



Melco Crown Entertainment

新濠博亞娛樂

Melco Crown Entertainment Limited

(incorporated in the Cayman Islands with limited liability)

RMB2,300,000,000 3.75% Bonds due 2013

Issue Price: 100%

We will issue RMB2,300,000,000 3.75% Bonds due 2013, or the Bonds.

Interest on the Bonds is payable semi-annually in arrears on May 9 and November 9 in each year commencing on November 9, 2011.

Payments on the Bonds will be made without deduction for or on account of taxes of the Cayman Islands to the extent described under “Terms and Conditions of the Bonds—Taxation”.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on May 9, 2013. We may redeem the Bonds at our option in whole, but not in part, at any time after May 9, 2012, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with accrued interest to, but excluding, the date fixed for redemption. We may redeem the Bonds at our option in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to, but excluding the date fixed for redemption, if, immediately before giving such notice, we satisfy the Trustee that we have or will become obliged to pay additional amounts as a result of any change in the tax laws or regulations of the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations and such obligation cannot be avoided by us taking reasonable measures available to us. In addition, at any time following the occurrence of a Gaming Trigger (as defined in the Trust Deed), we may redeem the Bonds of a relevant Bondholder at our option in whole, but not in part, on giving not less than 30 days’ notice to the relevant Bondholder on the Gaming Settlement Date (as defined in the Trust Deed) at 100% of their principal amount, together with accrued interest to the Gaming Settlement Date. We may also redeem the Bonds at our option in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with (x) accrued interest to, but excluding the date fixed for redemption and (y) in the case where the period from the date fixed for redemption to the Maturity Date is less than six months, an amount equal to the amount of interest which would be payable on the Bonds on the next Interest Payment Date, and in all other cases, an amount equal to the amount of interest which would be payable on the Bonds on the next successive two Interest Payment Dates, if immediately before giving such notice, at least 90% in principal amount of the Bonds originally issued (including any further bonds issued pursuant to Condition 14 (Further issues)) has already been previously redeemed, or purchased and cancelled. At any time following the occurrence of a Change of Control (as defined in the Trust Deed), the holder of any Bond will have the right, at such holder’s option, to require us to redeem all but not some only of that holder’s Bonds on the Put Settlement Date at 101% of their principal amount, together with accrued interest to, but excluding, such Put Settlement Date. See “Terms and Conditions of the Bonds—Redemption and Purchase”.

Investing in the Bonds involves certain risks. See “Risk Factors” beginning on page 13.

Approval in-principle has been received from Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Offering Memorandum. Admission of the Bonds to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of the Bonds, the Company or its subsidiaries or associated companies, if any.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, or the Securities Act, and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States unless pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act. The Bonds are being offered and sold outside the U.S. in reliance on Regulation S of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Memorandum, see “Plan of Distribution”.

The denomination of the Bonds shall be RMB250,000 and integral multiples of RMB10,000 in excess thereof.

The Bonds will be issued in bearer form and will be initially represented by a permanent global bond, without interest coupons, which will be deposited with a sub-custodian for the Central Moneymarkets Unit Service, or the CMU, the book-entry clearing system operated by the Hong Kong Monetary Authority, or the HKMA. The global bond will be exchangeable for definitive Bonds in bearer form in the denomination of RMB250,000 and integral multiples of RMB10,000 in excess thereof in the limited circumstances set out in it. See “Summary of Provisions relating to the Bonds in Global Form”. We are not regulated by HKMA or the Securities and Futures Commission of Hong Kong.

Joint Global Coordinators

BofA Merrill Lynch

Deutsche Bank

Joint Bookrunners and Joint Lead Managers

BofA Merrill Lynch

Deutsche Bank

Citi

The Royal Bank of Scotland

The date of this Offering Memorandum is April 29, 2011.

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NOTICE TO INVESTORS

This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time after that date.

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, HONG KONG BRANCH, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE BONDS IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE BONDS. AS A RESULT, THE PRICE OF THE BONDS MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF DEUTSCHE BANK AG, HONG KONG BRANCH, AND NOT FOR OR ON BEHALF OF THE COMPANY.

We, having made all reasonable inquiries, confirm that: (i) this Offering Memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this Offering Memorandum and the Bonds that is material in the context of the issue and offering of the Bonds; (ii) the statements contained in this Offering Memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, and the Bonds, the omission of which would, in the context of the issue and offering of the Bonds, make this Offering Memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This Offering Memorandum is highly confidential and has been prepared by us solely for use in connection with the proposed offering of the Bonds described in this Offering Memorandum. Deutsche Bank AG, Hong Kong Branch, Merrill Lynch International, Citicorp International Limited and The Royal Bank of Scotland plc. (together, the “Joint Lead Managers”) and we reserve the right to withdraw this offering at any time before closing, to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the amount of the Bonds offered by this Offering Memorandum.

Notwithstanding anything in this Offering Memorandum to the contrary, except as reasonably necessary to comply with applicable securities laws, you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the United States federal income tax treatment and tax structure of this offering and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. For this purpose, “tax structure” is limited to facts relevant to the United States federal income tax treatment of this offering.

We have prepared this Offering Memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Bonds. By purchasing the Bonds, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed “Transfer Restrictions” herein.

No representation or warranty, express or implied, is made by the Joint Lead Managers or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the Joint Lead Managers nor any of their respective affiliates or advisors have independently verified any of such information and none of them assumes any responsibility for such information and each of them assumes no responsibility for its accuracy or completeness.

Each person receiving this Offering Memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers or any director, officer, employee, agent or advisor of any of them, in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, or the Bonds (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Joint Lead Managers.

The Bonds have not been approved or disapproved by the United States Securities and Exchange Commission, or the SEC, any state securities commission in the United States or any other United States, Hong Kong, or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

We are not, and the Joint Lead Managers are not, making an offer to sell the Bonds in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Memorandum and the offering of the Bonds may in certain jurisdictions be restricted by law. Persons into whose possession this Offering Memorandum comes are required by us and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Bonds and distribution of this Offering Memorandum, see the sections headed "Transfer Restrictions" and "Plan of Distribution" below.

This Offering Memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Offering Memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Bonds by you under any legal, investment or similar laws or regulations. You should not consider any information in this Offering Memorandum to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Bonds.

The Joint Lead Managers reserve the right to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. The Joint Lead Managers and certain related entities may acquire for their own account a portion of the Bonds.

MARKET AND INDUSTRY INFORMATION

We obtained the market and industry information used in this Offering Memorandum from our own research, surveys or studies conducted by third parties and industry or general publications, including The Macau Gaming Inspection and Coordination Bureau, or DICJ, Statistics and Census Service of the Macau SAR Government, or DSEC, and other publicly available sources. Industry and general publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Although we have not independently verified the market data and related information contained in this Offering Memorandum, we believe such data and information is accurate as of the date of this Offering Memorandum or the respective earlier dates specified herein.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements were prepared in accordance with generally accepted accounting principles in the United States. Our reporting currency is U.S. dollars.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or thousands, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages

and amounts reflecting changes over time periods relating to financial and other data set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are calculated using the numerical data in our consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

This Offering Memorandum contains non-GAAP financial measures and ratios that are not required by, or presented in accordance with, U.S. GAAP. We present non-GAAP financial measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance. We use non-GAAP financial measures as measures of the operating performance of our properties and to compare the operating performance of our properties with those of our competitors. The non-GAAP financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results reported under U.S. GAAP. Non-GAAP financial measures and ratios are not measurements of our performance under U.S. GAAP and should not be considered as alternatives to operating income or net profit or any other performance measures derived in accordance with U.S. GAAP or any other generally accepted accounting principles.

CONVENTIONS THAT APPLY TO THIS OFFERING MEMORANDUM

In this Offering Memorandum, unless otherwise indicated,

- “Altira Developments Limited” refers to the Macau company through which we hold the land and building for Altira Macau;
- “Altira Hotel Limited” refers to the Macau company through which we currently operate the hotel and other non-gaming businesses at Altira Macau;
- “Bonds” refers to the RMB2,300,000,000 3.75% Bonds due 2013 issued by the Company;
- “China,” “mainland China” and “PRC” refer to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan;
- “CMU” refers to the Central Moneymarkets Unit Service, the book-entry clearing system operated by the HKMA;
- “Crown” refers to Crown Limited, an Australian listed corporation which completed its acquisition of the gaming businesses and investments of PBL, now known as Consolidated Media Holdings Limited, on December 12, 2007 and which is now our shareholder. As the context may require, “Crown” shall include its predecessor, PBL;
- “Exchange Notes” refers to approximately 99.96% of the Initial Notes which were, on December 27, 2010, exchanged for 10.25% senior notes due 2018 registered under the Securities Act;
- “Greater China” refers to mainland China, Hong Kong, Macau and Taiwan, collectively;
- “HK\$” and “H.K. dollars” refer to the legal currency of Hong Kong;
- “HKMA” refers to the Hong Kong Monetary Authority;
- “Hong Kong” refers to the Hong Kong Special Administration Region of the People’s Republic of China;
- “Initial Notes” refers to the US\$600,000,000 aggregate principal amount of 10.25% senior notes due 2018 issued by MCE Finance on May 17, 2010;
- “Macau” and the “Macau SAR” refer to the Macau Special Administrative Region of the People’s Republic of China;
- “MCE Finance” refers to our wholly-owned subsidiary, MCE Finance Limited, a Cayman Islands exempted company with limited liability;
- “Melco” refers to Melco International Development Limited, a Hong Kong listed company;
- “Melco Crown (COD) Developments Limited” refers to the Macau company through which we hold the land and buildings for City of Dreams;
- “Melco Crown (COD) Hotels Limited” refers to the Macau company through which we currently operate the non-gaming businesses at City of Dreams;
- “Melco Crown Gaming” refers to our subsidiary, Melco Crown Gaming (Macau) Limited, a Macau company and the holder of the gaming subconcession;
- “MPEL International” refers to our wholly-owned subsidiary, MPEL International Limited, a Cayman Islands company with limited liability;
- “our subconcession” refers to the Macau gaming subconcession held by Melco Crown Gaming;

- “Patacas” and “MOP” refer to the legal currency of Macau;
- “PBL” refers to Publishing and Broadcasting Limited, an Australian listed corporation which is now known as Consolidated Media Holdings Limited;
- “Renminbi” and “RMB” refer to the legal currency of China;
- “SBGF Agreement” refers to the subconcession bank guarantee request letter, dated September 1, 2006, issued by Melco Crown Gaming and the bank guarantee number 269/2006, dated September 6, 2006, extended by Banco Nacional Ultramarino, S.A. in favor of the government of the Macau SAR at the request of Melco Crown Gaming, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection thereunder;
- “Senior Note Guarantees” refers to the guarantees provided by the Company, MPEL International and the Senior Note Subsidiary Group Guarantors with respect to the Senior Notes;
- “Senior Note Guarantors” refers to the Company, MPEL International and the Senior Note Subsidiary Group Guarantors with respect to the Senior Notes;
- “Senior Note Subsidiary Group Guarantees” refers to the guarantees provided by the Senior Note Subsidiary Group Guarantors with respect to the Senior Notes;
- “Senior Note Subsidiary Group Guarantors” refers to Melco Crown Gaming, MPEL Nominee One Limited, MPEL Investments Limited, Altira Hotel Limited, Altira Developments Limited, Melco Crown (COD) Hotels Limited, Melco Crown (COD) Developments Limited, Melco Crown (Cafe) Limited, Golden Future (Management Services) Limited, MPEL (Delaware) LLC, Melco Crown Hospitality and Services Limited, Melco Crown (COD) Retail Services Limited, Melco Crown (COD) Ventures Limited, COD Theatre Limited, Melco Crown COD (HR) Hotel Limited, Melco Crown COD (CT) Hotel Limited and Melco Crown COD (GH) Hotel Limited with respect to the Senior Notes;
- “Senior Notes” refers to the Initial Notes and the Exchange Notes, collectively;
- “SGX-ST” refers to Singapore Exchange Securities Trading 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;
- “US\$” and “U.S. dollars” refer to the legal currency of the United States;
- “U.S. GAAP” refers to the accounting principles generally accepted in the United States; and
- “we,” “us,” “our company,” “our,” the “Issuer,” and the “Company” refer to Melco Crown Entertainment Limited, a Cayman Islands exempted company with limited liability and the issuer of the Bonds described in this Offering Memorandum, and its predecessor entities and its consolidated subsidiaries, as applicable.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated in the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company, such as:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and provides significantly less protection to investors; and
- Cayman Islands companies do not have standing to sue before the federal courts of the United States.

Our constituent documents do not contain provisions requiring that disputes between us, our officers, directors and shareholders, be arbitrated.

Substantially all of our current operations, including our administrative and corporate operations, are conducted in Macau and Hong Kong, and substantially all of our assets are located in Macau. A majority of our directors and officers are nationals or residents of Macau and Hong Kong and a substantial portion of their assets are located in Macau and Hong Kong. As a result, it may be difficult for a holder of the Bonds to effect service of process in jurisdictions other than Macau or Hong Kong upon us or such persons, or to enforce against us or them judgments obtained in courts other than Macau or Hong Kong courts, including judgments predicated upon the civil liability provisions of such other jurisdictions' securities laws.

Walkers, our counsel as to Cayman Islands law, has advised us that a judgment obtained in a foreign court will be recognized and enforced in the courts of the Cayman Islands without any re-examination of the merits (a) at common law, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, where the judgment is (i) final and conclusive and in respect of which the foreign court had jurisdiction over the defendant according to Cayman Islands conflict of law rules, (ii) either for a liquidated sum not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations or, in certain circumstances, for in personam non-money relief, and which was neither obtained in a manner, nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands and execution as if it were a judgment of the Grand Court of the Cayman Islands, or (b) by statute, by registration in the Grand Court of the Cayman Islands and execution as if it were a judgment of the Grand Court where the judgment is a judgment of a superior court of any state of the Commonwealth of Australia which is final and conclusive for a sum of money not in respect of taxes or other charges of a like nature or in respect of a fine, penalty or revenue obligation, has not been wholly satisfied and which could be enforced by execution in that jurisdiction and is not set aside on the grounds that the country of the original court had no jurisdiction or the judgment was obtained by fraud or the enforcement of the judgment would be contrary to the public policy of the Cayman Islands or on any other grounds.

Manuela António Law Office, our counsel as to Macau law, has advised that a final and conclusive monetary judgment for a definite sum obtained in a court in a jurisdiction other than Macau would be treated by the courts of Macau as a cause of action in itself so that no retrial of the issues would be necessary, provided that: (1) such court had jurisdiction in the matter and the defendant either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process; (2) due process was observed by such court, with equal treatment given to both parties to the action, and the defendant had the opportunity to submit a defense; (3) the judgment given by such court was not in respect of penalties, taxes, fines or similar fiscal or tax revenue obligations; (4) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court; (5) recognition or enforcement of the judgment in Macau would not be contrary to public policy; (6) the proceedings pursuant to which judgment was obtained were not contrary to natural justice; and (7) any interest charged to the defendant does not exceed three times the official interest rate, which is currently 9.75% per annum, over the outstanding payment (whether of principal, interest fees or other amounts) due.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum 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. All statements other than statements of historical fact in this Offering Memorandum are forward-looking statements. 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. 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 (including conditions precedent to draw down or roll over funds) and covenants under the US\$1.75 billion City of Dreams Project Facility, or City of Dreams Project Facility;
- compliance with covenants under the Senior Notes;
- our ability to refinance and raise additional financing;
- our future business development, results of operations and financial condition;
- growth of the gaming market in and visitation to Macau;
- our anticipated growth strategies;
- the liberalization of travel restrictions on PRC citizens and convertibility of the Renminbi;
- the availability of credit for gaming patrons;
- the uncertainty of tourist behavior related to spending and vacationing at casino resorts in Macau;
- 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 Resorts (Macau) S.A, or Wynn Macau, Galaxy Casino, S.A., or 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;
- the development of Macau Studio City;
- our entering into new development and construction and new ventures;
- 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;
- the outcome of any current and future litigation; and
- other factors described under “Risk Factors”.

The forward-looking statements made in this Offering Memorandum relate only to events or information as of the date on which the statements are made in this Offering Memorandum. 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 Offering Memorandum completely and with the understanding that our actual future results may be materially different from what we expect.

ADDITIONAL INFORMATION

We are subject to periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, reports on Form 6-K and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders under the federal proxy rules contained in Sections 14(a), (b) and (c) of the Exchange Act, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. Copies of reports and other information, when so filed, may be inspected without charge at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC also maintains an Internet website at www.sec.gov that contains reports, information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

Each person receiving this Offering Memorandum acknowledges that he has been afforded an opportunity to request from us, to review, and has received, all information considered by him to be necessary to consider whether or not to purchase the Bonds offered hereby. In addition, we will provide, without charge, to each person to whom this Offering Memorandum is delivered, upon that person's written or oral request, a copy of the Trust Deed governing the Bonds, or the Trust Deed, and/or any other agreement or document related to the Bonds or referred to in this Offering Memorandum.

GLOSSARY

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.
Cage	a secure room within a casino with a facility that allows patrons to exchange cash for chips required to participate in gaming activities, or to exchange chips for cash.
Chip	round token that is used on casino gaming tables in lieu of cash.
Concession	a government grant for the operation of games of fortune and chance in casinos in the Macau SAR under an administrative contract pursuant to which a concessionaire, or the entity holding the concession, is authorized to operate games of fortune and chance in casinos in the Macau SAR.
Dealer	a casino employee who takes and pays out wagers or otherwise oversees a gaming table.
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.
Drop box	a box or container that serves as a repository for cash, chips, chip purchase vouchers, credit markers and forms used to record movements in the chip inventory on each table game.
Expected hold percentage	casino win based upon our mix of games as a percentage of drop assuming theoretical house advantage is achieved.
Gaming machine handle (volume)	the total amount wagered in gaming machines in aggregate for the period cited.
Gaming promoter or junket representative	an individual or corporate entity who, for the purpose of promoting rolling chip gaming activity, arranges customer transportation and accommodation, provides credit in its sole discretion, and arranges food and beverage services and entertainment in exchange for commissions or other compensation from a gaming operator.
Gaming promoter aggregator model	under this model, the casino owner typically pays an additional level of remuneration above usual market commission rate to the gaming promoter which in return provides additional services by managing and providing credit to its collaborators.
Hold percentage	the amount of win (calculated before discounts and commissions) as a percentage of drop or roll.
Hotel occupancy rate	the average percentage of available hotel rooms occupied during a period.
Integrated resort	a resort which provides customers with a combination of hotel accommodations, casinos or gaming areas, retail and dining facilities, MICE space, entertainment venues and spas.
Junket player	a player sourced by gaming promoters to play in the VIP gaming rooms or areas.

Marker	evidence of indebtedness by a player to the casino or gaming operator.
Mass market patron	a non-rolling chip player who uses non-rolling chips to make wagers.
Mass market segment	consists of both table games and slot machines played on public mass gaming floors by mass market patrons for cash stakes that are typically lower than those in the rolling chip segment.
MICE	Meetings, Incentives, Conventions and Exhibitions, an acronym commonly used to refer to tourism involving large groups brought together for an event or specific purpose.
Net rolling	net turnover in a non-negotiable chip game.
Non-negotiable chip	promotional casino chip that is not to be exchanged for cash.
Non-rolling chip or traditional cash chip.	chip used by mass market patrons to make wagers and can be exchanged for cash.
Non-rolling chip hold percentage	mass market table games win as a percentage of non-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.
Premium player	a player who is a direct customer of the casino and is attracted to the casino through direct marketing efforts and relationships with the gaming operator.
Progressive jackpot	a jackpot for a slot machine or table game where the value of the jackpot increases as wagers are made. Multiple slot machines or table games may be linked together to establish one progressive jackpot.
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.
Rolling chip	non-negotiable chip primarily used by rolling chip patrons to make wagers.
Rolling chip hold percentage	rolling chip table games win as a percentage of rolling chip volume.
Rolling chip patron	a player who is primarily a VIP player and typically receives various forms of complimentary services from the gaming promoters or casinos.
Rolling chip segment	consists of table games played in private VIP gaming rooms or areas by rolling chip patrons who are either premium players or junket players.
Rolling chip volume	the amount of non-negotiable chips wagered and lost by the rolling chip market segment, therefore tracking the sum of all losing wagers.

Slot machine	traditional gaming machine operated by a single player and electronic multiple-player gaming machines.
Subconcession	an agreement for the operation of games of fortune and chance in casinos between the entity holding the concession, or the concessionaire, a subconcessionaire and the Macau SAR, pursuant to which the subconcessionaire is authorized to operate games of fortune and chance in casinos in the Macau SAR.
Table games win	the amount of wagers won net of wagers lost that is retained and recorded as casino revenue.
Table inventory forms	the forms used to record movements in the chip inventory on each table game.
VIP gaming room or VIP gaming area	gaming rooms or areas that have restricted access to rolling chip patrons and typically offer more personalized service than the general mass market gaming areas.
Wet stage performance theater	the approximately 2,000-seat theater specifically designed to stage “The House of Dancing Water” show.
Win percentage-gaming machines	actual win expressed as a percentage of gaming machine handle.

SUMMARY

This summary highlights information appearing elsewhere in this Offering Memorandum. You should carefully read the entire Offering Memorandum, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.

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.

Through our operations, we cater to a broad spectrum of potential gaming patrons, including high stakes rolling chip gaming patrons, as well as 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 recent years through the early development of the Mocha brand, the evolution of the Altira Macau (formerly known as Crown Macau) property, the introduction of City of Dreams which has resulted in a diversified portfolio of gaming and entertainment properties, and supporting our staff within Macau through what we believe are market leading business models.

Our existing operations and our development projects consist of:

City of Dreams. City of Dreams, an integrated resort development in Macau, opened in Cotai in June 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. The resort brings together a collection of brands, such as Crown, Grand Hyatt, Hard Rock and Dragone, to create an experience that aims to appeal to a broad spectrum of visitors from around Asia and the world. 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 opened on September 17, 2010 in the wet stage performance theater known as the Theater of Dreams. The Cubic Club nightclub situated on Level 2 of The Boulevard at City of Dreams opened on April 1, 2011. In addition, there are over 20 restaurants and bars; 69 retail outlets; an 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 have concluded the revision to our land lease agreement for City of Dreams, pursuant to which we increased the developable gross floor area by approximately 1.6 million square feet. We are currently re-evaluating the next phase of our development plan at City of Dreams. The next phase is expected to include a five star hotel with features of an apartment hotel or a general hotel and we anticipate that this phase of development will be financed separately from the rest of the City of Dreams. We are assessing our hotel room requirements, government policies and general market conditions, before we finalize our development plan. The development of the hotel is or may be subject to the availability of additional financing, Macau government’s approval and the approval of our financiers 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 wet stage performance theater, all retail space together with food and beverage outlets, were 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 pre-opening expenses. Dragon’s Treasure, the show offered in the Bubble at City of Dreams, received the 2009 THEA Award for “Outstanding Achievement” from the Themed Entertainment Association (TEA). City of Dreams also won the “Best Leisure Development in Asia Pacific” award in the International Property Awards 2010 which recognizes distinctive innovation and outstanding success in leisure development and the “Best Casino VIP Room” and “Best Casino Interior Design” awards in the International Gaming Awards 2011, which recognizes outstanding design in the casino sector.

Altira Macau. Altira Macau is designed to provide a casino and hotel experience which primarily meets the cultural preferences and expectations of Asian rolling chip customers and the gaming promoters who collaborate with Altira Macau. Altira Macau currently features a casino area of approximately 173,000 sq. ft. with a total of approximately 206 gaming tables, 216 hotel rooms, including 24 suites and eight villas, several fine dining and casual restaurants, recreation and leisure facilities, including a health club, pool and spa and lounges and meeting facilities. We believe that gaming venues traditionally available to high-end patrons in Macau have not offered the level of accommodation and facilities we offer at Altira Macau, and instead have

focused primarily on gaming during day trips and short visits to Macau. Altira Macau won the “Casino Interior Design Award” in the first International Gaming Awards in 2008. Altira Macau has for the second year in a row been awarded the Forbes Five Star rating in both Lodging and Spa categories by the Forbes Travel Guide (formerly Mobil Travel Guide) for 2010 and 2011. Altira Macau also won the “Best Business Hotel in Macau” award in TTG China Travel Awards 2009 and the “Best Luxury Hotel in Macau” award in the TTG China Travel Awards 2010. Altira is a property brand that has been developed to target the Asian rolling chip market. The brand supports our primary business objective at the Altira Macau property, which is to develop 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 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, which targets premium rolling chip customers sourced through the regional marketing networks operated by us. The Altira brand was launched in April 2009. In late 2009, Altira transitioned from a gaming promoter aggregator model to one where we contract directly with all of our gaming promoters. Altira Macau transferred the management of its gaming machines to Mocha Clubs in 2008.

Mocha Clubs. Mocha Clubs first opened in September 2003 and has expanded operations to eight clubs with a total of approximately 1,600 gaming machines, each club with an average of approximately 200 gaming machines and gaming space ranging from approximately 3,000 sq. ft. to 11,000 sq. ft. The clubs comprise the largest non-casino-based operations of electronic gaming machines in Macau and are located in areas with strong pedestrian traffic, typically within three-star hotels. Each club site offers electronic tables without dealers. Our Mocha Club gaming facilities include what we believe is the latest technology for gaming machines and offer both single player machines with a variety of games, including progressive jackpots, and multi-player games where players on linked machines play against 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, 2010, Mocha had 1,576 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 18,950 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.

Macau Studio City Project. Melco Crown Gaming has entered into a services agreement with New Cotai Entertainment (Macau) Limited and New Cotai Entertainment, LLC, under which Melco Crown Gaming would operate the casino portions of the Macau Studio City project, a large integrated 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 would 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 (Macau) Limited. The joint venture parties are currently involved in litigation proceedings and therefore construction of the Macau Studio City project has not commenced and the formal opening of Macau Studio City has not been determined.

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 monitor and effectively manage our liquidity needs and raise development funds when favorable

market conditions permit us to do so, and we will, as a priority, apply surplus cash generated from our operations to de-leveraging.

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 and further strengthen our brands by building and maintaining high quality properties that differentiate us from our competitors throughout Asia and by providing a set of experiences tailored to meet the cultural preferences and expectations of Asian customers.

Although we strive to have all of our properties consistently adhere to the standards 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 independence, flexibility and economic benefits afforded by being a subconcessionaire. We will consider opportunities to utilize our subconcession for newly acquired, developed or existing properties as they arise. 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 properties under leasing or services arrangements and keep a percentage of the revenues. In 2008, the Macau government imposed a moratorium on new gaming services agreements. Such moratorium does not currently impact the agreement between Melco Crown Gaming, New Cotai Entertainment (Macau) Limited and New Cotai Entertainment, LLC regarding the Macau Studio City project. 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. We have combined our brand recognition with customer management techniques and programs in order to build a database of repeat customers and loyalty club members. Through Mocha Clubs' share of the Macau electronic gaming market, we have also developed a customer database and a customer loyalty program, which we believe have 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; 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 experience in operating large scale, high quality resort facilities.

We believe that 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, we believe that tailored services will drive competitive advantage. As such, our focus remains on creating service experiences for the tastes and expectations of a segmented and demanding consumer.

We believe 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 majority 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.

