Granted	7,071,741	1.09
Vested	(10,825,445)	1.61
Forfeited	(538,341)	1.61
Unvested at December 31, 2009	3,246,031	\$ 1.41

The total fair values at date of grant of the restricted shares vested during the years ended December 31, 2009, 2008 and 2007 were \$17,433, \$1,433 and \$2,502, respectively.

As of December 31, 2009, there was \$2,901 of unrecognized compensation costs related to restricted shares. The costs are expected to be recognized over a weighted-average period of 2.3 years.

The impact of share options and restricted shares for the years ended December 31, 2009, 2008 and 2007 recognized in the consolidated financial statements were as follows:

	Year Ended December 31,		
	2009	2008	2007
Share options	\$ 5,169	\$ 2,598	\$ 518
Restricted shares	6,638	4,420	4,828
Total share-based compensation expenses	11,807	7,018	5,346
Less: share-based compensation expenses capitalized	(422)	(163)	(90)
Share-based compensation recognized in general and administrative expenses	\$ 11,385	\$ 6,855	\$ 5,256

16. EMPLOYEE BENEFIT PLANS

The Company provides defined contribution plans for their employees in Macau, Hong Kong, United States of America and Singapore. For the years ended December 31, 2009, 2008 and 2007, the Company's contributions into the provident fund were \$5,012, \$4,584 and \$1,495, respectively.

**MELCO CROWN ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**17. 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, 2009 and 2008, the balance of the reserve amounted to \$3 in each of those years.

The City of Dreams Project Facility signed in September 2007 contains restrictions on payment of dividends for the Borrowing Group. There is a restriction on paying dividends during the construction phase of the City of Dreams project. Upon completion of the construction of the City of Dreams, the relevant subsidiaries will only be able to pay dividends if they satisfy certain financial tests and conditions.

**18. COMMITMENTS AND CONTINGENCIES**

**(a) Capital Commitments**

As of December 31, 2009, the Company had capital commitments contracted for but not provided mainly for the construction and acquisition of property and equipment for the City of Dreams project totaling \$32,602.

Melco Crown (COD) Developments and Melco Crown Gaming, subsidiaries of the Company, accepted in principle an offer from the Macau government to acquire the Cotai Land in Macau, where the City of Dreams site located, for approximately \$105,091, with \$37,437 paid at signing of the government lease in February 2008. In August 2008, Melco Crown (COD) Developments obtained the official title of this land use right for approximately \$105,091, of which \$58,340 has been paid as of December 31, 2009 and the remaining amount of \$46,751, accrued with 5% interest per annum, will be paid in six biannual instalments. In November 2009, Melco Crown (COD) Developments and Melco Crown Gaming accepted in principle the initial terms for the revision of the land lease agreement from the Macau government and recognized additional land premium of \$32,118 payable to the Macau government for the increased developable gross floor area of Cotai Land for City of Dreams. The total outstanding balances of the land use right has been included in accrued expenses and other current liabilities in an amount of \$29,781 and in land use right payable in an amount of \$39,432, respectively as of December 31, 2009. A guarantee deposit of approximately \$424 was also paid upon signing of the government lease in February 2008. According to the terms of the revised offer from the Macau government, payment in the form of government land use fees in an aggregate amount of \$1,185 per annum is payable to the Macau government and such amount may be adjusted every five years as agreed between the Macau government and Melco Crown (COD) Developments, using the applicable market rates in effect at the time of the adjustment. As of December 31, 2009, the Company's total commitments of payment in form of government land use fees for the City of Dreams site was \$27,938. In March 2010, Melco Crown (COD) Developments and Melco Crown Gaming accepted the final terms for the revision of the land lease agreement and fully paid the additional land premium to the Macau government. Following the publication in the Macau official gazette of such revision, the land grant amendment process will be complete.

In 2006, the Macau government had officially granted the Taipa Land to Altira Developments Limited ("Altira Developments"), a subsidiary of the Company. A guarantee deposit of approximately \$20 was paid upon signing of the lease in 2006. Payment in the form of government land use fees in an aggregate amount of \$171 per annum became payable to the Macau government and such amount may be adjusted every five years as agreed between the Macau government and Altira Developments, using the applicable market rates in effect at the time of the adjustment. As of December 31, 2009, the Company's total commitments of payment in form of government land use fees for the Altira Macau site was \$3,624.

**MELCO CROWN ENTERTAINMENT LIMITED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)****18. COMMITMENTS AND CONTINGENCIES – continued****(b) Lease Commitments and Other Arrangements****Operating Leases – As a lessee**

The Company leases office space, Mocha Club sites, staff quarters and certain equipment under non-cancellable operating lease agreements that expire at various dates through December 2021. 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 Company and its lessor. During the years ended December 31, 2009, 2008 and 2007, the Company incurred rental expenses amounting to \$14,557, \$12,060 and \$11,716, respectively.

As of December 31, 2009, minimum lease payments under all non-cancellable leases were as follows:

Year ending December 31,	
2010	\$ 10,013
2011	6,306
2012	5,318
2013	5,182
2014	3,853
Over 2014	<u>9,667</u>
<b>Total minimum lease payments</b>	<b>\$ <u>40,339</u></b>

**As grantor of operating and right to use arrangement**

The Company entered into non-cancellable operating and right to use agreements for mall spaces in the City of Dreams site with various retailers that expire at various dates through May 2016. Certain of the operating and right to use agreements include minimum base fee and operating fee with escalated contingent fee clauses. During the years ended December 31, 2009, 2008 and 2007, the Company received contingent fees amount to \$5,547, nil and nil, respectively.

As of December 31, 2009, minimum future fees to be received under all non-cancellable operating and right to use agreements were as follows:

Year ending December 31,	
2010	\$ 8,293
2011	8,287
2012	7,793
2013	7,185
2014	7,182
Over 2014	<u>4,590</u>
<b>Total minimum future fees to be received</b>	<b>\$ <u>43,330</u></b>

The total minimum future fees do not include the escalated contingent fee clauses.

**(c) Other Commitments**

On September 8, 2006, the Macau government granted a gaming subconcession to Melco Crown Gaming to operate the gaming business in Macau. Pursuant to the gaming subconcession agreement, Melco Crown Gaming has committed to the following:

- i) To make a minimum investment in Macau of \$499,164 (MOP 4,000,000,000) by December 2010.
- ii) To pay the Macau government a fixed annual premium of \$3,744 (MOP30,000,000) starting from June 26, 2009 or earlier, if the hotel, casino and resort projects operated by the Company's subsidiaries are not completed by then.



**MELCO CROWN ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**18. COMMITMENTS AND CONTINGENCIES – continued**

(c) **Other Commitments** – continued

- iii) To pay the Macau government a variable premium depending on the number and type of gaming tables and gaming machines that the Company 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.
- iv) 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.
- v) 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.
- vi) 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.
- vii) Melco Crown Gaming 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 that date until the 180th day after the termination date of the gaming subconcession. A sum of 1.75% of the guarantee amount will be payable by Melco Crown Gaming quarterly to such bank.

As of December 31, 2009, the Company had other commitments contracted for but not provided in respect of shuttle buses and limousines services mainly for the operations of Altira Macau and the City of Dreams projects totaling \$2,590. Expenses for the shuttle buses and limousines services during the years ended December 31, 2009 and 2008 amounted to \$10,653 and \$3,457, respectively.

As of December 31, 2009, the Company had other commitments contracted for but not provided in respect of cleaning, maintenance, consulting, marketing and other services mainly for the operations of Altira Macau and the City of Dreams projects totaling \$4,786. Expenses for such services during the years ended December 31, 2009 and 2008 amounted to \$5,561 and \$2,432, respectively.

As of December 31, 2009, the Company had other commitments contracted but not provided in respect of trademark and memorabilia license fee for operations of City of Dreams hotels and casino totalling \$8,479. Expenses for the trademark and memorabilia license fee during the years ended 31 December 2009 and 2008 amounted to \$889 and nil, respectively.

(d) **Contingencies**

As of December 31, 2009, the Melco Crown Gaming has issued a promissory note (“livranca”) of \$68,635 (MOP550,000,000) to a bank in respect of bank guarantees issued to the Macau government as disclosed in Note 18(c)(vii) to the consolidated financial statements.

As of December 31, 2009, the Company has entered into two deeds of guarantee with third parties to guarantee certain payment obligations of the City of Dreams’ operations amounted to \$10,000.

As of December 31, 2009, the Company has entered into a bank guarantee issued to the Macau government amounting to \$22,462 (MOP180,000,000) to guarantee payment of additional land premium payable as disclosed in Note 8 to the 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)

## 18. COMMITMENTS AND CONTINGENCIES — continued

(e) **Litigation**

The Company is currently a party to certain legal proceedings which relate to matters arising out of the ordinary course of its business. Management does not believe that the outcome of such proceedings will have a material adverse effect on the Company's financial position or results of operations.

## 19. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2009, 2008 and 2007, the Company entered into the following material related party transactions:

	Year Ended December 31,		
	2009	2008	2007
<i>Amounts paid/payable to affiliated companies</i>			
Advertising and promotional expenses	\$ 211	\$ 597	\$ 65
Consultancy fee capitalized in construction in progress	1,312	246	2,294
Consultancy fee recognized as expense	1,301	1,168	4,150
Management fees	45	1,698	—
Network support fee	28	52	238
Office rental	2,354	1,466	1,114
Operating and office supplies	257	255	707
Project management fees capitalized in construction in progress	—	—	1,442
Property and equipment	59,482	16,327	12,141
Repairs and maintenance	87	655	41
Service fee expense	748	781	—
Traveling expense capitalized in construction in progress	65	66	—
Traveling expense recognized as expense	2,809	1,387	746
<i>Amounts received/receivable from affiliated companies</i>			
Other service fee income	896	276	—
Rooms and food and beverage income	23	100	41
Sales proceeds for disposal of property and equipment	—	2,788	—
<i>Amounts paid/payable to shareholders</i>			
Interest charges capitalized in construction in progress	963	3,367	4,167
Interest charges recognized as expense	215	—	758

Details of those material related party transactions provided in the table above are as follows:

(a) **Amounts Due From Affiliated Companies**

Melco's subsidiary and its associated company — Melco's subsidiary and its associated company purchased rooms and food and beverage services from the Company during the years ended December 31, 2009, 2008 and 2007. Property and equipment was purchased from Melco's associated company during the year ended December 31, 2009. The outstanding balances due from Melco's subsidiary and its associated company as of December 31, 2009 and 2008 were \$1 and \$28, respectively, and the amounts were 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)**

**19. RELATED PARTY TRANSACTIONS – continued**

**(b) Amounts Due To Affiliated Companies**

Elixir International Limited, or Elixir – The Company purchased property and equipment and services including repairs and maintenance, operating and office supplies, network support and consultancy from Elixir, a wholly-owned subsidiary of Melco, primarily related to the Altira Macau and City of Dreams projects during the years ended December 31, 2009, 2008 and 2007. Certain gaming machines were sold to Elixir during the year ended December 31, 2008 and Elixir purchased rooms and food and beverage services from the Company during the years ended December 31, 2009, 2008 and 2007. As of December 31, 2009, the outstanding balance due to Elixir of \$5,046. As of December 31, 2008, the outstanding balance was a receivable from Elixir of \$622. These amounts were unsecured, non-interest bearing and repayable on demand.

Sociedade de Turismo e Diversões de Macau, S.A.R.L., or STDM and its subsidiaries (together with STDM referred to STDM Group) and Shun Tak Holdings Limited and its subsidiaries (referred to Shun Tak Group) — The Company incurred expenses associated with its use of STDM and Shun Tak Group ferry and hotel accommodation services within Hong Kong and Macau during the years ended December 31, 2009, 2008 and 2007. Relatives of Mr. Lawrence Ho, the Company's Co-Chairman and Chief Executive Officer, have beneficial interests within those companies. The traveling expenses in connection with construction of the Altira Macau and City of Dreams projects were capitalized as costs related to construction in progress during the construction period. STDM Group and Shun Tak Group provided advertising and promotional services to the Company during the years ended December 31, 2009, 2008 and 2007. The Company incurred rental expense from leasing office premises from STDM Group and Shun Tak Group during the years ended December 31, 2009, 2008 and 2007. As of December 31, 2009 and 2008, the outstanding balances due to STDM Group of \$171 and \$215 and Shun Tak Group of \$440 and \$8, respectively, were unsecured, non-interest bearing and repayable on demand.

Melco's subsidiaries and its associated companies — Melco's subsidiaries and its associated companies provided services to the Company primarily for the construction of Altira Macau and City of Dreams projects and the operations which included management of general and administrative matters for the years ended December 31, 2009, 2008 and 2007, consultancy fees during the years ended December 31, 2009 and 2008, and advertising and promotion, network support, system maintenance and administration support and repairs and maintenance fee during the years ended December 31, 2008 and 2007. The Company incurred rental expense from leasing office premises from Melco's subsidiaries during the years ended December 31, 2009, 2008 and 2007. The Company purchased property and equipment from Melco's subsidiaries and its associated companies during the years ended December 31, 2009, 2008 and 2007 and purchased operating and office supplies during the years ended December 31, 2008 and 2007. The Company reimbursed Melco's subsidiaries 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 during the years ended December 31, 2009 and 2008. Melco's subsidiaries and its associated companies purchased rooms and food and beverage services from the Company during the years ended December 31, 2009, 2008 and 2007. Other service fee income was received from Melco's subsidiary during the year ended December 31, 2009. Melco's subsidiaries fees charged for management of general administrative services, project management and consultancy, were determined based on actual cost incurred during the year ended December 31, 2007. The project management fee and consultancy fee in connection with the construction of Altira Macau and City of Dreams projects were capitalized as costs related to construction in progress during the construction period during the year ended December 31, 2007 and no further project management fee incurred for 2008 and 2009.

As of December 31, 2009 and 2008, the outstanding balances due to Melco's subsidiaries and its associated companies of \$720 and \$1,507, respectively, were unsecured, non-interest bearing and repayable on demand.

Lisboa Holdings Limited, or Lisboa and Sociedade de Jogos de Macau S.A., or SJM - During the years ended December 31, 2009, 2008 and 2007, the Company paid rental expenses and service fees for Mocha Clubs gaming premises to Lisboa and SJM, companies in which a relative of Mr. Lawrence Ho has beneficial interest. There was no outstanding balance as of December 31, 2009 and 2008.

**MELCO CROWN ENTERTAINMENT LIMITED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**(In thousands of U.S. dollars, except share and per share data)**

**19. RELATED PARTY TRANSACTIONS – continued**

**(b) Amounts Due To Affiliated Companies – continued**

Crown's subsidiary — Crown's subsidiary provided services to the Company primarily for the construction of Altira Macau and the City of Dreams projects and the operations which included general consultancy and management of sale representative offices during the years ended December 31, 2009, 2008 and 2007. Part of the consultancy charges was capitalized as costs related to construction in progress during construction period for the years ended December 31, 2009, 2008 and 2007. The Company reimbursed Crown's subsidiary for associated costs including traveling expenses during the years ended December 31, 2009, 2008 and 2007. The Company purchased property and equipment from Crown's subsidiary during the years ended December 31, 2009, 2008 and 2007. The Company received other service fee income from Crown's subsidiary during the years ended December 31, 2009 and 2008. Crown's subsidiary purchased rooms and food and beverage services from the Company during the years ended December 31, 2008 and 2007. As of December 31, 2009 and 2008, the outstanding balances due to Crown's subsidiary of \$975 and \$241, respectively, were unsecured, non-interest bearing and repayable on demand.

Shuffle Master Asia Limited, or Shuffle Master, and Stargames Corporation Pty. Limited, or Stargames – The Company purchased spare parts, property and equipment and lease of equipment with Shuffle Master during the years ended December 31, 2009, 2008 and 2007. The Company incurred repairs and maintenance expense with Shuffle Master and Stargames during the year ended December 31, 2008 and purchased property and equipment and lease of equipment with Stargames during the year ended December 31, 2007, in which the Company's former Chief Operating Officer during this period was an independent non-executive director of its parent company. There was no outstanding balance with Stargames as of December 31, 2009 and 2008. As of December 31, 2009 and 2008, the outstanding balances due to Shuffle Master of nil and \$4, respectively, were unsecured, non-interest bearing and repayable on demand.

Chang Wah Garment Manufacturing Company Limited, or Chang Wah — The Company purchased uniforms from Chang Wah during the years ended December 31, 2009 and 2008, a company in which a relative of Mr. Lawrence Ho has beneficial interest, for Altira Macau and the City of Dreams projects. As of December 31, 2009 and 2008, the outstanding balance due to Chang Wah of \$32 and \$10, respectively, were unsecured, non-interest bearing and repayable on demand.

MGM Grand Paradise Limited, or MGM – The Company paid rental expenses and purchased property and equipment from MGM during the year ended December 31, 2009, a company in which a relative of Mr. Lawrence Ho has beneficial interest, for the City of Dreams project. There was no outstanding balance with MGM as of December 31, 2009.

**(c) Amounts Due To/Loans From Shareholders**

Melco and Crown provided loans to the Company mainly used for working capital purposes, for the acquisition of the Altira Macau and the City of Dreams sites and for construction of Altira Macau and City of Dreams.

The outstanding loan balances due to Melco as of December 31, 2009 and 2008 amounted to \$74,367 in each of those years, were unsecured and interest bearing at 3-months HIBOR per annum and at 3-months HIBOR plus 1.5% per annum only during the period from May 16, 2008 to May 15, 2009. As of December 31, 2009, the loan balance due to Melco was repayable in May 2011.

Melco purchased rooms and food and beverage services from the Company during the year ended December 31, 2009. The amounts of \$17 and \$916 due to Melco as of December 31, 2009 and 2008, respectively, mainly related to interest payable on the outstanding loan balances, were unsecured, non-interest bearing and repayable on demand.

The outstanding loan balances due to Crown as of December 31, 2009 and 2008 amounted to \$41,280 in each of those years, were unsecured and interest bearing at 3-months HIBOR per annum. As of December 31, 2009, the loan balance due to Crown was repayable in May 2011.

MELCO CROWN ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued  
(In thousands of U.S. dollars, except share and per share data)

19. RELATED PARTY TRANSACTIONS – continued

(c) Amounts Due To/Loans From Shareholders – continued

The amounts of \$8 and \$116 due to Crown as of December 31, 2009 and 2008, respectively, related to interest payable on the outstanding loan balances, were unsecured, non-interest bearing and repayable on demand.