Risk Factors

Our business and the Bonds are subject to numerous risks and uncertainties such as:

- the early stage of operations of our business and properties;
- our dependence upon a limited number of properties for a substantial portion of our cash flow;
- our subsidiaries need a significant amount of cash to service their debt, and they may not generate sufficient cash flow to make scheduled debt payments;
- all of our operations are in Macau, which has certain political and economic risks that may lead to significant volatility and have a material adverse effect on our results of operations;
- the gaming industry in Macau is highly regulated;
- intense competition in Macau and elsewhere in Asia may cause us to lose, or to be unable to gain, market share and impact our ability to attract or retain suitably qualified management and personnel;
- our current indebtedness (which amounted to US\$1.85 billion as of December 31, 2010) and any future indebtedness could impair our financial condition and further exacerbate the risks associated with our significant leverage;
- the Bonds will be structurally subordinated to subsidiary debt;
- we are subject to and required to comply with many conditions and financing covenants, and a breach of certain conditions or covenants may result in our inability to roll over or draw down our loans or may result in our default under the terms and conditions of our financing and an acceleration of the repayment of such indebtedness, which would have a material adverse effect on the availability of our working capital;
- we extend credit, often unsecured, to some of our customers and we may not be able to collect such credit;
- gaming revenue is inherently subject to volatility as a result of win rate fluctuations; our focus on the rolling chip segment of the gaming market exposes us to a higher level of volatility and the winnings of our patrons could exceed our casino winnings;
- any outbreak of contagious disease in Macau and/or any of our properties may adversely affect visitation to Macau and/or our properties and may result in a material reduction of our revenue;
- restrictions on or conditions to travel in Macau could adversely impact the number of visitors from mainland China to our properties in Macau; and

- we are a holding company that will depend on our subsidiaries to provide us with funds to meet our obligations under the Bonds.

You should carefully consider these factors as well as all of the information set forth in this Offering Memorandum and, in particular, the information under the heading “Risk Factors”, prior to making any investment decision.

Recent Developments

On January 25, 2011 Melco Crown Gaming was served a civil action filed by Ama International Limited, or Ama, in which Ama claims the payment of MOP622.8 million (approximately US\$77.7 million) plus interest accrued since January 25, 2011, for damages incurred as a result of Melco Crown Gaming’s alleged breach of the gaming promotion agreement with Ama terminated on June 22, 2010, for loss of profit resulting from such termination and for damages incurred and loss of profit resulting from the alleged unfair competition of Melco Crown Gaming at the casino at Altira Macau. On March 3, 2011 Melco Crown Gaming filed its response to Ama’s claims. On March 22, 2011 Ama filed its response to Melco Crown Gaming’s defense and reduced the claimed amount to MOP325.8 million (approximately US\$40.6 million) plus interest accrued since January 25, 2011. We believe Ama’s allegations and claims have no grounds and are in response to our effort to collect debt outstanding and owing to Melco Crown Gaming from Ama. Melco Crown Gaming intends to continue to vigorously defend all claims made by Ama.

On April 21, 2011, our subsidiary, Melco Crown Gaming, entered into a commitment letter (the “Commitment Letter”) with a group of lenders. Pursuant to the terms of the Commitment Letter, the lenders have agreed to arrange and underwrite credit facilities of approximately US\$1,200 million primarily to refinance the City of Dreams Project Facility. The refinancing contemplated by the Commitment Letter is expected to reduce or remove certain restrictions on our business that are currently imposed by the covenants in the existing City of Dreams Project Facility, providing us with greater flexibility to conduct our business and pursue growth and expansion opportunities. The pricing terms of this refinancing are expected to be in line with market pricing terms, but higher than the pricing terms of the existing City of Dreams Project Facility and the term of such new facility is expected to be extended beyond the maturity date of the existing City of Dreams Project Facility.

Consummation of the refinancing contemplated by the Commitment Letter is subject to the satisfaction of a number of requirements and conditions precedent, including negotiation of definitive legal documentation, completion by the lenders of their due diligence and the absence of any material adverse change in our business or in the capital markets generally. Accordingly, we cannot assure you that we will be able to consummate the transactions contemplated by the Commitment Letter or otherwise refinance the City of Dreams Project Facility on commercially acceptable terms, or at all. As described elsewhere in this Offering Memorandum, failure to refinance or amend the City of Dreams Project Facility would restrict our ability to transfer cash from our subsidiaries to the Company to contribute to certain scheduled payments due on the Bonds. See the section headed “Risk Factors—Risks Relating to Our Indebtedness and the Bonds”. Pending completion, if any, of this refinancing, a portion of the proceeds from the sale of the Bonds will be held by us to make certain scheduled interest payments on the Bonds. See “Use of Proceeds”.

General Information

On December 18, 2006, we completed our initial public offering of ADSs. Our ADSs are listed for quotation on the Nasdaq Global Select Market under the symbol “MPEL”. On November 6, 2007, May 1, 2009 and August 18, 2009, we completed follow-on offerings of ADSs.

We were incorporated in the Cayman Islands on December 17, 2004 as an exempted company with limited liability, with registered number 143119. 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.

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. The information contained on our website does not form part of this Offering Memorandum.

THE OFFERING

The following contains some summary information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” and “Summary of Provisions Relating to the Bonds in Global Form” shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Memorandum.

Issuer	Melco Crown Entertainment Limited.
Principal amount of the Bonds	RMB2,300,000,000 aggregate principal amount of 3.75% Bonds due 2013.
Issue Price	100% of the principal amount.
Form and Denomination	The Bonds will be issued in bearer form in the denomination of RMB250,000 and integral multiples of RMB10,000 in excess thereof.
Interest	The Bonds will bear interest at a rate of 3.75% per annum.
Interest Payment Dates	The Bonds bear interest from and including May 9, 2011 payable semi-annually in arrears on May 9 and November 9 in each year commencing on November 9, 2011.
Issue Date	May 9, 2011.
Maturity Date	The Interest Payment Date falling on, or nearest to May 9, 2013.
Status	The Bonds constitute our direct, general, unconditional, unsubordinated and unsecured obligations which will at all times rank <i>pari passu</i> without any preference or priority among themselves and at least <i>pari passu</i> with all our other present and future unsecured and unsubordinated obligations, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge	So long as any Bond remains outstanding (as defined in the Trust Deed), we shall not create or permit to subsist any Security Interest (as defined in the Terms and Conditions of the Bonds) upon the whole or any part of our present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Guarantee (as defined in the Terms and Conditions of the Bonds) of Relevant Indebtedness without (i) at the same time or prior thereto securing the Bonds equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Bonds as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders. See “Terms and Conditions of the Bonds—Covenants—Negative Pledge”.
Cross Acceleration	The Bonds will contain a cross acceleration provision in respect of us and our Material Subsidiaries (as defined in the Trust Deed), subject to a threshold of US\$10.0 million, as further described in “Terms and Conditions of the Bonds—Events of Default”.
Events of Default	For a description of certain other events of default that will permit the Bonds to become immediately due and payable at their principal amount, together with accrued interest, see “Terms and Conditions of the Bonds—Events of Default”.

Taxation	All payments in respect of the Bonds and the Coupons will be made free and clear of, and without withholding or reduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied, withheld or assessed by or on behalf of the Cayman Islands or any political subdivision or any authority therein or thereof having power to levy tax, unless such withholding or deduction is required by law. We shall (except in certain circumstances as set out in the Terms and Conditions of the Bonds) pay such additional amounts as will result in the receipt by the Bondholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required. See “Terms and Conditions of the Bonds—Taxation”.
Issuer Redemption	We may redeem the Bonds at our option in whole, but not in part, at any time after May 9, 2012, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with accrued interest to, but excluding, the date fixed for redemption.
Tax Redemption	We may redeem the Bonds at our option in whole, but not in part, at their principal amount together with interest accrued to, but excluding the date fixed for redemption, in the event that as a result of any change in the laws of the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such law or regulation after May 9, 2011, we satisfy the Trustee that we have or will be required to pay additional amounts in respect of the Bonds and such obligation cannot be avoided by us taking reasonable measures available to us. See “Terms and Conditions of the Bonds—Redemption and Purchase—Redemption for Tax Reasons”.
Redemption on a Change of Control . . .	At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder’s option, to require us to redeem all but not some only of that holder’s Bonds on the Put Settlement Date at 101% of their principal amount, together with accrued interest to, but excluding, such Put Settlement Date. See “Terms and Conditions of the Bonds—Redemption and Purchase”.
Redemption for Gaming License Reasons	At any time following the occurrence of a Gaming Trigger, we may redeem the Bonds of a relevant Bondholder at our option in whole, but not in part by our giving not less than 30 days’ notice to the relevant Bondholder on the Gaming Settlement Date at 100% of their principal amount, together with accrued interest to the Gaming Settlement Date. See “Terms and Conditions of the Bonds—Redemption and Purchase”.
Clean-up Call	In addition, we may redeem the Bonds at our option in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with (x) accrued interest to, but excluding the date fixed for redemption and (y) in the case where the period from the date fixed for redemption to the Maturity Date is less than six months, an amount equal to the amount of interest which would be payable on the Bonds on the next Interest Payment Date, and in all other cases, an amount equal to the amount of interest which would be payable on the Bonds on the next successive two Interest Payment Dates, if immediately

before giving such notice, at least 90% in principal amount of the Bonds originally issued (plus any further bonds issued pursuant to Condition 14 (Further issues)) has already been previously redeemed, or purchased and cancelled.

Further Issues	We may from time to time, without the consent of the Bondholders, create and issue further bonds which are expressed to be consolidated and form a series with the Bonds and identical to the Bonds in all respects, except for the issue date, issue price and the dates of first payment of interest on them. See “Terms and Conditions of the Bonds—Further Issues”.
Transfer Restrictions	The Bonds have not been registered under the Securities Act or under any state securities laws of the United States and will be subject to certain restrictions on transfer and resale. See “Transfer Restrictions”.
Clearing Systems.	The Bonds will be issued in bearer form and will be initially represented by a permanent global bond deposited with a sub-custodian for the CMU, the book-entry clearing system operated by the HKMA and will be exchangeable for Bonds in definitive form only in the limited circumstances set out therein. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU operator.
Clearance and Settlement.	The Bonds have been accepted for clearance by CMU under the CMU Instrument Number of DBANFN11009. The Common Code of the Bonds is 062150866.
Notices and Payment	So long as the Bonds are represented by the global bond and the global bond is deposited with a sub-custodian for CMU, notices to the Bondholders may be given by delivery of the relevant notice to the persons shown in a CMU instrument position report issued by the CMU operator on the business day preceding the date of dispatch of such notice as holding interests in the global bond. Payments on the Bonds shall be made to the person(s) for whose account(s) interests in the global bond are credited (as set out in a CMU instrument position report or any other relevant notification supplied to the CMU lodging and paying agent by the CMU operator).
Governing Law	The Trust Deed, the Bonds and the Coupons are governed by and shall be construed in accordance with English law.
Trustee for the Bonds	DB Trustees (Hong Kong) Limited.
Principal Paying Agent for the Bonds. . .	Deutsche Bank AG, Hong Kong Branch.
CMU Lodging Agent for the Bonds	Deutsche Bank AG, Hong Kong Branch.
Listing	Approval in-principle has been received for the listing and quotation of the Bonds on the Official List of the SGX-ST.
Rating.	The Bonds will not be rated.
Use of Proceeds	See section entitled “Use of Proceeds”.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following summary historical consolidated statements of operations data for the years ended December 31, 2010, 2009 and 2008, and the summary historical consolidated balance sheets data as of December 31, 2010 and 2009 have been derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. The following summary historical balance sheet data as of December 31, 2008 has been derived from our audited consolidated financial statements not included in this Offering Memorandum. You should read this section in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those financial statements and the notes to those statements included elsewhere in this Offering Memorandum. The historical results are not necessarily indicative of the results of operations to be expected in the future.

	Year ended December 31,				
	2010	2009	2008	2007	2006
	(In thousands of US\$, except share and per share data and operating data)				
Consolidated Statements of Operations Data:					
Net revenues	\$ 2,641,976	\$ 1,332,873	\$ 1,416,134	\$ 358,496	\$ 36,101
Total operating costs and expenses	\$ (2,549,464)	\$ (1,604,920)	\$ (1,414,960)	\$ (554,313)	\$ (93,754)
Operating income (loss)	\$ 92,512	\$ (272,047)	\$ 1,174	\$ (195,817)	\$ (57,653)
Net loss	\$ (10,525)	\$ (308,461)	\$ (2,463)	\$ (178,151)	\$ (73,479)
Loss per share					
—Basic and diluted	\$ (0.007)	\$ (0.210)	\$ (0.002)	\$ (0.145)	\$ (0.116)
—ADS ⁽¹⁾	\$ (0.020)	\$ (0.631)	\$ (0.006)	\$ (0.436)	\$ (0.348)
Shares used in calculating loss per share					
—Basic and diluted	1,595,552,022	1,465,974,019	1,320,946,942	1,224,880,031	633,228,439

	As of December 31,				
	2010	2009	2008	2007	2006
	(In thousands of US\$)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 441,923	\$ 212,598	\$ 815,144	\$ 835,419	\$ 583,996
Restricted cash	\$ 167,286	\$ 236,119	\$ 67,977	\$ 298,983	\$ —
Total assets	\$ 4,884,440	\$ 4,862,845	\$ 4,495,442	\$ 3,617,099	\$ 2,279,920
Total current liabilities	\$ 675,604	\$ 521,643	\$ 447,289	\$ 480,516	\$ 207,613
Total debts ⁽²⁾	\$ 1,839,931	\$ 1,798,879	\$ 1,529,195	\$ 616,376	\$ 212,506
Total liabilities	\$ 2,361,249	\$ 2,353,801	\$ 2,086,838	\$ 1,188,558	\$ 389,554
Total equity	\$ 2,523,191	\$ 2,509,044	\$ 2,408,604	\$ 2,428,541	\$ 1,890,366

(1) Each ADS represents three ordinary shares.

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

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

- 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 and progressively added to its operations with the opening of Grand Hyatt Macau in the fourth quarter of 2009 and the opening of The House of Dancing Water in the third quarter of 2010.

Other Financial and Operational Data

	Year ended December 31,		
	2010	2009	2008
Adjusted property EBITDA ⁽¹⁾⁽³⁾ (in thousands of US\$)	\$489,848	\$95,784	\$188,269
Adjusted EBITDA ⁽²⁾⁽³⁾ (in thousands of US\$)	\$430,359	\$55,756	\$157,025

The following table sets forth the Adjusted property EBITDA for the years ended December 31, 2010, 2009 and 2008:

	Year ended December 31,		
	2010	2009	2008
	(in thousands of US\$)		
Adjusted property EBITDA ⁽¹⁾⁽³⁾			
Mocha Clubs	\$ 29,831	\$25,416	\$ 25,805
Altira Macau	133,679	13,702	162,487
City of Dreams	<u>326,338</u>	<u>56,666</u>	<u>(23)</u>
Total Adjusted property EBITDA	<u>\$489,848</u>	<u>\$95,784</u>	<u>\$188,269</u>

- (1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, other expenses (including pre-opening costs, share-based compensation, property charges and others, corporate and other expenses and non-operating expenses).
- (2) "Adjusted EBITDA" is earnings before interest, taxes, depreciation, amortization, other expenses (including pre-opening costs, share-based compensation, property charges and others, and non-operating expenses).
- (3) The Company changed the name of its segment operating measure from Adjusted EBITDA to Adjusted property EBITDA effective for annual and interim periods commencing January 1, 2010. Additionally, the Company introduced a new performance measure, Adjusted EBITDA, which represents the Company's total Adjusted property EBITDA less corporate and other expenses. Disclosures for previous periods are also presented on this basis for comparative purposes. Management uses Adjusted property EBITDA as its measure of the operating performance of its segments and to compare the operating performance of its properties with those of its competitors. Adjusted EBITDA and Adjusted property EBITDA are also presented as supplemental disclosures because management believes they are widely used to measure performance and as a basis for valuation of gaming companies. The Company also presents Adjusted property EBITDA and Adjusted EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures, and meet working capital requirements. Gaming companies have historically reported Adjusted property EBITDA and Adjusted EBITDA as a supplement to financial measures in accordance with U.S. GAAP.

The following reconciles Adjusted property EBITDA and Adjusted EBITDA to net loss for the years ended December 31, 2010, 2009 and 2008:

	Year ended December 31,		
	2010	2009	2008
	(In thousands of US\$)		
Adjusted property EBITDA	\$ 489,848	\$ 95,784	\$ 188,269
Corporate and other expenses	<u>(59,489)</u>	<u>(40,028)</u>	<u>(31,244)</u>
Adjusted EBITDA	430,359	55,756	157,025
Pre-opening costs	(18,648)	(91,882)	(21,821)
Depreciation and amortization	(313,065)	(217,496)	(126,885)
Share-based compensation	(6,043)	(11,385)	(6,855)
Property charges and others	(91)	(7,040)	(290)
Interest and other non-operating expenses, net	(102,117)	(36,546)	(5,107)
Income tax (expense) credit	<u>(920)</u>	<u>132</u>	<u>1,470</u>
Net loss	<u>\$ (10,525)</u>	<u>\$ (308,461)</u>	<u>\$ (2,463)</u>

The following table sets forth our consolidated statements of cash flows for the years ended December 31, 2010, 2009 and 2008:

	Year ended December 31,		
	2010	2009	2008
	(in thousands of US\$)		
Net cash provided by (used in) operating activities	\$ 401,955	\$ (112,257)	\$ (11,158)
Net cash used in investing activities	\$(190,310)	\$(1,143,639)	\$(913,602)
Net cash provided by financing activities	\$ 17,680	\$ 653,350	\$ 904,485

The following table sets forth rolling chip volume for the years ended December 31, 2010, 2009 and 2008:

	Year ended December 31,		
	2010	2009	2008
	(in billions of US\$)		
Altira Macau	\$40.3	\$37.5	\$62.3
City of Dreams	<u>51.7</u>	<u>20.3</u>	<u>—</u>
Total rolling chip volume	<u>\$92.0</u>	<u>\$57.8</u>	<u>\$62.3</u>

The following table sets forth non-rolling chip volume for the years ended December 31, 2010, 2009 and 2008:

	<u>Year ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(in millions of US\$)		
Altira Macau	\$ 377.1	\$ 273.0	\$353.2
City of Dreams	<u>2,059.4</u>	<u>912.6</u>	<u>—</u>
Total non-rolling chip volume	<u>\$2,436.5</u>	<u>\$1,185.6</u>	<u>\$353.2</u>

The following table sets forth hold percentage for the years ended December 31, 2010, 2009 and 2008:

	<u>Year ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(%)		
Altira Macau			
Rolling chip table games	2.91	2.55	2.85
Non-rolling chip table games	16.2	16.0	14.6
City of Dreams			
Rolling chip table games	2.92	2.65	—
Non-rolling chip table games	21.5	16.3	—

Ratio of Earnings to Fixed Charges

The following table sets forth our ratio of earnings to fixed charges on a historical basis for the periods indicated. The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. For this purpose, earnings consist of income before income tax, before adjustment for noncontrolling interests, plus fixed charges and amortization of capitalized interest, less capitalized interest. Fixed charges consist of interest expensed and capitalized related to indebtedness, amortization of deferred financing costs, and the estimated portion of operating lease rental expense deemed to be representative of the interest factor. Although for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, our earnings were insufficient to cover fixed charges, we have been able to meet our working capital needs.

	<u>Year ended December 31,</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Ratio of earnings to fixed charges	0.85	—	0.08	—	—
Deficiency (in thousands of US\$)	17,962	357,162	53,417	193,232	82,665

RISK FACTORS

You should carefully consider the risks described below and other information contained in this Offering Memorandum before making an investment decision. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and you could lose all or part of your investment.

Risks Relating to Our Early Stage of Operations

We are in an early stage of operations 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, Altira Macau and City of Dreams commenced operations in May 2007 and June 2009, respectively. 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;
- comply with covenants under the Senior Notes;
- 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 or the

Senior Notes. 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.

Risks Relating to the Operation of Our Properties

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.

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. For the years ended December 31, 2010, 2009, 2008, 2007, and 2006, our earnings were insufficient to cover fixed charges. 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 our financial condition and results of operations.

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

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. Further, the Macau government is currently enforcing a labor policy pursuant to which the ratio of local to foreign workers that may be recruited for construction works shall have to be 1:1. At our stage of development and operation, the impact of this policy is relatively minimal. Notwithstanding, this could have a material adverse effect on our ability to complete future works on

our properties or on the possible expansion of our business. Moreover, if the Macau government enforces similar restrictive ratios in other areas, such as the gaming, hotel and entertainment industries, this could have a materially adverse effect on the operation of our properties.

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.

Risks Relating to Our Business and Operations in Macau

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. 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 Transport 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 credit availability or 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.

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.

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.

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.

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.

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, which could hinder our ability to service a portion of our indebtedness and certain expenses denominated in U.S. dollars.

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.

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 March 7, 2011, the WHO confirmed a total of 311 fatalities in a total number of 528 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. In April 2009, there was an outbreak of the Influenza A (H1N1) virus which originated in Mexico but has since spread globally including confirmed reports in Indonesia, Hong Kong, Japan, Malaysia, Singapore, and elsewhere in Asia. More recently, Influenza A (H1N1) virus has been detected in Africa and Asia. Human infections have been reported to WHO from Cambodia, Hong Kong, Egypt and Indonesia. Indonesia also recently confirmed its first Influenza A (H1N1) linked death. The Influenza A (H1N1) virus is believed to be highly contagious and may not be easily contained. There can be no assurance that an outbreak of avian flu, SARS, H1N1 (swine flu) 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.

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.

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 H.K. dollars, our expenses will be denominated predominantly in Patacas. In addition, a significant portion of our indebtedness and certain expenses is 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.

Our business opportunities may depend upon the performance by third parties of certain acts and failure to perform certain acts by such third parties may prevent us from recognizing any income from our business opportunities.

Our business opportunities may depend upon the performance by third parties of certain acts which are out of our control. 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. For example, Melco Crown Gaming entered into a services agreement with New Cotai Entertainment (Macau) Limited and New Cotai Entertainment, LLC in 2007, pursuant to which Melco Crown Gaming would operate the casino portions of the Macau Studio City project and retain a percentage of the gross gaming revenues from such casino operations. The project is being developed by a joint venture between eSun Holdings Limited, CapitalLand Integrated Resorts Pte Ltd and New Cotai Holdings, LLC. The joint venture parties are currently involved in litigation proceedings and therefore construction of the Macau Studio City project has not commenced and the formal opening of Macau Studio City has not been determined. We will not derive any income from the operation of gaming business at Macau Studio City unless the project is developed. Furthermore, 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.

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

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

- 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.

The Macau government has recently published for public consultation the proposed changes to Law no. 6/80/M of July 5, or the Land Law. Under the proposed changes to the Land Law the grant of land plots under lease shall be mandatorily subject to public tender unless the land grant is for housing civil servants or is based on public interest such as: (i) development of non-profitable activities in the education, cultural, health or sports fields; (ii) construction of public utility facilities; (iii) promotion of the diversification of the Macau industrial structure; or (iv) participation in the urban construction plans promoted by the Macau government. Moreover, amendments to the purpose of land lease agreements of land grants which remain provisional, such as the City of Dreams and Altira land grants, shall not be permitted until such land grants become definitive with completion of the development of the properties (except for changes required under any change of the applicable government urban planning).

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.

We may undertake mergers, acquisitions or strategic transactions that could result in operating difficulties and distraction from our current business.

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

Litigation, disputes and regulatory investigations may adversely affect our profitability and financial condition.

We are, and may be in the future, subject to legal actions, disputes and regulatory investigations in the ordinary course of our business. No assurance can be provided that any provisions we have made for such matters will be sufficient. Our results of operations or cash flows may be adversely affected by an unfavorable resolution of any pending or future litigation, disputes and regulatory investigation.

Risks Relating to Our Operations in the Gaming Industry in Macau

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 we are 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 opened its casino 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 in Melbourne, Australia and Burswood Casino in Perth, Australia and other casino resorts that Melco and Crown may develop elsewhere in Asia outside Macau. Melco and Crown may develop different interests and strategies for projects in Asia under their joint venture which conflict with the interests of our business in Macau or otherwise compete with us for Asian gaming and leisure customers.

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.

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 significantly 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 casino, 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. See "Regulation".

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, which may adversely affect the future expansion of our business.

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.

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.

The Macau Legislative Assembly has approved a new Smoking Prevention and Tobacco Control Law. Under the terms of such law, as approved by the Macau Legislative Assembly, smoking shall not be permitted in casino premises, except for an area of up to 50% (fifty percent) of the casino area opened to the public, provided such smoking area complies with requirements to be determined by Dispatch of the Chief Executive. The designated smoking areas shall have to be created within one year from the date the new law comes into effect and the smoking ban in the casino premises shall be effective one year after the law comes into effect. The approved law is yet to be signed by the Chief Executive and published in the Macau Official Gazette and until then it shall not be considered enacted.

Our activities in Macau are subject to administrative review and approval by various agencies of the Macau government such as 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.

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 the section headed "Regulation". 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 and New Cotai Entertainment, LLC pursuant to which Melco Crown Gaming would operate the casino portions of the Macau Studio City project. The joint venture parties developing the project are currently involved in litigation proceedings and therefore construction of the Macau Studio City project has not commenced and the formal opening of Macau Studio City has not been determined. If New Cotai Entertainment (Macau) Limited 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 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 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.

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. 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.

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. We applied for an extension to the tax holiday in February 2011. However, we cannot assure you that it will be extended beyond the expiration date.

Furthermore, the Macau government has granted to our subsidiary Altira Hotel Limited a declaration of utility purposes benefit, pursuant to which it is entitled to a vehicle tax holiday on certain vehicles purchased, provided there is no change in use or disposal of such vehicles within five years from the date of purchase and to a property tax holiday for a period of 12 years. Additionally, under the property tax holiday, the 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 12 year period. We have applied for the same tax holidays for Melco Crown (COD) Hotels Limited 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.

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

We have conducted, and expect to continue to conduct, our table gaming activities at our casinos on a credit basis as well as a cash basis. 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, 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 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 recognize 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.

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 on a credit basis as well as a cash basis and our gaming promoters 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.

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.

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, 2010, we had agreements in place with approximately 70 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.

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 and other regulators with authority over our operations or us.

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

A significant number of our gaming customers come from mainland China. Any travel restrictions imposed by China could disrupt the number of patrons visiting our properties from mainland China. It is not known when, or if, policies similar to those implemented previously restricting visitation by mainland Chinese citizens to Macau and Hong Kong will be put in place, and visa policies may be adjusted, without notice, in the future. A decrease in the number of visitors from mainland China may adversely affect our results of operations.

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.

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.

Any violation of the Foreign Corrupt Practices Act or applicable Anti-Money Laundering Regulation could have a negative impact on us.

We are subject to regulations imposed by the Foreign Corrupt Practices Act (the "FCPA") and other anti-corruption laws which if violated may result in severe criminal and civil sanctions as well as other penalties. There has been a general increase in FCPA enforcement activity in recent years by the SEC and U.S. Department of Justice. Both the number of FCPA cases and sanctions imposed have risen dramatically. We have in place an ongoing FCPA compliance program which includes internal policies and procedures and training aimed to prevent and detect compliance issues and risks with these laws. However, we cannot assure you that our employees, contractors and agents will continually adhere to our compliance programs. Should they not follow our programs, we could be subject to investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions, any of which may result in a material adverse effect on our financial condition. As a U.S. listed company with gaming operations solely in Macau, compliance with U.S. laws and regulations that apply to our operations increases our cost of doing business. We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations by us could have a negative effect on our results of operations.

Risks Relating to Our Corporate Structure and Ownership

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

Melco and Crown together own the substantial majority of our outstanding shares, with each beneficially holding approximately 33.36% of our outstanding ordinary shares and ordinary shares represented by ADSs (exclusive of any ordinary shares represented by ADSs held by the SPV) as of April 11, 2011. 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 holders of the Bonds. In addition, 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 or you as holders of the Bonds.

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 our company. 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.

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 your interests.

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 your interests. We could face competition from these other gaming projects. We also face competition from regional competitors, which include Crown's Crown Casino in Melbourne, Australia and Burswood Casino in Perth, Australia. We expect to continue to receive significant support from both Melco and Crown in terms of their local experience, operating skills, international experience and high standards. 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 and the trading price of the Bonds.

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, or could require MCE Finance to make an offer to repurchase the Senior Notes or us to make an offer to repurchase the Bonds.

The City of Dreams Project Facility includes provisions under which we may suffer an event of default or incur an obligation to prepay the facility in full 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. Under the terms of the Senior Notes, a change of control in connection with a decrease of the holdings of Melco and Crown must be accompanied by a ratings decline in order to trigger a change of control. Furthermore, under the terms of the Senior Notes, MCE Finance must offer to repurchase the Senior Notes upon the occurrence of a change of control at a price equal to 101% of their principal amount, plus accrued and unpaid interest, additional amounts and liquidated damages, if any, to the

date of redemption. Under the terms of the Bonds, we must offer to redeem the Bonds upon the occurrence of a change of control at a price equal to 101% of their principal amount, plus accrued interest to, but excluding, the Put Settlement Date (as defined in the Trust Deed). 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 or the Senior Notes (or the Bonds) and potential enforcement of remedies by our lenders, which would have a material adverse effect on our financial condition and results of operations.