- (d) As disclosed in Note 7 to the consolidated financial statements, on May 17, 2006, MPEL Macau Peninsula entered into a conditional agreement to acquire a third development site located on the shoreline of Macau Peninsula near the current Macau Ferry Terminal or Macau Peninsula site. The acquisition was through the purchase of the entire issued share capital of a company holding title to the Macau Peninsula site. Dr. Stanley Ho was one of the directors but held no shares in such company. Dr. Stanley Ho is the father of Mr. Lawrence Ho, the chairman of Melco until he resigned this position in March 2006. The title holding company holds the rights to the land lease of Macau Peninsula site which was approximately 6,480 square meters. The aggregate consideration was \$192,802, payable in cash of which a deposit of \$12,853 was paid upon signing of the sale and purchase agreement, financed from Melco and Crown, equally. The targeted completion date of July 27, 2009 for the acquisition of the Macau Peninsula site passed and the acquisition agreement was terminated by the relevant parties on December 17, 2009. The deposit under the acquisition agreement was refunded to the Company in December 2009.

20. SEGMENT INFORMATION

The Company is principally engaged in the gaming and hospitality business. 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. As of December 31, 2008, Mocha Clubs and Altira Macau were the two primary businesses of the Company. Subsequent to the opening of City of Dreams in June 2009, City of Dreams has become one of the three primary businesses of the Company as of December 31, 2009. Taipa Square Casino is included within Corporate and Others. All revenues were generated in Macau.

Total Assets

	December 31,	
	2009	2008
Mocha Clubs	\$ 144,455	\$ 166,241
Altira Macau	594,743	617,383
City of Dreams	3,093,310	2,117,951
Corporate and Others	<u>1,067,861</u>	<u>1,596,714</u>
Total consolidated assets	<u>\$ 4,900,369</u>	<u>\$ 4,498,289</u>

Capital Expenditures

	Year Ended December 31,		
	2009	2008	2007
Mocha Clubs	\$ 11,448	\$ 15,491	\$ 13,297
Altira Macau	6,712	6,275	203,845
City of Dreams	808,424	1,148,098	519,522
Corporate and Others	<u>2,152</u>	<u>21,334</u>	<u>4,219</u>
Total capital expenditures	<u>\$ 828,736</u>	<u>\$ 1,191,198</u>	<u>\$ 740,883</u>

MELCO CROWN ENTERTAINMENT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued  
(In thousands of U.S. dollars, except share and per share data)

20. SEGMENT INFORMATION – continued

For the years ended December 31, 2009, 2008 and 2007, there was no single customer that contributed more than 10% of the total revenues.

The Company's segment information on its results of operations for the following years is as follows:

	Year Ended December 31,		
	2009	2008	2007
<b>NET REVENUES</b>			
Mocha Clubs	\$ 97,984	\$ 91,967	\$ 81,343
Altira Macau	658,043	1,313,047	277,153
City of Dreams	552,141	—	—
Corporate and Others	24,705	11,120	—
Total net revenues	<u>1,332,873</u>	<u>1,416,134</u>	<u>358,496</u>
<b>ADJUSTED EBITDA (1)</b>			
Mocha Clubs	25,416	25,805	22,056
Altira Macau	13,702	162,487	(22,444)
City of Dreams	56,666	(23)	(314)
Total adjusted EBITDA	<u>95,784</u>	<u>188,269</u>	<u>(702)</u>
<b>OPERATING COSTS AND EXPENSES</b>			
Pre-opening costs	(91,882)	(21,821)	(40,032)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,190)
Amortization of land use rights	(18,395)	(18,269)	(17,276)
Depreciation and amortization	(141,864)	(51,379)	(39,466)
Share-based compensation	(11,385)	(6,855)	(5,256)
Marketing expense relating to Altira Macau opening	—	—	(11,959)
Property charges and others	(7,040)	(290)	(387)
Corporate and others expenses	(40,028)	(31,244)	(23,549)
Total operating costs and expenses	<u>(367,831)</u>	<u>(187,095)</u>	<u>(195,115)</u>
OPERATING (LOSS) INCOME	<u>(272,047)</u>	<u>1,174</u>	<u>(195,817)</u>
<b>NON-OPERATING (EXPENSES) INCOME</b>			
Interest income	498	8,215	18,640
Interest expenses, net of capitalized interest	(31,824)	—	(770)
Amortization of deferred financing costs	(5,974)	(765)	(1,005)
Loan commitment fees	(2,253)	(14,965)	(4,760)
Foreign exchange gain, net	491	1,436	3,832
Other income, net	2,516	972	275
Total non-operating (expenses) income	<u>(36,546)</u>	<u>(5,107)</u>	<u>16,212</u>
LOSS BEFORE INCOME TAX	<u>(308,593)</u>	<u>(3,933)</u>	<u>(179,605)</u>
INCOME TAX CREDIT	<u>132</u>	<u>1,470</u>	<u>1,454</u>
NET LOSS	<u>\$ (308,461)</u>	<u>\$ (2,463)</u>	<u>\$ (178,151)</u>

Note

- (1) "Adjusted EBITDA" is earnings before interest, taxes, depreciation, amortization, other expenses (including pre-opening costs, share-based compensation, marketing expense relating to Altira Macau opening in May 2007, property charges and others and non-operating income (expenses)). The chief operating decision maker used Adjusted EBITDA to measure the operating performance of Mocha Clubs, Altira Macau and City of Dreams.

**MELCO CROWN ENTERTAINMENT LIMITED****ADDITIONAL INFORMATION – FINANCIAL STATEMENTS SCHEDULE 1  
FINANCIAL INFORMATION OF PARENT COMPANY  
BALANCE SHEETS****(In thousands of U.S. dollars, except share and per share data)**

	December 31,	
	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 34,358	\$ 163,014
Amounts due from subsidiaries	64,676	580,423
Prepaid expenses and other current assets	12,605	720
Total current assets	<u>111,639</u>	<u>744,157</u>
INVESTMENTS IN SUBSIDIARIES	2,697,541	1,967,503
LONG-TERM PREPAYMENT AND DEPOSITS	1,178	1,715
TOTAL	<u>\$ 2,810,358</u>	<u>\$ 2,713,375</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses and other current liabilities	\$ 3,302	\$ 4,907
Income tax payable	387	1,296
Amounts due to affiliated companies	1,620	1,553
Amounts due to subsidiaries	180,336	180,336
Amounts due to shareholders	22	1,032
Total current liabilities	<u>185,667</u>	<u>189,124</u>
LOANS FROM SHAREHOLDERS	115,647	115,647
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary shares at US\$0.01 par value per share (Authorized – 2,500,000,000 and 1,500,000,000 shares and issued – 1,595,617,550 and 1,321,550,399 shares as of December 31, 2009 and 2008 (Note 13))	15,956	13,216
Treasury shares, at US\$0.01 par value per share (471,567 and 385,180 shares as of December 31, 2009 and 2008 (Note 13))	(5)	(4)
Additional paid-in capital	3,088,768	2,689,257
Accumulated other comprehensive losses	(29,034)	(35,685)
Accumulated losses	(566,641)	(258,180)
Total shareholders' equity	<u>2,509,044</u>	<u>2,408,604</u>
TOTAL	<u>\$ 2,810,358</u>	<u>\$ 2,713,375</u>



**MELCO CROWN ENTERTAINMENT LIMITED****ADDITIONAL INFORMATION – FINANCIAL STATEMENTS SCHEDULE 1  
FINANCIAL INFORMATION OF PARENT COMPANY  
STATEMENTS OF OPERATIONS****(In thousands of U.S. dollars, except share and per share data)**

	Year Ended December 31,		
	2009	2008	2007
REVENUE	\$ —	\$ —	\$ —
OPERATING EXPENSES			
General and administrative	(21,089)	(22,115)	(16,323)
Total operating expenses	(21,089)	(22,115)	(16,323)
OPERATING LOSS	(21,089)	(22,115)	(16,323)
NON-OPERATING (EXPENSES) INCOME			
Interest income	96	5,755	11,159
Interest expenses	(215)	—	(758)
Foreign exchange (loss) gain, net	(115)	(409)	5,138
Other income, net	15,127	18,291	16,106
Share of results of subsidiaries	(301,368)	(3,866)	(192,296)
Total non-operating (expenses) income	(286,475)	19,771	(160,651)
LOSS BEFORE INCOME TAX	(307,564)	(2,344)	(176,974)
INCOME TAX EXPENSE	(897)	(119)	(1,177)
NET LOSS	<u>\$ (308,461)</u>	<u>\$ (2,463)</u>	<u>\$ (178,151)</u>

MELCO CROWN ENTERTAINMENT LIMITED

ADDITIONAL INFORMATION – FINANCIAL STATEMENTS SCHEDULE 1  
 FINANCIAL INFORMATION OF PARENT COMPANY  
 STATEMENTS OF SHAREHOLDERS' EQUITY  
 (In thousands of U.S. dollars, except share and per share data)

	Common Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Losses	Total Shareholders' Equity	Comprehensive Loss
	Shares	Amount	Shares	Amount					
BALANCE AT JANUARY 1, 2007	1,180,931,146	\$ 11,809	—	\$ —	\$ 1,955,383	\$ 740	\$ (77,566)	\$ 1,890,366	
Net loss for the year	—	—	—	—	—	—	(178,151)	(178,151)	\$ (178,151)
Foreign currency translation adjustment	—	—	—	—	—	(1,685)	—	(1,685)	(1,685)
Change in fair value of interest rate swap agreements	—	—	—	—	—	(10,131)	—	(10,131)	(10,131)
Share-based compensation (Note 15)	—	—	—	—	5,346	—	—	5,346	
Shares issued, net of offering expenses (Note 13)	139,612,500	1,396	—	—	721,400	—	—	722,796	
Shares issued upon restricted shares vested (Note 13)	395,256	4	—	—	(4)	—	—	—	
BALANCE AT DECEMBER 31, 2007	1,320,938,902	13,209	—	—	2,682,125	(11,076)	(255,717)	2,428,541	\$ (189,967)
Net loss for the year	—	—	—	—	—	—	(2,463)	(2,463)	\$ (2,463)
Change in fair value of interest rate swap agreements	—	—	—	—	—	(24,609)	—	(24,609)	(24,609)
Reversal of over-accrued offering expenses	—	—	—	—	117	—	—	117	
Share-based compensation (Note 15)	—	—	—	—	7,018	—	—	7,018	
Shares issued upon restricted shares vested (Note 13)	226,317	3	—	—	(3)	—	—	—	
Shares issued for future exercises of share options (Note 13)	385,180	4	(385,180)	(4)	—	—	—	—	
BALANCE AT DECEMBER 31, 2008	1,321,550,399	13,216	(385,180)	(4)	2,689,257	(35,685)	(258,180)	2,408,604	\$ (27,072)
Net loss for the year	—	—	—	—	—	—	(308,461)	(308,461)	\$ (308,461)
Foreign currency translation adjustment	—	—	—	—	—	(11)	—	(11)	(11)
Change in fair value of interest rate swap agreements	—	—	—	—	—	6,662	—	6,662	6,662
Share-based compensation (Note 15)	—	—	—	—	11,807	—	—	11,807	
Shares issued, net of offering expenses (Note 13)	263,155,335	2,631	—	—	380,898	—	—	383,529	
Shares issued upon restricted shares vested (Note 13)	8,297,110	83	—	—	6,831	—	—	6,914	
Shares issued for future vesting of restricted shares (Note 13)	2,614,706	26	(2,614,706)	(26)	—	—	—	—	
Issuance of shares for restricted shares vested (Note 13)	—	—	2,528,319	25	(25)	—	—	—	
BALANCE AT DECEMBER 31, 2009	1,595,617,550	\$ 15,956	(471,567)	\$ (5)	\$ 3,088,768	\$ (29,034)	\$ (566,641)	\$ 2,509,044	\$ (301,810)

## MELCO CROWN ENTERTAINMENT LIMITED

ADDITIONAL INFORMATION – FINANCIAL STATEMENTS SCHEDULE 1  
FINANCIAL INFORMATION OF PARENT COMPANY  
STATEMENTS OF CASH FLOWS  
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2009	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (308,461)	\$ (2,463)	\$ (178,151)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Share-based compensation	11,385	6,855	5,256
Share of results of subsidiaries	301,368	3,866	192,296
Changes in operating assets and liabilities:			
Amounts due from affiliated companies	—	2	28
Prepaid expenses and other current assets	(11,885)	2,753	(3,052)
Long-term prepayment and deposits	537	(1,715)	126
Accrued expenses and other current liabilities	(1,605)	2,119	(1,216)
Income tax payable	(909)	119	1,177
Amounts due to shareholders	(1,973)	—	—
Amounts due to affiliated companies	67	(2,108)	1,361
Amounts due to subsidiaries	—	(9)	60
Net cash (used in) provided by operating activities	(11,476)	9,419	17,885
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Advances to subsidiaries	(1,023,370)	—	—
Amounts due from subsidiaries	522,661	(420,055)	(399,878)
Net cash used in investing activities	(500,709)	(420,055)	(399,878)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans from shareholders	—	—	(96,583)
Proceeds from issue of share capital	383,529	—	722,796
Cash provided by financing activities	383,529	—	626,213
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(128,656)	(410,636)	244,220
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	163,014	573,650	329,430
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 34,358	\$ 163,014	\$ 573,650

**MELCO CROWN ENTERTAINMENT LIMITED**

**ADDITIONAL INFORMATION – FINANCIAL STATEMENTS SCHEDULE 1  
FINANCIAL INFORMATION OF PARENT COMPANY  
NOTES TO FINANCIAL STATEMENTS 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, 2009 and 2008, approximately \$1,543,000 and \$1,832,000, respectively of the restricted net assets not available for distribution, and as such, the condensed financial information of the Company has been presented for the years ended December 31, 2009, 2008 and 2007.
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.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing its annual report 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**

By: /s/ Lawrence Ho  
Name: Lawrence Ho  
Title: Co-Chairman and Chief Executive Officer

Date: March 31, 2010

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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1*	Amended and Restated Memorandum and Articles of Association amended by EGM in May 2009
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 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 the Registrant, the depository and Owners and Beneficial Owners of the American Depositary Shares issued thereunder (incorporated by reference to Exhibit 4.3 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.4	Holdco 1 Subscription Agreement dated December 23, 2004 among the Registrant (formerly known as Melco PBL Holdings Limited), Melco, PBL and PBL Asia Investments Limited (incorporated by reference to Exhibit 4.4 from our F-1 registration statement (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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.6	Deed of Variation and Amendment relating to the Registrant dated July 27, 2007 between Melco Leisure and Entertainment Group Limited, Melco International Development Limited, PBL Asia Investments Limited, Publishing and Broadcasting Limited, Crown Limited and the Registrant (incorporated by reference to Exhibit 4.11 from our F-1 registration statement (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)
2.7	Amended and Restated Shareholders' Deed Relating to the Registrant dated December 12, 2007 among the Registrant, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and Crown Limited (incorporated by reference to Exhibit 2.7 from our Form 20-F registration statement (File No. 001-33178), filed with the SEC on April 9, 2008)
2.8	Form of Post-IPO Shareholders' Agreement among the Registrant, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and PBL (incorporated by reference to Exhibit 4.9 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.9	Form of Registration Rights Agreement among the Registrant, Melco and PBL (incorporated by reference to Exhibit 4.10 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.1	Form of Indemnification Agreement with the Registrant's directors and executive officers (incorporated by reference to Exhibit 10.1 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.2	Form of Directors' Agreement of the Registrant (incorporated by reference to Exhibit 10.2 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.3	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant (incorporated by reference to Exhibit 10.3 from our F-1 registration statement (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 F-1 registration statement (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 F-1 registration statement (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)

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<b>Exhibit Number</b>	<b>Description of Document</b>
4.6	Amendment Agreement in Respect of Senior Facilities Agreement dated December 7, 2007 for Melco PBL Gaming (Macau) Limited as Company and Deutsche Bank AG, Hong Kong Branch, as Agent (Incorporated by reference to Exhibit 4.6 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.7	Second Amendment Agreement in Respect of Senior Facilities Agreement dated September 1, 2008 for Melco Crown Gaming (Macau) Limited as Company and Deutsche Bank AG, Hong Kong Branch, as Agent (Incorporated by reference to Exhibit 4.7 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.8	Third Amendment Agreement in Respect of Senior Facilities Agreement dated December 1, 2008 for Melco Crown Gaming (Macau) Limited as Company and Deutsche Bank AG, Hong Kong Branch, as Agent (Incorporated by reference to Exhibit 4.8 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.9	Agreement dated May 9, 2006 between Dr. Stanley Ho and MPBL International, regarding sale and transfer of Mocha Slot Group Limited, together with Deed of Assignment dated May 9, 2006 between Dr. Ho, as assignor, and MPBL International, as assignee (incorporated by reference to Exhibit 10.8 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.10	English Translation of Sale and Purchase Agreement dated September 21, 2006 between Mocha and Melco PBL Gaming (now Melco Crown Gaming) (incorporated by reference to Exhibit 10.9 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.11	Letter Agreement in relation to termination of the Mocha service arrangement dated March 15, 2006 among Mocha, SJM and Melco (incorporated by reference to Exhibit 10.10 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.12	First Supplementary Agreement to Joint Venture dated February 8, 2005 Relating to transfer of 70% interests in Altira Developments (its former names were Melco Crown (CM) Developments, MPBL Crown Macau Developments and Great Wonders) to MPBL (Greater China) (formerly known as Melco Entertainment Limited) among STD M, Melco and MPBL (Greater China) (incorporated by reference to Exhibit 10.11 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.13	Agreement dated March 17, 2005 Relating to transfer of 30% shareholding in Altira Developments (its former names were Melco Crown (CM) Developments, MPBL Crown Macau Developments and Great Wonders) from STD M to Melco among STD M, Melco and MPBL (Greater China) (formerly known as Melco Entertainment Limited) (incorporated by reference to Exhibit 10.12 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.14	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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.15	Contract Document dated November 24, 2004 for the design and construction of the hotel and casino at Junction of Avenida Dr. Sun Yat Sen and Avenida de Kwong Tung, Taipa, Macau between Altira Developments (its former names were Melco Crown (CM) Developments, MPBL Crown Macau Developments and Great Wonders) and Paul Y. Construction Company Limited (incorporated by reference to Exhibit 10.14 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.16	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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)