Crown's investment in our company is subject to regulatory review in several jurisdictions and if regulators in those jurisdictions were to find that we, Crown or Melco failed to comply with certain regulatory requirements and standards, 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.

Under a previously announced Preferred Purchase Agreement, Crown has been required to be approved by gaming regulators in the states of Nevada and 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.

Risks Relating to Our Indebtedness and the Bonds

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

We have incurred and expect to incur, based on current budgets and estimates, secured and unsecured long-term indebtedness, 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, as of March 31, 2011, an amount equivalent to approximately US\$1.68 billion, of which US\$1.10 billion remains outstanding following repayments on May 26, 2010, December 6, 2010 and March 7, 2011 of US\$444.1 million, US\$107.3 million and US\$35.6 million, respectively, of which an aggregate of US\$513.3 million was funded by a portion of the proceeds from the sale of the Initial Notes;
- US\$600,000,000 from MCE Finance's sale of the Initial Notes;
- RMB2,300,000,000 from our issuance of the Bonds; and

- financing for a significant portion of the costs of developing the next phase 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:

- make it difficult for us to satisfy our obligations with respect to the Bonds;
- 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;
- place us at a competitive disadvantage as compared to our competitors, to the extent that they are not as leveraged;
- subject us to higher interest expense in the event of increases in interest rates to the extent a portion of our debt bears interest at variable rates;
- cause us to incur additional expenses by hedging interest rate exposures of our debt and exposure to hedging counterparties' failure to pay under such hedging arrangements, which would reduce the funds available for us for our operations; and
- in the event we or one of our subsidiaries were to default, result in the loss of all or a substantial portion of our and our subsidiaries' assets, over which our lenders have taken or will take security.

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

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

Our ability to make scheduled payments due on our existing and anticipated debt obligations, including the Bonds, 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, including the Bonds, 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. In addition, the terms of the Trust Deed and/or the terms of our other indebtedness may limit our ability to pursue any of these measures. 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, including the Bonds, or to refinance our obligations on commercially reasonable terms, would have an adverse effect on our business, financial condition and results of operations.

The Bonds will be structurally subordinated to subsidiary debt.

Our operations are principally conducted through our subsidiaries. Accordingly, we are and will be dependent on our subsidiaries' operations and payment of dividends to services our indebtedness, including interest and principal on the Bonds. Our subsidiaries' current financing facilities restrict their ability to pay dividends to us. The indenture governing the Senior Notes contains certain limitations on the ability of MCE

Finance and its restricted subsidiaries to make specified restricted payments, including dividends. The City of Dreams Project Facility contains a blanket prohibition on paying dividends during the construction phase of 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. If we remain subject to the existing restrictions of the City of Dreams Project Facility then we may be required to obtain waivers from our lenders under the City of Dreams Project Facility to transfer cash from certain of our subsidiaries to the Company in order for the Company to make scheduled payments due on the Bonds. We cannot assure you that we will be able to amend or refinance the City of Dreams Project Facility on commercially acceptable terms, or at all, or in a manner that would permit us to transfer cash from our subsidiaries to the Company to make scheduled payments due on the Bonds. The Bonds will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of our subsidiaries, and to all our and our subsidiaries' secured creditors. In the event of an insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of any of our subsidiaries, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to us.

If we are unable to comply with the restrictions and covenants in our debt agreements, the indenture governing the Senior Notes, or the Trust Deed governing the Bonds, there could be a default under the terms of these agreements, the indenture governing the Senior Notes, or the Trust Deed governing the Bonds, which could cause repayment of our debt to be accelerated.

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

The terms of the City of Dreams Project Facility 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 its subsidiaries, 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;
- make certain acquisitions and investments;
- make loans, payments on certain indebtedness, distributions and other restricted payments or apply revenues earned in one part of our operations to fund development costs or cover operating losses in another part of our operations;
- enter into sale and leaseback transactions;
- engage in new businesses;

- enter into or amend contracts;
- 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 January 1, 2010 and ending December 31, 2010, and thereafter for each successive twelve month period 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.

They also provide that, should a Change of Control (as defined in the City of Dreams Project Facility Agreement) occur, the facility will be cancelled and all amounts outstanding thereunder become immediately due and payable. We have made certain amendments to the City of Dreams Project Facility, which became effective on or about May 17, 2010. See “Description of Material Indebtedness—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.

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

The indenture governing the Senior Notes includes a number of significant restrictive covenants. Although these restrictive covenants, on the whole, are no more onerous than those pursuant to the City of Dreams Project Facility, such covenants restrict, among other things, the ability of MCE Finance and its subsidiaries to:

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

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

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

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

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

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

If we are unable to maintain our current debt facility or obtain suitable financing for our operations and our current or future projects (including any acquisitions we may make), this could adversely impact our existing operations, or cause delays in, or prevent completion of, the development of future projects or our pursuing other opportunities. This may limit our ability to operate and expand our business and may adversely impact our ability to generate revenue. In addition, costs incurred by any new financing may be greater than currently anticipated.

Should we default on the Bonds, a Bondholder's right to receive payments on the Bonds may be adversely affected by the insolvency laws of our jurisdiction of incorporation.

We are incorporated under the laws of the Cayman Islands and it is likely that an insolvency proceeding relating to us, even if brought in the United States, would involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. The insolvency laws of the Cayman Islands may vary as to treatment of creditors and may contain prohibitions on our ability to pay any debts existing at the time of the insolvency.

There is only limited availability of Renminbi outside China, which may affect the liquidity of the Bonds and our ability to source Renminbi outside China to service the Bonds.

As a result of restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of China is limited. Since February 2004, in accordance with arrangements between the PRC Central Government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The People's Bank of China, or PBOC, the central bank of China, has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On July 19, 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business, or the Settlement Agreement, between the PBOC and Bank of China (Hong Kong) Limited, or the RMB Clearing Bank, to further expand the scope of RMB business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert RMB; and there will no longer be any restriction on the transfer of RMB funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside China is limited. As of August 31, 2010, the total amount of Renminbi deposits held by institutions authorized to engage in Renminbi banking business in Hong Kong amounted to approximately RMB130.4 billion. In addition, participating banks are also required by the HKMA to maintain a total amount of Renminbi (in the form of cash and its settlement account balance with the RMB Clearing Bank) of no less than 25% of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilize for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The RMB Clearing Bank only has access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers of up to RMB20,000 per person per day. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside China may affect the liquidity of the Bonds. To the extent we are required to source Renminbi in the offshore market to service the Bonds, there is no assurance that we will be able to source such Renminbi on satisfactory terms, if at all.

The Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.

The Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between the Renminbi and foreign currencies despite the significant reduction over the years by the PRC Government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover 20 provinces and cities in China and to make RMB trade and other current account item settlement available in all countries worldwide. Subject to limited exceptions, there is currently no specific PRC regulation on the remittance of Renminbi into China for settlement of capital account items. Foreign investors may only remit offshore RMB into China for capital account purposes and as shareholders' loan or capital contribution upon obtaining specific approvals from the relevant authorities on a case by case basis.

There is no assurance that the PRC Government will continue to gradually liberalize the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside of China.

Investment in the Bonds is subject to exchange rate risk.

The value of Renminbi against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in China and international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to the Bonds in Renminbi. As a result, the value of these Renminbi payments in Hong Kong dollar terms may vary with the prevailing exchange rates in the marketplace. For example, when an investor buys the Bonds, he would need to convert Hong Kong dollars to Renminbi at the exchange rate available at that time. If the value of Renminbi depreciates against the Hong Kong dollar between then and when we pay back the principal of the Bonds in Renminbi at maturity, the value of investment in Hong Kong dollar terms will have declined.

Payments in respect of the Bonds will only be made to investors in the manner specified in the Bonds.

All payments to investors in respect of the Bonds will be made solely by (i) when the Bonds are represented by a global bond, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when the Bonds are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. We cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in China).

We may not be able to repurchase the Bonds upon a change of control or the due date for redemption thereof.

We may upon certain occurrences (and at maturity, will) be required to redeem all of the Bonds. If such an event were to occur, we may not have sufficient cash on hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event will also be limited by the terms of other debt instruments, including the City of Dreams Project Facility and the Senior Notes. Our failure to repay, repurchase or redeem tendered Bonds would constitute an event of default under the Bonds, which may also constitute a default under the terms of our other indebtedness.

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions of the Bonds (subject to amendment and except for the sentences in italics) substantially in the form in which they will be endorsed on the Bonds.

The RMB2,300,000,000 3.75% bonds due 2013 (the “Bonds”, which expression includes any further bonds issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of Melco Crown Entertainment Ltd. (the “*Issuer*”) are subject to, and have the benefit of, a trust deed dated May 9, 2011 (as amended or supplemented from time to time, the “*Trust Deed*”) between the Issuer and DB Trustees (Hong Kong) Limited as trustee (the “*Trustee*”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated May 9, 2011 (as amended or supplemented from time to time, the “*Agency Agreement*”) between the Issuer, Deutsche Bank AG, Hong Kong Branch as principal paying agent (the “*Principal Paying Agent*”, which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), the paying agents named therein (together with the Principal Paying Agent, the “*Paying Agents*”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds), Deutsche Bank AG, Hong Kong Branch as CMU Lodging agent (the “*CMU Lodging Agent*”, which expression includes any successor calculation agent appointed from time to time in connection with the Bonds) and the Trustee. References herein to the “*Agents*” are to the Paying Agents and the CMU Lodging Agent and any reference to an “*Agent*” is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The holders of the Bonds (the “*Bondholders*”) and the holders of the related interest coupons (the “*Couponholders*” and the “*Coupons*”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Bondholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof Level 52, International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong, and at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

Form, Denomination and Title

The Bonds are in bearer form in the denomination of RMB250,000 and integral multiples of RMB10,000 in excess thereof. Title to the Bonds and the Coupons will pass by delivery. The holder of any Bond or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

The Bonds will be represented by a permanent bearer Global Bond (the “Permanent Global Bond”) substantially in the form scheduled to the Trust Deed, without Coupons attached. The Permanent Global Bond will be lodged with a sub-custodian for the Hong Kong Monetary Authority as operator (the “Operator”) of the Central Moneymarkets Unit Service (“CMU”), and will be exchangeable for Bonds in definitive form (the “Definitive Bonds”) only in the circumstances set out therein.

Definitive Bonds, if issued, will be serially numbered and in bearer form in the denomination of RMB250,000 and integral multiples of RMB10,000 in excess thereof, each with Coupons attached on issue and may be lodged with the CMU.

For so long as any of the Bonds are represented by the Permanent Global Bond, each person who is for the time being shown in the records of the Operator as the holder of a particular principal amount of Bonds (the “account holder”) (in which regard any certificate or other document issued by the Operator as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer, the Trustee, the Paying Agents and the Operator as the holder of such principal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on the Bonds, the right to which shall be vested, as against the Issuer, the Trustee, the Paying Agents and the Operator solely in the bearer of the Permanent Global Bond in accordance with and subject to its terms (and the expressions “Bondholder” and “holder of Bonds” and related expressions shall be construed accordingly).

Notwithstanding the above, if the Permanent Global Bond is held by or on behalf of the CMU, any payments that are made in respect of the Permanent Global Bond shall be made to the account holder and such payments shall discharge the obligation of the Issuer in respect of that payment. For these purposes, a

notification from the CMU shall be conclusive evidence of the records of the CMU (save in the case of manifest error). Bonds which are represented by the Permanent Global Bond will be transferable only in accordance with the rules and procedures for the time being of the Operator.

Status

The Bonds constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Covenants

Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (i) at the same time or prior thereto securing the Bonds equally and rateably therewith to the satisfaction of the Trustee or (ii) providing such other security for the Bonds as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Bondholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.

In this Condition:

“*Guarantee*” means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation):

- (a) any obligation to purchase such indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such indebtedness; and
- (d) any other agreement to be responsible for such indebtedness;

“*Relevant Indebtedness*” means any indebtedness which is in the form of or represented or evidenced by any bond, note, debenture, debenture stock, loan stock, certificates of deposit or other instrument, certificate or securities which (a) is offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash, (b) listed, quoted, dealt in or traded, or capable of so being listed, quoted, dealt in or traded, on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and (c) has a maturity of more than one year; and

“*Security Interest*” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

Financial Covenants

For so long as any Bond remains outstanding, the Issuer shall not directly or indirectly, permit:

- (i) Consolidated Tangible Net Worth as at the end of any Relevant Period to be less than US\$1.0 billion; and
- (ii) the Maximum Leverage Ratio as at the end of any Relevant Period to exceed 2.50:1.00.

The financial covenants set out in this Condition shall be calculated in accordance with GAAP and tested by reference to the audited (or, as the case may be, unaudited) consolidated balance sheet of the Issuer as at the end of the Relevant Period.

The Trust Deed does not oblige the Trustee to monitor compliance by the Issuer with the Conditions but it does oblige the Issuer to furnish the Trustee with a Certificate of Compliance, on which the Trustee may, in the absence of manifest error, rely as to such compliance.

In these Conditions:

“*Capital Stock*” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all classes of partnership interests in a partnership, any and all membership interests in a limited liability company, any and all other equivalent ownership interests in a Person and any and all warrants, rights or options to purchase any of the foregoing;

“*Consolidated Total Borrowings*” means the aggregate principal amount of all Financial Indebtedness of the Group at such date other than Financial Indebtedness between members of the Group;

“*Consolidated Tangible Net Worth*” means, at any time, the aggregate US\$ equivalent of the amounts paid up or credited as paid up on the issued ordinary share capital of the Issuer and the amount standing to the credit of the reserves of the Group, including any amount credited to the share premium account, any capital redemption reserve fund and any balance standing to the credit of the consolidated profit and loss account of the Group,

but deducting the US\$ equivalent of:

- (a) any accumulated losses on the consolidated balance sheet of the Group;
- (b) (to the extent included) any amount shown in respect of goodwill (including goodwill arising only on consolidation) or other intangible assets of the Group (including the Subconcession);
- (c) (to the extent included) any amount in respect of minority interests;
- (d) (to the extent not deducted from the reserves) any amount accrued or set aside (as applicable) for taxation, deferred taxation or bad debts;
- (e) (to the extent included) any amounts arising from any upward revaluation of assets made at any time after the date of December 31, 2010; and
- (f) any amount in respect of any dividend or distribution declared, recommended or made by any member of the Group to the extent payable to a person who is not a member of the Group and to the extent such distribution is not deducted from the reserves,

plus the US\$ equivalent of (to the extent deducted) amounts arising from any downward revaluation of assets made at any time after December 31, 2010,

and so that no amount shall be included or excluded more than once;

“*Financial Indebtedness*” means, in relation to any Person at any date, without duplication:

- (a) all indebtedness of such Person for borrowed money;
- (b) all obligations of such Person for the purchase price of property or services to the extent the payment of such obligations is deferred for a period in excess of 120 days (other than trade payables and, if applicable, payables in respect of unredeemed chips incurred in the ordinary course of such Person’s business and Retainage Amounts) and refundable deposits held as borrowings;
- (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments;
- (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (unless the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property);

- (e) all Finance Lease Obligations of such Person (to the extent treated as finance lease obligations in accordance with GAAP);
- (f) all Synthetic Lease Obligations of such Person;
- (g) any indebtedness of such Person for or in respect of receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis or on a basis where recourse is limited solely to warranty claims relating to title or objective characteristics of the relevant receivables);
- (h) any indebtedness of such Person for any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (i) all indebtedness of such Person, contingent or otherwise, as an account party under acceptance, letter of credit, completion guaranties, performance bonds or similar facilities;
- (j) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Capital Stock of such Person prior to the Maturity Date; and
- (k) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in paragraphs (a) to (j) above;

provided that indebtedness owing by one Loan Obligor to another Loan Obligor shall not be taken into account;

“*Finance Lease Obligations*” means, as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property which are required to be classified and accounted for as capitalized lease obligations under GAAP, and, for the purposes of these Conditions, the amount of such obligations at any time shall be the capitalised amount thereof at such time determined in accordance with GAAP;

“*GAAP*” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board of the United States, as in effect from time to time;

“*Governmental Authority*” means, as to any Person, the government of the Macau, any other national, state, provincial or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, in each case having jurisdiction over such Person, or any arbitrator with authority to bind such Person at law;

“*Group*” means the Issuer and its Subsidiaries;

“*Guarantee Obligation*” means any guarantee, indemnity, letter of credit or other legally binding assurance against financial loss granted by one Person in respect of any Financial Indebtedness of another Person, or any agreement to assume any Financial Indebtedness of any other Person or to supply funds or to invest in any manner whatsoever in such other Person by reason of Financial Indebtedness of such Person; other than endorsements of instruments for deposit or collection in the ordinary course of trade. The amount of any Guarantee Obligation of any guaranteeing Person shall be deemed to be the lower of (1) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (2) the maximum amount for which such guaranteeing Person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation (unless such primary obligation and the maximum amount for which such guaranteeing Person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing Person’s maximum anticipated liability in respect thereof determined in good faith);

“*Hong Kong*” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“*Loan Obligors*” means (i) Melco Crown Gaming (Macau) Limited (formerly Melco PBL Gaming (Macau) Limited), (ii) MCE Finance Limited, (iii) MPEL International Limited, (iv) the Issuer, and (v) each of the guarantors as set out in that certain US\$1,750,000,000 Senior Secured Term Loan and Revolving Credit Facilities Agreement dated September 5, 2007 between Melco Crown Gaming (Macau) Limited, the lenders named therein and Deutsche Bank AG, Hong Kong Branch as agent, as amended;

“*Macau*” means the Macau Special Administrative Region of the People’s Republic of China;

“*Maximum Leverage Ratio*” means, as of each date of determination, the ratio of (a) Consolidated Total Borrowings on such date to (b) Consolidated Tangible Net Worth on such date;

“*Person*” means any natural person, company, trust, corporation, partnership, firm, association, Governmental Authority or any other entity whether acting in an individual, fiduciary or other capacity;

“*Relevant Period*” means each period of twelve months ending on the last day of the Issuer’s financial year and each period of twelve months ending on the last day of the first half of the Issuer’s financial year;

“*Retainage Amounts*” means, at any given time, amounts which have accrued and are owing to a contractor under the terms of a construction document for work or services already provided but which at such time (and in accordance with the terms of such construction document) are being withheld from payment to the contractor, until certain subsequent events (e.g. completion benchmarks) have been achieved under the construction document;

“*Subconcession*” means the contract for the operation of games of chance and other casino games in Macau dated 8 September 2006 and entered into by Wynn Resorts (Macau), Limited and Melco Crown Gaming (Macau) Limited;

“*Subsidiary*” means as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the Board of Directors of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person;

“*Synthetic Lease Obligations*” means all monetary obligations of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations which do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterised as the Financial Indebtedness of such Person (other than pursuant to clause (f) of the definition thereof and without regard to accounting treatment); and

“*US\$*” denotes the lawful currency of the United States of America.

Interest

The Bonds bear interest from May 9, 2011 (the “*Issue Date*”) at the rate of 3.75% per annum (the “*Rate of Interest*”), payable in arrears on May 9 and November 9 of each year (each, an “*Interest Payment Date*”); *provided that* if any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is three days after the Principal Paying Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to such third day (except to the extent that there is any subsequent default in payment).

The amount of interest payable in respect of any Bond for each Interest Period (or on any other date) shall be the product of (i) 3.75%, (ii) the principal amount of such Bond, and (iii) the actual number of days in the Interest Period (or such other period) divided by 365, and rounding the resulting figure to the nearest RMB0.01 (RMB0.005 being rounded upwards).

In these Conditions:

“*business day*” means any day (other than a Sunday or a Saturday) on which (i) if the Bonds are lodged with the CMU, the CMU is operating and (ii) commercial banks in Hong Kong settle Renminbi payments; and

“*Interest Period*” means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date.

Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to 2013, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption at the option of the Issuer*: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time after May 9, 2012, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with accrued interest to, but excluding, the date fixed for redemption.
- (c) *Redemption for tax reasons*: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to, but excluding the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
 - (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations which change or amendment becomes effective on or after May 9, 2011; and
 - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that for the avoidance of doubt, changing the jurisdiction of incorporation of the Issuer is not a reasonable measure for purposes of this Condition 5(c);

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two of any persons who act as director, chief executive officer, chief financial officer or chief legal officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event shall be conclusive and binding on the Bondholders. Such certificate shall be made available for inspection by the Bondholders.

Upon the expiry of any such notice as is referred to in this Condition 5(c), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(c).

- (d) *Redemption for Change of Control*: At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem

all, but not only a part, of that holder's Bonds on the Put Settlement Date at 101% of their principal amount, together with accrued interest to, but excluding, such Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "*Put Exercise Notice*") and, to the extent that the Bonds held by such holder are represented by Definitive Bonds, the holder must concurrently deposit at the Specified Office of such Paying Agent such Definitive Bonds evidencing the Bonds together with all unmatured Coupons relating thereto to be redeemed, by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 15 (*Notices*). The "*Put Settlement Date*" shall be the 20th day after the expiry of the 30 days following a Change of Control, or, if later, the 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 15 (*Notices*).

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Put Exercise Notice delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Bondholders and the Trustee in accordance with Condition 15 (*Notices*) by no later than 10 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 5(d) (*Redemption for Change of Control*).

In these Conditions:

a "*Change of Control*" means the occurrence of any of the following:

- (i) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the United States Securities Exchange Act of 1934, as amended) (other than a Controlling Shareholder);
- (ii) the adoption of a plan relating to the liquidation or dissolution of the Issuer; or
- (iii) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the United States Securities Exchange Act of 1934, as amended) other than a Controlling Shareholder is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the United States Securities Exchange Act of 1934, as amended), directly or indirectly, of more than 50% of the outstanding Capital Stock of Melco Crown Gaming (including any and all agreements, warrants, rights or options to acquire any Capital Stock) (measured in each case, by both voting power and size of equity interests).

"*Controlling Shareholder*" means any of (1) Melco International Development Limited, (2) Crown Limited, (3) any controlling stockholder or 80% (or more) owned Subsidiary of (1) or (2) above, or (4) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more of (1) or (2) above and/or such other Persons referred to in (3) above.

- (e) *Redemption for Gaming licence reasons*: At any time following the occurrence of a Gaming Trigger, the Bonds of a relevant Bondholder may be redeemed, at the option of the Issuer, in whole, but not in part by the Issuer giving not less than 30 days' notice to the relevant Bondholder (which notice shall be irrevocable and shall oblige the Issuer to redeem the Bonds held by such relevant Bondholder) on the Gaming Settlement Date at 100% of their principal amount, together with accrued interest to, but excluding, the Gaming Settlement Date.

The Issuer shall give notice to the relevant Bondholder, the other Bondholders and the Trustee in accordance with Condition 15 (*Notices*) by not later than 10 days following the first day on which it becomes aware of the occurrence of a Gaming Trigger. The notice given to the relevant Bondholder

and the Trustee shall specify the procedure for exercise of redemption of the Bonds pursuant to this Condition 5(e) (*Redemption for Gaming licence reasons*). The Issuer shall not be responsible for any costs or expenses incurred by a Bondholder in connection with its application for a licence, qualification or assessment of suitability.

In these Conditions:

a “*Gaming Trigger*” occurs if the gaming authority of any jurisdiction in which the Issuer or any of its Subsidiaries conducts or proposes to conduct gaming requires that a person who is a holder or the beneficial owner of Bonds (the “*relevant Bondholder*”) be licensed, qualified or found suitable under applicable gaming laws and such holder or beneficial owner, as the case may be, fails to apply or become licensed or qualified within the required time period or is found unsuitable; and

“*Gaming Settlement Date*” shall be the twentieth day after the expiry of such period of 30 days from the date which notice thereof is given to a relevant Bondholder by the Issuer in accordance with Condition 15 (*Notices*).

- (f) *Clean-up call*: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with (x) accrued interest to, but excluding the date fixed for redemption and (y) in the case where the period from the date fixed for redemption to the Maturity Date is less than six months, an amount equal to the amount of interest which would be payable on the Bonds on the next Interest Payment Date, and in all other cases, an amount equal to the amount of interest which would be payable on the Bonds on the next successive two Interest Payment Dates, if immediately before giving such notice, at least 90% in principal amount of the Bonds originally issued (including any further bonds issued pursuant to Condition 14 (*Further issues*)) has already been previously redeemed or purchased and cancelled.
- (g) *No other redemption*: The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in Conditions 5(a) (*Scheduled redemption*) to (f) (*Clean-up call*) above.
- (h) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (i) *Cancellation*: All Bonds so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

Payments

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bonds at the Specified Office of any Paying Agent by transfer to a RMB account maintained by the payee with a bank in Hong Kong.
- (b) *Interest*: Payments of interest shall, subject to Condition 6(e) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent on or after an Interest Payment Date in the manner described in Condition 6(a) (*Principal*).

Payments of principal and interest in respect of the Bonds represented by the Permanent Global Bond will (subject as provided below) be made in RMB by transfer to a Settlement Account in accordance with the rules and procedures of the Operator in the manner specified below and otherwise in the manner specified in the Permanent Global Bond.

A record of each such payment of principal will be made on the Permanent Global Bond by any Paying Agent and of each such payment of interest either on the Permanent Global Bond or in the records of any Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

For the purpose of this Condition, “Settlement Account” means, in relation to a payee which is a licensed bank, the account maintained by that payee with the Operator through which its own clearing balance is settled or, in relation to a payee which is not a licensed bank, the account maintained by its designated correspondent bank with the Operator for the purpose of settling, *inter alia*, interbank payments.

The holder of the Permanent Global Bond shall be the only person entitled to receive payments in respect of Bonds represented by the Permanent Global Bond and the Issuer’s obligation will be discharged by payment to, or to the order of, the holder of the Permanent Global Bond with respect to each amount so paid. No person other than the holder of the Permanent Global Bond shall have any claim against the Issuer in respect of payments due on the Permanent Global Bond.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment (in the case of payment under the Permanent Global Bond, in Hong Kong) but without prejudice to the provisions of Condition 7 (Taxation). No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of all payments in respect of the Bonds.
- (d) *Deduction for unmatured Coupons:* If a Bond is presented without all unmatured Coupons relating thereto, then:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “*Relevant Coupons*”) being equal to the amount of principal due for payment; *provided, however,* that where this Condition 6(d) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety and the Relevant Coupons amount shall be adjusted accordingly; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons will be deducted from the amount of principal due for payment; *provided, however, that,* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted from the amount of principal due for payment will be (I) if the gross amount available is less than or equal to the amount of Relevant Coupons, the amount of principal due for payment; and (II) otherwise, the difference between the amount of principal due for payment and the excess of such gross amount available over the amount of Relevant Coupons.