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<b>Exhibit Number</b>	<b>Description of Document</b>
4.17	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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.18	Transfer Deed in relation to the entire issued equity capital of Melco Crown (COD) Developments (formerly known as MPBL (COD) Developments) and Assignment Deed in relation to a memorandum of agreement dated October 28, 2004, dated May 17, 2005, between Melco Leisure and Entertainment Group Limited and MPBL (Greater China) (incorporated by reference to Exhibit 10.16 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.19	Construction Management Agreement dated August 22, 2007 for the Construction and Commissioning of City of Dreams, Macau for Melco Crown (COD) Developments Limited (formerly known as MPBL (COD) Developments) (incorporated by reference to Exhibit 10.33 from our F-1 registration statement (File No. 333-146780), as amended, initially filed with the SEC on October 18, 2007)
4.20	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 From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.21	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 From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009) .
4.22	Hotel Trademark License Agreement by and between Hard Rock Holdings Limited and Melco Crown (COD) Developments (formerly known as Melco PBL (COD) Developments Limited and Melco Hotel and Resorts (Macau) 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)
4.23	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 From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.24	Casino Trademark License Agreement by and between Hard Rock Holdings Limited and Melco PBL Gaming (now Melco Crown Gaming) 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)
4.25	Memorabilia Lease (casino) between Hard Rock Cafe International (STP) Inc. and Melco PBL Gaming (now Melco Crown Gaming) 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)
4.26	Memorabilia Lease (hotel) between Hard Rock Cafe International (STP) Inc. and Melco Crown (COD) Developments 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)
4.27	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 From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.28	Promissory Transfer of Shares Agreement dated May 17, 2006 with respect to the sale and transfer of Omar Limited (incorporated by reference to Exhibit 10.21 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)



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<b>Exhibit Number</b>	<b>Description of Document</b>
4.29	Extension Letter (with respect to the Promissory Transfer of Shares Agreement) to Melco PBL (Macau Peninsula) Limited from Double Margin, Angela Leong and Omar dated January 25, 2007 (Incorporated by reference to Exhibit 4.29 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.30	Extension Letter (with respect to the Promissory Transfer of Shares Agreement) to Melco PBL (Macau Peninsula) Limited from Double Margin and Angela Leong dated July 17, 2007 (Incorporated by reference to Exhibit 4.30 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.31	Extension Letter (with respect to the Promissory Transfer of Shares Agreement) to MPEL (Macau Peninsula) Limited from Double Margin and Angela Leong dated July 2, 2008 (Incorporated by reference to Exhibit 4.31 from our From 20-F registration statement (File No. 001-33178), filed with the SEC on March 31, 2009)
4.32*	Promissory Transfer of Shares Termination Agreement dated 17 December 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
4.33	Shareholders’ Agreement relating to Melco PBL Gaming (now Melco Crown Gaming) 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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.34	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)
4.35	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)
4.36	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 F-3 registration statement (File No. 333-148849), filed with the SEC on January 25, 2008)
4.37*	2006 Share Incentive Plan Amended by AGM in May 2009
4.38	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 F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.39	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)
4.40	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)
4.41*	English Translation of 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.
8.1*	List of Subsidiaries
11.1*	Code of Business Conduct and Ethics, amended and approved as of September 29, 2009

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<b>Exhibit Number</b>	<b>Description of Document</b>
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Walkers

\* Filed with this Annual Report on Form 20-F

**THE COMPANIES LAW (AS AMENDED)**

**COMPANY LIMITED BY SHARES**

**AMENDED AND RESTATED**

**MEMORANDUM AND ARTICLES OF ASSOCIATION**

**OF**

**MELCO CROWN ENTERTAINMENT LIMITED**

**(Amended and Restated by Special Resolution on 19 May 2009)**

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**THE COMPANIES LAW (AS AMENDED)  
OF THE CAYMAN ISLANDS  
COMPANY LIMITED BY SHARES**

**AMENDED AND RESTATED**

**MEMORANDUM OF ASSOCIATION**

**OF**

**MELCO CROWN ENTERTAINMENT LIMITED**

**(Amended and Restated by Special Resolution on 19 May 2009)**

1. The name of the Company is **MELCO CROWN ENTERTAINMENT LIMITED**.
2. The Registered Office of the Company shall be at the offices of **Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands**, Grand Cayman, Cayman Islands, or at such other place as the Directors may from time to time decide.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (as amended).
4. The liability of each Member is limited to the amount, if any, unpaid on such Member's shares.
5. The authorized share capital of the Company is US\$25,000,000 divided into 2,500,000,000 ordinary shares of a nominal or par value of US\$0.01 each. The Company has the power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them subject to the provisions of the Companies Law (as amended) and the Articles of Association and to issue all or any part of its capital, whether original, redeemed, increased or reduced with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.
6. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by Section 27(2) of the Companies Law (as amended).
7. The Company may exercise the power contained in Section 226 of the Companies Law (as amended) to deregister in the Cayman Islands and be registered by way of continuation in some other jurisdiction.

8. Nothing in the preceding sections shall be deemed to permit the Company to carry on the business of a Bank or Trust Company without being licensed in that behalf under the provisions of the Banks and Trust Companies Law (as amended), or to carry on Insurance Business from within the Cayman Islands or the business of an Insurance Manager, Agent, Sub-agent or Broker without being licensed in that behalf under the provisions of the Insurance Law (as amended), or to carry on the business of Company Management without being licensed in that behalf under the provisions of the Companies Management Law (as amended).
9. The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
10. Capitalised terms that are not defined in this Amended and Restated Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company, as amended from time to time.



**THE COMPANIES LAW (AS AMENDED)  
OF THE CAYMAN ISLANDS  
COMPANY LIMITED BY SHARES**

**AMENDED AND RESTATED  
ARTICLES OF ASSOCIATION**

**OF**

**MELCO CROWN ENTERTAINMENT LIMITED**

**(Amended and Restated by Special Resolution on 19 May 2009)**

**TABLE A**

The Regulations contained or incorporated in Table “A” in the First Schedule of the Companies Law (as amended) shall not apply to this Company and the following Articles shall comprise the Articles of Association of the Company:

**INTERPRETATION**

1. In these Articles, unless otherwise defined, the defined terms shall have the meanings assigned to them as follows:

**“ADS”**

an American Depositary Share, each representing 3 ordinary shares;

**“Affiliate”**

a Person who, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, a specified Person. For the purpose of Article 22, “**control**,” “**controlled by**” and “**under common control with**” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting shares, by contract, or otherwise;

**“Affiliated Companies”**

those partnerships, corporations, limited liability companies, trusts or other entities that are Affiliates of the Company, including, without limitation, subsidiaries, holding companies and intermediary companies (as those and similar terms are defined in the Gaming Laws of the applicable Gaming Jurisdictions) that are registered or licensed under applicable Gaming Laws;

**“Articles”**

these articles of association of the Company as from time to time amended by Special Resolution;

**“Board”**

the board of Directors for the time being of the Company;

**“Commission”**

Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act;

**“Companies Law”**

the Companies Law (as amended) of the Cayman Islands and any statutory amendment or re-enactment thereof. Where any provision of the Companies Law is referred to, the reference is to that provision as amended by any law for the time being in force;

**“Company”**

Melco Crown Entertainment Limited, a Cayman Islands exempted company;

**“Company’s Website”**

the website of the Company, the address or domain name of which has been notified to Members;

**“Directors” and “Board of Directors” and “Board”**

the directors of the Company for the time being, or as the case may be, the Directors assembled as a Board or as a committee thereof;

**“electronic”**

the meaning given to it in the Electronic Transactions Law (as amended) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefore;

**“electronic communication”**

electronic posting to the Company’s Website, transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds of the vote of the Board;

**“Gaming” or “Gaming Activities”**

the conduct of gaming and gambling activities, or the use of gaming devices, equipment and supplies in the operation of a casino or other enterprise, including, without limitation, race books, sports pools, slot machines, gaming devices, gaming tables, cards, dice, gaming chips, player tracking systems, cashless wagering systems and associated equipment and supplies;

**“Gaming Authority or Gaming Activities”**

all international, foreign, federal, state, local and other regulatory and licensing bodies and agencies with authority over Gaming within any Gaming Jurisdiction;

**“Gaming Jurisdiction”**

all jurisdictions, domestic and foreign, and their political subdivisions, in which Gaming Activities are lawfully conducted;

**“Gaming Laws”**

all laws, statutes, ordinances and regulations pursuant to which any Gaming Authority possesses regulatory and licensing authority over Gaming within any Gaming Jurisdiction, and all orders, decrees, rules and regulations promulgated by such Gaming Authority thereunder;

**“Gaming Licenses”**

all licenses, permits, approvals, authorizations, registrations, findings of suitability, franchises, concessions and entitlements issued by a Gaming Authority necessary for or relating to the conduct of Gaming Activities;

**“Independent Director”**

a Director who is an independent director as defined in the NASD Manual & Notices to Members as amended from time to time;

**“in writing”**

includes writing, printing, lithograph, photograph, type-writing and every other mode of representing words or figures in a legible and non-transitory form and, only where used in connection with a notice served by the Company on Members or other persons entitled to receive notices hereunder, shall also include a record maintained in an electronic medium which is accessible in visible form so as to be useable for subsequent reference;

**“Member”**

a person whose name is entered in the Register of Members as the holder of a share or shares;

**“Memorandum of Association”**

the Memorandum of Association of the Company, as amended and re-stated from time to time;

**“month”**

calendar month;

**“Nasdaq”**

The Nasdaq Stock Market’s Global Market in the United States;

**“Nasdaq Rules”**

the relevant code, rules and regulations, as amended, from time to time, applicable as a result of the original and continued quotation of any shares or ADSs on Nasdaq, including without limitation, the NASD Manual & Notices to Members and the Listing Rules;

**“Ordinary Resolution”**

a resolution:

- (a) passed by a simple majority of such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Member is entitled; or
- (b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments if more than one, is executed;

**“Own,” “Ownership,” or “Control,” (and derivatives thereof)**

(i) ownership of record, (ii) “beneficial ownership” as defined in Rule 13d-3 promulgated by the Commission (as amended), or (iii) the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person or the disposition of Shares, by agreement, contract, agency or other manner;

**“paid up”**

paid up as to the par value and any premium payable in respect of the issue of any shares and includes credited as paid up;

**“Person”**

an individual, partnership, corporation, limited liability company, trust or any other entity;

**“Redemption Date”**

the date specified in the Redemption Notice as the date on which the shares Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person are to be redeemed by the Company;

**“Redemption Notice”**

that notice of redemption given by the Company to an Unsuitable Person or an Affiliate of an Unsuitable Person pursuant to Article 22. Each Redemption Notice shall set forth (i) the Redemption Date, (ii) the number and type of shares to be redeemed, (iii) the Redemption Price and the manner of payment therefor, (iv) the place where any certificates for such shares shall be surrendered for payment, and (v) any other requirements of surrender of the certificates, including how they are to be endorsed, if at all;

**“Redemption Price”**

the price to be paid by the Company for the Shares to be redeemed pursuant to Article 22, which shall be that price (if any) required to be paid by the Gaming Authority making the finding of unsuitability, or if such Gaming Authority does not require a certain price to be paid, that amount determined by the Board of Directors to be the fair value of the shares to be redeemed; *provided, however*, that the price per share represented by the Redemption Price shall in no event be in excess of the closing sales price per share on the principal national securities exchange on which such shares are then listed on the trading date on the day before the Redemption Notice is deemed given by the Company to the Unsuitable Person or an Affiliate of an Unsuitable Person or, if such shares are not then listed for trading on any national securities exchange, then the closing sales price of such shares as quoted in the Nasdaq National Market or SmallCap Market or, if the shares are not then so quoted, then the mean between the representative bid and the ask price as quoted by any other generally recognized reporting system. The Redemption Price shall be paid in cash, by promissory note, or both, as required by the applicable Gaming Authority and, if not so required, as the Board of Directors determines. Any promissory note shall contain such terms and conditions as the Board of Directors determines necessary or advisable, including without limitation, subordination provisions, to comply with any law or regulation then applicable to the Company or any Affiliate of the Company or to prevent a default under, breach of, event of default under or acceleration of any loan, promissory note, mortgage, indenture, line of credit, or other debt or financing agreement of the Company or any Affiliate of the Company. Subject to the foregoing, the principal amount of the promissory note together with any unpaid interest shall be due and payable no later than the tenth anniversary of delivery of the note and interest on the unpaid principal thereof shall be payable annually in arrears at the rate of 2% per annum;

**“Register of Members”**

the register to be kept by the Company in accordance with Section 40 of the Companies Law;

**“Seal”**

the Common Seal of the Company (if adopted) including any facsimile thereof;

**“Securities Act”**

the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time;

**“share”**

any share in the capital of the Company, including a fraction of a share;

**“signed”**

includes a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication;

**“Special Resolution”**

a resolution passed in accordance with Section 60 of the Companies Law, being a resolution:

- (a) passed by a majority of not less than two-thirds of such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a Special Resolution has been duly given and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Member is entitled, or
- (b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the Special Resolution so adopted shall be the date on which the instrument or the last of such instruments if more than one, is executed.

**“Statutes”**

the Companies Law and every other laws and regulations of the Cayman Islands for the time being in force concerning companies and affecting the Company;

**“Unsuitable Person”**

a Person who (i) is determined by a Gaming Authority to be unsuitable to Own or Control any shares in the Company, whether directly or indirectly, or (ii) causes the Company or any Affiliated Company to lose or to be threatened with the loss of any Gaming License, or (iii) in the sole discretion of the Board of Directors of the Company, is deemed likely to jeopardize the Company’s or any Affiliated Company’s application for, receipt of approval for, right to the use of, or entitlement to, any Gaming License;

**“year”**

calendar year.

2. In these Articles, save where the context requires otherwise:

- (a) words importing the singular number shall include the plural number and vice versa;

- (b) words importing the masculine gender only shall include the feminine gender;
  - (c) words importing persons only shall include companies or associations or bodies of persons, whether corporate or not;
  - (d) “**may**” shall be construed as permissive and “**shall**” shall be construed as imperative;
  - (e) a reference to a dollar or dollars (or US\$) is a reference to dollars of the United States;
  - (f) references to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force; and
  - (g) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
3. Subject to the last two preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

#### **PRELIMINARY**

4. The business of the Company may be commenced as soon after incorporation as the Directors see fit.
5. The registered office of the Company shall be at such address in the Cayman Islands as the Directors shall from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

#### **SHARE CAPITAL**

6. The authorized share capital of the Company at the date of adoption of these Articles is US\$25,000,000 divided into 2,500,000,000 ordinary shares of a nominal or par value of US\$0.01 each with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Statute and these Articles and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.

#### **ISSUE OF SHARES**

7. Subject to the provisions, if any, in that behalf in the Memorandum of Association, the Directors may re-designate allot, issue, grant options over or otherwise dispose of shares of the Company (including fractions of a share) with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise in such classes or series and to such persons, at such times and on such other terms as they think proper. The Company shall not issue shares in bearer form.

#### **REGISTER OF MEMBERS AND SHARE CERTIFICATES**

8. The Company shall maintain a Register of its Members and every person whose name is entered as a member in the Register of Members shall, without payment, be entitled to a certificate within two months after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide) in the form determined by the Directors. All certificates shall specify the share or shares held by that person and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all. All certificates for shares shall be delivered personally or sent through the post addressed to the member entitled thereto at the Member’s registered address as appearing in the register.

9. Every share certificate of the Company shall bear legends required under the applicable laws, including the Securities Act.
10. Any two or more certificates representing shares of any one class held by any Member may at the Member's request be cancelled and a single new certificate for such shares issued in lieu on payment (if the Directors shall so require) of US\$1.00 or such smaller sum as the Directors shall determine.
11. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same shares may be issued to the relevant Member upon request subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of out-of-pocket expenses of the Company in connection with the request as the Directors may think fit.
12. In the event that shares are held jointly by several persons, any request may be made by any one of the joint holders and if so made shall be binding on all of the joint holders.

#### **TRANSFER OF SHARES**

13. The instrument of transfer of any share shall be in writing and in such usual or common form or such other form as the Directors may in their discretion approve and be executed by or on behalf of the transferor and shall be accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.
14. All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors decline to register shall (except in any case of fraud) be returned to the person depositing the same.
15. (a) The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share which is not fully paid up or upon which the Company has a lien.  
(b) The Board may also decline to register any transfer of any share unless:
  - the instrument of transfer is lodged with the Company, accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
  - the instrument of transfer is in respect of only one class of shares;
  - the instrument of transfer is properly stamped, if required;
  - in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four; or
  - the shares transferred are free of any lien in favour of the Company.
16. If the Directors refuse to register a transfer of any shares, they shall within two months after the date on which the transfer was lodged with the Company send to each of the transferor and the transferee notice of the refusal.
17. The registration of transfers may, on 14 days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and the Register of Members closed at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration shall not be suspended nor the Register of Members closed for more than 30 days in any year.

## **REDEMPTION AND PURCHASE OF OWN SHARES**

18. Subject to the provisions of the Statutes and these Articles, the Company may:
- (a) issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Member on such terms and in such manner as the Directors may, before the issue of such shares, determine;
  - (b) purchase its own shares (including any redeemable shares) on such terms and in such manner as the Directors may determine; and
  - (c) make a payment in respect of the redemption or purchase of its own shares otherwise than out of profits or the proceeds of a fresh issue of shares.
19. Any share in respect of which notice of redemption has been given shall not be entitled to participate in the profits of the Company in respect of the period after the date specified as the date of redemption in the notice of redemption.
20. The redemption or purchase of any share shall not be deemed to give rise to the redemption or purchase of any other share.
21. The Directors may when making payments in respect of redemption or purchase of shares, if authorized by the terms of issue of the shares being redeemed or purchased or with the agreement of the holder of such shares, make such payment in any form of consideration.

## **COMPULSORY REDEMPTION**

22. (a) The shares Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person shall be subject to redemption by the Company, out of funds legally available therefor, by action of the Board of Directors, to the extent required by the Gaming Authority making the determination of unsuitability or to the extent deemed necessary or advisable by the Board of Directors. If a Gaming Authority requires the Company of an Affiliate of the Company, or the Board of Directors deems it necessary or advisable, to redeem the shares, the Company shall give a Redemption Notice to the Unsuitable Person or its Affiliate and shall purchase on the Redemption Date the number of shares specified in the Redemption Notice for the Redemption Price set forth in the Redemption Notice. From and after the Redemption Date, such shares shall no longer be deemed to be outstanding and such Unsuitable Person or any Affiliate of such Unsuitable Person shall cease to be a Member with respect to such shares and all rights of such Unsuitable Person or any Affiliate of such Unsuitable Person therein, other than the right to receive the Redemption Price, shall cease. Such Unsuitable Person or its Affiliate shall surrender the certificates representing any shares to be redeemed in accordance with the requirements of the Redemption Notice.
- (b) Commencing on the date that a Gaming Authority serves notice of a determination of unsuitability or the Board of Directors determines that a Person is an Unsuitable Person, and until the shares Owned or Controlled by such Person are Owned or Controlled by a Person who is not an Unsuitable Person, the Unsuitable Person or any Affiliate of an Unsuitable Person shall not be entitled: (i) to receive any dividend or interest with regard to the shares, (ii) to exercise, directly or indirectly or through any proxy, trustee, or nominee, any voting or other right conferred by such shares, and such shares shall not for any purposes be included in the share capital of the Company entitled to vote, or (iii) to receive any remuneration in any form from the Company or any Affiliated Company for services rendered or otherwise.
- (c) Any Unsuitable Person and any Affiliate of an Unsuitable Person shall indemnify and hold harmless the Company and its Affiliated Companies for any and all losses, costs, and expenses, including attorneys' fees, incurred by the Company and its Affiliated Companies as a result of, or arising out of, such Unsuitable Person's or Affiliate's continuing Ownership or Control of shares, the neglect, refusal or other failure to comply with this Article 22, or failure to promptly divest itself of any shares when required by the Gaming Laws or this Article 22.



## VARIATIONS OF RIGHTS ATTACHING TO SHARES

23. If at any time the share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to these Articles, be varied or abrogated with the unanimous written consent of the holders of the issued shares of that class, or with the sanction of a resolution passed by at least two-thirds of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of the shares of the class.
24. The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class of shares except that the necessary quorum shall be one person holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.
25. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied or abrogated by the creation or issue of further shares ranking *pari passu* therewith or the redemption or purchase of shares of any class by the Company.

## COMMISSION ON SALE OF SHARES

26. The Company may in so far as may be permitted by law, pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares of the Company. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

## NON-RECOGNITION OF TRUSTS

27. No person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future, or partial interest in any share, or any interest in any fractional part of a share, except an absolute right to the entirety thereof in the registered holder.

## FRACTIONAL SHARES

28. The Directors may issue fractions of a share of any class of shares, and, if so issued, a fraction of a share (calculated to three decimal points) shall be subject to and carry the corresponding fraction of liabilities (whether with respect to any unpaid amount thereon, contribution, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without limitation, voting and participation rights) and other attributes of a whole share of the same class of shares.

## LIEN ON SHARES

29. The Company shall have a first and paramount lien and charge on all shares that are not fully paid-up registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such share shall operate as a waiver of the Company's lien (if any) thereon. The Company's lien (if any) on such share shall extend to all dividends or other monies payable in respect thereof.
30. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless an amount in respect of which the lien exists is presently payable nor until the expiration of 14 days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the persons entitled thereto by reason of his death or bankruptcy.

31. For giving effect to any such sale the Directors may authorise such persons to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
32. The proceeds of the sale after deduction of expenses, fees and commissions incurred by the Company shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the date of the sale.

#### **CALLS ON SHARES**

33. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares, and each Member shall (subject to receiving at least 14 days notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on his shares.
34. The joint holders of a share shall be jointly and severally liable to pay calls in respect thereof.
35. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of eight percent per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.
36. The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.
37. The Directors may make arrangements on the issue of partly paid shares for a difference between the Members, or the particular shares, in the amount of calls to be paid and in the times of payment.
38. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight percent per annum) as may be agreed upon between the Member paying the sum in advance and the Directors. No such sum paid in advance of calls shall entitle the member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

#### **FORFEITURE OF SHARES**

39. If a Member fails to pay any call or instalment of a call in respect of partly paid shares on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.
40. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.
41. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect.
42. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

43. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the shares.
44. A statutory declaration in writing that the declarant is a Director of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
45. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share becomes due and payable, whether on account of the amount of the share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

#### **REGISTRATION OF EMPOWERING INSTRUMENTS**

46. The Company shall be entitled to charge a fee not exceeding one dollar (US\$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

#### **TRANSMISSION OF SHARES**

47. The legal personal representative of a deceased sole holder of a share shall be the only person recognised by the Company as having any title to the share. In the case of a share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor, shall be the only person recognised by the Company as having any title to the share.
48. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt person could have made. If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the deceased or bankrupt person before the death or bankruptcy.
49. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company, provided however, that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

#### **ALTERATION OF CAPITAL**

50. The Company may from time to time by Ordinary Resolution:
  - (a) increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
  - (b) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;

- (c) convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;
  - (d) sub-divide its existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived;
  - (e) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
51. The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorized by law.
52. All new shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise.

#### **CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE**

53. For the purpose of determining those Members that are entitled to receive notice of, attend or vote at any meeting of Members or any adjournment thereof, or those Members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Member for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period but not to exceed in any case 40 days. If the Register of Members shall be so closed for the purpose of determining those Members that are entitled to receive notice of, attend or vote at a meeting of Members such register shall be so closed for at least 10 days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register of Members.
54. In lieu of or apart from closing the Register of Members, the Directors may fix in advance a date as the record date for any such determination of those Members that are entitled to receive notice of, attend or vote at a meeting of the Members and for the purpose of determining those Members that are entitled to receive payment of any dividend the Directors may, at or within 90 days prior to the date of declaration of such dividend fix a subsequent date as the record date of such determination.
55. If the Register of Members is not so closed and no record date is fixed for the determination of those Members entitled to receive notice of, attend or vote at a meeting of Members or those Members that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of those Members that are entitled to receive notice of, attend or vote at a meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

#### **GENERAL MEETINGS**

56. All general meetings other than annual general meetings shall be called extraordinary general meetings.
57. (a) The Company shall in each year hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as may be determined by the Directors.
- (b) At these meetings the report of the Directors (if any) shall be presented.
58. (a) The Directors may call general meetings, and they shall on a Members requisition forthwith proceed to convene an extraordinary general meeting of the Company.
- (b) A Members requisition is a requisition of Members of the Company holding at the date of deposit of the requisition not less than 10% of such of the paid-up capital of the Company as at that date of the deposit carries the right of voting at general meetings of the Company.

- (c) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.
- (d) If the Directors do not within twenty one (21) days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further twenty one (21) days, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of the second said twenty one days.
- (e) A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

#### **NOTICE OF GENERAL MEETINGS**

59. At least seven days' notice shall be given for any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this Article has been given and whether or not the provisions of these Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:
- (a) in the case of an annual general meeting by all the Members (or their proxies) entitled to attend and vote thereat; and
  - (b) in the case of an extraordinary general meeting by a majority in number of the Members (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than ninety five per cent in par value of the shares giving that right.
60. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Member shall not invalidate the proceedings at any meeting.

#### **PROCEEDINGS AT GENERAL MEETINGS**

61. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. The holders of shares being not less than an aggregate of one-third of all shares in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes. A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.
62. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week, at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Member or Members present and entitled to vote shall be a quorum.
63. Either of the Co-Chairmen (as defined in Article 81) of the Board of Directors shall preside as chairman at every general meeting of the Company.
64. If at any meeting the chairman of the Board of Directors is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, the Members present shall choose one of their number to be a chairman of the meeting.
65. The chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn a meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 10 days or more, not less than seven days' notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

66. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman of the Board or one or more Members present in person or by proxy entitled to vote and who together hold not less than 10 per cent of the paid up voting share capital of the Company, and unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.
67. If a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.
68. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall not be entitled to a second or casting vote.
69. A poll demanded on the election of a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

#### **VOTES OF MEMBERS**

70. Subject to any rights and restrictions for the time being attached to any class or classes of shares, on a show of hands every Member present in person and every person representing a Member by proxy at a general meeting of the Company shall have one vote and on a poll every Member and every person representing a Member by proxy shall have one vote for each share registered in his name, or the name of the person represented by proxy, in the Register of Members.
  71. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
  72. A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, or other person in the nature of a committee appointed by that court, and any such committee or other person may vote by proxy.
  73. No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares carrying the right to vote held by him have been paid.
  74. On a poll, votes may be given either personally or by proxy.
  75. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy need not be a Member of the Company.
  76. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.
  77. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
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78. A resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

#### **CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS**

79. Any corporation which is a Member or a Director may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members or of the Board of Directors or of a committee of Directors, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member or Director.

#### **CLEARING HOUSES**

80. If a clearing house (or its nominee) is a Member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its representative or representatives at any general meeting of the Company or at any general meeting of any class of Members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized pursuant to this Article shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual Member holding the number and class of shares specified in such authorisation.

#### **DIRECTORS**

81. (A) Unless otherwise determined by the Company in general meeting, the number of Directors shall be ten Directors, or such number of Directors to be determined from time to time solely by resolution approved by a supermajority of at least two-thirds of the vote of Directors present at the board meeting. The Directors shall be elected or appointed in the first place by the subscribers to the Memorandum of Association or by a majority of them. For so long as shares or ADSs are quoted on Nasdaq, the Directors shall include such number of Independent Directors as applicable law, rules or regulations or the Nasdaq Rules require.
- (B) Each Director shall hold office until the expiration of his term and until his successor shall have been elected or appointed.
- (C) The Board of Directors shall have Co-Chairmen of the Board of Directors (the "Co-Chairmen") elected and appointed by a majority of the Directors then in office. The period for which the Co-Chairmen will hold office will also be determined by a majority of all of the Directors then in office. One of the Co-Chairmen shall preside as chairman at every meeting of the Board of Directors. To the extent the Co-Chairmen are not present at a meeting of the Board of Directors within fifteen minutes after the time appointed for holding the same, the attending Directors may choose one of their number to be the chairman of the meeting.
- (D) The Company may by Ordinary Resolution appoint any person to be a Director either to fill a vacancy on the Board created under Article 82 or Article 99 or as an addition to the existing Board.
- (E) The Directors may by the affirmative vote of all Directors appoint any person to be a Director either to fill a vacancy on the Board created under Article 82 or Article 99 or as an addition to the existing Board.
82. Subject to the terms of these Articles and any agreements between the Company and a Director, a Director shall hold office until he is removed from office by Special Resolution.
83. The Board may, from time to time, and except as required by applicable law or the listing rules of the recognized stock exchange or automated quotation system where the Company's securities are traded, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution from time to time.

84. A Director shall not be required to hold any shares in the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

#### **DIRECTORS' FEES AND EXPENSES**

85. The Directors shall receive such remuneration as the Board may from time to time determine. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.
86. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.

#### **ALTERNATE DIRECTOR**

87. Any Director may in writing appoint another person to be his alternate to act in his place at any meeting of the Directors at which he is unable to be present. Every such alternate shall be entitled to notice of meetings of the Directors and to attend and vote thereat as a Director when the person appointing him is not personally present and where he is a Director to have a separate vote on behalf of the Director he is representing in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall not be an officer of the Company and shall be deemed to be the agent of the Director appointing him.
88. Any Director may appoint any person, whether or not a Director, to be the proxy of that Director to attend and vote on his behalf, in accordance with instructions given by that Director, or in the absence of such instructions at the discretion of the proxy, at a meeting or meetings of the Directors which that Director is unable to attend personally. The instrument appointing the proxy shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting of the Directors at which such proxy is to be used, or first used, prior to the commencement of the meeting.

#### **POWERS AND DUTIES OF DIRECTORS**

89. Subject to the Statutes, these Articles and to any resolutions made in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution made by the Company in a general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been made.
90. Subject to these Articles, the Directors may from time to time appoint any person, whether or not a director of the Company to hold such office in the Company as the Directors may think necessary for the administration of the Company, including without prejudice to the foregoing generality, the office of the Chief Executive Officer, one or more Vice Presidents, Chief Financial Officer, Manager or Controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Any person so appointed by the Directors may be removed by the Directors. The Directors may also appoint one or more of their number to the office of Managing Director upon like terms, but any such appointment shall ipso facto determine if any Managing Director ceases from any cause to be a Director, or if the Company by Ordinary Resolution resolves that his tenure of office be terminated.



91. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
92. The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion vested in him.
93. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the following three Articles shall not limit the general powers conferred by this paragraph.
94. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any of the aforesaid.
95. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
96. Any such delegates as aforesaid may be authorized by the Directors to subdelegate all or any of the powers, authorities, and discretions for the time being vested in them.
97. The following actions require the resolution approved by a supermajority of at least two-thirds of the vote of Directors at the board meeting:-
  - (a) subject to Article 147, any voluntary dissolution or liquidation of the Company; and
  - (b) the sale of all or substantially all of the assets of the Company.

#### **BORROWING POWERS OF DIRECTORS**

98. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

#### **DISQUALIFICATION OF DIRECTORS**

99. The office of Director shall be vacated, if the Director:
  - (a) becomes bankrupt or makes any arrangement or composition with his creditors;
  - (b) dies or is found to be or becomes of unsound mind;
  - (c) resigns his office by notice in writing to the Company;

- (d) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months and the Board resolves that his office be vacated; or
- (e) if he or she shall be removed from office pursuant to these Articles.

#### **PROCEEDINGS OF DIRECTORS**

- 100. The Directors may meet together (whether within or outside the Cayman Islands) for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting of the Directors shall be decided by a majority of votes. A Director may at any time summon a meeting of the Directors by at least two days' notice in writing to every other Director and alternate Director.
- 101. A Director or Directors may participate in any meeting of the Board of Directors, or of any committee appointed by the Board of Directors of which such Director or Directors are members, by means of telephone or similar communication equipment by way of which all persons participating in such meeting can hear each other and such participation shall be deemed to constitute presence in person at the meeting.
- 102. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be four, provided that a Director and his appointed alternate Director shall be considered only one person for this purpose. A meeting of the Directors at which a quorum is present when the meeting proceeds to business shall be competent to exercise all powers and discretions for the time being exercisable by the Directors. A meeting of the Directors may be held by means of telephone or teleconferencing or any other telecommunications facility provided that all participants are thereby able to communicate immediately by voice with all other participants and such participants shall be deemed to constitute presence in person at the meeting.
- 103. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A Director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.
- 104. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.
- 105. Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.
- 106. The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:
  - (a) all appointments of officers made by the Directors;

- (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
  - (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.
107. When the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.
  108. A resolution signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. When signed a resolution may consist of several documents each signed by one or more of the Directors.
  109. The continuing Directors may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the number fixed by or pursuant to the Articles of the Company as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number, or of summoning a general meeting of the Company, but for no other purpose.
  110. A committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.
  111. A committee appointed by the Directors may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall have a second or casting vote.
  112. All acts done by any meeting of the Directors or of a committee of Directors, or by any person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

#### **PRESUMPTION OF ASSENT**

113. A Director of the Company who is present at a meeting of the Board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

#### **DIVIDENDS, DISTRIBUTIONS AND RESERVE**

114. Subject to any rights and restrictions for the time being attached to any class or classes of shares and these Articles, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.
115. The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit.
116. Any dividend may be paid by cheque sent through the post to the registered address of the Member or person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address or to such person and such address as the Member or person entitled, or such joint holders as the case may be, may direct. Every such cheque shall be made payable to the order of the person to whom it is sent or to the order of such other person as the Member or person entitled, or such joint holders as the case may be, may direct.

117. The Directors when paying dividends to the Members in accordance with the foregoing provisions may make such payment either in cash or in specie.
118. Subject to any rights and restrictions for the time being attached to any class or classes of shares, all dividends shall be declared and paid according to the amounts paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the par value of the shares. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share.
119. If several persons are registered as joint holders of any share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share.
120. No dividend shall bear interest against the Company.

#### **BOOK OF ACCOUNTS**

121. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.
122. The books of account shall be kept at the registered office of the Company, or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
123. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorized by the Directors or by the Company by Ordinary Resolution.
124. The accounts relating to the Company's affairs shall be audited in such manner and with such financial year end as may be determined from time to time by the Directors or failing any determination as aforesaid shall not be audited.

#### **ANNUAL RETURNS AND FILINGS**

125. The Board shall make the requisite annual returns and any other requisite filings in accordance with the Statutes.

#### **AUDIT**

126. The Directors may appoint an Auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or their remuneration.
127. Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and Officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.
128. Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment, and at any time during their term of office, upon request of the Directors or any general meeting of the Members.

## **THE SEAL**

129. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of a Director or a Secretary (or an Assistant Secretary) or in the presence of any one or more persons as the Directors may appoint for the purpose and every person as aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.
130. The Company may maintain a facsimile of its Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such person or persons as the Directors shall for this purpose appoint and such person or persons as aforesaid shall sign every instrument to which the facsimile Seal of the Company is so affixed in their presence and such affixing of the facsimile Seal and signing as aforesaid shall have the same meaning and effect as if the Seal had been affixed in the presence of and the instrument signed by a Director or a Secretary (or an Assistant Secretary) or in the presence of any one or more persons as the Directors may appoint for the purpose.
131. Notwithstanding the foregoing, a Director shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

## **OFFICERS**

132. Subject to Article 90, the Company may have a Chief Executive Officer, one or more Vice Presidents and Chief Financial Officer, President, a Secretary or Secretary-Treasurer appointed by the Directors. The Directors may also from time to time appoint such other officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors from time to time decide.

## **CAPITALISATION OF PROFITS**

133. Subject to the Statutes and these Articles, the Board may, with the authority of an Ordinary Resolution:
- (a) resolve to capitalise an amount standing to the credit of reserves (including a share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution;
  - (b) appropriate the sum resolved to be capitalised to the Members in proportion to the nominal amount of shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:
    - (i) paying up the amounts (if any) for the time being unpaid on shares held by them respectively; or
    - (ii) paying up in full unissued shares or debentures of a nominal amount equal to that sum,and allot the shares or debentures, credited as fully paid, to the Members (or as they may direct) in those proportions, or partly in one way and partly in the other, but the share premium account, the capital redemption reserve and profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to Members credited as fully paid;
  - (c) make any arrangements it thinks fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where shares or debentures become distributable in fractions the Board may deal with the fractions as it thinks fit;

- (d) authorise a person to enter (on behalf of all the Members concerned) an agreement with the Company providing for either:
  - (i) the allotment to the Members respectively, credited as fully paid, of shares or debentures to which they may be entitled on the capitalisation, or
  - (ii) the payment by the Company on behalf of the Members (by the application of their respective proportions of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing shares,and any such agreement made under this authority being effective and binding on all those Members; and
- (e) generally do all acts and things required to give effect to the resolution.

#### **SHARE PREMIUM ACCOUNT**

- 134. The Directors shall in accordance with Section 34 of the Companies Law establish a share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share.
- 135. There shall be debited to any share premium account on the redemption or purchase of a share the difference between the nominal value of such share and the redemption or purchase price provided always that at the discretion of the Directors such sum may be paid out of the profits of the Company or, if permitted by Section 37 of the Companies Law, out of capital.