Each sum of principal so deducted shall be paid in the manner provided in Condition 6(a) (*Principal*) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

- (e) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bonds at the Specified Office of any Paying Agent.
- (f) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bond or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

Taxation

All payments of principal and interest in respect of the Bonds and the Coupons by or on behalf of the Issuer shall be made free and clear of withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (“*Taxes*”) imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands or any political subdivision thereof or any authority therein or thereof having power to tax (the “*Relevant Jurisdiction*”), unless the withholding or deduction of such Taxes is required by law. In that event the Issuer shall make such withholding or deduction and pay such additional amounts as will result in receipt by the Bondholders and the Couponholders of such payments after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon:

- (a) for or on account of:
 - (1) any Taxes that would not have been imposed but for:
 - (A) the existence of any present or former connection between the holder or beneficial owner of such Bond or Coupon, as the case may be, and the Relevant Jurisdiction, including without limitation, such holder or beneficial owner being or having been a citizen or resident of the Relevant Jurisdiction, being or having been treated as a resident of the Relevant Jurisdiction, being or having been present or engaged in a trade or business in the Relevant Jurisdiction or having or having had a permanent establishment in the Relevant Jurisdiction, other than merely holding such Bond or Coupon or the receipt of payments thereunder;
 - (B) the presentation of such Bond or Coupon (where presentation is required) more than 30 days after the later of the date on which the payment of the principal of, or interest on, such Bond or Coupon, as applicable, became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the holder thereof would have been entitled to such additional amounts if it had presented such Bond or Coupon for payment on any date within such 30-day period;
 - (C) the failure of the holder or beneficial owner of such Bond or Coupon to comply with a timely request of the Issuer addressed to such holder or beneficial owner to provide information concerning such holder’s or beneficial owner’s nationality, residence, identity or connection with the Relevant Jurisdiction; or
 - (D) the presentation of such Bond or Coupon (where presentation is required) for payment in the Relevant Jurisdiction, unless such Bond or Coupon could not have been presented for payment elsewhere;
 - (2) any estate, inheritance, gift, sale, transfer, excise, personal property, net income or similar Tax;
 - (3) any withholding or deduction where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (or any amendment thereof) or any other Directive (or any amendment thereof) implementing the conclusions of the ECOFIN Council meeting of November 26—27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives or amendments;
 - (4) any Taxes that are payable other than by withholding or deduction from payments of principal of, or interest on, the Bonds or Coupons; or
 - (5) any combination of Taxes referred to in the preceding clauses (1), (2), (3) and (4); or
- (b) with respect to any payment of the principal of, or interest on, such Bond or Coupon to or for the account of a fiduciary, partnership or other fiscally transparent entity or any other person (other than the sole beneficial owner of such payment) to the extent that a beneficiary or settlor with respect to

that fiduciary, or a partner or member of that partnership or fiscally transparent entity or a beneficial owner with respect to such other person, as the case may be, would not have been entitled to such additional amounts had such beneficiary, settlor, partner, member or beneficial owner held directly the Bond or Coupon with respect to which such payment was made.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Cayman Islands giving rise to an obligation on the part of the Issuer to withhold or deduct any Taxes in respect of any principal or interest in respect of the Bonds or the Coupons, then references in these Conditions to the Relevant Jurisdiction shall be construed as references to the Cayman Islands and/or such other jurisdiction.

Events of Default

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by holders of at least 25% of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Bonds on the due date for payment thereof or fails to pay any amount of interest in respect of the Bonds within seven days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Trust Deed and such default is, in the opinion of the Trustee, (i) incapable of remedy or (ii) capable of remedy but remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer; or
- (c) *Cross-default of Issuer or Material Subsidiary*:
 - (i) any present or future Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or within its applicable grace period (as the case may be);
 - (ii) any present or future Indebtedness of the Issuer or any of its Material Subsidiaries becomes due and payable prior to its stated maturity other than at the option of the Issuer or the relevant Material Subsidiary (as the case may be) (*provided that* no event of default, howsoever described, has occurred); or
 - (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of present or future Indebtedness referred to in Condition 8(c)(i) and/or Condition 8(c)(ii) and/or the amount payable under any Guarantee referred to in Condition 8(c)(iii) individually or in the aggregate exceeds US\$10.0 million (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law for the payment of an amount in excess of US\$10.0 million (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed over, in each case for a continuous period of 60 days or more, of the whole or any

substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or

- (f) *Insolvency, etc.:* (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay, for a continuous period of 60 days or more, its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Material Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed (or application for any such appointment is made and has not been discharged or stayed within a period of 60 days or more), (iii) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of all or a substantial part of its debts or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its debts or any Guarantee of any indebtedness for borrowed monies given by it or (iv) the Issuer or any of its Material Subsidiaries ceases to carry on all or substantially all of its business, except (a) in the case of any Material Subsidiary, where the cessation is for the purpose of and followed by a solvent winding up, dissolution, reconstruction, merger or consolidation whereby the business, undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer and/or another Subsidiary, (b) in the case of any Material Subsidiary, as a result of a disposal on arm's length terms or with respect to a part of such Material Subsidiary's business or operations which has not contributed to the consolidated operating profit of the Issuer and its Subsidiaries for at least three consecutive years immediately prior to the day on which this paragraph operates or (c) in each case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation, each on terms approved by an Extraordinary Resolution of the Bondholders; or
- (g) *Winding up, etc.:* a final order from which no further appeal or judicial review is permissible under applicable law is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries except (i) in the case of any Material Subsidiary, for a voluntary solvent winding up, liquidation or dissolution in connection with the transfer of all business, undertaking and assets of such Material Subsidiary to the Issuer or another Subsidiary or (ii) in each case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation, each on terms approved by an Extraordinary Resolution of the Bondholders; or
- (h) *Analogous event:* any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in Condition 8(d) (*Unsatisfied judgment*) to Condition 8(g) (*Winding up, etc.*) above; or
- (i) *Failure to take action, etc.:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Bonds or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Bonds, the Coupons and the Trust Deed admissible in evidence in the courts of England, in any such case is not taken, fulfilled or done; or
- (j) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds or the Trust Deed; or
- (k) *Revocation of Gaming Licences:* any Gaming Licence of the Issuer or a Material Subsidiary is revoked, terminated, suspended or otherwise ceases to be effective such that gaming operations of the Group are ceased or suspended for a period of more than 90 consecutive days; or
- (l) *Government intervention:* (i) all or substantially all (in the opinion of the Trustee) of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer or any of its Material Subsidiaries is prevented by any such person from exercising normal control over all or substantially all (in the opinion of the Trustee) of its undertaking, assets and revenues.

In these Conditions,

“*Currency Agreement*” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against the fluctuations in foreign exchange rates.

“*Fair Market Value*” means the price that would be paid in arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the board of directors, whose determination will be conclusive if evidenced by a board resolution.

“*Gaming Licence*” means any licence, permit, franchise or other authorisation required to own, lease, operate or otherwise conduct or manage gaming pursuant to the Subconcession, and the regulations or laws promulgated in connection therewith.

“*Hedging Agreement*” means any Currency Agreement or Interest Rate Agreement.

“*Indebtedness*” means, with respect to any Person at any date of determination (without duplication):

- (a) all indebtedness of such Person for borrowed money;
- (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (c) all obligations of such Person in respect of letters of credit (other than trade letters of credit entered into in the ordinary course of business), bankers’ acceptances or other similar instruments;
- (d) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except trade payables arising in the ordinary course of business;
- (e) all Finance Lease Obligations;
- (f) all indebtedness of other Persons secured by a lien on any asset of such Person, whether or not such indebtedness is assumed by such Person; provided that the amount of such indebtedness will be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such indebtedness;
- (g) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;
- (h) all non-contingent reimbursement obligations of such Person in respect of trade letters of credit entered into in the ordinary course of business; and
- (i) to the extent not otherwise included in this definition, hedging obligations pursuant to any Hedging Agreement.

Notwithstanding the above, “Indebtedness” shall not be construed to include advances or deposits in the ordinary course of business from VIP promoters.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligations; provided

- (A) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (B) that money borrowed and set aside at the time of the incurrence of the Indebtedness in order to prefund the payment of the interest on such Indebtedness will not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and

- (C) that the amount of Indebtedness with respect to any Hedging Agreement will be equal to the net amount payable if such Hedging Agreement terminated at that time due to default by such Person.

“*Interest Rate Agreement*” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates, convert a fixed rate of interest into a floating rate of interest, convert a floating rate of interest into a different floating rate of interest, or lower interest currently paid on Indebtedness of any Person.

“*Material Subsidiary*” means, at any time, each Subsidiary of the Issuer:

- (a) whose income before income tax and exceptional items (“*pre-tax income*”) or (in the case of a Subsidiary of the Issuer which itself has Subsidiaries and which customarily prepares consolidated accounts) consolidated pre-tax income, attributable to the Issuer, as shown by its latest audited statement of operations, are at least 15% of the consolidated pre-tax income as shown by the latest published audited consolidated statement of operations of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of associated companies and after adjustments for minority interests; or
- (b) whose gross assets or (in the case of a Subsidiary of the Issuer which has Subsidiaries and which customarily prepares consolidated accounts) gross consolidated assets attributable to the Issuer as shown by its latest balance sheet are at least 15% of the sum of (x) the gross consolidated assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries and without double counting, (y) the Issuer and its consolidated Subsidiaries’ share of the gross assets (consolidated in the case of a Subsidiary of the Issuer which itself has Subsidiaries and which customarily prepares consolidated accounts) (as shown by its latest balance sheet (consolidated, if available)) of each Subsidiary of the Issuer whose accounts are not consolidated with the accounts of the Issuer and after adjustment for minority interests,

provided that, in relation to (a) and (b) above:

- (i) in the case of a corporation or other business entity becoming a Subsidiary of the Issuer after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary of the Issuer are published, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest accounts (consolidated in the case of a Subsidiary of the Issuer which itself has Subsidiaries and which customarily prepares consolidated accounts) of such Subsidiary in such accounts;
- (ii) if the accounts of any Subsidiary of the Issuer (not being a Subsidiary of the Issuer referred to in proviso (i) above) are not consolidated with those of the Issuer (or with respect to the calculation under (a) are not consolidated for the full accounting period), then the determination of whether or not such subsidiary is a Material Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if available) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer assuming such Subsidiary’s accounts were consolidated from the beginning of the relevant accounting period; and
- (iii) in relation to any Subsidiary of the Issuer, each reference in (a), (b), (i) or (ii) above to all or any of the accounts (consolidated or otherwise) of such Subsidiary shall be deemed to be a reference to the relevant audited accounts of such Subsidiary if it customarily prepares accounts which are audited and, if not, to the relevant unaudited accounts of such Subsidiary which shall be certified by any two directors of such Subsidiary as having been properly prepared in accordance with generally accepted accounting principles applicable to such Subsidiary; or

- (c) to which is transferred all or substantially all of the assets of another Subsidiary of the Issuer which, immediately prior to such transfer, was a Material Subsidiary, *provided that* the Material Subsidiary which so transfers its assets shall upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall become or remain, as applicable, a Material Subsidiary until the date on which the first published audited consolidated accounts of the Issuer prepared as of a date later than such transfer are issued (unless such Subsidiary would continue to be a Material Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a) or (b) above).

“*Subconcession*” means the contract for the operation of games of chance and other casino games in Macau dated 8 September 2006 and entered into by Wynn Resorts (Macau), Limited and Melco Crown Gaming (Macau) Limited.

Prescription

Claims for principal shall become void unless the relevant Bonds are presented for payment within ten years of the date on which the payment in question first becomes due. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the date on which the payment in question first becomes due.

Replacement of Bonds and Coupons

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

Trustee and Paying Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Bondholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Bondholders as a class and will not be responsible for any consequence for individual holders of Bonds or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Bonds and the Coupons, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain a paying agent in Hong Kong.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Bondholders.

Meetings of Bondholders; Modification and Waiver

- (a) *Meetings of Bondholders*: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be

convened by the Trustee upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “*Reserved Matter*”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-fifth of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of holders holding not less than 90% of the aggregate principal amount of the outstanding Bonds who for the time being are entitled to receive notice of a meeting of Bondholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Bondholders or Couponholders agree to any modification of these Conditions, the Bonds or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Bondholders and to any modification of these Conditions, the Bonds or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Bondholders or Couponholders authorise or waive any proposed breach or breach of these Conditions, the Bonds or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Bondholders as soon as practicable thereafter.

Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Bonds, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the then outstanding Bonds or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

Further Issues

The Issuer may from time to time, without the consent of the Bondholders or the Couponholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of bonds having the benefit of the Trust Deed.

Notices

Any notice to the holder of any Definitive Bond shall be validly given if published (i) in the South China Morning Post in Hong Kong or, if that newspaper shall cease to be published or timely publication therein shall not be practicable, in another English language newspaper with general circulation in Hong Kong; and (ii) in the Hong Kong Economic Journal in Hong Kong or, if that newspaper shall cease to be published or timely publication therein shall not be practicable, in another Chinese language newspaper with general circulation in Hong Kong or, in either case, in such other manner as the Issuer shall determine. Any such notice shall be deemed to have been given on the date of first publication in an English or Chinese language newspaper. Couponholders (if any) will be deemed for all purposes to have notice of the contents of any notice given to the holders of Definitive Bonds in accordance with this Condition 15.

Until such time as any Definitive Bonds are issued and so long as the Permanent Global Bond is held in its entirety on behalf of the Operator, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to the accountholder shown in a CMU instrument position report issued by the Operator on the business day preceding the date of despatch of such notice as holding interests in the Permanent Global Bond. Any such notice shall be deemed to have been given to the Bondholders on the second business day on which such notice is delivered to the persons shown in the CMU instrument position report.

Governing Law and Jurisdiction

- (a) *Governing law:* The Bonds, the Coupons and the Trust Deed are, and all non-contractual obligations arising out of and in connection with such agreements, shall be governed by and construed in accordance with the laws of England.
- (b) *Jurisdiction:* The Issuer has in the Trust Deed (i) agreed for the benefit of the Trustee and the Bondholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a “Dispute”) arising out of or in connection with the Bonds and the Coupons; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient to accept service of any process on its behalf. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Bondholders from taking proceedings relating to a Dispute (“Proceedings”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Bondholders may take concurrent Proceedings in any number of jurisdictions.

Exchange Rate Indemnity

- (a) RMB (the “Contractual Currency”) is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds and the Coupons, including damages.
- (b) An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise), by the Trustee or any Bondholder or Couponholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).
- (c) If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds or the Coupons, the Issuer will indemnify the Bondholders or the Couponholders, as the case may be, against any liability sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The global bond contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Memorandum. The following is a summary of certain of those provisions.

The Bonds will be represented by a global bond which will be delivered to and held by a sub-custodian nominated by the HKMA as operator of the CMU, or the CMU operator. The global bond will be held for the account of CMU members who have accounts with the CMU operator, or the CMU participants. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU operator. Interests in the global bond will only be shown on, and transfers of interests will be effected through, records maintained by the CMU operator.

The global bond will become exchangeable in whole, but not in part (save as otherwise provided), for definitive Bonds in denominations of RMB250,000 and integral multiples of RMB10,000 in excess thereof and without interest coupons attached if any of the following events occurs:

- If the global bond is held on behalf of the CMU or any other clearance system in addition to or in substitution for the CMU, on whose behalf the global bond is for the time being held and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to cease business permanently or does in fact do so; or
- Following an event of default under the Bonds.

Since the CMU operator can act only on behalf of the CMU participants, who in turn may act on behalf of persons who hold interests through them, or indirect participants, the ability of persons having interests in the global bond to pledge such interests to persons or entities that are not CMU participants, or otherwise take action in respect of such interests, may be affected by the lack of definitive bonds.

While the global bond representing the Bonds is held by or on behalf of the CMU operator, payments of interest or principal will be made to the persons for whose account a relevant interest in such global bond is credited as being held by the CMU operator at the relevant time, as notified to the paying agent by the CMU operator in a relevant CMU instrument position report (as defined in the rules of the CMU) or in any other relevant notification by the CMU operator. Such payment will discharge our obligations in respect of that payment. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

Payments, transfers, exchanges and other matters relating to interests in the global bond may be subject to various policies and procedures adopted by the CMU operator from time to time. Neither we, the Joint Lead Managers, the Trustee, the Agents nor any of our or their agents will have any responsibility or liability for any aspect of the CMU operator's records relating to, or for payments made on account of, interests in the global bond, or for maintaining, supervising or reviewing any records relating to such interests.

For so long as the bonds are represented by the global bond and such global bond is held on behalf of the CMU operator, notices to holders of the Bonds may be given by delivery of the relevant notice to the person shown in a CMU instrument position report issued by the CMU operator on the business day preceding the date of dispatch of such notice as holding interests in the global bond for communication to the CMU participants. Any such notice shall be deemed to have been given to the holders of the Bonds on the second business day on which such notice is delivered to the persons shown in the relevant CMU instrument position report as aforesaid. Indirect participants will have to rely on the CMU participants (through whom they hold the Bonds, in the form of interests in the global bond) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

The CMU operator is under no obligation to maintain or continue to operate the CMU and the CMU operator is under no obligation to perform or continue to perform the procedures described above. Accordingly, the CMU and such procedures may be discontinued or modified at any time. Neither we, the Joint Lead Managers, the Trustee, the Agents nor any of our or their agents will have any responsibility for the performance by the CMU operator or the CMU participants of their respective obligations under the rules and procedures governing their operations.

USE OF PROCEEDS

We estimate that the net proceeds from the offering of the Bonds will be approximately RMB2.26 billion (equivalent to US\$349.2 million based on an exchange rate of RMB6.4685 to US\$1.00) after deducting the Joint Lead Managers' discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering (i) to fund potential future growth and expansion opportunities, which may include acquisitions, (ii) to repay existing debt, (iii) to partially pre-fund certain scheduled interest payments on the Bonds, (iv) for working capital requirements and/or (v) for general corporate purposes.

CAPITALIZATION

The following table sets forth, as of December 31, 2010:

- actual cash and cash equivalents and capitalization of our company; and
- as adjusted cash and cash equivalents and capitalization of our company to give effect to the issuance and sale of the Bonds and application of the net proceeds from the sale of the Bonds in the manner described under “Use of Proceeds”.

You should read this table in conjunction with our consolidated financial statements and the related notes included elsewhere in this Offering Memorandum.

	As of December 31, 2010	
	Actual	As Adjusted
	(in thousands of US\$, except for share data)	
Cash and cash equivalents ⁽¹⁾	\$ 441,923	\$ 791,096
Indebtedness:		
City of Dreams Project Facility	\$ 1,131,805	\$ 1,131,805
Other long-term liabilities	6,496	6,496
Loans from shareholders	115,647	115,647
10.25% senior notes, due 2018, net	592,443	592,443
New Bonds to be issued ⁽²⁾⁽³⁾	—	355,569
Total indebtedness	1,846,391	2,201,960
Shareholders' Equity:		
Ordinary shares at US\$0.01 par value per share (2,500,000,000 shares authorized; 1,605,658,111 shares issued— actual and adjusted)	\$ 16,056	\$ 16,056
Treasury shares, at US\$0.01 par value per share (8,409,186 shares— actual and adjusted)	(84)	(84)
Additional paid-in capital	3,095,730	3,095,730
Accumulated other comprehensive losses	(11,345)	(11,345)
Accumulated losses	(577,166)	(577,166)
Total shareholders' equity	2,523,191	2,523,191
Total capitalization	\$ 4,369,582	\$ 4,725,151

(1) Excludes US\$167.3 million of restricted cash held as required by the City of Dreams Project Facility.

(2) Reflects gross amount received by our company. This amount excludes commissions and estimated offering expenses which will be capitalized as deferred financing cost.

(3) The exchange rate for translating the New Bonds to be issued was RMB6.4685 to US\$1.00.

EXCHANGE RATE INFORMATION

Exchange Rate Information

Although we have certain expenses and revenues denominated in Patacas, our revenues and expenses are denominated predominantly in H.K. dollars and in connection with a portion of our indebtedness and certain expenses, U.S. dollars. The conversion of H.K. dollars into U.S. dollars in this Offering Memorandum is based on the noon buying rate in The City of New York for cable transfers of H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from H.K. dollars to U.S. dollars and from U.S. dollars to H.K. dollars in this Offering Memorandum were made at a rate of HK\$7.78 to US\$1.00. The noon buying rate in effect as of December 31, 2010 was HK\$7.7810 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 H.K. dollars, as the case may be, at any particular rate, the rates stated below, or at all. On April 13, 2011, the noon buying rate was HK\$7.7753 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 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 Offering Memorandum 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.

All payments of interest and principal will be made with respect to the Bonds in Renminbi. As a result, the value of these Renminbi payments in Hong Kong dollar terms may vary with the prevailing exchange rates in the marketplace. The conversion of RMB to H.K. dollars in this Offering Memorandum is based on the Middle Exchange Rate of RMB published by the PRC State Administration of Foreign Exchange. All translations from RMB to H.K. dollars and from H.K. dollars to RMB in this Offering Memorandum were made at a rate of RMB0.8408 to HK\$1.00. The middle exchange rate in effect as of December 31, 2010 was RMB0.8509 to HK\$1.00. We make no representation that any Hong Kong dollar or RMB amounts could have been, or could be, converted into RMB or H.K. dollars, as the case may be, at any particular rate, the rates stated below, or at all. On April 13, 2011, the middle exchange rate was RMB0.8408 to HK\$1.00.

The following table sets forth, for the periods indicated, the middle exchange rate for RMB for cable transfers in H.K. dollars:

<u>Period</u>	<u>Middle Exchange Rate</u>			
	<u>Period End</u>	<u>Average⁽¹⁾</u>	<u>High</u>	<u>Low</u>
	(RMB per Hong Kong dollar)			
April 2011 (through April 13, 2011)	0.8408	0.8419	0.8408	0.8427
March 2011.....	0.8423	0.8426	0.8412	0.8441
February 2011.....	0.8436	0.8450	0.8436	0.8467
January 2011	0.8456	0.8487	0.8451	0.8535
December 2010	0.8509	0.8556	0.8509	0.8599
November 2010	0.8598	0.8583	0.8545	0.8633
October 2010.....	0.8626	0.8600	0.8570	0.8634
2010.....	0.8509	0.8708	0.8509	0.8810
2009.....	0.8810	0.8813	0.8800	0.8821
2008.....	0.8819	0.8897	0.8736	0.9353
2007.....	0.9364	0.9727	0.9362	1.0028
2006.....	1.0047	1.0248	1.0047	1.0411

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

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following selected historical consolidated statements of operations data for the years ended December 31, 2010, 2009 and 2008, and the selected historical consolidated balance sheets data as of December 31, 2010 and 2009 have been derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. The following selected consolidated statements of operations data for the years ended December 31, 2007 and 2006 and the selected historical balance sheets data as of December 31, 2008, 2007 and 2006 have been derived from our audited consolidated financial statements not included in this Offering Memorandum. You should read this section in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those financial statements and the notes to those statements included elsewhere in this Offering Memorandum. The historical results are not necessarily indicative of the results of operations to be expected in the future.

	Year ended December 31,				
	2010	2009	2008	2007	2006
	(In thousands of US\$, except share and per share data and operating data)				
Consolidated Statements of Operations Data:					
Net revenues	\$ 2,641,976	\$ 1,332,873	\$ 1,416,134	\$ 358,496	\$ 36,101
Total operating costs and expenses	\$ (2,549,464)	\$ (1,604,920)	\$ (1,414,960)	\$ (554,313)	\$ (93,754)
Operating income (loss)	\$ 92,512	\$ (272,047)	\$ 1,174	\$ (195,817)	\$ (57,653)
Net loss	\$ (10,525)	\$ (308,461)	\$ (2,463)	\$ (178,151)	\$ (73,479)
Loss per share					
—Basic and diluted	\$ (0.007)	\$ (0.210)	\$ (0.002)	\$ (0.145)	\$ (0.116)
—ADS ⁽¹⁾	\$ (0.020)	\$ (0.631)	\$ (0.006)	\$ (0.436)	\$ (0.348)
Shares used in calculating loss per share					
—Basic and diluted	1,595,552,022	1,465,974,019	1,320,946,942	1,224,880,031	633,228,439
	As of December 31,				
	2010	2009	2008	2007	2006
	(In thousands of US\$)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 441,923	\$ 212,598	\$ 815,144	\$ 835,419	\$ 583,996
Restricted cash	\$ 167,286	\$ 236,119	\$ 67,977	\$ 298,983	\$ —
Total assets	\$ 4,884,440	\$ 4,862,845	\$ 4,495,442	\$ 3,617,099	\$ 2,279,920
Total current liabilities	\$ 675,604	\$ 521,643	\$ 447,289	\$ 480,516	\$ 207,613
Total debts ⁽²⁾	\$ 1,839,931	\$ 1,798,879	\$ 1,529,195	\$ 616,376	\$ 212,506
Total liabilities	\$ 2,361,249	\$ 2,353,801	\$ 2,086,838	\$ 1,188,558	\$ 389,554
Total equity	\$ 2,523,191	\$ 2,509,044	\$ 2,408,604	\$ 2,428,541	\$ 1,890,366

(1) Each ADS represents three ordinary shares.

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

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

- 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 and progressively added to its operations with the opening of Grand Hyatt Macau in the fourth quarter of 2009 and the opening of The House of Dancing Water in the third quarter of 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum. Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. See "Forward-Looking Statements" regarding these statements.

Our audited historical consolidated financial statements 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, Taipa Square Casino, which opened on June 12, 2008, 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 "Risk Factors—Risks Relating to Our Early Stage of Operations". For detailed information regarding our operations and development projects, see "Business".

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; approximately 1,400 hotel rooms and suites; over 20 restaurants and bars; 69 retail outlets; a wet stage performance theater; an audio visual multimedia experience; recreation and leisure facilities, including health and fitness clubs, three swimming pools, spa and salons and banquet and meeting facilities. A wet stage performance theater with approximately 2,000 seats opened on September 17, 2010 featuring the "The House of Dancing Water" show produced by Franco Dragone. Club Cubic Nightclub, with approximately 30,000 sq. ft. of live entertainment space, opened at City of Dreams on April 1, 2011. We are currently re-evaluating the next phase of our development plan at City of Dreams. The next phase is expected to include a hotel with features of an apartment hotel or a general hotel.

Altira Macau

Altira Macau currently features a casino area of approximately 173,000 sq. ft. with a total of approximately 206 gaming tables, 216 hotel rooms, including 24 suites and eight 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 changed 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 1,600 gaming machines in operation.

Taipa Square Casino

Taipa Square Casino opened on June 12, 2008 and has approximately 18,950 sq. ft. of gaming space and features approximately 31 gaming tables.

Development Projects

Macau Studio City Project

The joint venture parties developing the Macau Studio City project are currently involved in litigation proceedings and therefore construction of the Macau Studio City project has not commenced and the formal opening of Macau Studio City has not been determined. 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,				
	2010	2009	2008	2007	2006
	(in thousands of US\$)				
Net revenues	\$ 2,641,976	\$ 1,332,873	\$ 1,416,134	\$ 358,496	\$ 36,101
Total operating costs and expenses	\$ (2,549,464)	\$ (1,604,920)	\$ (1,414,960)	\$ (554,313)	\$ (93,754)
Operating income (loss).....	\$ 92,512	\$ (272,047)	\$ 1,174	\$ (195,817)	\$ (57,653)
Net loss	\$ (10,525)	\$ (308,461)	\$ (2,463)	\$ (178,151)	\$ (73,479)

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

- 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 and progressively added to its operations with the opening of Grand Hyatt Macau in the fourth quarter of 2009 and the opening of The House of Dancing Water in the third quarter of 2010.

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 rolling chip and mass market segments. In our rolling chip segment, customers primarily purchase identifiable chips known as non-negotiable chips, or 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 18% to 22%, 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.

Factors Affecting Results of Operations

Our business is and will be influenced most significantly by the continued growth of the gaming market in Macau. Rapid growth in the Macau gaming market commenced with the decision to grant new gaming

concessions by the Macau government in late 2001, and this growth has been facilitated by a number of drivers and initiatives which include, but are not limited to, the favorable population demographics and economic growth across each of our Asian tourism source markets; the substantial capital investment which has been made by the new concessionaires and subconcessionaires, including our Company, into the development of branded and diversified destination resort properties; and the future commitment by central and local governments to improve or develop new infrastructure connecting Macau with its wider geography.

We expect that the local government will continue its focus of promoting the future development of Macau as a popular international destination for gaming patrons, other customers of leisure and hospitality services and MICE (Meetings, Incentives, Conferences and Exhibitions) attendees, with the stated intention of increasing the potential universe of visitors to Macau, and to extend the average length of visitor stay which has been historically short. Our business performance will be impacted by changes in visitation patterns to Macau.

After nearly a decade of rapid casino and hotel resort supply expansion in Macau, the pace of expansion has slowed in the past two years following limitations on the amount of investment capital available for new developments since the onset of the global financial crisis. A more balanced pace of development in Macau, together with improved co-operation within the industry and between the industry and government, is expected to maintain a stable cost inflation environment in Macau. Casino resort operations, once built, generally operate with a fixed cost base and any increase in cost environment will exert an influence on the overall performance of our properties and those of our competitors.