#### **NOTICES**

- 136. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the person entitled to give notice to any Member either personally, by facsimile or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to the Member at his address as appearing in the Register of Members or, to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address or website supplied by the member to the Company or by placing it on the Company's Website provided that the Company has obtained the Member's prior express positive confirmation in writing to receive notices in such manner. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.
- 137. Notices posted to addresses outside the Cayman Islands shall be forwarded by prepaid airmail.
- 138. Any Member present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.
- 139. Any notice or other document, if served by (a) post, shall be deemed to have been served five days after the time when the letter containing the same is posted and if served by courier, shall be deemed to have been served five days after the time when the letter containing the same is delivered to the courier (in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed and duly posted or delivered to the courier), or (b) facsimile, shall be deemed to have been served upon confirmation of receipt, or (c) recognised delivery service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service and in proving such service it shall be sufficient to provide that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier or (d) electronic means as provided herein shall be deemed to have been served and delivered at the expiration of 24 hours after the time it was sent.
- 140. Any notice or document delivered or sent to any Member in accordance with the terms of these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register of Members as the holder of the share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

141. Notice of every general meeting shall be given to:

- (a) all Members holding shares with the right to receive notice and who have supplied to the Company an address for the giving of notices to them; and
- (b) every person entitled to a share in consequence of the death or bankruptcy of a Member, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other person shall be entitled to receive notices of general meetings.

#### **INFORMATION**

- 142. No member shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the members of the Company to communicate to the public.
- 143. The Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its Members including, without limitation, information contained in the Register of Members and transfer books of the Company.

#### **INDEMNITY**

- 144. Every Director (including for the purposes of this Article any Alternate Director appointed pursuant to the provisions of these Articles) and officer of the Company for the time being and from time to time shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in connection with the execution or discharge of his duties, powers, authorities or discretions as a Director or officer of the Company, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere. For the avoidance of doubt, the Company may enter into an agreement with any Director or officer of the Company in respect of indemnification or exculpation in terms of which differ from the provisions of this Article.
- 145. No such Director or officer of the Company shall be liable to the Company for any loss or damage unless such liability arises through the dishonesty, fraud or default of such Director or officer.

#### **FINANCIAL YEAR**

- 146. Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31<sup>st</sup> in each year and shall begin on January 1<sup>st</sup> in each year.

#### **WINDING UP**

- 147. If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Law, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

148. If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This Article is without prejudice to the rights of the holders of shares issued upon special terms and conditions.
149. Subject to these Articles, if the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of shares. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

#### **AMENDMENT OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND NAME OF COMPANY**

150. Subject to the Statutes and these Articles, the Company may at any time and from time to time by Special Resolution alter or amend these Articles or the Memorandum of Association of the Company, in whole or in part, or change the name of the Company.

#### **REGISTRATION BY WAY OF CONTINUATION**

151. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.



**PROMISSORY TRANSFER OF SHARES TERMINATION AGREEMENT**

This Promissory Transfer of Shares Termination Agreement (“Agreement”) is entered on this 17 day December, 2009 into between

**DOUBLE MARGIN LIMITED**, a company duly incorporated under the laws of the British Virgin Islands, with registered office in the British Virgin Islands, at International Trust Building, Wickhams Cay, Tortola, herein duly represented by its Director Li Chi Keung (hereinafter referred to as “**DOUBLE MARGIN**”) and

**LEONG ON KEI, aka ANGELA LEONG**, of Chinese **nationality**, single, holder of the Macau ID card number 7385888(8) issued on 30-3-2005 with address in Macau at Avenida de Lisboa, 2-4, Hotel Lisboa, 9<sup>th</sup> Floor, Macau (hereinafter referred to as “**ANGELA LEONG**”),

(collectively hereinafter referred to as the “**PROMISSORY SELLERS**”)

**MPEL (MACAU PENINSULA) LIMITED** (formerly named, Melco PBL (Macau Peninsula) Limited and Swift Profit Investments Limited), a company duly incorporated under the laws of the British Virgin Islands, with its registered office in the British Virgin Islands, at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, herein duly represented by its Director Chung, Yuk Man (hereinafter referred to as “**MPEL**”)

**SOCIEDADE DE FOMENTO PREDIAL OMAR, LIMITADA**, a company duly incorporated under the laws of Macau, duly registered in the Companies Registry Office of Macau, under number 5345, page 177, Book C-13, with its registered office in Macau, at Avenida Lisboa, s/n, Nova Ala do Hotel Lisboa, 2F, herein duly represented by its Managers Ms. Leong On Kei and Mr Lei Chi Keung (hereinafter referred as “**OMAR**”),

(together the “**PARTIES**”)

**WHEREAS**

The parties have signed a Promissory Transfer of Shares Agreement dated May 17th, 2006 by which **MPEL** intended to buy 100% of **OMAR**'s shares from the **PROMISSORY SELLERS**; and

- A. **MPEL** has informed the **PROMISSORY SELLERS** that it has no more interest in buying the said shares.
-

- B. The parties reached an Agreement and now desire to provide for the termination of the Promissory Transfer of Shares Agreement and the **PROMISSORY SELLERS** agreed to return the Deposit to **MPEL**;

NOW, THEREFORE, in consideration of the above, it is agreed as follow:

1. **Termination.** By signing the present Termination Agreement the Parties agree to terminate the Promissory Transfer of Shares Agreement dated May 17th, 2006.

2. **Deposit Return.** The Promissory Sellers and MPEL by copy of this contract give instructions to the stakeholder, C&C Lawyers Office, to deliver to Melco Crown Entertainment Limited the Deposit paid by MPEL in the amount of HK\$100.000.000,00 (One hundred Million Hong Kong dollars). MPEL acknowledges and accepts that the receipt of the said amount by Melco Crown Entertainment Limited shall be considered as discharge of all the obligations of the Promissory Sellers and the stakeholder, under this agreement, the Promissory Transfer of Shares Agreement dated May 17th, 2006 and the letter of escrow, and MPEL further agrees to keep both the Promissory Sellers and the stakeholder indemnified against any claim regarding the return of the deposit after they have proceeded as instructed in the present clause and after the receipt by Melco Crown Entertainment Limited of the said amount of HK\$100.000.000,00 (One hundred Million Hong Kong dollars).

3. **Power of Attorney:** MPEL will return to the Promissory Sellers the Power of Attorney referred to in the Clause 4 of the Promissory Transfer of Shares Agreement dated May 17th, 2006 with all existing copies thereof, and hereby acknowledge the right of **OMAR** to revoke the said Power of Attorney, and assume the obligation of not using the said Power of Attorney to any purpose after the signing of the present Agreement.

4. **Mutual Release.** Subject to the receipt of the amount referred to in number 2 above, **MPEL** releases, discharges and waives any claims known or unknown, against the **PROMISSORY SELLERS**, its successor, assigns, officers or directors, arising out of or in any way connected with the Promissory Transfer of Shares Agreement dated May 17th, 2006, and **PROMISSORY SELLERS** hereby release, discharge and waive any claims, known or unknown, against **MPEL**, its successors, assigns, officers or directors, arising out of or in anyway connected with the Promissory Transfer of Shares Agreement dated May 17th, 2006.

5. **Termination.** After the signature of this Agreement and the return of the deposit in the way referred to in clause 2 above, the Promissory Transfer of Shares Agreement dated May 17th, 2006, will be terminated and all rights and obligations of the **PARTIES** will cease with the exception of the rights and obligations arisen from Clause 14 of the said Agreement.

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6. **Final Agreement.** This Agreement shall constitute the final agreement and understanding of the **PARTIES** on the subject matter hereof. This Agreement may be modified only by a further writing signed by the parties.

7. **Macau Law.** This Agreement shall be governed by the laws of Macau, SAR. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been contained herein.

8. **Counterparts.** This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the 17 day of December, 2009.

**DOUBLE MARGIN LIMITED**

s/d \_\_\_\_\_

By: Li Chi Keung

Title: Director

**LEONG ON KEI, aka ANGELA LEONG:**

s/d \_\_\_\_\_

By: Leong On Kei also known as Angela Leong

Title: Director

**MPEL (MACAU PENINSULA)  
LIMITED**

s/d \_\_\_\_\_

By: Chung Yuk Man

Title: Director

**SOCIEDADE DE FOMENTO PREDIAL OMAR, LIMITADA,**

s/d \_\_\_\_\_

By: Leong On Kei also known as Angela Leong  
Li Chi Keung

Title: Directors

**MELCO CROWN ENTERTAINMENT LIMITED****SHARE INCENTIVE PLAN****ARTICLE 1****PURPOSE**

The purpose of the Melco Crown Entertainment Limited Share Incentive Plan (the “Plan”) is to promote the success and enhance the value of Melco Crown Entertainment Limited, an exempted company formed under the laws of the Cayman Islands (the “Company”), by linking the personal interests of the members of the Board, Employees, and Consultants to those of Company shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company shareholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent.

**ARTICLE 2****DEFINITIONS AND CONSTRUCTION**

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 “Applicable Laws” means the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders, and the rules of any applicable Share exchange or national market system, of any jurisdiction applicable to Awards granted to residents therein.

2.2 “Award” means an Option, a Restricted Share award, a Share Appreciation Right award, a Dividend Equivalents award, a Share Payment award, a Deferred Share award, or a Restricted Share Unit award granted to a Participant pursuant to the Plan.

2.3 “Award Agreement” means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.4 “Board” means the Board of Directors of the Company.

2.5 “Change in Control” means a change in ownership or control of the Company effected through either of the following transactions:

(a) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities pursuant to a tender or exchange offer made directly to the Company’s shareholders which a majority of the Incumbent Board (as defined below) who are not affiliates or associates of the offeror under Rule 12b-2 promulgated under the Exchange Act do not recommend such shareholders accept, or

(b) the individuals who, as of the Effective Date, are members of the Board (the “Incumbent Board”), cease for any reason to constitute at least fifty percent (50%) of the Board; provided that if the election, or nomination for election by the Company’s shareholders, of any new member of the Board is approved by a vote of at least fifty percent (50%) of the Incumbent Board, such new member of the Board shall be considered as a member of the Incumbent Board.

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2.6 “Code” means the Internal Revenue Code of 1986 of the United States, as amended.

2.7 “Committee” means the committee of the Board described in Article 11.

2.8 “Consultant” means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to a Service Recipient; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities; and (c) the consultant or adviser is a natural person who has contracted directly with the Service Recipient to render such services.

2.9 “Corporate Transaction” means any of the following transactions, provided, however, that the Committee shall determine under (d) and (e) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated;

(b) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(c) the complete liquidation or dissolution of the Company;

(d) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the Ordinary Shares outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or

(e) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.

2.10 “Deferred Share” means a right to receive a specified number of Shares during specified time periods pursuant to Article 8.

2.11 “Director” means a director of the Board.

2.12 “Disability” means that the Participant qualifies to receive long-term disability payments under the Service Recipient’s long-term disability insurance program, as it may be amended from time to time, to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Service Recipient to which the Participant provides service does not have a long-term disability plan in place, “Disability” means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

2.13 “Dividend Equivalents” means a right granted to a Participant pursuant to Article 8 to receive the equivalent value (in cash or Share) of dividends paid on Share.

2.14 “Effective Date” shall have the meaning set forth in Section 12.1.

2.15 “Employee” means any person, including an officer or member of the Board of the Company, any Parent or Subsidiary of the Company, who is in the employ of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director’s fee by a Service Recipient shall not be sufficient to constitute “employment” by the Service Recipient.

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2.16 “Exchange Act” means the Securities Exchange Act of 1934 of the United States, as amended.

2.17 “Fair Market Value” means, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established Share exchanges or national market systems, including without limitation, The Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Share Market, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable;

(b) If the Shares are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of an Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (i) and (ii), above, the Fair Market Value thereof shall be determined by the Committee in good faith by reference to the placing price of the latest private placement of the Shares and the development of the Company’s business operations and the general economic and market conditions since such latest private placement.

2.18 “Hong Kong” means the Hong Kong Special Administrative Region of the PRC.

2.19 “Incentive Share Option” means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.20 “Macau” means the Macau Special Administrative Region of the PRC.

2.21 “Non-Qualified Share Option” means an Option that is not intended to be an Incentive Share Option.

2.22 “Option” means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Share Option or a Non-Qualified Share Option.

2.23 “Participant” means a person who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.24 “Parent” means: (i) a parent corporation under Section 424(e) of the Code; (ii) Melco International Development Limited or any Subsidiary thereof, or (iii) Publishing and Broadcasting Limited or any Subsidiary thereof.

2.25 “Plan” means this Melco PBL Entertainment (Macau) Limited. Share Incentive Award Plan, as it may be amended from time to time.

2.26 “PRC” means the People’s Republic of China, other than Hong Kong, Macau and Taiwan.

2.27 “Related Entity” means any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial ownership interest, directly or indirectly but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

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2.28 “Restricted Share” means a Share awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture.

2.29 “Restricted Share Unit” means an Award granted pursuant to Section 8.4.

2.30 “Securities Act” means the Securities Act of 1933 of the United States, as amended.

2.31 “Service Recipient” means the Company, any Parent or Subsidiary of the Company and any Related Entity to which a Participant provides services as an Employee, Consultant or as a Director.

2.32 “Share” means the ordinary share capital of the Company, par value US\$0.01 per share, and such other securities of the Company that may be substituted for Shares pursuant to Article 10.

2.33 “Share Appreciation Right” or “SAR” means a right granted pursuant to Article 7 to receive a payment equal to the excess of the Fair Market Value of a specified number of Shares on the date the SAR is exercised over the Fair Market Value on the date the SAR was granted as set forth in the applicable Award Agreement.

2.34 “Share Payment” means (a) a payment in the form of Shares, or (b) an option or other right to purchase Shares, as part of any bonus, deferred compensation or other arrangement, made in lieu of all or any portion of the compensation, granted pursuant to Article 8.

2.35 “Subsidiary” means any corporation or other entity of which a majority of the outstanding voting shares or voting power is beneficially owned directly or indirectly by the Company.

2.36 “Trading Date” means the first day on which Shares are publicly traded on an exchange or national market system or other quotation system.

### ARTICLE 3

#### SHARES SUBJECT TO THE PLAN

##### 3.1 Number of Shares.

(a) Subject to the provisions of Article 10 and Section 3.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) is 100,000,000.

(b) To the extent that an Award terminates, expires, or lapses for any reason, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. To the extent permitted by Applicable Law or any exchange rule, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form or combination by the Company or any Parent or Subsidiary of the Company shall not be counted against Shares available for grant pursuant to the Plan. Shares delivered by the Participant or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Restricted Shares are forfeited by the Participant or repurchased by the Company, such Shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Share Option to fail to qualify as an incentive stock option under Section 422 of the Code.

3.2 Shares Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury or Shares purchased on the open market. Additionally, in the discretion of the Committee, American Depository Shares in an amount equal to the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. If the number of Shares represented by an American Depository Share is other than on a one-to-one basis, the limitations of Section 3.1 shall be adjusted to reflect the distribution of American Depository Shares in lieu of Shares.

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## ARTICLE 4

### ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Persons eligible to participate in this Plan include Employees, Consultants, and all members of the Board, as determined by the Committee.

4.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

4.3 Jurisdictions. In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; *provided, however*, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3.1 of the Plan. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

## ARTICLE 5

### OPTIONS

5.1 General. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Award Agreement which may be a fixed or variable price related to the Fair Market Value of the Shares.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; *provided* that the term of any Option granted under the Plan shall not exceed ten years, except as provided in Section 12.2. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation (i) cash or check denominated in U.S. Dollars, Hong Kong Dollars, or any other local currency as approved by the Committee, (ii) Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, (iii) after the Trading Date the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, and the methods by which Shares shall be delivered or deemed to be delivered to Participants, (iv) other property acceptable to the Committee with a Fair Market Value equal to the exercise price, or (v) any combination of the foregoing. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

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5.2 Incentive Share Options. Incentive Share Options shall be granted only to Employees of the Company, a Parent or Subsidiary of the Company. Incentive Share Options may not be granted to Employees of a Related Entity. The terms of any Incentive Share Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Expiration of Option. An Incentive Share Option may not be exercised to any extent by anyone after the first to occur of the following events:

(i) Ten years from the date it is granted, unless an earlier time is set in the Award Agreement;

(ii) Three months after the Participant's termination of employment as an Employee; and

(iii) One year after the date of the Participant's termination of employment or service on account of Disability or death. Upon the Participant's Disability or death, any Incentive Share Options exercisable at the Participant's Disability or death may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so pursuant to the Participant's last will and testament, or, if the Participant fails to make testamentary disposition of such Incentive Share Option or dies intestate, by the person or persons entitled to receive the Incentive Share Option pursuant to the applicable laws of descent and distribution.

(b) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Share Options are first exercisable by a Participant in any calendar year may not exceed \$100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Share Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Share Options.

(c) Ten Percent Owners. An Incentive Share Option shall be granted to any individual who, at the date of grant, owns Shares possessing more than ten percent of the total combined voting power of all classes of shares of the Company only if such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(d) Transfer Restriction. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Share Option within (i) two years from the date of grant of such Incentive Share Option or (ii) one year after the transfer of such Shares to the Participant.

(e) Expiration of Incentive Share Options. No Award of an Incentive Share Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(f) Right to Exercise. During a Participant's lifetime, an Incentive Share Option may be exercised only by the Participant.

5.3 Substitution of Share Appreciation Rights. The Committee may provide in the Award Agreement evidencing the grant of an Option that the Committee, in its sole discretion, shall have the right to substitute a Share Appreciation Right for such Option at any time prior to or upon exercise of such Option, provided that such Share Appreciation Right shall be exercisable for the same number of shares of Share as such substituted Option would have been exercisable for.

## ARTICLE 6

### RESTRICTED SHARES

6.1 Grant of Restricted Shares. The Committee is authorized to make Awards of Restricted Shares to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. All Awards of Restricted Shares shall be evidenced by an Award Agreement.

6.2 Issuance and Restrictions. Subject to Section 9.4, Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Shares or the right to receive dividends on the Restricted Share). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.3 Forfeiture. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited; *provided, however*, that, except as otherwise provided by Section 9.4, the Committee may (a) provide in any Restricted Share Award Agreement that restrictions or forfeiture conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Shares.

6.4 Certificates for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

## ARTICLE 7

### SHARE APPRECIATION RIGHTS

#### 7.1 Grant of Share Appreciation Rights.

(a) A Share Appreciation Right may be granted to any Participant selected by the Committee. A Share Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose and shall be evidenced by an Award Agreement.

(b) A Share Appreciation Right shall entitle the Participant (or other person entitled to exercise the Share Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Share Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the Share Appreciation Right from the Fair Market Value of a Share on the date of exercise of the Share Appreciation Right by the number of Shares with respect to which the Share Appreciation Right shall have been exercised, subject to any limitations the Committee may impose.

#### 7.2 Payment and Limitations on Exercise.

(a) Payment of the amounts determined under Section 7.1(b) above shall be in cash, in Shares (based on its Fair Market Value as of the date the Share Appreciation Right is exercised) or a combination of both, as determined by the Committee in the Award Agreement.