One of the primary drivers of Macau's growth in both gaming and non-casino revenues has been China's rapid economic growth and the rapid expansion of a middle class exhibiting high savings rates, low personal debt and first generation opportunity to travel overseas and spend money on entertainment, including gaming and non-gaming offerings. Continued and stable progress in the economic expansion of the domestic economy in China, any future appreciation of the Renminbi and further development of policy measures designed to advance economic co-operation between the Pearl River Delta, Hong Kong and Macau, transforming the region into a globally competitive hub of economic activity, is expected to serve to underpin the future development of our business opportunities.

Regionally, new gaming jurisdictions such as Singapore have opened in Asia and this has added to the overall competitive landscape. While much smaller in scale to Macau, we compete to some extent with these new destinations.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenues

Consolidated net revenues were US\$2.64 billion, an increase of US\$1.31 billion (or 98.2%) from US\$1.33 billion for 2009. The increase in net revenues was driven by the increase in gaming revenue and hold percentages at Altira Macau and improvement in results of and a full year of operation of City of Dreams which opened in June 2009 which contributed US\$1.09 billion more in net revenues.

Consolidated net revenues in 2010 comprised of US\$2.55 billion in casino revenues (96.5% of total net revenues) and US\$91.4 million of net non-casino revenues (3.5% of total 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).

Casino. Casino revenues for the year ended December 31, 2010 of US\$2.55 billion represented a US\$1.25 billion (or 95.5%) increase from casino revenues of US\$1.30 billion for the year ended December 31, 2009 due to an increase in casino revenue at Altira Macau by US\$653.0 million to US\$846.9 million which was primarily driven by an increase in rolling chip volume and higher rolling chip hold percentage and casino revenue of US\$1.03 billion attributable to a full year of operation and improvement in results of City of Dreams which opened in June 2009.

Altira Macau's rolling chip volume for 2010 of US\$40.3 billion represented an increase of US\$2.8 billion from US\$37.5 billion for 2009. Altira Macau's hold percentage for VIP rolling chip table games (calculated before discounts and commissions) was 2.91% for 2010, within our expected level of 2.7% to 3.0% and an

increase from 2.55% for 2009. In the mass market table games segment, drop (non rolling chip) was US\$377.1 million for 2010 which increased by 38.2% from US\$273.0 million for 2009. The mass market hold percentage was 16.2% for 2010, within our expected range of 16.0% to 20.0% and an increase from 16.0% for 2009.

City of Dreams' rolling chip volume for 2010 of US\$51.7 billion represented an increase of US\$31.5 billion from US\$20.3 billion for 2009. City of Dreams' hold percentage for VIP rolling chip table games (calculated before discounts and commissions) was 2.92% for 2010, within our expected level of 2.7% to 3.0% and an increase from 2.65% for 2009. In the mass table games segment, drop (non-rolling chip) was US\$2.06 billion for 2010 which increased by 126% from US\$912.6 million for 2009. The mass hold percentage was 21.5% in 2010, which was within our expected range of 18.0% to 22.0% and significantly increased from 16.3% for 2009. The 2009 City of Dreams hold percentage of 16.3% was within the range expected for the first six months of a new property. The expected range of mass market hold percentage is different for Altira and City of Dreams due to a difference in the mix of table games, each of which has its own theoretical win percentage. Average net win per gaming machine per day was US\$219 for 2010, an increase of US\$82 from 2009.

Mocha Club's average net win per gaming machine per day for 2010 was US\$192, an increase of approximately US\$11 over 2009.

Rooms. Room revenue of US\$83.7 million for the year ended December 31, 2010 represented a US\$42.5 million (or 103.1%) increase from room revenue of US\$41.2 million for the year ended December 31, 2009 due to the opening of City of Dreams in June 2009, resulting in approximately 1,650 hotel rooms available for a full year across both properties. Altira Macau's ADR, occupancy and REVPAR were US\$166, 94% and US\$156, respectively, for the year ended December 31, 2010. This compares with the ADR, occupancy and REVPAR of US\$219, 92% and US\$201, respectively for 2009. The reduction in Altira's ADR in 2010 was attributable to a greater proportion of rooms being allocated to gaming customers in line with gaming revenue growth. City of Dreams' ADR, occupancy and REVPAR were US\$157, 80% and US\$126, respectively. This compares with the ADR, occupancy and REVPAR of US\$159, 84% and US\$133, respectively for 2009.

Food, beverage and others. Other non-casino revenues for the year ended December 31, 2010 included food and beverage revenue of US\$56.7 million, and entertainment, retail and other revenue of approximately US\$32.7 million. Other non-casino revenue 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. The increase of US\$49.3 million in non casino revenues was due to a full year of operation of City of Dreams, increased retail leased space at City of Dreams and the opening of the House of Dancing Water in September 2010.

Operating costs and expenses

Total operating costs and expenses were US\$2.55 billion for the year ended December 31, 2010, an increase of US\$944.5 million (or 58.9%) from US\$1.60 billion for the year ended December 31, 2009. The increase in operating costs of US\$944.5 million was primarily due to the commencement of operations at City of Dreams in June 2009, followed by the opening of Grand Hyatt and The House of Dancing Water in the fourth quarter of 2009 and September 2010 respectively, and an increase in operating costs at Altira Macau associated with the increase in revenue as described above.

Casino. Casino expenses increased by US\$818.7 million (or 72.4%) to US\$1.95 billion in 2010 from US\$1.13 billion in 2009 primarily due to an increase in casino revenue attributable by the full year operation of City of Dreams in 2010 which is impacted by additional gaming tax and other levies charged at a rate of 39% of US\$624.5 million.

Rooms. Room expenses, which represent the costs in operating the hotel facilities at Altira Macau and City of Dreams, increased by 153.8% to US\$16.1 million in 2010 from US\$6.4 million in 2009, primarily due to the full year operation of City of Dreams in 2010.

Food, beverage and others. Food, beverage and other expenses increased by US\$31.8 million (or 152.5%) to US\$52.7 million in 2010 from US\$20.9 million in 2009, primarily due to full year operation of City of Dreams in 2010 and the opening of The House of Dancing Water in September 2010.

General and administrative. General and administrative expenses increased by US\$68.8 million (or 52.6%) to US\$199.8 million in 2010 from US\$131.0 million in 2009, primarily due to an increase of US\$56.9 million for the full year operation of City of Dreams in 2010 and US\$14.1 million of increased corporate payroll and other costs.

Pre-opening costs. Pre-opening costs were US\$18.6 million for the year end December 31, 2010 as compared to US\$91.9 million for the year ended December 31, 2009. Such costs relate primarily to personnel training, equipment, marketing, advertising and other administrative costs in connection with new or start-up operations. Pre-opening costs for the year ended December 31, 2010 related to the opening of The House of Dancing Water in September 2010.

Amortization of gaming subconcession. Amortization of gaming subconcession continued to be recognized on a straight-line basis at an annual rate of US\$57.2 million for both 2010 and 2009.

Amortization of land use rights. The increase in amortization of land use rights expenses to US\$19.5 million in 2010 from US\$18.4 million was due to the increase in land premium associated with increasing the developed gross floor area by approximately 1.6 million square feet of Cotai Land in Macau where the City of Dreams site is located, commencing when we accepted in principle the initial terms for such revision of the land lease agreement in November 2009.

Depreciation and amortization. Depreciation and amortization expense increased by US\$94.4 million (or 66.6%) to US\$236.3 million in 2010 from US\$141.9 million in 2009 primarily due to depreciation of assets placed into service associated with the opening of City of Dreams in June 2009 and Grand Hyatt Macau and the House of Dancing Water which were progressively added to City of Dreams operations in the fourth quarter of 2009 and September 2010 respectively.

Property charges and other. Property charges and other generally include costs related to the remodeling and rebranding of a property which might include the retirement, disposal or write-off of assets. Property charges and other for the year ended December 31, 2010 were not material. Property charges and other for the year ended December 31, 2009 were 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 Macau peninsula project.

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 was US\$0.4 million and US\$0.5 million for the years ended 31 December 2010 and 2009 respectively.

Interest expenses were US\$93.3 million, net of capitalized interest of US\$11.8 million, for the year ended December 31, 2010, compared to US\$31.8 million, net of capitalized interest of US\$50.5 million for the year ended December 31, 2009. The increase in net interest expense of US\$61.5 million was primarily due to an increase of US\$38.9 million related to the US\$600 million 10.25% Senior Notes issued in May 2010 together with a decrease in interest capitalized of US\$38.7 million due to the decrease in interest eligible for capitalization following the opening of City of Dreams, Grand Hyatt and The House of Dancing Water in June 2009, the fourth quarter of 2009, and September 2010, respectively, offset by a decrease of US\$13.1 million of interest charges on our US\$1.75 billion City of Dreams Project Facility, net of interest rate swap agreements, primarily as a result of reducing the indebtedness by US\$444.1 million by applying a portion of the net proceeds from the sale of the Senior Notes.

Other finance costs included US\$14.3 million of amortization of deferred financing costs net of capitalization, which primarily increased from 2009 due to the ineligibility for further capitalization following the completion and opening of City of Dreams in June 2009, and a credit of US\$3.8 million of loan commitment fees related to the US\$1.75 billion City of Dreams Project Facility.

Costs associated with debt modification of US\$3.3 million for the year ended December 31, 2010 related to the amendment of City of Dreams Project Facility which includes a write off on the balance of unamortized deferred financing costs relating to the reduced borrowing capacity of the Revolving Credit Facility.

Net foreign exchange gains for the year ended December 31, 2010 were US\$3.6 million, primarily related to unrealized foreign exchange transaction gains.

Income tax expenses (credit)

The positive effective tax rate for the year ended December 31, 2010 was 9.6%, as compared to the negative effective tax rate of 0.04% for the year ended December 31, 2009. Such rates differ 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 2010 and 2009, the impact of a net loss of Macau gaming operations during the year ended December 31, 2009 and the effect of tax holiday of US\$28.1 million in 2010 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\$10.5 million for 2010, compared to a net loss of US\$308.5 million in 2009.

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 were 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 were 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 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 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 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 was 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 the commencement of operations 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 a decrease in the 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 in 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 the 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 the commencement of operations 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 the commencement of operations at City of Dreams in June 2009.

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 totaled 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 draw downs 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 differed from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of a change in valuation allowance on the net deferred tax assets in 2009 and 2008, the impact of the net loss of Macau gaming operations during the year ended December 31, 2009 and the effect of a tax holiday of US\$8.9 million on the net income of 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.

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 and amortize 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 dates of the leases of the land use rights of Altira Macau and City of Dreams are 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, 2010, 2009 and 2008, impairment losses amounting to nil, US\$282,000 and US\$17,000, 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 US\$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. No impairment loss was recognized during the year ended December 31, 2010.

Goodwill and purchased intangible assets

We review the carrying value of goodwill and purchased intangible assets with indefinite useful lives, representing the trademarks of Mocha Clubs, 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, 2010 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, 2010.

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, 2010. 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, 2010, 2009 and 2008. We measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognize the cost over the service period in accordance with applicable accounting standards. We use the Black-Scholes valuation model to value the equity instruments issued. The Black-Scholes valuation model requires the use of highly subjective assumptions of expected volatility of the underlying stock, risk-free interest rates and the expected term of options granted. Management determines these assumptions through internal analysis and external valuations utilizing current market rates, making industry comparisons and reviewing conditions relevant to 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 2010 awards (excluding our stock option exchange program), a 10% change in the volatility assumption would have resulted in a US\$0.1 million change in fair value and a 10% change in the expected term assumption would have resulted in a US\$0.04 million change in fair value. These assumed changes in fair value would have been recognized over the vesting schedule of such awards. It should be noted that a change in expected term would cause other changes, since the risk-free rate and volatility assumptions are specific to the term; we did not attempt to adjust those assumptions in performing the sensitivity analysis above.

Revenue recognition

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

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

We follow the accounting standards on reporting revenue gross as a principal versus net as an agent, when accounting for the operations of the Taipa Square Casino and the Grand Hyatt Macau hotel. For the operations of Taipa Square Casino, given that we operate the casino under a right to use agreement with the owner of the casino premises and have full responsibility for the casino operations in accordance with our gaming subconcession, 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 performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. Minimum operating and right to use fee, adjusted for contractual base fee and operating fee escalations, are included in entertainment, retail and other revenues and are recognized on a straight-line basis over the terms of the related agreement.

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

Accounts Receivable and Credit Risk

Financial instruments that potentially subject our company to concentrations of credit risk consist principally of casino receivables. We issue credit in the form of markers to approved casino customers, including our gaming promoters in Macau, following investigations of creditworthiness. Such receivable can be offset against commissions payable and any other value items held by us to the respective customer and for which we intend to set-off when required. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in foreign countries. Accounts are written off when management deems it is probable the receivable is uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful debts is maintained to reduce our receivables to their carrying amounts, which approximate fair values. The allowance is estimated based on the 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 of the account balance, 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, 2010, 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\$2.9 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, 2010 and 2009, we recorded valuation allowances of US\$47.2 million and US\$33.1 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, and the duration of statutory carryforward periods. To the extent that the financial results of our operations improve and it becomes more likely than not that the deferred tax assets are realizable, the valuation 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 Offering Memorandum for discussion of recent accounting standards.

Liquidity and Capital Resources

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

	Year ended December 31,		
	2010	2009	2008
	(in thousands of US\$)		
Net cash provided by (used in) operating activities	\$ 401,955	\$ (112,257)	\$ (11,158)
Net cash used in investing activities	(190,310)	(1,143,639)	(913,602)
Net cash provided by financing activities	17,680	653,350	904,485
Net increase (decrease) in cash and cash equivalents	229,325	(602,546)	(20,275)
Cash and cash equivalents at beginning of year	212,598	815,144	835,419
Cash and cash equivalents at end of year.....	<u>\$ 441,923</u>	<u>\$ 212,598</u>	<u>\$ 815,144</u>

We have been able to meet our working capital needs, and we believe that we will be able to meet our working capital needs for the next 12 months. We plan to meet our liquidity needs in the next 12 months with our operating cash flow, existing cash balances, possible additional financings, and availability under our City of Dreams Project Facility.

Operating activities

Operating cash flows are generally affected by changes in operating income and accounts receivable with VIP table games play and hotel operations conducted on a cash and credit basis and the remainder of the business including mass table games play, slot machine play, food and beverage, and entertainment conducted primarily on a cash basis.

Net cash provided by operating activities was US\$402.0 million in 2010, compared to net cash used in operating activities of US\$112.3 million in 2009. There was an increase in operating cash flow mainly attributable to the improvement in results and a full year of operation of City of Dreams which opened in June 2009. 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 Macau and increased pre-opening activities for City of Dreams.

Investing activities

Net cash used in investing activities was US\$190.3 million in 2010, compared to US\$1.14 billion in 2009, primarily due to a reduction in construction and development activity relating to City of Dreams.

Our 2010 total capital expenditure was US\$197.4 million and we paid US\$29.8 million for City of Dreams' land use rights and US\$27.1 million for entertainment production costs for The House of Dancing Water.

There was a net decrease of US\$69.1 million in the amount of restricted cash primarily due to the settlement of US\$210.3 million of City of Dreams costs in accordance with the City of Dreams Project Facility, offset by a net increase of US\$97.5 million in the balance associated with the issuance of the Senior Notes as described below and increase of US\$47.0 million of cash set aside in accordance with the City of Dreams Project Facility both of which are for future repayments of the City of Dreams Project Facility. Approximately US\$22.8 million remains restricted for use in accordance with the City of Dreams Project

Facility as required for the City of Dreams' costs under disbursement terms specified in the City of Dreams Project Facility and will be immediately released upon the final completion of City of Dreams.

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.

Financing activities

Proceeds from Our Financing. Net cash provided by financing activities amounted to US\$17.7 million for the year ended December 31, 2010, primarily related to proceeds from the issuance of the Senior Notes amounting to US\$592.0 million, offset by the repayment of long term debt of US\$551.4 million, of which US\$444.1 million was used to repay the City of Dreams Project Facility, and payment of deferred financing costs primarily associated with the Senior Notes of US\$22.9 million. 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.

Shareholder Loans and Contributions. As of December 31, 2010, we had 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 2012. 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 was at 3-months HIBOR plus 1.5% per annum during the period from May 16, 2008 to May 15, 2009 with the remaining balance of US\$36,000 repayable on demand and non-interest bearing.

City of Dreams Project Facility. On September 5, 2007, Melco Crown Gaming and certain other subsidiaries specified as guarantors under the City of Dreams Project Facility, 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 draw down which comprised both H.K. dollars and U.S. dollars totaling the equivalent of US\$500.2 million was made under the City of Dreams Project Facility. Subsequent draw downs took place in 2008 and 2009, which comprised of both H.K. dollars and U.S. dollars totaling the equivalent of US\$912.3 million and US\$270.7 million, respectively, under the City of Dreams Project Facility. On May 26, 2010, we applied a portion of the net proceeds from the sale of the Senior Notes to reduce our indebtedness under our City of Dreams Project Facility by US\$444.1 million. We have repaid US\$35.7 million and US\$71.6 million in December 2010 of our City of Dreams Project Facility in accordance with the quarterly amortization schedule and in relation to a mandatory prepayment required due to excess cash generated as calculated in accordance with the City of Dreams Project Facility agreement respectively. Deferred financing costs of US\$0.9 million and US\$7.6 million in relation to the City of Dreams Project Facility were paid accordingly during the years ended December 31, 2009 and 2008, respectively. Subject to satisfaction of the relevant conditions precedent, a further US\$100.3 million remained available for future draw downs as at December 31, 2010 and as of the date of this Offering Memorandum.

Senior Notes. On May 17, 2010, MCE Finance issued US\$600,000,000 aggregate principal amount of senior notes with an interest rate of 10.25% per annum and a maturity date of May 15, 2018. The Senior Notes are listed on the Official List of the SGX-ST and the issue price was 98.671% of the principal amount, resulting in net proceeds to us of approximately US\$577.1 million after deducting US\$22.9 million for the initial purchasers' discounts and commissions and estimated offering expenses payable by us. The net proceeds from the offering were used to reduce our indebtedness under the City of Dreams Project Facility as described above.

Other Financing. 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.

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, possible additional financings and availability under our City of Dreams Project Facility.

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.

Ratings

Melco Crown Gaming has a corporate rating of “BB-” by Standard & Poor’s and a rating of “Ba3” by Moody’s Investors Service. Melco Crown Gaming is a subsidiary of us and such ratings are not indicative of our ability to service debt. For future borrowings, any decrease in our corporate rating could result in an increase in borrowing costs.

Research and Development, Patents and Licenses

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 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.

Trend Information

Other than as disclosed elsewhere in this Offering Memorandum, 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.

Off-Balance Sheet Arrangements

Except as disclosed in Note 18(d) to the consolidated financial statements included elsewhere in this Offering Memorandum, we have not entered into any material financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity, or that are not reflected in our consolidated financial statements.

Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Tabular Disclosure of Contractual Obligations

Our total long-term indebtedness and other known contractual obligations are summarized below as of December 31, 2010.

	Payments due by period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
	(In millions of US\$)				
Contractual obligations					
Long-term debt obligations:					
Loans from shareholders ⁽¹⁾	\$ —	\$115.6	\$ —	\$ —	\$ 115.6
Other long-term debt ⁽²⁾	203.0	583.9	344.9	600.0	1,731.8
Fixed interest payments	61.5	123.0	123.0	145.9	453.4
Variable interest payments ⁽³⁾	39.5	37.3	4.9	—	81.7
Operating lease obligations:					
Leases for office space, VIP lounge, recruitment and training center, staff quarter and Mocha Clubs locations	10.8	12.7	6.4	7.1	37.0
Other contractual commitments:					
Government land use fees payable for Altira Macau land ⁽⁴⁾	0.2	0.3	0.3	2.6	3.4
Government land use fees payable for City of Dreams land ⁽⁴⁾	1.2	2.4	2.4	20.8	26.8
Interest on land premium for City of Dreams land ⁽⁵⁾	1.8	1.2	—	—	3.0
Construction, plant and equipment acquisition commitments ⁽⁶⁾	2.8	—	—	—	2.8
Buses and limousines services commitments	2.4	—	—	—	2.4
Premium on gaming subconcession ⁽⁷⁾	9.4	18.7	18.7	60.6	107.4
Trademark and memorabilia license fee commitments	0.9	1.8	1.8	3.1	7.6
Consultancy and other services commitments	4.5	3.6	0.6	—	8.7
Entertainment show operations commitments	7.7	21.1	—	—	28.8
Total contractual obligations	\$345.7	\$921.6	\$503.0	\$840.1	\$2,610.4

(1) Excludes the working capital loans provided by Melco and Crown, which had an outstanding balance of US\$36,000 as of December 31, 2010. As of December 31, 2010, the balance of the outstanding term loans from Melco and Crown, amounting to approximately US\$115.6 million was repayable in May 2012. The term loans from Melco and Crown as of December 31, 2010 both are bearing interest at 3-months HIBOR per annum.

(2) Other long-term debt represents US\$1.75 billion under the City of Dreams Project Facility and US\$600 million Senior Notes. 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 (the "Scheduled 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. In addition to the Scheduled Amortization Payments, we are also subject to quarterly mandatory prepayments in respect of the following amounts within certain of subsidiaries of Melco Crown Gaming (together with Melco Crown Gaming collectively referred to as the "Borrowing Group") including but not limited to: (i) 50% of the net proceeds of any permitted equity issuance of any member of the Borrowing Group; (ii) the net proceeds of any asset sales; (iii) net termination proceeds paid under the Melco Crown Gaming's subconcession and certain contracts or agreements; (iv) certain net proceeds or liquidated damages paid; (v) insurance proceeds net of expenses to obtain such proceeds; and (vi) excess cash as defined under a leverage test.

In May 2010, MCE Finance issued the Initial Notes, which are listed on the Official List of the Singapore Exchange Securities Trading Limited. Additionally, in May 2010, Melco Crown Gaming entered into an amendment agreement to the City of Dreams Project Facility (the "Amendment Agreement"). The Amendment Agreement, among other things, (i) amends the date of the first covenant test date to December 31, 2010; (ii) provides additional flexibility to the financial covenants; (iii) removes the obligation but retains the right to enter into any new interest rate or foreign currency swaps or other hedging arrangements; and (iv) restricts the use of the net proceeds received from the issuance of the Senior Notes to repayment of certain amounts outstanding under the City of Dreams Project Facility, including prepaying the term loan facility in an amount of US\$293.7 million and the revolving credit facility in an amount of US\$150.4 million, with the remaining net proceeds in an amount of US\$133.0 million deposited in a bank account that is restricted for use to pay future Scheduled Amortization Payments commencing December 2010 as well as providing for a permanent reduction of the revolving credit facility of US\$100 million.

(3) Amounts for all periods represent our estimated future interest payments on our debt facilities based upon amounts outstanding and Hong Kong Inter-Bank Offered Rate, London Inter-Bank Offered Rate (at December 31, 2010) plus the applicable interest rate spread in accordance with the respective debt agreements.

- (4) 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 Limited in accordance with the applicable market rates from time to time.
- (5) In February 2008, Melco Crown (COD) Developments Limited and Melco Crown Gaming accepted in principle an offer from the Macau government to acquire the Cotai Land in Macau, where the City of Dreams site located and 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 Limited of which approximately MOP 526.1 million (US\$65.7 million) has been paid as of December 31, 2010 and the remaining amount of approximately MOP 316.0 million (US\$39.4 million), accrued with 5% interest per annum, will be paid in five biannual installments. In November 2009, Melco Crown (COD) Developments Limited 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 Limited 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 land grant amendment process was completed on September 15, 2010. The total outstanding balances of the land use right have been included in accrued expenses and other current liabilities and land use right payable as of December 31, 2010. 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 Limited in accordance with the market rates from time to time.
- (6) The amount as of December 31, 2010 mainly represents construction contracts for the construction and plant and equipment acquisitions of City of Dreams of approximately US\$2.2 million. The balance includes the remaining payment obligations for Altira Macau, Mocha Clubs and Corporate.
- (7) The amount represents fixed annual premium of MOP 30.0 million (US\$3.7 million) and minimum variable premium of MOP 45.0 million (US\$5.6 million) per year based on number of gaming table and slot machine.

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 entered into interest rate swaps in connection with our drawdowns under the City of Dreams Project Facility in accordance with our lenders' requirements at such time under the City of Dreams Project Facility. We incurred substantial indebtedness which bore interest at floating rates based on LIBOR and HIBOR plus a margin of 2.75% per annum until December 31, 2009, at which time, the floating interest rate was 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. We may 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, 2010, approximately 32% of our long-term debt was based on fixed rates due to the issuance of the Initial Notes in May 2010 and all of our borrowings were at floating rates as of December 31, 2009. Based on December 31, 2010 and 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\$7.6 million and US\$9.6 million, respectively.

Foreign Exchange Risk

The H.K. dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau. The H.K. dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the H.K. dollar. Although we have certain expenses and revenues denominated in Patacas in Macau, our revenues and expenses are denominated predominantly in H.K. 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, H.K. dollar and Pataca will not be broken or modified. See "Risk Factors—Risks Relating to Our Business and Operations in Macau—Any fluctuation in the value of the H.K. dollar, U.S. dollar or Pataca may adversely affect our indebtedness, expenses and profitability." All payments of interest and principal will be made with respect to the Bonds in Renminbi. As a result, the value of these Renminbi payments in H.K. dollar terms may vary with the prevailing exchange rates in the marketplace. The value of Renminbi against the H.K. dollar and other foreign currencies fluctuates and is affected by changes in China and international political and economic conditions and by many other factors. See "Risk Factors—Risks Relating to the Bonds—Investment in the Bonds is subject to exchange rate risk." 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. As is common practice in Macau, we grant credit to gaming promoters and certain direct gaming customers. The gaming promoters bear the responsibility for issuing to and subsequently collecting credit from their players. We have established controls over the issuance of credit and aim to pursue aggressively overdue debt from gaming promoters and direct gaming customers. This collection activity includes as relevant frequent personal contact with the debtor, delinquency notices, the use of external collection agencies and litigation. We expect that most of our gaming credit play will be via gaming promoters, who will therefore bear the direct credit risk from their players. However, we may not be able to collect all of our gaming receivables from our credit customers and gaming promoters. 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. See “Business—Legal and Administrative Proceedings”.

BUSINESS

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 2010, 2009 and 2008, Macau generated approximately US\$23.5 billion, US\$14.9 billion and US\$13.6 billion of gaming revenue, respectively, according to the DICJ, compared to the US\$5.7 billion, US\$5.5 billion and US\$6.0 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\$3.6 billion, US\$3.9 billion and US\$4.5 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 2005 to 2010 of 32.54% compared to five-year CAGRs of -0.84% and -6.61% 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 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. 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. The casino operators typically pay a commission to the junket operators based on either a percentage of the net rolling or the monthly gross revenue of the patrons they direct to the casinos. In 2009, the Macau government fixed the maximum commission based on net rolling that can be paid to junket operators, although such ceiling is not currently being applied to commission based on revenue share arrangements.

Rolling chip program baccarat is referred to as the "rolling chip 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 experiences many peaks and seasonal effects. The "Golden Week" 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 high stakes rolling chip gaming patrons, as well as 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 recent 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 what we believe are market leading business models.

Our Mocha Clubs and Altira Macau operations have established a solid market share in their respective markets. The introduction of City of Dreams has resulted in the Company's offerings comprising a diversified gaming and entertainment mix within Macau.

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

Operations

City of Dreams

City of Dreams, an integrated resort development in Macau, opened in Cotai in June 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. The resort brings together a collection of brands, such as Crown, Grand Hyatt, Hard Rock and Dragone, to create an experience that aims to appeal to a broad spectrum of visitors from around Asia and the world. 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 opened on September 17, 2010 in the wet stage performance theater known as the Theater of Dreams. The Cubic Club nightclub situated on Level 2 of The Boulevard at City of Dreams opened on April 1, 2011. In addition, there are over 20 restaurants and bars; 69 retail outlets; an 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 have concluded the revision to our land lease agreement for City of Dreams, pursuant to which we increased the developable gross floor area by approximately 1.6 million square feet. We are currently re-evaluating the next phase of our development plan at City of Dreams. The next phase is expected to include a five star hotel with features of an apartment hotel or a general hotel and we anticipate that this phase of development will be financed separately from the rest of the City of Dreams. We are assessing our hotel room requirements, government policies and general market conditions, before we finalize our development plan. The development of the hotel is or may be subject to the availability of additional financing, Macau government's approval and the approval of our financiers 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 wet stage performance theater, all retail space together with food and beverage outlets, were 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 pre-opening expenses. Dragon's Treasure, the show offered in the Bubble at City of Dreams, received the 2009 THEA Award for "Outstanding Achievement" from the Themed Entertainment Association (TEA). City of Dreams also won the "Best Leisure Development in Asia Pacific" award in the International Property Awards 2010 which recognizes distinctive innovation and outstanding success in leisure development and the "Best Casino VIP Room" and "Best Casino Interior Design" awards in the International Gaming Awards 2011, which recognizes outstanding design in the casino sector.

Altira Macau

Altira Macau is designed to provide a casino and hotel experience which primarily meets 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 level of accommodation and facilities we offer at Altira Macau, and instead have focused primarily on gaming during day trips and short visits to Macau. Altira Macau won the "Casino Interior Design Award" in the first International Gaming Awards in 2008. Altira Macau has for the second year in a row been awarded the Forbes Five Star rating in both Lodging and Spa categories by the Forbes Travel Guide (formerly Mobil Travel Guide) for 2010 and 2011. Altira Macau also won the "Best Business Hotel in Macau" award in TTG China Travel Awards 2009 and the "Best Luxury Hotel in Macau" award in the TTG China Travel Awards 2010.

With the opening of additional gaming space, the casino at Altira Macau has approximately 173,000 sq. ft. of gaming space and features approximately 206 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 gaming experience in a private environment. The table limits on our main casino floors accommodate a range of casino patrons. Due to the flexibility of our multi-floor layout, we are able to

reconfigure our casino to meet the changing demands of our patrons and target specific segments we deem attractive on a periodic basis.

We consider Altira Hotel, located within the 38-story Altira Macau, to be one of the leading hotels in Macau. The top floor of the hotel serves as the hotel lobby and reception area, providing guests with views of the surrounding area. The hotel comprises approximately 216 hotel rooms, including 24 suites and 8 villas, and features in-room entertainment and communication facilities.

A number of restaurants and dining facilities are available at Altira Macau, including Tenmasa, a well-known 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 non-gaming entertainment venues, including a spa, gymnasium, outdoor garden podium and a sky terrace lounge.

We introduced experienced local management to the Altira Macau property in 2008 to further our 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 to target the Asian rolling chip market. The brand supports our primary business objective at the Altira Macau property, which is to develop 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 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, which targets premium rolling chip customers sourced through the regional marketing networks operated by us. The Altira brand was launched in April 2009. In late 2009, Altira transitioned from a gaming promoter aggregator model to one where we contract directly with all of our gaming promoters. Altira Macau transferred the management of its gaming machines to Mocha Clubs in 2008.

Mocha Clubs

Mocha Clubs first opened in September 2003 and has expanded operations to eight clubs with a total of approximately 1,600 gaming machines, each club with an average of approximately 200 gaming machines and gaming space ranging from approximately 3,000 sq. ft. to 11,000 sq. ft. The clubs comprise the largest non-casino-based operations of electronic gaming machines in Macau and are located in areas with strong pedestrian traffic, typically within three-star hotels. Each club site offers electronic tables without dealers. Our Mocha Club gaming facilities include what we believe is the latest technology for gaming machines and offer both single player machines with a variety of games, including progressive jackpots, and multi-player games where players on linked machines play against 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, 2010, Mocha had 1,576 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 18,950 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. Taipa Square Casino is designated as an Excluded Project under our City of Dreams Project Facility.

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 changes 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) putting in place plans for financing for any project before commencing construction; (ii) ensuring that our existing portfolio of properties benefit from the new development through a developed understanding of how the market for our properties and services has continued to change and segment; and (iii) pacing new supply in accordance with the demands of the market.

Macau Studio City Project

Melco Crown Gaming has entered into a services agreement with New Cotai Entertainment (Macau) Limited and New Cotai Entertainment, LLC, under which Melco Crown Gaming would operate the casino portions of the Macau Studio City project, a large integrated 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 (Macau) Limited. The joint venture parties are currently involved in litigation proceedings and therefore construction of the Macau Studio City project has not commenced and the formal opening of Macau Studio City has not been determined.

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 monitor and effectively manage our liquidity needs and raise development funds when favorable market conditions permit us to do so, and we will, as a priority, apply surplus cash generated from our operations to de-leveraging.

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 and further strengthen our brands by building and maintaining high quality properties that differentiate us from our competitors throughout Asia and by providing a set of experiences tailored to meet the cultural preferences and expectations of Asian customers.

Although we strive to have all of our properties consistently adhere to the standards 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 independence, flexibility and economic benefits afforded

by being a subconcessionaire. We will consider opportunities to utilize our subconcession for newly acquired, developed or existing properties as they arise. 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 properties under leasing or services arrangements and keep a percentage of the revenues. In 2008, the Macau government imposed a moratorium on new gaming services agreements. Such moratorium does not currently impact the agreement between Melco Crown Gaming, New Cotai Entertainment (Macau) Limited and New Cotai Entertainment, LLC regarding the Macau Studio City project. 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. We have combined our brand recognition with customer management techniques and programs in order to build a database of repeat customers and loyalty club members. Through Mocha Clubs' share of the Macau electronic gaming market, we have also developed a customer database and a customer loyalty program, which we believe have 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; 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 experience in operating large scale, high quality resort facilities.

We believe that 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, we believe that tailored services will drive competitive advantage. As such, our focus remains on creating service experiences for the tastes and expectations of a segmented and demanding consumer.

We believe 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 majority 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 Limited 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 526.1 million (equivalent to US\$65.7 million) has been paid as of December 31, 2010 and the remaining premium of approximately MOP 316.0 million (equivalent to US\$39.4 million), accrued with 5% interest, will be paid in five 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 Limited 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 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 Limited 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. The land grant amendment process was completed on September 15, 2010. Under the revised land concession, the developable gross floor area at the site is 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 land concession, 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.

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 approximately 2,000-seat Theater of Dreams, which opened on September 17, 2010, stages “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. We believe The House of Dancing Water will become the live entertainment centerpiece of City of Dreams’ overall leisure and entertainment offering. We also believe the production will highlight City of Dreams as an 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, 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 Limited, 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 52,500 sq. ft. at the following locations:

<u>Mocha Club</u>	<u>Opening Date</u>	<u>Location</u>	<u>Gaming Area</u> (in sq. ft.)
Mocha Altira	December 2008	Level 1 of Altira Macau	2,950
Mocha Square	October 2007	1/F, 2/F and 3/F of Mocha Square	3,400
Marina Plaza	December 2006	1/F and 2/F of Marina Plaza	10,800
Hotel Taipa	January 2006	G/F of Hotel Taipa	6,000
Sintra	November 2005	G/F and 1/F of Hotel Sintra	5,000
Taipa Square	March 2005	G/F, 1/F and 2/F of Hotel Taipa Square	9,200
Lan Kwai Fong	April 2004	G/F of Kingsway Commercial Centre	6,700
Royal	September 2003	G/F and 1/F of Hotel Royal	8,450
Total			<u>52,500</u>

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 was due to expire in 2011 but is currently in the process of being renewed for a further two to three year period.

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 1,760 square meters (approximately 18,950 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, 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 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, maintain a database of gaming customers and have developed a series of commission and other incentive-based programs for offer to both gaming promoters and individuals alike, in order 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 Venetian Macau Limited, 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 31, 2010 was 4,791. 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 and continues to add new properties. 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. In addition they opened an extension to Wynn Macau called Encore in 2010.

Galaxy, the third concessionaire in Macau, currently operates multiple casinos in Macau including the Galaxy StarWorld, a hotel and casino resort in Macau's central business and tourism district. The Galaxy Mega Resort is scheduled to open in Cotai in May 2011.

With a subconcession under Galaxy's concession, Venetian Macau Limited operates Sands Macao,

together with The Venetian Macao and The Four Seasons Macau which are both located in Cotai. They have also announced proposals for further large developments in Cotai, some of which we believe are scheduled to open in 2012.

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. There are major gaming facilities in Australia located in Melbourne, Perth, Sydney and the Gold Coast. Genting Highlands is a popular international gaming resort in Malaysia, approximately a one-hour drive from Kuala Lumpur. South Korea has allowed gaming for some time but these offerings are available primarily to foreign visitors. There are also casinos in the Philippines, although they are relatively small compared to those in Macau. In addition, there are a number of casino complexes in Cambodia.

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

Employees

We had 10,166, 9,631 and 4,803 employees as of December 31, 2010, 2009 and 2008, 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, 2010, 2009 and 2008.

	December 31,					
	2010		2009		2008	
	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total	Number of Employees	Percentage of Total
Mocha	777	7.6%	757	7.8%	615	12.8%
Altira Macau	2,609	25.7	2,753	28.6	3,540	73.7
City of Dreams	6,194	60.9	5,718	59.4	317	6.6
Corporate and centralized services . .	<u>586</u>	<u>5.8</u>	<u>403</u>	<u>4.2</u>	<u>331</u>	<u>6.9</u>
Total	<u>10,166</u>	<u>100%</u>	<u>9,631</u>	<u>100%</u>	<u>4,803</u>	<u>100%</u>

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 have implemented a number of human resource initiatives over recent years for the benefit of our employees and their families. These initiatives include a unique in-house learning academy, an on-site high school diploma program, scholarship awards, as well as fast track promotion training initiatives jointly coordinated with the School of Continuing Study of Macau University of Science & Technology and Macao Technology Committee.

Intellectual Property

We have registered the trademarks "Altira," "Mocha Club" and "City of Dreams" in Macau. We have also registered in Macau certain other trademarks and service marks 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 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. See “—Legal and Administrative Proceedings”.

Legal and Administrative Proceedings

On January 25, 2011 Melco Crown Gaming was served a civil action filed by Ama International Limited, or Ama, in which Ama claims the payment of MOP622.8 million (approximately US\$77.7 million) plus interest accrued since January 25, 2011, for damages incurred as a result of Melco Crown Gaming’s alleged breach of the gaming promotion agreement with Ama terminated on June 22, 2010, for loss of profit resulting from such termination and for damages incurred and loss of profit resulting from the alleged unfair competition of Melco Crown Gaming at the casino at Altira Macau. On March 3, 2011 Melco Crown Gaming filed its response to Ama’s claims. On March 22, 2011 Ama filed its response to Melco Crown Gaming’s defense and reduced the claimed amount to MOP325.8 million (approximately US\$40.6 million) plus interest accrued since January 25, 2011. We believe Ama’s allegations and claims have no grounds and are in response to our effort to collect debt outstanding and owing to Melco Crown Gaming from Ama. Melco Crown Gaming intends to continue to vigorously defend all claims made by Ama.

We are currently a party to certain other 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 other 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 Gestão 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 trademark), Crown Melbourne Limited has succeeded in the final Court of Appeal in Macau (Tin Fat cannot appeal further).

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.

INDUSTRY

MACAU GAMING MARKET OVERVIEW

Macau is the world's largest and fastest growing gaming market measured by gross gaming revenues and the only location in China to offer legalized casino gaming. The Macau market generated US\$23.5 billion in gross gaming revenues in 2010, a 57.8% year-on-year growth from 2009 to 2010, and more than four times the 2010 gross gaming revenue generated by the Las Vegas Strip. From 2005 through the end of 2010, gross gaming revenues have experienced a CAGR of 32.5% (an increase of more than four times from US\$5.7 billion in 2005). Visitors to Macau are primarily from China and Hong Kong whom account for 83% of the total annual visitation. For the twelve months of 2010, Macau received 25.0 million total visitors.

The following table summarizes certain information about Macau and its gaming market.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>05-10 CAGR</u>
Macau							
Macau nominal GDP (US\$bn)	27.1	20.6	20.2	17.7	14.2	11.5	18.7%
Gross gaming revenues (US\$bn)	23.5	14.9	13.6	10.4	7.1	5.7	32.5%
Number of gaming tables ⁽¹⁾	4,791	4,770	4,017	4,375	2,762	1,388	28.1%
Number of Slots ⁽¹⁾	14,050	14,363	11,856	13,267	6,546	3,421	32.6%
Total visitation (mm) ⁽²⁾	25.0	21.8	22.9	27.0	22.0	18.7	5.9%
China IVS (mm)	5.5	4.8	6.8	7.2	5.8	5.3	0.7%
% of IVS to total visitation	22.0%	22.0%	29.6%	26.7%	26.4%	28.3%	

Sources: DICJ, DSEC.

Notes:

- (1) Number for 2005-2010 as of year end.
- (2) 2008 visitor numbers were revised by DSEC and show a significant drop compared to previous non-revised numbers due to methodological changes made. DSEC visitor numbers are based on counts of visitors taken at ports of entry to Macau. Expatriates working in Macau are processed together with tourists visiting Macau at these points of entry. DSEC had therefore previously included expatriates resident in Macau in its visitor numbers. From 2008 forward, DSEC has excluded these individuals from the visitor count. The number of visitors to Macau in 2008 based on DSEC's previous methodology is 30,185,740, an increase of 11.8% from 27,003,370 in 2007.

Macau is a Special Administrative Region of the People's Republic of China and is located on the Pearl River Delta on the southern coastline of China's Guangdong Province (a wealthy, urban and populous province of China). It is an hour away from Hong Kong via high-speed ferry, a key transportation and visitor hub in the region and home to Asia's third busiest airport after Tokyo and Beijing, and it also lies in close proximity to many key Asian countries with favorable population and economic characteristics. Macau draws visitors from approximately ninety-five million residents of Guangdong and from the combined two billion residents of China, Taiwan, Japan, Korea, Thailand, Malaysia, Singapore, Indonesia and the Philippines located within an approximate five-hour flight from Macau.

Visitors from China constitute a majority of arrivals into Macau, accounting for 53.0% of arrivals in 2010 with Hong Kong accounting for a further 29.9%. Total visitors to Macau under China's IVS expanded in 2010 at 14.1% year-on-year growth compared to 2009. As mainland China continues to develop its economy, coupled with an increasingly affluent population, Macau is expected to benefit and maintain both its economic as well as gaming revenue growth rates.

CHINA GDP AND DEMOGRAPHICS

One of the drivers of Macau's growth in both gaming and non-casino revenues has been China's rapid economic growth. According to CEIC, China's GDP has grown at a CAGR of 16.6% over the past five years, with nominal GDP growing from US\$2,830 billion in 2005 to more than US\$6,090 billion in 2010. The middle class in China continues to expand rapidly, with the number of households with an annual disposable income over US\$15,000 reaching 45.7 million as of 2010. This growing middle class trend is complemented by high savings rates and low levels of personal debt. Savings in China are currently estimated to be 36% of disposable income, totaling US\$1,188 billion in 2010, as compared to total consumer loans of US\$4,217 billion. The high savings rate relative to personal debt is expected to increase spending on overseas travel and other entertainment, including gaming and non-gaming offerings. In November 2008, China announced a HK\$4.5 trillion stimulus package, with investment in transportation links and infrastructure highlighted as one

of the package’s primary goals. In January 2009, the National Development and Reform Commission (NDRC) introduced a 2008—2020 national development blueprint for the southern Pearl River Delta. These policy measures focus on strengthening business cooperation between the Pearl River Delta, Hong Kong and Macau and developing the region into a globally competitive hub of economic activity.

DEVELOPMENT OF THE MARKET

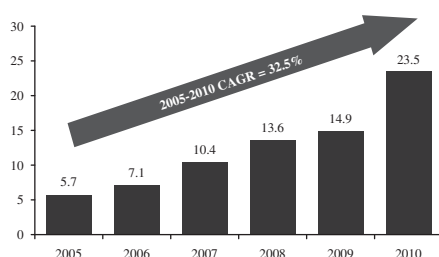
In an attempt to improve the size, scope and quality of Macau’s casinos and consolidate its position as a gaming center in the region, the Macau government initiated a bidding process to grant three new gaming concessions in late 2001. In 2002, Wynn Resorts (Macau) S.A. (“WRM”) was awarded the first gaming concession, followed by Sociedade de Jogos de Macau (“SJM”) and Galaxy Casino, S.A. (“Galaxy”). A subsequent process allowed each concessionaire to grant one subconcession. There are now six companies licensed to operate casinos in Macau. The increase in the number of full-service casino resorts has not only contributed to a four-fold increase in gross gaming revenues from 2005 through 2010, but has also transformed Macau’s gaming market into one that features a diverse range of non-gaming entertainment offerings. The market is increasingly evolving to appeal to new, premium-focused customers attracted by previously limited high-end retail, entertainment and leisure offerings, leading to additional revenue opportunities. The Macau market continues to evolve, and it is anticipated that developers of integrated resorts will be the prime beneficiaries and experience significant growth.

Historically, Macau has catered primarily to rolling chip baccarat patrons (representing in excess of two-thirds of total gaming revenues), who typically wager higher stakes. Gaming promoters have historically managed the majority of rolling chip customer relationships, although the new concessionaires and subconcessionaires have been increasingly successful in marketing directly to this segment. In this regard, concessionaires and subconcessionaires have benefited from changes in Macau law that permit casinos to lend directly to customers and junket operators and to enforce their debts. The entry of international gaming operators, coupled with favorable regional economic trends has led to strong growth in both the overall and rolling chip gaming markets.

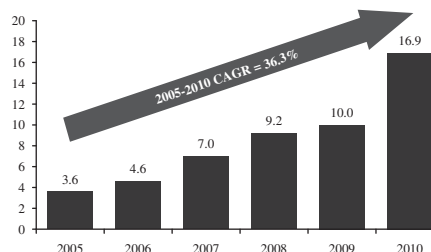
Macau’s gross gaming revenues and rolling chip gross gaming revenues have increased rapidly between 2005 through 2010, growing at CAGRs of 32.5% and 36.3%, respectively. Beginning in late 2008, Macau began to experience the effects of the global economic slowdown and, in 2009, the outbreak of H1N1 influenza. However, starting from the third quarter of 2009, the market witnessed a significant rebound in Macau’s gross gaming revenues with record monthly gross gaming revenues in December 2010, and February and March 2011. Macau product offerings will also continue to develop through capital investments in new casino resorts and enhancements in infrastructure.

The following graphs show Macau’s gross gaming revenues from 2005 to 2010 and rolling chip gross gaming revenues for the years 2005 to 2010:

MACAU GAMING REVENUE (US\$BN)



MACAU ROLLING CHIP GAMING REVENUE (US\$BN)



Source: DICJ.

With the Macau government’s support and the growing popularity of gaming, the number of casinos and hotels in Macau has shown a steady increase. Macau has six concessionaires or subconcessionaires currently authorized to own and operate casinos; the casino operations in Macau are primarily centered on the Macau peninsula along the belt between the Macau-Hong Kong Ferry Terminal and the Macau-Taipa Bridge. There has also been significant recent development in Cotai, an area of reclaimed land directly connected to the Macau peninsula by three bridges.

Significant resorts operating on the Macau peninsula include the Hotel Lisboa and the Grand Lisboa, each owned by SJM, the Sands Macau, owned by Venetian Macau S.A., Galaxy's StarWorld hotel casino and MGM Grand Paradise Limited's MGM Grand Macau.

Significant resorts operating in Cotai include The Venetian, which opened in 2007, and the Four Seasons, which opened in 2008, both owned by Venetian Macau S.A. New casino openings and expansions in 2009 included the opening of the Company's City of Dreams in June 2009 in Cotai and the opening of SJM's L'Arc and Oceanus on the Macau peninsula in the second half of 2009. Further casino openings in 2010 include the Wynn Encore. Galaxy Macau is expected to become operational in mid 2011 and Venetian Macau S.A.'s construction of Phases 5 and 6 of its Cotai development is expected to complete in 2012. Completion of these projects would result in an increase in the number of gaming tables, slot machines and hotel rooms in the Macau market and will add meaningful critical mass to the group of developments, including the Company's City of Dreams, located in Cotai.

Macau visitors currently spend only a fraction of what their U.S. counterparts spend on non-casino activities. In 2010, MICE (Meetings, Incentives, Conferences and Exhibitions) events held in various venues in Macau totaled 1,399 with an average duration of 2.5 days, attracting 806,135 participants and attendees, significantly lower than its Las Vegas counterparts which had 18,004 events and 4.5 million attendees. We believe there is significant long-term growth potential for Macau's non-gaming segment given the continued development of world class facilities and its proximity to the growing MICE market in Greater China. We believe that as the non-gaming segment grows in Greater China, visitors to Macau will on average stay longer per visit and spend more on both gaming and non-gaming activities during their time in Macau.

DRIVERS OF THE MARKET

The growth of the Macau gaming market has been facilitated by a number of drivers and initiatives, including favorable population demographics and economic growth across each of the Asian source markets, commitment by central and local governments to infrastructure developments and improvements, and a diversified offering of gaming segments.

Close proximity to two billion of the world's population

Macau shares a border with China's populous and wealthy Guangdong province and is approximately one hour from Hong Kong via high-speed ferry. Approximately two billion people live within an approximately five-hour flight from Macau. The relatively easy access from major population centers in Asia facilitates Macau's development as a popular gaming destination in Asia. Demand for non-gaming offerings including retail, leisure and entertainment services is also supported by the double-digit annual growth rate of personal disposable income and the growth of the middle class in China.

The following graph shows population information for countries and regions within a five-hour flight of Macau:



Source: Population statistics as of 2010, per International Monetary Fund estimates; visitation figures as of 2010 from Macau Government.

Visitation growth from China, Macau's primary source of visitors, has been supported by the implementation of the IVS. Following its implementation in 2003, mainland Chinese citizens from select large urban

centers and economically developed regions were able to obtain permits to travel to Macau on their own without belonging to a tour group. As at December 2010, the IVS has expanded to cover 49 cities and more than 290 million Chinese citizens, representing approximately 22% of China's population in 2010. However, it is estimated that less than 2% of those eligible to visit Macau under IVS did so in 2010 (5.5 million IVS travelers).

In mid-2008, the Chinese government adjusted its IVS visa policy toward Macau and limited the number of visits that some mainland Chinese citizens may make to Macau in a given time period under the scheme. In addition, in May 2009, China placed certain restrictions on the operation of "below-cost" tour groups involving low up-front payments and compulsory shopping. Although the PRC government has in the past restricted, and then loosened, IVS travel frequency, it has signaled its intention to maintain tourism development by opening the IVS to more Chinese cities to visit Macau.

We 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 opened its casino on April 27, 2010. We also compete with cruise ships operating out of Hong Kong and other areas of Asia that offer gaming.

Diversified offering of gaming segments with a focus on VIP customers

The Macau gaming market consists of three primary segments: the cash or mass market, the rolling chip or VIP market, and direct VIP rolling chip:

Mass Market. The mass market segment consists of both table games and slot machines played on public mass gaming floors for cash stakes. The mass market segment is generally viewed as a higher-margin component of the overall gaming market versus the rolling chip segment due to the commission costs of operating the rolling chip operations. Mass market gaming revenues have grown significantly and according to the DICJ, from 2005 to 2010 mass market table and slot operation revenue grew at a CAGR of 22.6% and 47.1%, respectively. Mass market table and slot operations accounted for approximately 23.4% and 4.6%, respectively, of total casino gaming revenue in Macau for 2010.

Rolling Chip Market. In accordance with general industry practice, gaming promoters typically commit to certain casino-specified minimum rolling chip purchases per VIP room per month. In return for their services, the gaming operator typically pays a commission to the gaming promoter based on either gaming win or the rolling chip volume generated, a significant proportion of which is paid onto the player in the form of a revenue rebate. The obligation to pay commissions to gaming promoters means that although this segment accounts for a large proportion of total gaming revenues, margins are lower than those of the mass market segment. Rolling chip players typically receive various forms of complimentary services, including transportation, accommodation and food and beverage services from the gaming promoters or casinos. These complimentary services also affect the margins associated with the rolling chip segment of the business.

Direct VIP. Direct VIP rolling chip players are brought in through the direct marketing efforts of the gaming operators based on relationship or preference for a particular gaming operator or property. Although revenue rebates are paid to these customers, the commission uplift in rebate costs associated with rolling chip play generated by gaming promoters is not incurred. As such, direct VIP players have potentially higher margins compared to rolling chip market players. Direct VIP players typically receive various forms of complimentary services from gaming operators.

The following table shows annual Macau casino gaming revenue by segment from 2005 to 2010.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>05-10 CAGR</u>
	(US\$ MM)						
VIP gross gaming revenues	16,928	9,963	9,206	6,959	4,590	3,602	36.3%
Mass market table gross gaming revenues	5,500	4,122	3,662	2,953	2,220	1,988	22.6%
Slot machine gross gaming revenues	1,075	811	705	448	256	156	47.1%
Total	<u>23,503</u>	<u>14,896</u>	<u>13,573</u>	<u>10,360</u>	<u>7,066</u>	<u>5,746</u>	32.5%

Source: DICJ.

REGULATION

Gaming Regulations

The ownership and operation of casino gaming facilities in Macau are subject to the general laws (e.g., the Civil Code and the 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 Macau's interest in receiving the taxes resulting from the gaming operation; and
- the development of the tourism industry, social stability and economic development of Macau.

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 concession or 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 charitable 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 of 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 are 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 on the identification of a customer for a period of five years;
- notify the Finance Information Bureau if there is any sign of money laundering or financing of terrorism; and
- cooperate with the Macau government by providing all required information and documentation requested in relation to anti-money laundering activities.

Under Article 2 of AR 7/2006 and the DICJ Instruction 2/2006, we are required to track and mandatorily report cash transactions and granting of credit in a minimum amount of MOP 500,000 (US\$62,000). Pursuant to the legal requirements above, if the customer provides all required information, after submitting the reports, we may continue to deal with those customers that we reported to the DICJ and, in case of suspicious transactions, to the Finance Information Bureau.

We use an integrated IT system to track and automatically generate significant cash transaction reports and, if permitted by the DICJ and the Finance Information Bureau, to submit those reports electronically. We also train our staff on identifying and following correct procedures for reporting “suspicious transactions” and make our guidelines and training modules available for our employees on our intranet and internet sites.

Foreign Corrupt Practices Act

Our company is subject to the FCPA, which makes it illegal for our company and its employees and agents from offering or giving money or any other item of value to win or retain business or to influence any act or decision of any foreign official. Since the founding of our company in 2006, a Code of Business Conduct and Ethics (the “Code”) was adopted by our company and includes specific FCPA related provisions that can be found in Section IV and VII B of the Code. To further supplement the existing policy and practice, our company implemented a FCPA Compliance Program in 2007. This covers the activities of the shareholders, directors, officers, employees, and counterparties of our company.

New Smoking Regulations in Macau

The Macau Legislative Assembly has approved a new Smoking Prevention and Tobacco Control Law. Under the terms of such law, as approved by the Macau Legislative Assembly, smoking shall not be permitted in casino premises, except for an area of up to 50% (fifty percent) of the casino area opened to the public, provided such smoking area complies with requirements to be determined by Dispatch of the Chief Executive. The designated smoking areas shall have to be created within one year from the date the new law comes into effect and the smoking ban in the casino premises shall be effective one year after the law comes into effect. The approved law is yet to be signed by the Chief Executive and published in the Macau Official Gazette and until then it shall not be considered enacted.

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. In June 2010, we obtained confirmation from the Macau government that we have invested in our project in Macau over MOP4.0 billion (US\$499.2 million).

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 slot machines.

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

Our subsidiaries incorporated in the British Virgin Islands are not subject to tax in the British Virgin Islands, but in the case of Mocha Slot Group Limited, it was subject to Macau complementary tax of 12% on profits earned in or derived from its 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 profits earned in or derived from their activities conducted in Macau. Having obtained a subconcession, Melco Crown Gaming has applied for 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. Melco Crown Gaming has applied for an extension to the tax holiday in February 2011. However, we cannot assure you that it will be extended beyond the expiration date.

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

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 profits earned in or derived from its activities conducted in Macau and another one is subject to corporate tax on profits in a number of other Asian jurisdictions through its activities conducted in these jurisdictions.