(b) To the extent any payment under Section 7.1(b) is effected in Shares it shall be made subject to satisfaction of all provisions of Article 5 above pertaining to Options.

## ARTICLE 8

### OTHER TYPES OF AWARDS

8.1 Dividend Equivalents. Any Participant selected by the Committee may be granted Dividend Equivalents based on the dividends declared on the Shares that are subject to any Award, to be credited as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalents shall be converted to cash or additional Shares by such formula and at such time and subject to such limitations as may be determined by the Committee.

8.2 Share Payments. Any Participant selected by the Committee may receive Share Payments in the manner determined from time to time by the Committee; *provided*, that unless otherwise determined by the Committee such Share Payments shall be made in lieu of base salary, bonus, or other cash compensation otherwise payable to such Participant. The number of shares shall be determined by the Committee and may be based upon the such performance criteria or other specific criteria determined appropriate by the Committee, determined on the date such Share Payment is made or on any date thereafter.

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8.3 Deferred Shares. Any Participant selected by the Committee may be granted an award of Deferred Shares in the manner determined from time to time by the Committee. The number of shares of Deferred Shares shall be determined by the Committee and may be linked to such specific criteria determined to be appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. Shares underlying a Deferred Share award will not be issued until the Deferred Share award has vested, pursuant to a vesting schedule or criteria set by the Committee. Unless otherwise provided by the Committee, a Participant awarded Deferred Shares shall have no rights as a Company shareholder with respect to such Deferred Shares until such time as the Deferred Share Award has vested and the Shares underlying the Deferred Share Award has been issued.

8.4 Restricted Share Units. The Committee is authorized to make Awards of Restricted Share Units to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. At the time of grant, the Committee shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the Committee shall specify the maturity date applicable to each grant of Restricted Share Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the grantee. On the maturity date, the Company shall transfer to the Participant one unrestricted, fully transferable Share for each Restricted Share Unit scheduled to be paid out on such date and not previously forfeited. The Committee shall specify the purchase price, if any, to be paid by the grantee to the Company for such Shares.

8.5 Term. Except as otherwise provided herein, the term of any Award of Dividend Equivalents, Share Payments, Deferred Share, or Restricted Share Units shall be set by the Committee in its discretion.

8.6 Exercise or Purchase Price. The Committee may establish the exercise or purchase price, if any, of any Award of Deferred Share, Share Payments or Restricted Share Units; provided, however, that such price shall not be less than the par value of a Share, unless otherwise permitted by Applicable Law.

8.7 Exercise Upon Termination of Employment or Service. An Award of Dividend Equivalents, Deferred Share, Share Payments, and Restricted Share Units shall only be exercisable or payable while the Participant is an Employee, Consultant or a member of the Board, as applicable; *provided, however*, that the Committee in its sole and absolute discretion may provide that an Award of Dividend Equivalents, Share Payments, Deferred Share, or Restricted Share Units may be exercised or paid subsequent to a termination of employment or service, as applicable, or following a Change of Control of the Company, or because of the Participant's retirement, death or Disability, or otherwise.

8.8 Form of Payment. Payments with respect to any Awards granted under this Article 8 shall be made in cash, in Shares or a combination of both, as determined by the Committee.

8.9 Award Agreement. All Awards under this Article 8 shall be subject to such additional terms and conditions as determined by the Committee and shall be evidenced by an Award Agreement.

## ARTICLE 9

### PROVISIONS APPLICABLE TO AWARDS

9.1 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the discretion of the Committee, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

9.2 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

9.3 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the 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. The Committee by express provision in the Award or an amendment thereto may permit an Award (other than an Incentive Share Option) to be transferred to, exercised by and paid to certain persons or entities related to the Participant, including but not limited to members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

9.4 Beneficiaries. Notwithstanding Section 9.3, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property jurisdiction, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

9.5 Share Certificates. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Share pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded. All Share certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal, state, or foreign jurisdiction, securities or other laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Committee may place legends on any Share certificate to reference restrictions applicable to the Share. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

9.6 Paperless Administration. Subject to Applicable Laws, the Committee may make Awards, provide applicable disclosure and procedures for exercise of Awards by an internet website or interactive voice response system for the paperless administration of Awards.

9.7 Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award were acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including foreign exchange control laws and regulations.

## ARTICLE 10

### CHANGES IN CAPITAL STRUCTURE

10.1 Adjustments. In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the shares of Shares or the share price of a Share, the Committee shall make proportionate and equitable adjustments to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the Plan. Any such adjustments shall be made in such manner as the Committee may determine in its discretion.

10.2 Acceleration upon a Change of Control. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if a Change of Control occurs and a Participant's Options or Restricted Shares are not converted, assumed, or replaced by a successor, such Awards shall become fully exercisable and all forfeiture restrictions on such Awards shall lapse. Upon, or in anticipation of, a Change of Control, the Committee may in its sole discretion provide for (i) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Participant the right to exercise such Awards during a period of time as the Committee shall determine, (ii) either the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable or fully vested (and, for the avoidance of doubt, if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or (iii) the replacement of such Award with other rights or property selected by the Committee in its sole discretion the assumption of or substitution of such Award by the successor or surviving corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and prices.

10.3 Outstanding Awards — Corporate Transactions. In the event of a Corporate Transaction, each Award will terminate upon the consummation of the Corporate Transaction, unless the Award is assumed by the successor entity or Parent thereof in connection with the Corporate Transaction. Except as provided otherwise in an individual Award Agreement, in the event of a Corporate Transaction and:

(a) the Award either is (x) assumed by the successor entity or Parent thereof or replaced with a comparable Award (as determined by the Committee) with respect to shares of the capital stock of the successor entity or Parent thereof or (y) replaced with a cash incentive program of the successor entity which preserves the compensation element of such Award existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to such Award, then such Award (if assumed), the replacement Award (if replaced), or the cash incentive program automatically shall become fully vested, exercisable and payable and be released from any restrictions on transfer (other than transfer restrictions applicable to Options) and repurchase or forfeiture rights, immediately upon termination of the Participant's employment or service with all Service Recipient within twelve (12) months of the Corporate Transaction without cause; and

(b) For each Award that is neither assumed nor replaced, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction, provided that the Participant remains an Employee, Consultant or Director on the effective date of the Corporate Transaction.

10.4 Outstanding Awards — Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 10, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

10.5 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of Shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares subject to an Award or the grant or exercise price of any Award.

Share Incentive Plan Issue 2

## ARTICLE 11

### ADMINISTRATION

11.1 Committee. The Plan shall be administered by the Compensation Committee of the Board. Reference to the Committee shall refer to the Board if the Compensation Committee does not yet exist or ceases to exist and the Board does not appoint a successor Committee. Notwithstanding the foregoing, the full Board, acting by majority of its members in office shall conduct the general administration of the Plan if required by Applicable Law, and with respect to Awards granted to Independent Directors and for purposes of such Awards the term "Committee" as used in the Plan shall be deemed to refer to the Board.

11.2 Action by the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

11.3 Authority of Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

- (a) Designate Participants to receive Awards;
- (b) Determine the type or types of Awards to be granted to each Participant;
- (c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

11.4 Decisions Binding. The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

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## ARTICLE 12

### EFFECTIVE AND EXPIRATION DATE

12.1 Effective Date. The Plan is effective as of the date the Plan is approved by the Company's shareholders (the "Effective Date"). The Plan will be deemed to be approved by the shareholders if it receives the affirmative vote of the holders of a majority of the share capital of the Company present or represented and entitled to vote at a meeting duly held in accordance with the applicable provisions of the Company's Memorandum of Association and Articles of Association.

12.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

## ARTICLE 13

### AMENDMENT, MODIFICATION, AND TERMINATION

13.1 Amendment, Modification, And Termination. With the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; *provided, however*, that (a) to the extent necessary and desirable to comply with any applicable law, regulation, or stock exchange rule, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Article 10), (ii) permits the Committee to grant Options with an exercise price that is below Fair Market Value on the date of grant, (iii) permits the Committee to extend the exercise period for an Option beyond ten years from the date of grant, or (iv) results in a material increase in benefits or a change in eligibility requirements.

13.2 Awards Previously Granted. Except with respect to amendments made pursuant to Section 13.1, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

## ARTICLE 14

### GENERAL PROVISIONS

14.1 No Rights to Awards. No Participant, employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Participants, employees, and other persons uniformly.

14.2 No Shareholders Rights. No Award gives the Participant any of the rights of a Shareholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

14.3 Taxes. No Shares shall be delivered under the Plan to any Participant until such Participant has made arrangements acceptable to the Committee for the satisfaction of any income and employment tax withholding obligations under Applicable Laws, including without limitation the Macau, Hong Kong or PRC tax laws, rules, regulations and government orders or the U.S. Federal, state or local tax laws, as applicable. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Participant's payroll tax obligations) required by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award after such Shares were acquired by the Participant from the Company) in order to satisfy the Participant's federal, state, local and foreign income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall, unless specifically approved by the Committee, be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income.

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14.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ or service of any Service Recipient.

14.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

14.6 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Memorandum of Association and Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

14.7 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

14.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

14.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

14.10 Fractional Shares. No fractional shares of Share shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

14.11 Government and Other Regulations. The obligation of the Company to make payment of awards in Share or otherwise shall be subject to all Applicable Laws, rules, and regulations, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register any of the Shares paid pursuant to the Plan under the Securities Act or any other similar law in any applicable jurisdiction. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act or other Applicable Laws the Company may restrict the transfer of such shares in such manner as it deems advisable to ensure the availability of any such exemption.

14.12 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the Cayman Islands.

Share Incentive Plan Issue 2



\* \* \* \* \*

I hereby certify that the foregoing Plan, as revised, was duly adopted by the Board of Directors of Melco Crown Entertainment Limited on 28<sup>th</sup> November, 2006 and 17<sup>th</sup> March, 2009.

\* \* \* \* \*

I hereby certify that the foregoing Plan, as revised, was approved by the shareholders of Melco Crown Entertainment Limited on 1<sup>st</sup> December, 2006 and 19<sup>th</sup> May, 2009.

Executed on this 12 day of February, 2010.

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Corporate Secretary

Issue No. 2

Share Incentive Plan Issue 2

**Order of the Secretary for Transports and Public Works no. 25/2008**

In the use of the power granted by article 64 of the Basic Law of the Macau Special Administrative Region and under the terms of articles 29.1 paragraph c), 49 and subsequent several articles and 57.1, paragraph a) of Law no. 6/80/M, of 5 July, the Secretary for Transports and Public Works orders:

1. It is granted, by way of lease, being waived the requirement for public tender procedures, pursuant to the terms and conditions set forth in the attached contract, which forms part of this order, the plot of land with 113,325 sq. m., located in Taipa, near Estrada do Istmo, in the reclaimed area between Taipa and Coloane, to develop a hotel complex.

2. This order shall be immediately effective.

11 August 2008.

The Secretary for Transports and Public Works, *Lau Si Io*.

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**ANNEX****(File no. 6 444.01 of the Land, Public Works and Transportation Bureau and File no. 71/2006 of the Land Commission)**

Contract entered into between:

The Macau Special Administrative Region, as first grantor; and

The company “Melco Crown (COD) Developments Limited”, as second grantor;

The company “Melco Crown Gaming (Macau) Limited”, as third grantor.

Whereas:

1. By an application submitted on 15 December 2004, the company “Melco Hotels and Resorts (Macau) Limited” with registered office at Avenida Xian Xing Hai, no. 105, Edifício Zhu Kuan, 19<sup>th</sup> floor, A-C and K-N, in Macau, registered with the Commercial and Movable Property Registry under no. 19157 (SO), requested the concession, by way of lease, being waived the requirement for public tender procedures, the plot of land with 114,500 sq.m., located in the reclaimed area between Taipa and Coloane (COTAI), near Estrada do Istmo and the Macau University of Science and Technology, to develop a hotel complex named “City of Dreams”, in accordance with the development strategy for the gaming and tourism sectors.

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2. Pursuant to the development plan submitted with the application, the aforementioned complex, to be developed in two phases, within a period of 5 years, shall include 9 towers for hotels, apartment hotels, logistic support services, gaming areas and casino, leisure equipments, retail and parking area, being the total amount of investment around 6,800,000,000 patacas.

3. The aforementioned development plan was reviewed by the relevant subunits of the Land, Public Works and Transports Bureau (“Direcção dos Serviços de Solos, Obras Públicas e Transportes” or “DSSOPT”), by the Infrastructures Development Bureau (“Gabinete para o Desenvolvimento de Infra-estruturas” or “GDI”), by the Civil Aviation Authority (“Autoridade de Aviação Civil” or “AAC”) and by the Tourism Services Bureau (“Direcção dos Serviços de Turismo” or “DST”), and such entities have issued technical opinions determining that certain conditions be met, namely with regard to the altimetric elevation of the construction, which shall be lower than 160 meter MSL.

4. Subsequently, by way of an application submitted on 4 February 2005, based on market reasons, the applicant presented a preliminary study for the amendment of the development plan which, although maintaining the original theme of the “City of Dreams” hotel complex, changes the distribution of areas per hotel, reduces the gross construction areas and the height of almost all hotel towers, in order to comply with AAC’s instructions.

5. Upon appraisal of the project, DSSOPT evaluated the merit of the request and issued a favorable opinion to its approval, taking into consideration the value of the investment and the advantages it represents for the tourism sector and for the global development of the COTAI area, and defined the conditions to be met by the concession, of which conditions being set forth in the draft contract.

6. Considering that the applicant is not the holder of a concession or subconcession for the operation of games of fortune and chance or other games in casino in the Macau Special Administrative Region (“Região Administrativa Especial de Macau” or “RAEM”), the parcels to be allocated to casino and gaming areas were, in this phase, considered as hotel areas.

7. The granting of the aforementioned gaming concession shall cause the separation and reversion to RAEM’s private domain of the parcel with an area of 73,546 sq.m, which forms part of the plot of land registered with the Real Estate Registry (“Conservatória do Registo Predial” or “CRP”) under no. 23053, granted by way of lease to the company named “A Elite — Sociedade de Desenvolvimento Educacional, S.A.”, pursuant to the Order of the Secretary for Transports and Public Works no. 52/2001, published in the Macau *Official Gazette* no. 27 II Series, of 4 July 2001.

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8. Notwithstanding, upon acceptance by the applicant company of the conditions set forth in the draft contract, by a declaration submitted on 17 October 2006, the procedure followed its terms, and the Land Commission, in its session of 23 November 2006, issued a favorable opinion to the granting of the application, which was confirmed by the order of the Head of the Executive of 16 March 2007.

9. Meanwhile, on 18 October 2006, the applicant company submitted a new architecture amendment project, according to which the gross construction area is increased and the hotels' categories are changed, which was considered to be subject to conditioned approval, upon compliance with certain technical requirements, by order of the head of DSSOPT of 27 February 2007.

10. In view of the above, and given that the aforementioned parcel of 73,546 sq.m had not reverted to RAEM's private domain yet, it was not possible to complete the procedure.

11. Moreover, on 8 September 2006 a contract of subconcession for the operation of games of fortune and chance or other games in casino in the RAEM was entered into between the company Wynn Resorts (Macau) S.A. and "PBL Diversões (Macau), S.A.", which name was subsequently changed to "Melco PBL Gaming (Macau) Limited", having such amendment been authorized and confirmed by the RAEM government.

12. Pursuant to the investment plan attached to the above referred subconcession contract, which forms part thereof, the subconcessionaire undertook to execute a resort-hotel-casino complex in the plot of land with an area of 113,325 sq.m, located in the COTAI area, near Estrada do Istmo and the Macau University of Science and Technology, having such concession been requested by "Melco Hotels and Resorts (Macau) Limited", a company owned in 96% by the subconcessionaire and by another subsidiary of the PBL Entertainment (Macau) Limited Group.

13. Thus, by an application submitted on 10 May 2007, the company "Melco Hotels and Resorts (Macau) Limited" requested the inclusion of the subconcessionaire "Melco PBL Gaming (Macau) Limited" as part to the concession contract of the referred plot of land, so as to ensure the transfer to such company of the parcel to be affected to the casino, as well as the amendment of the clauses of such contract as regards the development and purpose of the land, the gross construction areas per purpose and the rent with regard to such purposes.

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14. The applicant company further informed that the subconcessionaire “Melco PBL Gaming (Macau) Limited” had already requested to the Gaming Inspection and Coordination Bureau (“Direcção da Inspeção e Coordenação de Jogos” or “DICJ”) that the investment to be performed by the subconcessionaire in the Resort-Hotel-Casino, set forth in item 1 of the investment plan attached to the subconcession agreement, be performed by “Melco Hotels and Resorts (Macau) Limited” and that the expenses to be made with the execution of the project be considered for purposes of compliance with the subconcessionaire’s obligations under the aforementioned investment plan.

15. The company “Melco PBL Gaming (Macau) Limited” has its registered office at Avenida Dr. Mário Soares, no. 25, Edifício Montepio, 1<sup>st</sup> floor, unit 13, in Macau and is registered with the Commercial and Movable Property registry under no. 24325 (SO).

16. The aforementioned request for indirect performance of the investment was authorized by order of the Secretary for Economy and Finances of 1 June 2007.

17. In this context, having obtained the opinion of DICJ, DSSOPT amended the draft concession contract and such amendment was approved by the company “Melco Hotels and Resorts (Macau) Limited”, which in the meantime changed its name to “Melco PBL (COD) Developments Limited”, and by the company “Melco PBL Gaming (Macau) Limited”, by declaration submitted on 6 November 2007.

18. The procedure was, once again, submitted to the Land Commission which, gathered in its session of 19 November 2007, issued a favorable opinion to the granting of the application.

19. The opinion of the Land Commission was confirmed by the Head of the Executive, by order on 21 January 2008.

20. The plot of land which is the object of the concession, with an area of 113,325 sq.m, is identified with letters “A” and “B” in the property map no. 6328/2005, issued by the Cartography and Cadastral Services Bureau (“Direcção dos Serviços de Cartografia e Cadastro” or “DSCC”), in 7 November 2006.

21. Parcel “A” forms part of the property registered with the Real Estate Registry under no. 23053, and parcel “B” is not registered with the Real Estate Registry.