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

Dividend Distribution

Restrictions on Distributions. The City of Dreams Project Facility 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. The indenture governing the Senior Notes also contains certain covenants that, subject to certain exceptions and conditions, restrict the payment of dividends for MCE Finance and its restricted subsidiaries.

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, 2010 and 2009, the balance of the reserve amounted to US\$3,000 in each of those years.

MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this Offering Memorandum.

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Lawrence (Yau Lung) Ho	34	Co-Chairman and Chief Executive Officer
James D. Packer	43	Co-Chairman
John Wang	50	Director
Clarence Chung	48	Director
Todd Nisbet	43	Director
Rowen B. Craigie	55	Director
James A. C. MacKenzie	57	Independent Director
Thomas Jefferson Wu	38	Independent Director
Alec Tsui	61	Independent Director
Robert Mactier	46	Independent Director
Geoffrey Davis	43	Chief Financial Officer
Stephanie Cheung	48	Executive Vice President and Chief Legal Officer
Nigel Dean	57	Executive Vice President and Chief Internal Audit Officer
Akiko Takahashi	57	Executive Vice President and Chief Human Resources/Corporate Social Responsibility Officer
Ted (Ying Tat) Chan	39	Co-Chief Operating Officer, Gaming
Nicholas Naples	53	Co-Chief Operating Officer, Operations
Constance (Ching Hui) Hsu	37	President of Mocha Clubs

Directors

Mr. Lawrence (Yau Lung) Ho has served as our co-chairman and chief executive officer since December 2004. 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 Selection 2006", organized by the Junior Chamber International HK. In 2009, Mr. Ho was selected by FinanceAsia as one of the "Best CEO" in Hong Kong, "China Top Ten Financial and Intelligent Persons" judged by a panel led by the Beijing Cultural Development Study Center, and was named "Young Entrepreneur of the Year" at Hong Kong's first Asia Pacific Entrepreneurship Awards in 2009. 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 March 2005. Mr. Packer is the Executive Chairman of Crown, having been appointed on its formation in 2007, and a member of the Crown Investment Committee since February 2008. Mr. Packer is also Executive Chairman of Consolidated Press Holdings Limited (the largest shareholder of Crown), having been appointed in May 1992, and Executive Deputy Chairman of Consolidated Media Holdings Limited, having been appointed in April 1992. Mr. Packer is a director of Crown Melbourne Limited, having been appointed on July 22, 1999, Ellerston Capital Limited, having been appointed on August 6, 2004, and Burswood Limited, having been appointed in September 2004. Mr. Packer is also a director of Ten Network Holdings Limited, having been appointed in December 2010.

Mr. John Peter Ben Wang has served as our director since November 2006. Mr. Wang has served as a non-executive director of Oriental Ginza Holdings Limited since August 2009 and MelcoLot Limited since November 2009, 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 prior to 1998, he worked for Deutsche Morgan Grenfell (HK), CLSA (HK), Barclays (Singapore), SG Warburg (London), Salomon Brothers (London), the London Stock Exchange and Deloitte Haskins & Sells (London). Mr. Wang qualified as a chartered accountant with the Institute of Chartered Accountants in England and Wales in 1985. He graduated from the University of Kent at Canterbury in the United Kingdom with a bachelor degree in Accounting.

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 from September 2000 to November 2003, an investment banker at Lazard managing an Asian buy-out fund from June 1998 to September 2000, a vice-president at Pacific Century Group from July 1994 to February 1998, and a qualified accountant with Arthur Andersen from June 1991 to June 1992. Mr. Chung has been the chairman and chief executive officer of Entertainment Gaming Asia Inc. (formerly known as Elixir Gaming Technologies, Inc.), a company listed on the New York Stock Exchange (NYSE-Amex), since August 2008 and October 2008, respectively. 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—Strategy and Development, 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, or 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 from 1986 to 2000, he was responsible for managing various aspects of the construction of some of Las Vegas’ most elaborate and industry-defining properties. Mr. Nisbet 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 March 2005. Mr. Craigie is the Chief Executive Officer and Managing Director of Crown, having been appointed on its formation in 2007. Mr. Craigie is also a director of Crown Melbourne Limited, having been appointed in January 2001, and Burswood Limited, having been appointed in September 2004. 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 (Honors) degree from Monash University, Melbourne, Australia.

Mr. James A. C. MacKenzie has served as our director since April 2008. Mr. MacKenzie has also served as chairman of Mirvac Group since 2005, Pacific Brands Ltd. since 2008, and Gloucester Coal Limited since 2009. He led the transformation of the Victorian Government’s Personal Injury Schemes from 2000 to 2007 and prior to 2005 he held senior executive positions with ANZ Banking Group, Standard Chartered Bank and Norwich Union plc. A chartered accountant by profession, Mr. MacKenzie was, prior to 2005, a partner in both the Melbourne and Hong Kong offices of an international accounting firm now part of Deloitte. In 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 in December 2006. Mr. Wu has been the managing director of Hopewell Holdings Limited, 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 from March 2000 to June 2001, executive director since June 2001, chief operating officer from January 2002 to August 2002, deputy managing director from August 2003 to June 2007 and co-managing director from July 2007 to September 2009. He has served as the managing

director of Hopewell Highway Infrastructure Limited since July 2003. He has been a member of the Huadu District Committee of The Chinese People's Political Consultative Conference and a member of its Standing Committee since March 2004, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission since June 2007, a member of the 11th National Committee of the All-China Youth Federation since August 2010, a member of the Hongkong Japan Business Co-operation Committee of the Hong Kong Trade Development Council since January 2010, a member of the Hong Kong SAR Government Steering Committee on the Promotion of Electric Vehicles since April 2009, a council member of The Hong Kong Polytechnic University since April 2009, a member of the Court of The Hong Kong University of Science and Technology since July 2009, and a member of the board of directors of The Community Chest of Hong Kong since June 2008 and The Hong Kong Sports Institute Limited since April 2009. He has also acted as the honorary consultant of the Institute of Accountants Exchange since May 2006, the honorary president of the Association of Property Agents and Realty Developers of Macau since June 2005, the vice chairman of the Chinese Ice Hockey Association since July 2008 and was the vice chairman of The Chamber of Hong Kong Listed Companies from October 2003 to August 2010. 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 in December 2006. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission of Hong Kong from 1989 to 1993, joined the Hong Kong Stock Exchange in 1994 as an executive director of the finance and operations services division and was its chief executive from 1997 to July 2000. He was also the chief operating officer of Hong Kong Exchanges and Clearing Limited from March to July 2000. 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 has been the Chairman of WAG Worldsec Corporate Finance Limited since 2002 and an independent non-executive director of a number of listed companies in Hong Kong and Nasdaq, including Industrial and Commercial Bank of China (Asia) Limited since August 2000, China Chengtong Development Group Limited, a property development and investment company, since 2003, COSCO International Holdings Limited, a conglomerate engaging in various businesses including ship trading, property development and investment, since 2004, China Power International Development Limited since 2004, China Blue Chemical Limited, a fertilizer manufacturer, since 2003, Pacific Online Ltd. since 2007, ATA Inc., an online educational testing provider, since 2009 and China Oilfield Services Limited, an oilfield services provider, since 2009. 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 joined the board of directors of STW Communications Group Limited, a publicly listed Australian communications and advertising company, in December 2006 and became its independent, non-executive Chairman in July 2008. He has been a director of Aurora Community Television Limited since 2005. Since 1990 Mr. Mactier has held a variety of roles across the Australian investment banking and securities markets. He has been a consultant to UBS Investment Bank in Australia since June 2007. From March 1997 to January 2006, Mr. Mactier worked with Citigroup Pty Limited and its predecessor firms in Australia, and prior to this he worked with 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. Geoffrey Davis is our chief financial officer and he was appointed to his current role in April 2011. Prior to that, he served as our deputy chief financial officer from August 2010 to March 2011 and our senior vice president, corporate finance from 2007, when he joined our company. Prior to joining us, Mr. Davis was the senior gaming analyst for Citigroup Investment Research, where he covered the U.S. gaming industry from 2001 to 2007. From 1996 to 2001, he was vice president—finance for Park Place Entertainment, the largest gaming company in the world at the time. Park Place was spun off from Hilton Hotels Corporation and subsequently renamed Caesars Entertainment. Mr. Davis is a CFA charterholder and holds a BA in Economics from Brown University.

Ms. Stephanie Cheung is our executive vice president and chief legal officer and she was appointed to her current role in December 2008. Prior to that, she held the title general counsel from November 2006, when she joined our company. She also acts as the secretary to our board of directors since she joined our company. Prior to joining us, Ms. Cheung was Of Counsel at Troutman Sanders from 2004 to 2006 and prior to that she practiced law with various international law firms in Hong Kong, Singapore and Toronto. Ms. Cheung 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 and he was appointed to his current role in December 2008. Prior to that, he held the title director of internal audit from December 2006, when he joined our company. Prior to joining us, Mr. Dean was general manager-corporate governance at Coles Myer Ltd from 2003 to 2006, where he was responsible for the implementation of the Sarbanes-Oxley Act of 2002 and other corporate governance compliance programs. Other positions held at Coles Myer included the head of group internal audit from 1995 to 2001 and head of internal audit of the Supermarkets Division from 1990 to 1995. Previous experience in external and internal audit included positions with Peat Marwick Mitchell & Co (now KPMG) from 1973 to 1975, Australian Federal Government Auditor-General's Office from 1975 to 1976, Ford Asia-Pacific from 1976 to 1982, CRA (now RioTinto) from 1982 to 1986, and Elders IXL Group from 1986 to 1990. 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 and she was appointed to her current role in 2008. Prior to that, she held the title group human resources director from December 2006, when she joined our company. Prior to joining us, Ms. Takahashi worked as a human resources consultant in her own consultancy company from 2003 to 2006, where her last assignment was to lead the human resources integration for the largest international hotel joint venture in Japan. She was the global group director, human resources for Shangri-la Hotels and Resorts, an international luxury hotel group headquartered in Hong Kong, from 1995 to 2003. Between 1993 and 1995, she was senior vice president, human resources and SVC Quality for Bank of America, Hawaii, FSB. She began her career in the fashion luxury retail industry in merchandising, operations, training and human resources. Ms. Takahashi attended the University of Hawaii.

Mr. Ted (Ying Tat) Chan is our co-chief operating officer, gaming, overseeing gaming activities across the entire organization, and he was appointed to his current role in September 2010. Prior to that, he served as president of Altira Macau from November 2008. Prior to his appointment as president of Altira Macau, Mr. Chan was the chief executive officer of Amax Entertainment Holdings Limited from December 2007 until November 2008. Before 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.

Mr. Nicholas Naples is our co-chief operating officer, operations, responsible for the operating activities of all our leisure and hospitality businesses, including our marketing and brand strategies, across the entire organization, and he was appointed to his current role in July 2010. With 25 years of experience in the hospitality industry, Mr. Naples has held executive leadership positions with several luxury hotel and casino companies, including Harrah's Entertainment from 1998 to 2004, Four Seasons from 1992 to 1998, and Ritz-Carlton from 1987 to 1992. Mr. Naples also has extensive experience in Asia. Prior to joining us, Mr. Naples

was the Consulting Executive Vice President at Sands China from 2009 to 2010, and was previously the Chief Operating Officer at Macau Studio City from 2006 to 2009. He holds degrees in economics, business and a master's of management from Cornell University Graduate School of Hotel Administration.

Ms. Constance (Ching Hui) Hsu is our president of Mocha Clubs, and she was appointed to her current role in December 2008. Ms. Hsu has worked for Mocha Clubs since September 2003. She was Mocha's former financial controller from September 2003 to September 2006 and its chief administrative officer from October 2006 to November 2008, 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.

Compensation of Directors and Executive Officers

In addition to the equity awards granted as described below, we paid aggregate remuneration of approximately US\$11.26 million to all the directors and senior executive officers of our company as a group in relation to the year ended December 31, 2010.

We offer our management employees, including senior executive officers, the ability to participate in our company's discretionary annual bonus plan. As part of this plan, employees may receive compensation in addition to their base salary upon satisfactory achievement of certain financial, strategic and individual objectives. Directors are excluded from this plan. The discretionary annual bonus plan is administered at the sole discretion of our company and our compensation committee.

Pursuant to our 2006 Share Incentive Plan (See "Share Ownership—2006 Share Incentive Plan"), we may grant either restricted shares or options to purchase our ordinary shares. In 2010, we issued options to acquire 1,033,944 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\$1.2767 per share (US\$3.83 per ADS) and 516,972 restricted shares with grant date fair value ranging from US\$0.7717 to US\$0.9429 per share (US\$2.3150 to US\$2.8286 per ADS). The options expire ten years after the date of grant. In 2010, options to acquire 1,381,440 of our ordinary shares and 178,665 restricted shares held by the directors and senior executive officers were forfeited.

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 5605(b)(1) generally requires that a majority of an issuer's board of directors must consist of independent directors, but provides for certain phase-in periods under Nasdaq Marketplace Rule 5615(c)(3). However, Nasdaq Marketplace Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. Walkers, our Cayman Islands counsel, has provided a letter to 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. An individual shareholder or we, as the company have (as applicable) the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board 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;

- 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 our 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 November 24, 2010 to update the titles of the executive officers.

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 executive and director 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:

- 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.

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.

Share Ownership

Except as disclosed 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 April 13, 2011, 55,868,886 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, 2010, is presented below:

	<u>Exercise price/grant date fair value per ADS</u>	<u>Number of unvested share options/ restricted shares</u>	<u>Vesting Period</u>
Share Options			
2007 Long Term Incentive Plan	\$14.15–\$15.19	98,175	4 to 5 years
2008 Long Term Incentive Plan	\$12.04–\$14.08	176,305	4 years
2008 Retention Program	\$3.04	4,825,491	3 years
2009 Cancel and Re-issue Program	\$4.28	2,023,155	4 years
2009 Long Term Incentive Plan	\$3.04–\$3.26	3,387,351	4 years
2010 Long Term Incentive Plan	\$3.75–\$3.98	<u>1,992,705</u>	3 to 4 years
		<u>12,503,182</u>	
Restricted Shares			
2008 Long Term Incentive Plan	\$3.99–\$12.04	162,734	3 to 4 years
2008 Retention Program	\$3.04	804,390	3 years
2009 Long Term Incentive Plan	\$3.26	621,171	4 years
2010 Long Term Incentive Plan	\$3.75–\$4.66	<u>1,060,764</u>	3 to 4 years
		<u>2,649,059</u>	

PRINCIPAL 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 April 11, 2011 by all persons who are known to us to be the beneficial owners of 5% or more of our share capital.

<u>Name</u>	Ordinary shares and ordinary shares represented by ADSs beneficially owned⁽¹⁾	
	Number	%
Melco Leisure and Entertainment Group Limited ⁽²⁾⁽³⁾	536,116,538	33.36
Crown Asia Investments Pty. Ltd. ⁽⁴⁾	536,116,538	33.36

- (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. 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 8,099,612 ordinary shares of Melco, representing approximately 0.66% of Melco's ordinary shares outstanding as of April 12, 2011. In addition, 115,509,024 shares of Melco are held by Lasting Legend Ltd., 288,532,606 shares of Melco are held by Better Joy Overseas Ltd. and 7,294,000 shares of Melco are held by The L3G Capital Trust, all of which companies are owned by persons and/or trusts affiliated with Mr. Ho. Therefore, we believe that Mr. Ho beneficially owns an aggregate of 419,435,242 ordinary shares of Melco, representing approximately 34.08% of Melco's ordinary shares outstanding as of April 12, 2011. The foregoing amount does not include 298,982,188 shares which may be issued by Melco to Great Respect Limited as a result of any future exercise in full of conversion rights by Great Respect Limited, a company controlled by a discretionary trust the beneficiaries of which include Mr. Ho and his immediate family members, under the amended convertible loan notes held by Great Respect Limited.
- (4) 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 April 11, 2011, Crown was approximately 43.0% owned by Consolidated Press Holdings Group, which is a group of companies owned by the Packer family.

RELATED PARTY TRANSACTIONS

During the years ended December 31, 2010, 2009 and 2008, we entered into the following material related party transactions:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands of US\$)		
<i>Amounts paid/payable to affiliated companies</i>			
Advertising and promotional expenses	\$ 75	\$ 211	\$ 597
Consultancy fee capitalized in construction in progress ...	—	1,312	246
Consultancy fee recognized as expense	868	1,301	1,168
Management fees.....	17	45	1,698
Network support fee	—	28	52
Office rental	2,271	2,354	1,466
Operating and office supplies.....	181	257	255
Property and equipment	1,287	59,482	16,327
Repairs and maintenance	236	87	655
Service fee expense	500	748	781
Traveling expense capitalized in construction in progress	3	65	66
Traveling expense recognized as expense	3,542	2,809	1,387
<i>Amounts received/receivable from affiliated companies</i>			
Other service fee income.....	268	896	276
Rooms and food and beverage income	80	23	100
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
Interest charges recognized as expense	242	215	—
<i>Amounts received/receivable from a shareholder</i>			
Other service fee income.....	23	—	—
Rooms and food and beverage income	39	—	—

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 companies—We reimbursed Melco's subsidiary for service fees incurred on our 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, 2010, 2009 and 2008. Melco's subsidiary provided services to us which included management of general and administrative matters and consultancy during the years ended December 31, 2010, 2009 and 2008, and advertising and promotion, system maintenance and administration support and repairs and maintenance during the year ended December 31, 2008. Other service fee income was received from Melco's subsidiary during the years ended December 31, 2010 and 2009 and Melco's subsidiary purchased rooms and food and beverage services from us during the year ended December 31, 2009. Melco's associated companies purchased rooms and food and beverage services from us during the year ended December 31, 2009 and we purchased property and equipment from Melco's associated company during the year ended December 31, 2009. The outstanding balance due from Melco's subsidiary as of December 31, 2010 was US\$1.5 million, mainly related to prepayment of operating expenses, and as of December 31, 2009, the outstanding balance with Melco's subsidiary was a payable of US\$607,000. The outstanding balances due from Melco's associated companies as of December 31, 2010 and 2009 amounted to US\$1,000 in each of those periods. These amounts were unsecured, non-interest bearing and repayable on demand.

Shun Tak Holdings Limited's subsidiary—Shun Tak Holdings Limited's subsidiary purchased rooms and food and beverage services from us, and provided traveling services to us during the year ended December 31,

2010, a company in which relatives of Mr. Lawrence Ho, our Co-Chairman and Chief Executive Officer, have beneficial interests. As of December 31, 2010 and 2009, the outstanding balances due from this subsidiary of Shun Tak Holdings Limited of US\$64,000 and nil, respectively, 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 and consultancy from Elixir, a wholly-owned subsidiary of Melco before Melco disposed of it in July 2010, primarily related to the Altira Macau and City of Dreams during the years ended December 31, 2010, 2009 and 2008. We paid network support fee to Elixir during the years ended December 31, 2009 and 2008. 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, 2010, 2009 and 2008. As of December 31, 2009, the outstanding balance due to Elixir of US\$5.0 million was 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 as STDM Group) and Shun Tak Holdings Limited and its subsidiaries (referred to as Shun Tak Group)—We incurred expenses associated with our use of STDM and Shun Tak Group ferry and hotel accommodation services within Hong Kong and Macau during the years ended December 31, 2010, 2009 and 2008. Relatives of Mr. Lawrence Ho, have beneficial interests within those companies. The traveling expenses in connection with construction of City of Dreams were capitalized as costs related to construction in progress during the construction period for the years ended December 31, 2010, 2009 and 2008. We paid advertising and promotional expenses to STDM Group during the years ended December 31, 2010, 2009 and 2008, and Shun Tak Group during the years ended December 31, 2009 and 2008, respectively. We incurred rental expenses from leasing office premises from STDM Group and Shun Tak Group during the years ended December 31, 2010, 2009 and 2008. As of December 31, 2010 and 2009, the outstanding balances due to STDM Group of US\$164,000 and US\$171,000 and Shun Tak Group of US\$276,000 and US\$440,000, respectively, were unsecured, non-interest bearing and repayable on demand.

Melco's subsidiaries and its associated companies—Melco's subsidiary provided consultancy services to us during the year ended December 31, 2010. We purchased operating and office supplies from Melco's subsidiary and its associated companies during the years ended December 31, 2010 and 2008. We incurred rental expenses from leasing office premises from Melco's subsidiary during the years ended December 31, 2010, 2009 and 2008. We purchased property and equipment from Melco's subsidiaries and its associated companies during the years ended December 31, 2009 and 2008. Melco's associated company provided network support and repairs and maintenance services to us during the year ended December 31, 2008. Melco's associated companies purchased rooms and food and beverage services from us during the years ended December 31, 2009 and 2008. As of December 31, 2010 and 2009, the outstanding balances due to Melco's subsidiaries and its associated companies of US\$134,000 and US\$113,000, 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, 2010, 2009 and 2008, we paid rental expenses and service fees for Mocha Clubs gaming premises to Lisboa and SJM, companies in which relatives of Mr. Lawrence Ho have beneficial interests. There were no outstanding balances with Lisboa and SJM as of December 31, 2010 and 2009.

Crown's subsidiary—Crown's subsidiary provided services to us primarily for the construction of City of Dreams and their operations which included general consultancy and management of sale representative offices during the years ended December 31, 2010, 2009 and 2008. Part of the consultancy charges was capitalized as costs related to construction in progress during construction period for the years ended December 31, 2009 and 2008. We reimbursed Crown's subsidiary for associated costs including traveling expenses during the years ended December 31, 2010, 2009 and 2008. We purchased property and equipment from Crown's subsidiary during the years ended December 31, 2009 and 2008. We received rental income from Crown's subsidiary during the year ended December 31, 2010 and other service fee income from Crown's subsidiary during the years ended December 31, 2010, 2009 and 2008. Crown's subsidiary purchased rooms and food and beverage services from us during the years ended December 31, 2010 and 2008. As of December 31, 2010 and 2009, the outstanding balances due to Crown's subsidiary of US\$99,000 and US\$975,000, 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 and 2008. We incurred repairs and maintenance expense with Shuffle Master and Stargames during the year ended December 31, 2008, in which our former Chief Operating Officer who resigned this position in May 2009, was an independent non-executive director of its parent company during this period. There were no outstanding balances with Shuffle Master and Stargames as of December 31, 2009.

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 had beneficial interest until end of December 2009, for Altira Macau and City of Dreams. The outstanding balance due to Chang Wah as of December 31, 2009 of US\$32,000 was 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 were no outstanding balances with MGM as of December 31, 2010 and 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, 2010 and 2009 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. The maximum amount of outstanding loan balance due to Melco for the period from January 1, 2008 to December 31, 2010 was US\$74.4 million. As of December 31, 2010, the loan balance due to Melco was repayable in May 2012.

We received other service fee income from Melco during the year ended December 31, 2010 and Melco purchased rooms and food and beverage services from us during the years ended December 31, 2010 and 2009. The amounts of US\$23,000 and US\$17,000 due to Melco as of December 31, 2010 and 2009, 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, 2010 and 2009 amounted to US\$41.3 million in each of those years, and they were unsecured and interest bearing at 3-months HIBOR per annum. The maximum amount of outstanding loan balance due to Crown for the period from January 1, 2008 to December 31, 2010 was US\$41.3 million. As of December 31, 2010, the loan balance due to Crown was repayable in May 2012.

The amounts of US\$13,000 and US\$8,000 due to Crown as of December 31, 2010 and 2009, respectively, related to interest payable on the outstanding loan balances, and they were unsecured, non-interest bearing and repayable on demand.

Employment Agreements

We have entered into employment agreements with key management and personnel of our company and our subsidiaries. See “Management—Employment Agreements”.

Equity Incentive Plan

See “Management—2006 Share Incentive Plan”.

DESCRIPTION OF MATERIAL INDEBTEDNESS

City of Dreams Project Facility

The budgeted cost of construction and development of City of Dreams was 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.

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 December 7, 2007, the City of Dreams Project Facility was amended to introduce a U.S. borrower, Melco PBL (Delaware) LLC, now MPEL (Delaware) LLC, a wholly-owned subsidiary of Melco Crown Gaming. In addition, the amendments contained in an amendment agreement between the facility agent, the security agent, Melco Crown Gaming and the Borrowing Group (which includes MPEL (Delaware) LLC), or the Amendment Agreement, executed on May 10, 2010, became effective on or about May 17, 2010. The Amendment Agreement includes amendments to the financial ratios and covenants and how they are calculated, and certain other amendments which correct anomalies in the City of Dreams Project Facility documents and allow the Borrowing Group greater operational flexibility. The Amendment Agreement also includes provisions approving entry into the Intercompany Note (as defined below) and the Senior Note Guarantees provided by Melco Crown Gaming, MPEL Nominee One Limited, MPEL Investments Limited, Altira Hotel Limited, Altira Developments Limited, Melco Crown (COD) Hotels Limited, Melco Crown (COD) Developments Limited, Melco Crown (Cafe) Limited, Golden Future (Management Services) Limited, MPEL (Delaware) LLC, Melco Crown Hospitality and Services Limited, Melco Crown (COD) Retail Services Limited, Melco Crown (COD) Ventures Limited, COD Theatre Limited, Melco Crown COD (HR) Hotel Limited, Melco Crown COD (CT) Hotel Limited and Melco Crown COD (GH) Hotel Limited, or collectively, the Senior Note Subsidiary Group Guarantors, consequential amendments to security documents and provisions which mandated the way in which net proceeds from the offering of the Senior Notes were applied to repayment and cancellation of the revolving credit facility and prepayment and repayment of the term loan facility.

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 fully drawn down 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 for purposes of meeting cost overruns associated with the City of Dreams project, 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. In May 2010, the revolving credit facility commitment was reduced from US\$250 million to US\$150 million. As of December 31, 2010 we had drawn down a total of approximately US\$49.5 million from the revolving credit facility with a further US\$100.5 million still available for further utilization.

All drawings under the City of Dreams Project Facility are to be paid into a disbursement account that is subject to security. On September 24, 2007, the first draw down which comprised both H.K. dollars and U.S. dollars totaling the equivalent of US\$500.2 million was made under the City of Dreams Project Facility. Subsequent draw downs took place in 2008 and 2009, which comprised of both H.K. dollars and U.S. dollars totaling the equivalent of US\$912.3 million and US\$270.7 million, respectively, under the City of Dreams Project Facility. On May 26, 2010, we applied a portion of the net proceeds from the sale of the Initial Notes to reduce our indebtedness under our City of Dreams Project Facility by US\$444.1 million. On December 6, 2010, we further reduced our indebtedness under the City of Dreams Project Facility by an additional

US\$107.3 million. As of December 31, 2010, total outstanding borrowings, which comprised both H.K. dollars and U.S. dollars totaling the equivalent of approximately US\$1.13 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 will have the right 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 that commenced 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 it will be 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 (if not made on an interest payment date) break costs, in minimum amounts of US\$20 million following the completion of City of Dreams. 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, including but not limited to: (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 or the group's land concessions, any lease agreement, the hotel management agreements, construction contracts or certain other material contracts or agreements (subject to certain exceptions); (4) net claim proceeds paid in relation to default or breach under certain documents relating to City of Dreams and other Borrowing Group businesses; (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 Altira Macau, City of Dreams and Mocha Slot gaming businesses operated by Melco Crown Gaming be paid into bank accounts established by Melco Crown Gaming, and 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 and all of their revenues and receipts are required to be deposited thereto. Subject to such security, such revenues will be paid out in order of priority, in accordance with specified cash waterfall arrangements. Payments under or relating to the City of Dreams Project Facility rank at the top of the waterfall. These arrangements will affect our ability to make payments under the Intercompany Note summarized under "—Senior Notes", and the Senior Notes and the Bonds.

Interest and Fees

The U.S. dollar and H.K. dollar denominated drawdowns bore an initial interest rate of LIBOR and HIBOR plus a margin of 2.75% per annum. As of December 31, 2009, 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 available portion of the City of Dreams Project 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 Melco Crown Gaming 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 may be released earlier subject to lender determination that the full amount is not required to meet remaining costs) and compliance with other release conditions under the City of Dreams Project Facility; until this time it is, subject to lender approval, 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. As of December 31, 2010, a balance of US\$22.8 million remained in such bank accounts.