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22. Under the terms and for the purposes of article 125 of Law no. 6/80/M, of 5 July, the conditions of the contract attached to this order were notified to the applicant companies and explicitly accepted by them, in accordance with the declarations submitted on 11 February 2008, executed by Gary Wayne Saundus, married, of American nationality, with domicile at 9004 Players Club Drive, Las Vegas, NV, 89134, United States of America and Chung, Yuk Man, married, of Chinese nationality, with domicile at Flat B, 31/F, Block 4, The Grand Panorama, 10 Robinson Road, Midlevels, Hong Kong, both in the capacity of directors and in representation of the company “Melco PBL (COD) Developments Limited” and Ho, Lawrence Yau Lung, married, of Canadian nationality, with domicile in Macau, at Avenida Zhu Kuan, 19<sup>th</sup> floor, A-C and K-N, in the capacity of attorney of the company “Melco PBL Gaming (Macau) Limited”, capacity and powers verified by Hugo Ribeiro Couto Private Notary Office, in accordance with the recognition drawn up in the referred declarations.

23. The payment of the premium referred to in paragraph 1) of clause 9.1 of the contract was paid in the Macau Tax Office on 11 February 2008 (income no. 13136), as per contingent income invoice no. 10/2008, issued by the Land Commission on 31 January 2008, a copy of which is filed in such Commission.

24. On 16 July 2008, the company “Melco PBL (COD) Developments Limited”, informed that its Portuguese name had been altered to “Melco Crown (COD) Desenvolvimentos, Limitada” (in English, “Melco Crown (COD) Developments Limited”) maintaining its Chinese name and, therefore, requested that the new name be mentioned in the order which shall constitute title of the concession contract.

25. Moreover, according to a DICJ letter of 24 June 2008, the Secretary for Economy and Finances authorized the amendment to the name of the subconcessionaire for the operation of games of fortune and chance or other games in casino in the RAEM to “Melco Crown Jogos (Macau) S.A.” (in English, “Melco Crown Gaming (Macau) Limited”).

#### *Clause One — Object of the Contract*

1. By means of the present contract the first grantor grants to the second grantor under lease and being waived the requirement for public tender procedures, of the plot of land with an overall area of 113,325 sq.m (one hundred and thirteen thousand three hundred and twenty five square meters), located in Taipa, near Istmo Street, in the reclaimed area between Taipa and Coloane (COTAI), with the given value of \$842,134,033.00 (eight hundred forty two million one hundred and thirty four thousand and thirty three patacas), marked with letters “A” and “B” in the map no.: DSCC 6328/2005, of 28 January 2008, which is an integral part of this contract, hereinafter simply referred to as the plot of land.

2. The registration status of the two parcels of land which compose the plot of land is the following: the parcel marked with letter “A” in the said map, with an area of 73,546 sq.m (seventy three thousand five hundred and forty six square meters), is registered with the Real Estate Registry (“Registry”) under no. 23053; and the parcel marked with letter “B” in the same map, with an area of 39,779 sq.m (thirty nine thousand seven hundred and seventy nine square meters), is not registered with the Registry.

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*Clause Two — Term of Lease*

1. The lease is valid for a term of 25 (twenty-five) years, commencing on the date of publication in the Official Gazette of the order which shall constitute the title of the present contract.
2. The lease term indicated in the preceding paragraph, may be successively renewed in accordance with applicable laws.

*Clause Three — Development and Purpose of Plot of Land*

1. The plot of land shall be developed with the construction of a hotel complex incorporating several buildings, under strata title, with the following gross floor areas for each authorized usage:

Casino	with gross construction area of 2,200 sq.m
5 star Hotel	with gross construction area of 260,956 sq.m
4 star Hotel	with gross construction area of 46,920 sq.m
5 star Apartment Hotel	with gross construction area of 106,882 sq.m
Parking ( 5 star Hotel)	with gross construction area of 43,182 sq.m
Parking (4 star Hotel)	with gross construction area of 1,928 sq.m
Parking (5 star Apartment Hotel)	with gross construction area of 7,353 sq.m
External area	with an area of 45,735 sq.m

2. The areas mentioned in the preceding paragraph may be subject to rectification, upon inspection, for the purpose of issuance of the occupancy license.

*Clause Four — Transfer of Separate Unit*

1. The second grantor undertakes to transfer in favour of the third grantor the independent unit to be erected as an entertainment venue within the building, by means of a public deed to be executed within 30 days after registration of the separate unit of the building, to which the following value is given MOP3,748,250.00 (three million seven hundred and forty eight thousand two hundred and fifty patacas)
2. The second grantor should submit to the first grantor a document evidencing the transfer mentioned in the preceding paragraph.

*Clause Five— Rent*

1. During the construction period for development of the land, the second grantor shall pay an annual rent of \$ 30.00 (thirty patacas) per granted square meter, in the total amount of \$ 3,399,750.00 (three million three hundred ninety nine thousand seven hundred and fifty).
2. Upon conclusion of the construction of the development project it shall pay a rent in the total amount of MOP7,236,350 (seven million two hundred and thirty six thousand three hundred and fifty patacas) resulting from the following:

1) Casino	
2,200 m2 x MOP15.00/ sq.m	MOP33,000
2) 5 star Hotel	
260,956 m2 x MOP15.00/sq.m	MOP3,914,340.00

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3) 4 star Hotel 46,920 m2 x 15.00/ sq.m	MOP 703,800.00
4) 5 star Apartment Hotel 106,882 m2 x MOP15.00/ sq.m	MOP 1,603,230.00
5) Parking (5 star Hotel) 43,182 m2 x MOP10.00/ sq.m	MOP431,820.00
6) Parking (4 star Hotel) 1,982 m2 x MOP10.00/ sq.m	MOP19,280.00
7) Parking (5 star Apartment Hotel) 7,353 m2 x MOP10.00/ sq.m	MOP73,530.00
8) External area 45,735/m2 x MOP10.00/ sq.m	MOP457,350.00

3. The rents shall be revised every five years, as of the publication in the Official Gazette of the Order constituting the title of the present contract, notwithstanding the immediate application of new rent amounts provided in legislation that may be published while this contract is in force.

*Clause Six— Term of Development*

1. The development of the plot of land shall be made within the overall term of 60 (sixty) months, as of the date of the publication in Official Gazette of the Dispatch approving the present contract.
2. The term provided in the previous paragraph includes the period necessary for the submission of the design documents by the second grantor and their assessment by the first grantor.

*Clause Seven — Fines*

1. In case of noncompliance with the term provided in the preceding clause, the second grantor shall be liable to a fine up to the amount of \$ 5,000.00 (five thousand Patacas) for each day of delay, up to 60 (sixty) days; beyond 60 (sixty) days and up to an overall maximum period of 120 (one hundred and twenty) days, the second grantor is liable to a fine up to the double of that amount, except if there are special reasons, which are duly justified, and accepted by the first grantor.
2. The second grantor shall not be held liable in case of Force Majeure or other relevant facts, which are in accordance with evidence, out of its control.
3. Force Majeure cases are those that exclusively result of events which are unpredictable and unstoppable.
4. For the purposes of paragraph no. 2 above, the second grantor is obliged to serve a written notice to the first grantor, as soon as possible, communicating the occurrence of the referred facts.

*Clause Eight— Security*

1. Pursuant to Article 126 of Law 6/80/M, of July 5, the second grantor shall give a security in the amount of \$3,399,750.00 (three million three hundred and ninety nine thousand seven hundred and fifty Patacas) by means of a deposit or bank guarantee acceptable to the First Grantor.
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2. The value of the security hereinbefore referred shall always be updated in the same proportion as the relevant annual rent.

3. The security referred in the above paragraph 1 shall be returned by the Macau Finance Department to the Second Grantor, at its request, after exhibition of the building's occupancy permit issued by the DSSOPT.

*Clause Nine — Premium of the Contract*

The Second Grantor shall pay the First Grantor, as premium for the agreement, the overall amount of \$ 842,134,031.00 (eight hundred and forty two million, one hundred and thirty four thousand and thirty one patacas), in the following manner:

(1) \$300,000,000.00 (three hundred million patacas), upon the submission of the declaration of acceptance of the terms of the present contract, in accordance with the template approved by the Chief Executive.

(2) The remaining part of the premium, in the amount of \$ 542,134,031.00 (five hundred and forty two million one hundred and thirty four thousand and thirty one patacas), which shall accrue interest at the annual rate of 5%, shall be paid in 9 (nine) bi-annual installments, in the same amount of capital and interest, in the amount of \$ 68,014,449.00 (sixty eight million fourteen thousand four hundred and forty nine patacas) each, the first installment being payable 6 (six) months after the publication in the Official Gazette of the order constituting the title of the present contract.

*Clause Ten— Remaining Materials of the Plot of Land*

1. The second grantor is expressly forbidden from removing from the plot of land, without prior written authorization of the first grantor, any materials such as land, rock and sand, arising from the excavation of the foundations and leveling of the plot of land.

2. The first grantor shall authorize the removal only of the materials that may not be utilized in the plot of land or that are not susceptible of another usage.

3. The materials removed with authorization from the first grantor shall always be deposited in a place to be determined by the first grantor.

4. The noncompliance with the stipulated in the present clause and without prejudice of compensation to be determined by the DSSOPT experts in relation to the materials effectively removed, the second grantor is subject to the following penalties:

- 1) 1st offense: \$ 20,000.00 to \$ 50,000.00;
  - 2) 2nd offense: \$ 51,000.00 to \$ 100,000.00;
  - 3) 3rd offense: \$ 101,000.00 a \$ 200,000.00;
  - 4) from the 4th offense the first grantor has the right to terminate the contract.
-

#### *Clause Eleven— Occupancy Permit*

The building's occupancy permit shall be issued only after the presentation of evidence that the premium referred in Clause Nine above has been fully paid.

#### *Clause Twelve— Transfer*

1. The transfer of any rights or obligations arising out of the present land lease grant, due to its nature, shall be dependent upon the authorization of the first grantor and the transferee shall be subject to provisions of the terms and conditions provided for in the present contract.

2. In order to guarantee the necessary financing for the project, the second grantor may draw a voluntary mortgage over the lease rights hereby granted in favor of any credit institution of or with registered office in the Macau Special Administrative Region, in accordance with Article 2 of the Decree-Law N.º 51/83/M, of December 26.

#### *Clause Thirteen— Supervision*

During the development period, the second grantor shall permit the access to the leased plot of land and construction sites, to any representatives of Government departments that may appear there in the performance of their supervisory activities, giving them the necessary assistance and means to succeed in the performance of their duties.

#### *Clause Fourteen— Lapse*

1. The present contract shall lapse in the following cases:

- 1) After the expiry term to which the aggravated fine provided in clause seven;
- 2) Unauthorized change of the purpose of the land grant, before the completion of the development of the land;
- 3) Interruption of the development of the plot of land for a period which is greater than 90 (ninety) days, except in case there are special reasons, which are duly justified and accepted by the first grantor.

2. The lapse of this contract is declared by order of the Chief Executive, to be published in the Official Gazette.

3. The lapse of this contract shall result in the reversion of the plot of land to the first grantor, free and vacant, without payment of any compensation to the second grantor.

#### *Clause Fifteen— Rescission*

1. The present contract may be rescinded upon the occurrence of any of the following events:

- 1) Default on the punctual payment of rent;
  - 2) Unapproved change of the development of the land and/or the purpose of the land grant, upon the completion of the development of the land;
  - 3) Transfer any rights or obligations arising out of the land grant, in breach of clause 12;
  - 4) Noncompliance with the obligations provided in Clause 9;
  - 5) Noncompliance with the obligations provided in Clause 10 four times or above repeatedly.
-

2. The rescission of the contract shall be declared by Order of the Chief Executive, to be published in the Official Gazette.

*Clause Sixteen— Reversion of the Casino*

The termination of the subconcession for operation of games of fortune and chance and other games in casino granted to the third grantor through contract executed on 8 September 2006, between Wynn Resorts (Macau) Limited and the third grantor, due to time elapse or other cause therein stated, implies the automatic and free reversion of the casino unit, without any charges or encumbrances to the first grantor, as well as all gaming equipment, even if located outside the casino.

*Clause Seventeen— Jurisdiction*

The Judicial Court of Macau shall have jurisdiction to resolve any disputes arising out of the present contract.

*Clause Eighteen— Applicable Law*

In case of omissions, the present contract is governed by Law No. 6/80/M of July 5th, and other applicable legislation.

[Property Map]

- 1 MPEL Holdings Limited, incorporated in the Cayman Islands
- 2 MPEL International Limited, incorporated in the Cayman Islands
- 3 MPEL Nominee One Limited, incorporated in the Cayman Islands
- 4 MPEL Investments Limited, incorporated in the Cayman Islands
- 5 Melco Crown Gaming (Macau) Limited, incorporated in the Macau Special Administrative Region of the People's Republic of China
- 6 Melco Crown (COD) Hotels Limited, incorporated in the Macau Special Administrative Region of the People's Republic of China
- 7 Melco Crown (COD) Developments Limited, incorporated in the Macau Special Administrative Region of the People's Republic of China
- 8 Altira Hotel Limited, incorporated in the Macau Special Administrative Region of the People's Republic of China

## CODE OF BUSINESS CONDUCT AND ETHICS

## I. Introduction

## A. Purpose

This Code of Business Conduct and Ethics (the “**Code**”) was adopted by the Board of Directors (the “**Board**”) of Melco Crown Entertainment Limited (“**MCE**”).

This Code contains general guidelines for conducting the business of MCE and its subsidiaries consistent with the highest standards of business ethics. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we will adhere to these higher standards.

This Code applies to all of the directors, officers, employees, agents and subcontractors of MCE and its subsidiaries (which, unless the context otherwise requires, are collectively referred to as the “**Company**” in this Code). We refer to all persons covered by this Code as “Company employees” or simply “employees.” All references to “you” shall be references to the employees. We also refer to our Chief Executive Officer, our Chief Operating Officer, our Chief Financial Officer and the heads of our business units as our “principal officers.”

## B. Seeking Help and Information

This Code is not intended to be a comprehensive rulebook and cannot address every situation that you may face. If you feel uncomfortable about a situation or have any doubts about whether it is consistent with the Company’s ethical standards, seek help. We encourage you to contact the Human Resources department for help. The Chief Legal Officer of the Company, has initially been appointed by the Board as the Compliance Officer for the Company.

## C. Reporting Violations of the Code

All employees have a duty to report any known or suspected violation of this Code, including any violation of the laws, rules, regulations or policies that apply to the Company. If you know of or suspect a violation of this Code, immediately report the conduct to your supervisor, who will work with you to investigate your concern or direct your concern to the appropriate department within the Company. If you do not feel comfortable reporting the conduct to your supervisor or you do not get a satisfactory response, you may contact your Human Resources Office directly or submit your complaint to our hotline or via email set up under our Procedures for Handling Complaints and Whistleblowing. All reports of known or suspected violations of applicable laws or this Code will be handled sensitively and with appropriate confidentiality. The Company will protect your confidentiality to the extent possible, consistent with law and the Company’s need to investigate your concern.

This Code will be enforced on a uniform basis for everyone, without regard to an employee’s position within the Company. It is Company policy that any employee who violates this Code will be subject to appropriate discipline, which may include termination of employment. This determination will be based upon the facts and circumstances of each particular situation. An employee accused of violating this Code will be given an opportunity to present his or her version of the events at issue prior to any determination of appropriate discipline. Employees who violate any applicable law or this Code may become subject to civil damages, criminal fines and prison terms. The Company may also face substantial fines and penalties and may incur damage to its reputation and standing in the community. If your conduct as a representative of the Company does not comply with applicable laws or with this Code, it may result in serious consequences for both you and the Company.

#### *D. Policy Against Retaliation*

In no event will there be any retaliation against someone for reporting an activity that he or she in good faith believes to be a violation of any law, rule or regulation. Any supervisor or other employee intimidating or imposing sanctions on an employee for reporting a matter will be disciplined, which may include termination of employment.

Employees should know that it is a crime to retaliate against a person, including with respect to their employment, for providing truthful information to a law enforcement officer relating to the possible commission of any violation of law. Employees who believe that they have been retaliated against by the Company, its employees, contractors, subcontractors or agents, for providing information to or assisting in an investigation conducted by a governmental authority or a person with supervisory authority over the employee (or another employee who has the authority to investigate or terminate misconduct) in connection with conduct that the employee reasonably believes constitutes a violation of rule or law, may seek redress through governmental agencies.

It is important to note that our policy against retaliation is to protect employees engaging in responsible reporting of activities which they, in good faith, believe are in violation of company policies or legal rules and regulations. However, it is equally important for the Company to safeguard our employees from malicious accusations based on unfounded information which the person reporting the activity knows is untrue. An employee who files a report against another employee knowing that the report contains false information or allegations will be subject to internal review and appropriate discipline.

#### *E. Waivers of the Code*

Employees should understand that waivers or exceptions to our Code will be granted only in advance and only under exceptional circumstances. Waivers of this Code for employees may be made only by an executive officer of the Company. Any waiver of this Code for our directors, executive officers or other principal officers may be made only by the Board and will be disclosed to the public as required by applicable laws or the rules of the Nasdaq.

## **II. Internal and External Dealings**

#### *A. Patrons*

The Company seeks to provide excellent service to all third parties (“**Patrons**”) with whom it conducts business. To this end, the employees of the Company shall abide by the following principles.

- Act appropriately and in good faith in its dealings with the Company’s patrons.
- Respect the views of the Company’s patrons, including suggestions and requests made by the patrons concerning services offered by the Company. Moreover, the Company shall seek to address all customer complaints promptly and fairly.
- Provide the Company’s patrons with all facts which the patrons should be aware of concerning the services offered by the Company.

The employees shall maintain the confidentiality of information entrusted to them by the Company or its patrons, except when disclosure is duly authorized or legally mandated. Confidential information includes all non-public information that may be of use to the Company’s competitors, or harmful to the Company or its patrons, if disclosed.

## *B. Shareholders*

The Company shall endeavor to maximize shareholder value. The employees of the Company shall implement the following principles.

- The Company shall seek to maximize shareholder value by achieving profitability through sound management.
- The Company shall respect the rights of its shareholders, including the right to obtain adequate access to information which the Company is required by law to disclose. Disclosure about the Company's affairs, operations and financial condition shall be made in accordance with the Company's Guidelines for Corporate Communications and Disclosure Controls and Procedures.

## *C. Employment Practices*

The Company and the employees shall seek to create a workplace environment that is harmonious, respectful of the rights of all employees, and conducive to attaining excellence in the quality of service provided to the Company's patrons. The employees of the Company shall respect each other as a member of the same community, and shall endeavor to create and maintain a harmonious corporate culture. To achieve this objective, the following principles shall be implemented at all times.

- The Company shall not engage in any discriminatory employment practice, which is not in compliance with applicable laws.
- Sexual harassment is strictly prohibited on the part of the employees as well as any party providing services to the Company, including temporary workers, independent contractors or other professional service providers of the Company.
- Decisions regarding employees shall be made taking into consideration all relevant factors such as market conditions, business requirements and performance of the Company as well as other relevant factors such as performance, capability, effort and degree of contribution made by the employees concerned.

## *D. Competitors and Business Partners*

The Company prides itself on being a responsible corporate citizen. The Company shall continue to abide by the following principles.

- The Company shall respect its competitors and compete fairly and honestly with them. The Company shall not seek any competitive advantage obtained through unethical or illegal means.
- The Company shall not take unfair advantage of any person through concealment, manipulation or abuse of privileged information, misrepresentation of material facts or any unfair business practice.

### III. Conflicts of Interest

#### A. Identifying Potential Conflicts of Interest

A conflict of interest can occur when an employee's private interest interferes, or appears to interfere, with the interests of the Company as a whole. Such conflicts of interest can undermine our business judgment and our responsibility to the Company and threaten the Company's business and reputation. Accordingly, all apparent, potential, and actual conflicts of interest should be scrupulously avoided and any transactions between an employee and the Company which involves a potential conflict of interest should only be entered into after you receive the appropriate approval. You should refer all requests for such approvals to the Human Resources department.

Identifying potential conflicts of interest may not always be clear-cut. The following situations are examples of potential conflicts of interest:

- Outside Employment. No employee should be employed by, serve as a director of, or provide any services to a company that is a material customer or supplier to, or any competitor of, the Company.
- Improper Personal Benefits. No employee should obtain any material (as to him or her) personal benefits or favors because of his or her position with the Company. Please see "Gifts and Entertainment" below for additional guidelines in this area.
- Personal Interests. No employee shall have a direct or indirect personal interest in a transaction involving the Company, except when the interest has been fully disclosed to and approved by the Company.
- Financial Interests. No employee should have a financial interest (ownership or otherwise) in any company that is a material customer, supplier or competitor of the Company, except when the interest has been fully disclosed to and approved by the Company. However, it is not typically considered a conflict of interest (and therefore, prior approval is not required) to have an interest of less than 1% of the outstanding shares of a publicly traded company.
- Loans or Other Financial Transactions. No employee should obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, the Company or any company that is a material customer or supplier to, or any competitor of, the Company. This guideline does not prohibit arms-length transactions with banks, brokerage firms or other financial institutions.
- Service on Boards and Committees. No employee should serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests reasonably would be expected to conflict with those of the Company.
- Actions of Family Members. The actions of family members outside the workplace may also give rise to the conflicts of interest described above because they may influence an employee's objectivity in making decisions on behalf of the Company. For purposes of this Code, "family members" include your spouse or life-partner, brothers, sisters and parents, in-laws and children whether such relationships are by blood or adoption. Please see "Family Members Working in the Industry" below for additional guidelines in this area.
- Outside Activity. No employee shall engage in any outside activity that materially detracts from or interferes with the performance of his or her services to the Company.



- Personal Conducts. In their dealings with internal parties (such as other employees and directors of the Company) and external parties (such as patrons or employees, officers, directors, contractors and shareholders of customers, suppliers, vendors and investors), employees should conduct themselves in accordance with our community's standards of integrity, honesty and good morals and should avoid any act involving moral turpitude or any act that may adversely affect the image or reputation of the Company.

For purposes of this Code, a company is a "material" customer if the company has made payments to the Company in the past year in excess of US\$200,000 or 5% of the customer's gross revenues, whichever is greater. A company is a "material" supplier if the company has received payments from the Company in the past year in excess of \$200,000 or 5% of the supplier's gross revenues, whichever is greater. A company is a "material" competitor if the company competes in the Company's line of business and has annual gross revenues from such line of business in excess of US\$10,000,000. For purposes of this Code, Melco International Development Limited and its subsidiaries ("**Melco**"), Crown Limited and its subsidiaries ("**Crown**"), and any other joint venture entities of Melco and Crown are not considered to be "material" competitors, suppliers or patrons.

#### B. *Disclosure of Conflicts of Interest*

The Company requires that employees disclose any situations that reasonably would be expected to give rise to a conflict of interest. If you suspect that you have a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it to the Human Resources Department. The Human Resources department will work with you to determine whether you have a conflict of interest, or will direct your report to the appropriate department in the Company, and, if a conflict is determined to exist, you will be assisted in determining how best to address the conflict. Although conflicts of interest are not automatically prohibited, they are not desirable and may only be waived as described in "Waivers of the Code" above.

#### C. *Family Members Working in the Industry*

You may find yourself in a situation where (i) your Family Member is a competitor, supplier, guest, patron, visitor or tenant of the Company or is employed by one or (ii) your Family Member is also employed by the Company. Such situations are not prohibited, but they call for extra sensitivity to security, confidentiality and potential conflicts of interest.

There are several factors to consider in assessing such a situation. Among them: the relationship between the Company and the other company; the nature of your responsibilities as a Company employee and those of the other person; and the access each of you has to your respective employer's confidential information. Such a situation, however harmless it may appear to you, could arouse suspicions among your colleagues that might affect your working relationships. The very appearance of a conflict of interest can create problems, regardless of the propriety of your behavior.

To remove any such doubts or suspicions, you must disclose your specific situation to the Human Resources department to assess the nature and extent of any concern and how it can be resolved. In some instances, any risk to the Company's interests is sufficiently remote that the Human Resources department may only remind you to guard against inadvertently disclosing Company confidential information and not to be involved in decisions on behalf of the Company that involve the other company.

#### D. *Presence in Gaming Areas*

In general, employees of the Company's gaming operations may only enter the gaming areas operated by the Company in the course of their normal work activities. Employees should refer to and strictly comply with the policies of the relevant business units related to access to gaming areas. Employees of non-gaming operations and their guests may enter gaming areas operated by the Company but they may not engage in gaming activities in such venues.

#### IV. Gifts and Entertainment

The giving and receiving of gifts is a worthwhile and acceptable business practice when performed within the boundaries set forth by this Code and applicable laws and regulations. Appropriate business gifts and entertainment are welcome courtesies designed to build relationships and understanding among business partners. However, gifts and entertainment should not compromise, or appear to compromise, your ability to make objective and fair business decisions.

When you are providing a gift, entertainment or other accommodation in connection with Company business, you must do so in a manner that is in good taste and without excessive expense. Except for complimentary goods and services customarily provided to patrons in the ordinary course of the Company's business, you may not furnish or offer to furnish any gift that is of more than token value or that goes beyond the common courtesies associated with accepted business practices. You should follow the below guidelines for receiving gifts, in determining when it is appropriate to give gifts and when prior written approval from the Human Resources department is required.

You must be particularly sensitive in considering a gift or entertainment for a governmental official, as such expenditures are subject to strict rules and regulations under the laws of the United States and other jurisdictions where the Company operates. As described in Section VIII.B of this Code, any expenditures or benefits conferred upon governmental officials must comply with the requirements of the U.S. Foreign Corrupt Practices Act. A gift or entertainment that may be construed as a bribe, kickback or other improper payment may not be given under any circumstances.

Our suppliers and tenants likely have gift and entertainment policies of their own. You must be careful never to provide a gift or entertainment that you know violates the other company's gift and entertainment policy.

It is your responsibility to use good judgment in this area. As a general rule, you may give or receive gifts or entertainment to or from patrons or suppliers only if the value of such gift or entertainment is not unreasonable and such gift or entertainment would not be viewed as an inducement to or reward for any particular business decision. All gifts and entertainment expenses should be accurately accounted for on expense reports, including in the nature and purpose of the expenditure. The following specific examples may be helpful:

- Meals and Entertainment. You may occasionally accept or give meals, refreshments or other entertainment if:
  - The items are of reasonable value;
  - The purpose of the meeting or attendance at the event is business related; and
  - The expenses would be paid by the Company as a reasonable business expense if not paid for by another party.

Entertainment of reasonable value may include food and tickets for sporting and cultural events if they are generally offered to other patrons, suppliers or vendors.

All gifts and entertainment for governmental officials, as defined in Section VIII.B below, must be pre-approved by your supervisor. As a general rule, gifts and entertainment for governmental officials should not exceed **HKD1,200** (or its equivalence in other currency) (the "**Gift Limit**") per person and should not be given on a frequent basis to any given government official. When calculating the cost of entertainment for governmental officials, the total cost of the event is subject to the Gift Limit (*e.g.*, the combined expense of tickets, food, beverages and travel should not exceed Gift Limit).

- Advertising and Promotional Materials. You may occasionally accept or give advertising or promotional materials of nominal value.
- Personal Gifts. You may accept or give personal gifts of reasonable value that are related to recognized special occasions such as a cultural event, celebration or holiday (for example, Chinese New Year, Christmas, Mid-Autumn Festival and Chung Yeung Festival). A gift is also acceptable if it is based on a family or personal relationship and unrelated to the business between the individuals. If you are unsure whether a gift is acceptable, please report the receipt of the gift to the Human Resources department for further guidance.
- Gifts Rewarding Service or Accomplishment. You may accept a gift from a civic, charitable or religious organization specifically related to your service or accomplishment.
- Travel. Any gift that involves regional or international travel shall only be accepted after clearance from your supervisor.

This guideline does not prohibit authorized employees in designated job categories from accepting traditional customer gratuities (“tips”).

You should make every effort to refuse or return a gift that is beyond these permissible guidelines. If it would be inappropriate to refuse a gift or you are unable to return a gift, you should promptly report the gift to the Human Resources department. The Human Resources department will bring the gift to the attention of the Compliance Officer, who may require you to donate the gift to an appropriate community organization.

If you provide any gift, entertainment or other accommodation in connection with the Company’s business, you must do so in a manner that is in good taste, without excessive expense and in strict compliance with applicable laws. In particular, employees are reminded that Macau civil servants have a duty to report the acceptance of any gifts of whatever value to their superiors. In the event the gifts accepted are found to be a direct or indirect advantage to such civil servant, the Company and the employee may be subject to criminal prosecution and the employee may be subject to disciplinary action, up to and including termination of employment.

#### **V. Confidential, Proprietary Information**

One of the Company’s most valuable assets is information. Employees should maintain the confidentiality of information (whether or not it is considered proprietary) entrusted to them not only by the Company, but also by suppliers, patrons and others related to our business. Confidential information includes all non-public information that might be of use to our competitors or harmful to the Company, or its patrons or suppliers, if disclosed. Examples of confidential information include trade secrets, new product or marketing plans, customer lists, research and development ideas, manufacturing processes, or acquisition or divestiture prospects.

Employees should take steps to safeguard confidential information by keeping such information secure, limiting access to such information to those employees who have a “need to know” in order to do their job, and avoiding discussion of confidential information in public areas, for example, in elevators, on planes, and on mobile phones.

Confidential information may be disclosed to others when disclosure is authorized by the Company or legally mandated. The obligation to preserve confidential information is ongoing, even after termination of employment.

#### **VI. Company Records**

Accurate and reliable records are crucial to our business. Our records are the basis of our earnings statements, financial reports and other disclosures to the public and guide our business decision-making and strategic planning. Company records include booking information, payroll, timecards, travel and expense reports, e-mails, meeting minutes, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business.

All Company records must be complete, accurate and reliable. Undisclosed or unrecorded funds, payments or receipts are inconsistent with our business practices and are prohibited. You are responsible for understanding and complying with our record keeping policy.

## **VII. Accuracy of Financial Reports and Other Public communications**

As a public company we are subject to various securities laws, regulations and reporting obligations. These laws, regulations and obligations and our policies require the disclosure of accurate and complete information regarding the Company's business, financial condition and results of operations. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and result in legal liability.

The Company's principal officers and other employees working in the Finance Department have a special responsibility to ensure that all of our financial disclosures are full, fair, accurate, timely and understandable. These employees must understand and strictly comply with generally accepted accounting principles and all standards, laws and regulations for accounting and financial reporting of transactions, estimates and forecasts. This policy applies to all public disclosure of material information about the Company, including written disclosures, oral statements, visual presentations, press conferences and media calls. Please read the Company's Disclosure Controls and Procedures and Guidelines for Corporate Communication for more information.

In addition, U.S. federal securities law requires the Company to maintain accurate internal books and records and to devise and maintain an adequate system of internal accounting controls. The Securities and Exchange Commission ("SEC") has supplemented the statutory requirements by adopting rules that can impose liability on the Company for any inaccuracies in its books and records, even if not material and even if inadvertent. In addition, individual employees can be liable for (1) falsifying records or accounts subject to the above requirements and (2) making any materially false, misleading, or incomplete statement to an accountant in connection with an audit or any filing with the SEC. These provisions reflect the SEC's intent to discourage officers, directors, and other persons with access to the Company's books and records from taking action that might result in the communication of materially misleading financial information to the investing public.

## **VIII. Compliance with Laws, Rules and Regulations**

Each employee has an obligation to comply with all laws, rules and regulations applicable to the Company's business. These include laws covering bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, foreign corrupt practices, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information and misuse of corporate assets. These laws also include Macau laws requiring our employees to report any event that may affect the suitability of our Macau subsidiary which is a holder of our gaming subconcession, or its direct or indirect shareholders, directors or employees, to conduct a gaming business in Macau, and to provide all information required by Macau gaming regulators pursuant to their supervisory authority of our gaming business in Macau. Any such required report should be made to the Human Resources Department.

You are expected to understand and comply with all laws, rules and regulations that apply to your job position. It is the Company's policy to abide by the national and local laws of our host nations and communities. The fact that in some countries certain standards of conduct are legally prohibited, but these prohibitions are not enforced in practice, or their violation is not subject to public criticism or censure, will not excuse any illegal action by an employee.

A. *Compliance with Insider Trading Laws*

Employees are prohibited from trading in the stock or other securities of the Company while in possession of material, nonpublic information about the Company. In addition, employees are prohibited from recommending, “tipping” or suggesting that anyone else buy or sell stock or other securities of the Company on the basis of material, nonpublic information. Employees who obtain material nonpublic information about another company in the course of their employment are prohibited from trading in the stock or securities of the other company while in possession of such information or “tipping” others to trade on the basis of such information. Violation of insider trading laws can result in severe fines and criminal penalties, as well as disciplinary action by the Company, up to and including termination of employment.

Please refer to the Company’s Statement of Policies and Procedures Governing Material, Non-Public Information and the Prevention in Insider Trading for more information.

B. *The Foreign Corrupt Practices Act*

The Foreign Corrupt Practices Act (the “**FCPA**”) prohibits the 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 governmental official. A “**governmental official**” includes not only national, regional, state, and local elected and appointed government employees but also political parties, political party officials, candidates for political office, employees of state-owned companies, relatives and agents of government officials acting on their behalf, and representatives of quasi-governmental and international organizations. Stated more concisely, the FCPA prohibits the payment of bribes, kickback or other inducements to foreign (i.e., non-U.S.) governmental officials. This prohibition also extends to payments to a sales representative, agent or other third party if there is reason to believe that the payment will be used indirectly for a prohibited payment to governmental officials. Violation of the FCPA is a crime that can result in severe fines and criminal penalties for the employee and the Company, as well as disciplinary action by the Company, up to and including termination of employment.

C. *Compliance with Laws against Money Laundering*

Employees are prohibited from engaging in activities which would amount to money-laundering. Violation of laws against money laundering can result in severe fines and criminal penalties, as well as disciplinary action by the Company, up to and including termination of employment. In addition, employees should comply with the Company’s policy against money-laundering.

**IX. Fair Dealing**

The Company’s success depends on building productive relationships with one another and third parties on honesty, integrity, ethical behavior and mutual trust. Every employee should endeavor to deal fairly with each of our patrons, suppliers, competitors and other employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practices.

**X. Protection and Proper Use of Assets**

Proper and efficient use of Company, supplier, customer and other third party assets, such as electronic communication systems, information (proprietary or otherwise), material, facilities and equipment, as well as intangible assets, is each employee’s responsibility. Employees must not use such assets for personal profit for themselves or others. In addition, employees must act in a manner to protect such assets from loss, damage, misuse, theft, removal and waste. Finally, employees must ensure that such assets are used only for legitimate business purposes. However, in limited instances, Company assets may be used for other purposes approved by management.

**XI. Conclusion**

This Code of Business Conduct and Ethics contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. If you have any questions about these guidelines, please contact the Human Resources department. We expect all Company employees to adhere to these standards.

*This Code of Business Conduct and Ethics shall be our “code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder.*

*The Code does not in any way constitute an employment contract or an assurance of continued employment. It is for the sole and exclusive benefit of the Company and may not be used or relied upon by any other party. The Company may modify or repeal the provisions of the Code or adopt a new Code at any time it deems appropriate, with or without notice.*

**CERTIFICATION OF COMPLIANCE**

I have received, reviewed, and understood the above Code of Business Conduct and Ethics and hereby undertake, as a condition to my present and continued employment at or affiliation with the Company (as defined above), to comply fully with the policies and procedures contained therein.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
NAME

\_\_\_\_\_  
POSITION

Issue No. 4  
Approval Date: 29 September 2009

Corporate Governance Policy 1 — Code of Business Conduct and Ethics  
Issue No. 4 Approval 29 September 2009

**Certification by the Chief Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Lawrence Ho, certify that:

1. I have reviewed this annual report on Form 20-F of Melco Crown Entertainment Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation, and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

March 31, 2010

By: /s/ Lawrence Ho

Name: Lawrence Ho

Title: Co-Chairman and Chief Executive Officer

**Certification by the Chief Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Simon Dewhurst, certify that:

1. I have reviewed this annual report on Form 20-F of Melco Crown Entertainment Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation, and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

March 31, 2010

By: /s/ Simon Dewhurst

Name: Simon Dewhurst

Title: Executive Vice President and  
Chief Financial Officer



**Certification by the Chief Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Melco Crown Entertainment Limited (the "Company") on Form 20-F for the year ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lawrence Ho, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2010

By: /s/ Lawrence Ho

\_\_\_\_\_  
Name: Lawrence Ho

Title: Co-Chairman and Chief Executive Officer

**Certification by the Chief Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Melco Crown Entertainment Limited (the "Company") on Form 20-F for the year ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Simon Dewhurst, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2010

By: /s/ Simon Dewhurst

Name: Simon Dewhurst

Title: Executive Vice President and  
Chief Financial Officer

31 March 2010

Our Ref: DW/CW/M4237-H01577

The Board of Directors  
Melco Crown Entertainment Limited  
36th Floor  
The Centrium  
60 Wyndham Street  
Central  
Hong Kong

Dear Sirs,

We consent to the reference to our firm under the heading “Board Practices”, the heading “Documents on Display”, the heading “Corporate Governance” in the Annual Report on Form 20-F of Melco Crown Entertainment Limited for the year ended 31 December 2009, which will be filed with the U.S. Securities and Exchange Commission (the “**Commission**”) on 31 March 2010 under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under the Securities Act, or the Rules and Regulations of the Commission thereunder.

Yours faithfully

/s/ Walkers

**Walkers**