Security

Security for the City of Dreams Project Facility and related hedging agreements and the SBF Agreement 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;
- charges over the bank accounts in respect of the Borrowing Group, subject to certain exceptions;
- assignment of the Borrowing Group's rights under certain insurance policies and other contracts;
- 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;
- subordination and assignment of shareholder and other intra-group loans;
- pledges over certain intellectual property used by the group and 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) or, in certain circumstances, the facility agent, 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 (subject to certain exceptions) 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 incur or guarantee indebtedness except for certain identified indebtedness and guarantees permitted (which include the Senior Note Guarantees provided by the Senior Note Subsidiary Group Guarantors);
- subject to certain exceptions, enter into or vary contracts (excluding the Intercompany Note or the Senior Note Guarantees);
- 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.

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

- Consolidated Leverage Ratio, as defined in the City of Dreams Project Facility, which cannot exceed 4.50 to 1 for the reporting periods ending 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, which must be greater than or equal to 2.50 to 1 for the reporting periods ending 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, which must be greater than or equal to 1.05 to 1 for the reporting periods ending December 31, 2010 onwards.

Events of Default

The City of Dreams Project Facility contains customary events of default including: (1) the failure to make any payment when due; (2) the breach of financial covenants; (3) a 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) the breach of the credit facility documents, gaming subconcession, land concessions, lease agreements for the provision of gaming services or hotel management agreements, intellectual property licenses and other material contracts; (5) insolvency or bankruptcy events; (6) misrepresentations on the part of the borrowers and guarantors in statements made in the loan documents delivered to the lenders; and (7) various change of control events involving us.

Senior Notes

On May 17, 2010, MCE Finance Limited issued US\$600,000,000 aggregate principal amount of 10.25% senior notes due 2018 and listed the Initial Notes on the Official List of the Singapore Exchange Securities Trading Limited, or the SGX-ST. The issue price for the Initial Notes was 98.671% of the principal amount. The Senior Notes are (1) general obligations of MCE Finance, (2) *pari passu* in right of payment to all existing and future senior indebtedness of MCE Finance, (3) senior in right of payment to any existing and future subordinated Indebtedness (as defined in the indenture) of MCE Finance, (4) effectively subordinated to all of MCE Finance's existing and future secured indebtedness to the extent of the value of the assets securing such debt and (5) unconditionally guaranteed by the guarantors.

The Senior Notes bear interest at a rate of 10.25% per annum, payable semi-annually in arrears on May 15 and November 15 of each year, and will mature on May 15, 2018. On May 26, 2010, we applied US\$444.1 million of the net proceeds from the sale of the Initial Notes to reduce our indebtedness under our City of Dreams Project Facility. On December 6, 2010, we further reduced our indebtedness under the City of Dreams Project Facility by an additional US\$107.3 million, of which US\$35.7 million was paid from a City of Dreams Project Facility debt service accrual account funded with the balance of the net proceeds from the sale of the Initial Notes. Following such repayment, approximately US\$97.5 million remained in such debt service accrual account as of December 31, 2010.

Senior Note Guarantees

The Company, our subsidiary, MPEL International, and the Senior Note Subsidiary Group Guarantors jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under the Senior Notes and the indenture.

The guarantees provided by the Company and MPEL International are (1) general obligations of the Company and MPEL International, (2) *pari passu* in right of payment with all existing and future senior indebtedness of the Company and MPEL International and (3) senior in right of payment to any existing and future subordinated indebtedness of the Company and MPEL International.

The guarantees provided by the Senior Note Subsidiary Group Guarantors are (1) a general obligation of each such Senior Note Subsidiary Group Guarantor, (2) subordinated in right of payment to indebtedness of such Senior Note Subsidiary Group Guarantors under the City of Dreams Project Facility and the SBF Agreement and (3) senior in right of payment to any existing and future subordinated indebtedness of such Senior Note Subsidiary Group Guarantors.

Security

On May 17, 2010, MCE Finance on-lent to MPEL Investments under an intercompany note, or the Intercompany Note, an aggregate amount necessary to reduce our indebtedness under the City of Dreams Project Facility. The face value of the Intercompany Note is US\$600,000,000 and interest accrues on the Intercompany Note at a rate at least equal to the interest rate payable on the Senior Notes, subject to certain adjustments. The Intercompany Note is repayable at the same time as the repayment in full or in part of amounts due under the Senior Notes. The Senior Notes and the guarantees provided by the Company, MPEL International and the Senior Note Subsidiary Group Guarantors are secured by a first priority pledge of the Intercompany Note.

Covenants

The Senior Notes, the indenture and the guarantees include (subject to certain exceptions) certain limitations on the ability of MCE Finance and its restricted subsidiaries to, among other things:

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

Optional Redemption of the Senior Notes

Prior to May 15, 2014, MCE Finance at its option may redeem the Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes plus the applicable “make-whole” premium, plus accrued and unpaid interest, additional amounts and liquidated damages, if any, to the redemption date.

At any time after May 15, 2014, MCE Finance at its option may redeem the Senior Notes, in whole or in part, at the redemption prices set forth below plus accrued and unpaid interest, additional amount and liquidated damages, if any, to the redemption date.

<u>Year</u>	<u>Percentage</u>
2014	105.125%
2015	102.563%
2016 and thereafter.....	100.000%

At any time prior to May 15, 2013, MCE Finance may redeem up to 35% of the principal amount of the Senior Notes, with the net cash proceeds of one or more equity offerings at a redemption price of 110.25% of the principal amount of the Senior Notes, plus accrued and unpaid interest, additional amounts and liquidated damages, if any, to the redemption date.

Repurchase of Senior Notes upon a Change of Control

Upon the occurrence of a Change in Control (as defined in the indenture), MCE Finance will make an offer to repurchase all outstanding Senior Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, additional amounts and liquidated damages, if any, to the repurchase date.

Redemption for Taxation Reasons

Subject to certain exceptions, MCE Finance may redeem the Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, additional amounts and liquidated damages, if any, to the date fixed by MCE Finance for redemption, if MCE Finance or a guarantor would become obliged to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances.

Gaming Redemption

The indenture grants MCE Finance the power to redeem the Senior Notes if the gaming authority of any jurisdiction in which the Company, MCE Finance or any of their respective subsidiaries conducts or proposes to conduct gaming requires that a person who is a holder or the beneficial owner of Senior Notes be licensed, qualified or found suitable under applicable gaming laws and such holder or beneficial owner, as the case may be, fails to apply or become licensed or qualified within the required time period or is found unsuitable.

Registration Rights Agreement

In connection with the private placement of the Initial Notes, MCE Finance and the Company, MPEL International and the Senior Note Subsidiary Group Guarantors (or collectively, the Senior Note Guarantors) entered into a registration rights agreement with the initial purchasers, in which MCE Finance and the Senior Note Guarantors agreed, among other things, to conduct an offer to exchange up to all of the outstanding Initial Notes for up to US\$600,000,000 of 10.25% senior notes due 2018 that have been registered under the Securities Act, or the Exchange Notes. The exchange offer commenced on November 17, 2010 and expired on December 21, 2010. Tenders with respect to 99.96% of the Initial Notes were received prior to the expiration of the exchange offer. MCE Finance completed the exchange offer, issued the Exchange Notes and listed the Exchange Notes on the SGX-ST on December 27, 2010.

Other Financing

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.

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

Renminbi is not a freely convertible currency. The remittance of RMB into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On June 17, 2010, the PRC Government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (or the Renminbi Settlement Circular), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover 20 provinces and cities in China, and (iii) the restriction on designated offshore districts has been uplifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle imports and exports of goods and services and other current account items between them. Renminbi remittance for exports of goods from the PRC may only be effected by approved pilot enterprises in designated pilot districts in the PRC.

As a new regulation, the Renminbi Settlement Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Renminbi Settlement Circular and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

There are currently no PRC rules that expressly permit the cross-border remittance of Renminbi for capital account payments. Instead, capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

As there is currently no specific PRC regulation on the remittance of Renminbi for settlement of transactions categorized as capital account items, there is no assurance that approval of such remittances will continue to be granted or will not be revoked in the future. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorized as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

As of the issue date of the Offering Memorandum, we have not made any remittance of Renminbi for any current accounts items or capital accounts items.

TAXATION

The following discussion of certain Cayman Islands tax considerations is based upon laws and relevant interpretations thereof in effect as of the date of this Offering Memorandum, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in the Bonds.

It is the responsibility of all investors in the Bonds to inform themselves as to any tax consequences relating to an investment in the Bonds and our operations or management, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with an investment in the Bonds.

Investors should, therefore, seek their own separate tax advice relating to their investments in the Bonds, and, accordingly, we shall not accept any responsibility for any tax consequences relating to any investment in the Bonds by any investor.

Certain Cayman Islands Tax Considerations

There is, at present, no direct taxation in the Cayman Islands and interest, dividends and gains payable to us will be received free of all Cayman Islands taxes. We have obtained an undertaking from the Governor in Cabinet of the Cayman Islands to the effect that, for a period of twenty years from June 20, 2006, no law that thereafter is enacted in the Cayman Islands imposing any tax to be levied on profits, income or on gains or appreciation, or any tax in the nature of estate duty or inheritance tax, will apply to any property comprised in or any income arising under us, or to the prospective purchasers thereof, in respect of any such property or income.

SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement with Deutsche Bank AG, Hong Kong Branch, Merrill Lynch International, Citicorp International Limited and The Royal Bank of Scotland plc (together, the “*Joint Lead Managers*”) dated April 29, 2011 (the “*Subscription Agreement*”), pursuant to which and subject to certain conditions contained therein, the Company has agreed to sell to each Joint Lead Manager, and each Joint Lead Manager has agreed severally but not jointly to subscribe and pay for, or to procure subscribers to subscribe and pay for, the principal amount of Bonds set forth opposite its name below.

<u>Joint Lead Manager</u>		<u>Principal Amount of Bonds</u>
Deutsche Bank AG, Hong Kong Branch.....	RMB	805,000,000
Merrill Lynch International.....	RMB	805,000,000
Citicorp International Limited	RMB	345,000,000
The Royal Bank of Scotland plc.....	RMB	345,000,000
Total	<u>RMB</u>	<u>2,300,000,000</u>

The Joint Lead Managers may give a termination notice to the Company at any time prior to the payment of the net proceeds of the issue of the Bonds to the Company on the Closing Date.

Subject to the terms and conditions set forth in the Subscription Agreement, the Joint Lead Managers have agreed, severally and not jointly, to purchase all of the Bonds sold under the Subscription Agreement if any of these Bonds are purchased. If a Joint Lead Manager defaults, the Subscription Agreement provides that the subscription commitments of the non-defaulting Joint Lead Managers may be increased or the Subscription Agreement may be terminated.

The Company has agreed to indemnify the Joint Lead Managers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act.

The Joint Lead Managers are offering the Bonds, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Bonds, and other conditions contained in the Subscription Agreement, such as the receipt by the Joint Lead Managers of officer’s certificates and legal opinions. The Joint Lead Managers reserve the right to withdraw, cancel or modify offers and to reject orders in whole or in part.

In connection with the offering of the Bonds, each Joint Lead Manager and/or its affiliate(s) may act as an investor for its own account and may take up Bonds in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references herein to the Bonds being offered should be read as including any Offering of the Bonds to the Joint Lead Managers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Company has agreed not to offer or sell, and that none of its subsidiaries will offer and sell, any of its or their respective debt securities (other than the Bonds and the sale or issuance of convertible bonds by either the Company, a parent company or Affiliate (as defined in the Subscription Agreement) of the Company) for a period of 90 days after the date of this Offering Memorandum without the prior consent of the Joint Lead Managers.

General

The distribution of this Offering Memorandum or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Memorandum or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been or will be taken in any jurisdiction by the Company or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Memorandum, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Company or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Company or the Joint Lead Managers. Each Joint Lead Manager has undertaken to the Issuer that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or has in its possession or distributes such offering material, in all cases at its own expense.

The Bonds are a new issue of securities with no established trading market. The Company does not intend to apply for listing of the Bonds on any national securities exchange other than the SGX-ST or for inclusion of the Bonds on any automated dealer quotation system. The Company has been advised by certain of the Joint Lead Managers that they presently intend to make a market in the Bonds after completion of the Offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. The Company cannot assure the liquidity of the trading market for the Bonds. If an active trading market for the Bonds does not develop, the market price and liquidity of the Bonds may be adversely affected. If the Bonds are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the Company's operating performance and financial condition, general economic conditions and other factors.

Some of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Company or its affiliates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

United States

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and the Bonds are subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered within the United States (as such term is used in Regulation S under the Securities Act). Each Joint Lead Manager has represented and agreed that it will not offer, sell or deliver any Bonds within the United States.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (the "*C Rules*"), Bonds in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance by an issuer that (directly or indirectly through its agents) does not significantly engage in interstate commerce with respect to the issuance. Each Joint Lead Manager has represented and agreed that (i) it and its affiliates have not offered, sold or delivered, and will not offer sell or deliver, directly or indirectly, Bonds in bearer form within the United States or its possessions in connection with their original issuance; (ii) it and its affiliates have not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions; (iii) neither it nor any of its affiliates will otherwise involve its

U.S. office or other personnel in the United States in the offer and sale of Bonds in bearer form; and (iv) it has not and will not enter into any written contract (other than a confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than its affiliates or another Joint Lead Manager) has offered or sold, or will offer or sell, any Bonds, except where, pursuant to the contract, the Joint Lead Manager has obtained or will obtain from that party, for the benefit of the Issuer and the other Joint Lead Managers, the representations and agreements in clauses (i)-(iii) hereof. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder, including the C Rules.

European Economic Area

In relation to each Member State of the European Economic Area (the “*EEA*”) which has implemented the Prospectus Directive (each, a “*Relevant Member State*”), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by the Prospectus to the public in that Relevant Member State other than:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Lead Managers; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Company or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of securities within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of securities through any financial intermediary, other than offers made by the underwriters which constitute the final offering of securities contemplated in this prospectus.

For the purposes of this provision, the expression an “*offer of Bonds to the public*” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “*Prospectus Directive*” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “*FSMA*”) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19

(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Hong Kong

Each Joint Lead Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“SFO”) and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

The People’s Republic of China

Each Joint Lead Manager has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China, except as permitted by the securities laws of the People’s Republic of China.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused any Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause any Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Bonds shall not be sold within the period of six months from the date of the initial acquisition of the Bonds, except to any of the following persons:

- (a) an institutional investor (as defined in Section 4A of the SFA);
- (b) a relevant person (as defined in Section 275(2) of the SFA); or
- (c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

- (1) to an institutional investor (under Section 274 of the SFA), or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions specified in Section 275 of the SFA;
- (2) (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (3) where no consideration is or will be given for the transfer;
- (4) where the transfer is by operation of law; or
- (5) as specified in Section 276(7) of the SFA.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “*Financial Instruments and Exchange Act*”) and, accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan, or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Macau

The Bonds may not be offered or sold or delivered to members of the public in Macau.

TRANSFER RESTRICTIONS

Because of the following restrictions, the management of the Company encourages you to consult legal counsel prior to making any offer, resale, pledge or other transfer of Bonds.

The Bonds are subject to restrictions on transfer as summarized below. By purchasing Bonds, you will be deemed to have made the following acknowledgements, representations to, and agreements with, the Company and the Joint Lead Managers.

1. You understand and acknowledge that:
 - the Bonds have not been registered under the Securities Act or any other applicable securities laws;
 - the Bonds are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Bonds are being offered and sold only outside of the United States, in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Bonds may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of the Company, that you are located outside the United States and are purchasing Bonds in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither the Company nor the Joint Lead Managers nor any person representing the Company or the Joint Lead Managers have made any representation to you with respect to the Company or the offering of the Bonds, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Bonds.
4. You represent that you are purchasing Bonds for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Bonds in violation of the Securities Act.
5. You also acknowledge that each Bond will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM OR NOT SUBJECT TO, SUCH REGISTRATION.
6. You acknowledge that the Company, the Joint Lead Managers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Bonds is no longer accurate, you will promptly notify the Company and the Joint Lead Managers. If you are purchasing any Bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

Each purchaser of the Bonds acknowledges that this offering memorandum has not been and will not be registered as a prospectus with the MAS. Accordingly, each purchaser of the Bonds has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

LEGAL MATTERS

We are being represented by Debevoise & Plimpton LLP with respect to legal matters of U.S. federal and English law. Certain legal matters as to Cayman Island law will be passed upon for us by Walkers. Certain legal matters as to Macau law will be passed upon for us by Manuela António Law Office. Certain legal matters as to English law will be passed upon for the Joint Lead Managers by Skadden, Arps, Slate, Meagher & Flom (U.K.) LLP.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements and the related financial statements included in Schedule 1 as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008 included in this Offering Memorandum have been audited by Deloitte Touche Tohmatsu, an independent registered public accounting firm, as stated in their report appearing herein.

LISTING AND GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Bonds. The entering into of the Trust Deed governing the Bonds and the issue of the Bonds were approved by our board of directors on April 25, 2011.

Litigation

Save as disclosed in this Offering Memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Bonds.

No Material Adverse Change

There has been no material adverse change, or any development reasonably likely to involve a adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2010 that is material in the context of the issue of the Bonds.

Documents Available

For so long as any of the Bonds are outstanding, copies of the Trust Deed governing the Bonds may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

For so long as any of the Bonds are outstanding, copies of our audited financial statements for the last two financial years may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

Clearing System and Settlement

The Bonds will be lodged and cleared through the CMU. The CMU instrument number for the Bonds is DBANFN11009.

For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU operator. The Common Code of the Bonds is 062150866.

Listing of the Bonds

Approval in-principle has been received for the listing and quotation of the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

So long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that a Global Bond is exchanged for Bonds in definitive form. In addition, in the event that a Global Bond is exchanged for Bonds in definitive form, announcement of such exchange shall be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore, so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

MELCO CROWN ENTERTAINMENT LIMITED
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FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 and 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Melco Crown Entertainment Limited:

We have audited the accompanying consolidated balance sheets of Melco Crown Entertainment Limited and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 31, 2010, 2009 and 2008. 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years ended December 31, 2010, 2009 and 2008, 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, present fairly in all material respects, the information set forth therein.

/s/ Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
April 1, 2011

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

	December 31,	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 441,923	\$ 212,598
Restricted cash	167,286	236,119
Accounts receivable, net (Note 3)	259,521	262,176
Amounts due from affiliated companies (Note 19(a))	1,528	1
Income tax receivable	198	—
Inventories	10,228	6,534
Prepaid expenses and other current assets	19,788	19,768
Total current assets	<u>900,472</u>	<u>737,196</u>
PROPERTY AND EQUIPMENT, NET (Note 4)	2,671,895	2,786,646
GAMING SUBCONCESSION, NET (Note 5)	656,742	713,979
INTANGIBLE ASSETS, NET (Note 6)	4,220	4,220
GOODWILL (Note 6)	81,915	81,915
LONG-TERM PREPAYMENT, DEPOSITS AND OTHER ASSETS (Note 7)	95,629	52,365
DEFERRED TAX ASSETS (Note 14)	25	—
DEFERRED FINANCING COSTS	45,387	38,948
LAND USE RIGHTS, NET (Note 8)	428,155	447,576
TOTAL	<u>\$4,884,440</u>	<u>\$4,862,845</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 8,880	\$ 8,719
Accrued expenses and other current liabilities (Note 9)	462,084	460,243
Income tax payable	934	768
Current portion of long-term debt (Note 10)	202,997	44,504
Amounts due to affiliated companies (Note 19(b))	673	7,384
Amounts due to shareholders (Note 19(c))	36	25
Total current liabilities	<u>675,604</u>	<u>521,643</u>
LONG-TERM DEBT (Note 10)	1,521,251	1,638,703
OTHER LONG-TERM LIABILITIES (Note 11)	6,496	20,619
DEFERRED TAX LIABILITIES (Note 14)	18,010	17,757
LOANS FROM SHAREHOLDERS (Note 19(c))	115,647	115,647
LAND USE RIGHT PAYABLE (Note 18(a))	24,241	39,432
COMMITMENTS AND CONTINGENCIES (Note 18)		
SHAREHOLDERS' EQUITY		
Ordinary shares at US\$0.01 par value per share (Authorized—2,500,000,000 shares as of December 31, 2010 and 2009 and issued—1,605,658,111 and 1,595,617,550 shares as of December 31, 2010 and 2009 (Note 13))	16,056	15,956
Treasury shares, at US\$0.01 par value per share (8,409,186 and 471,567 shares as of December 31, 2010 and 2009 (Note 13))	(84)	(5)
Additional paid-in capital	3,095,730	3,088,768
Accumulated other comprehensive losses	(11,345)	(29,034)
Accumulated losses	(577,166)	(566,641)
Total shareholders' equity	<u>2,523,191</u>	<u>2,509,044</u>
TOTAL	<u>\$4,884,440</u>	<u>\$4,862,845</u>

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,		
	2010	2009	2008
OPERATING REVENUES			
Casino	\$ 2,550,542	\$ 1,304,634	\$ 1,405,932
Rooms	83,718	41,215	17,084
Food and beverage	56,679	28,180	16,107
Entertainment, retail and others	32,679	11,877	5,396
Gross revenues	2,723,618	1,385,906	1,444,519
Less: promotional allowances	(81,642)	(53,033)	(28,385)
Net revenues	<u>2,641,976</u>	<u>1,332,873</u>	<u>1,416,134</u>
OPERATING COSTS AND EXPENSES			
Casino	(1,949,024)	(1,130,302)	(1,159,930)
Rooms	(16,132)	(6,357)	(1,342)
Food and beverage	(32,898)	(16,853)	(12,745)
Entertainment, retail and others	(19,776)	(4,004)	(1,240)
General and administrative	(199,830)	(130,986)	(90,707)
Pre-opening costs	(18,648)	(91,882)	(21,821)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,237)
Amortization of land use rights	(19,522)	(18,395)	(18,269)
Depreciation and amortization	(236,306)	(141,864)	(51,379)
Property charges and others	(91)	(7,040)	(290)
Total operating costs and expenses	<u>(2,549,464)</u>	<u>(1,604,920)</u>	<u>(1,414,960)</u>
OPERATING INCOME (LOSS)	<u>92,512</u>	<u>(272,047)</u>	<u>1,174</u>
NON-OPERATING EXPENSES			
Interest income	404	498	8,215
Interest expenses, net of capitalized interest	(93,357)	(31,824)	—
Amortization of deferred financing costs	(14,302)	(5,974)	(765)
Loan commitment fees	3,811	(2,253)	(14,965)
Foreign exchange gain, net	3,563	491	1,436
Other income, net	1,074	2,516	972
Costs associated with debt modification	(3,310)	—	—
Total non-operating expenses	<u>(102,117)</u>	<u>(36,546)</u>	<u>(5,107)</u>
LOSS BEFORE INCOME TAX	(9,605)	(308,593)	(3,933)
INCOME TAX (EXPENSE) CREDIT (Note 14)	(920)	132	1,470
NET LOSS	<u>\$ (10,525)</u>	<u>\$ (308,461)</u>	<u>\$ (2,463)</u>
LOSS PER SHARE:			
Basic	<u>\$ (0.007)</u>	<u>\$ (0.210)</u>	<u>\$ (0.002)</u>
Diluted	<u>\$ (0.007)</u>	<u>\$ (0.210)</u>	<u>\$ (0.002)</u>
WEIGHTED AVERAGE SHARES USED IN LOSS PER SHARE CALCULATION:			
Basic	<u>1,595,552,022</u>	<u>1,465,974,019</u>	<u>1,320,946,942</u>
Diluted	<u>1,595,552,022</u>	<u>1,465,974,019</u>	<u>1,320,946,942</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 Losses	Accumulated Losses	Total Shareholders' Equity	Comprehensive (Loss) Income
	Shares	Amount	Shares	Amount					
BALANCE AT									
JANUARY 1, 2008	1,320,938,902	\$13,209	—	\$—	\$2,682,125	\$(11,076)	\$(255,717)	\$2,428,541	
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 exercise 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)
Net loss for the year	—	—	—	—	—	—	(10,525)	(10,525)	\$ (10,525)
Foreign currency translation adjustment	—	—	—	—	—	32	—	32	32
Change in fair value of interest rate swap agreements	—	—	—	—	—	17,657	—	17,657	17,657
Share-based compensation (Note 15)	—	—	—	—	6,045	—	—	6,045	
Shares issued upon restricted shares vested (Note 13)	1,254,920	12	—	—	(12)	—	—	—	
Shares issued for future vesting of restricted shares and exercise of share options (Note 13)	8,785,641	88	(8,785,641)	(88)	—	—	—	—	
Issuance of shares for restricted shares vested (Note 13)	—	—	43,737	1	(1)	—	—	—	
Exercise of share options (Note 13)	—	—	804,285	8	930	—	—	938	
BALANCE AT									
DECEMBER 31, 2010 . .	1,605,658,111	\$16,056	(8,409,186)	\$(84)	\$3,095,730	\$(11,345)	\$(577,166)	\$2,523,191	\$ 7,164

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)

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (10,525)	\$ (308,461)	\$ (2,463)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	313,065	217,496	126,885
Amortization of deferred financing costs	14,302	5,974	765
Amortization of discount on senior notes payable	417	—	—
Impairment loss recognized on property and equipment	—	3,137	17
Loss (gain) on disposal of property and equipment	176	640	(328)
Allowance for doubtful debts	33,182	16,757	5,378
Written off deferred financing costs on modification of debt	1,992	—	—
Share-based compensation	6,043	11,385	6,855
Changes in operating assets and liabilities:			
Accounts receivable	(45,795)	(209,025)	(29,065)
Amounts due from affiliated companies	(1,527)	649	89
Inventories	(3,694)	(4,364)	(686)
Prepaid expenses and other current assets	43	(5,824)	(1,503)
Long-term prepayment, deposits and other assets	180	(1,712)	1,219
Deferred tax assets	(25)	28	(28)
Accounts payable	64	6,225	(3,670)
Accrued expenses and other current liabilities	94,190	158,332	(110,245)
Income tax payable	(34)	(1,186)	394
Amounts due to affiliated companies	(689)	(1,220)	(3,461)
Amounts due to shareholders	11	25	—
Other long-term liabilities	326	321	784
Deferred tax liabilities	253	(1,434)	(2,095)
Net cash provided by (used in) operating activities	<u>401,955</u>	<u>(112,257)</u>	<u>(11,158)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(197,385)	(937,074)	(1,053,992)
Deposits for acquisition of property and equipment	(5,224)	(2,712)	(34,699)
Payment for entertainment production costs	(27,116)	(21,735)	(16,127)
Changes in restricted cash	69,137	(168,142)	231,006
Payment for land use right	(29,802)	(30,559)	(42,090)
Proceeds from sale of property and equipment	80	3,730	2,300
Refund of deposit for acquisition of land interest	—	12,853	—
Net cash used in investing activities	<u>(190,310)</u>	<u>(1,143,639)</u>	<u>(913,602)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of deferred financing costs	(22,944)	(870)	(7,641)
Loans from shareholders	—	—	(181)
Proceeds from issue of share capital	—	383,529	—
Proceeds from long-term debt	592,026	270,691	912,307
Principal payments on long-term debt	(551,402)	—	—
Net cash provided by financing activities	<u>17,680</u>	<u>653,350</u>	<u>904,485</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
EQUIVALENTS	229,325	(602,546)	(20,275)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
YEAR	<u>212,598</u>	<u>815,144</u>	<u>835,419</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 441,923</u></u>	<u><u>\$ 212,598</u></u>	<u><u>\$ 815,144</u></u>

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)

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS			
Cash paid for interest (net of capitalized interest)	\$(85,183)	\$(27,978)	\$ (181)
Cash paid for tax (net of refunds)	\$ (726)	\$ (2,457)	\$ —
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Construction costs and property and equipment funded through accrued expenses and other current liabilities	\$ 16,885	\$ 91,648	\$246,998
Land use right cost funded through accrued expenses and other current liabilities	\$ 80	\$ 22,462	\$ —
Costs of property and equipment funded through amounts due to affiliated companies	\$ —	\$ 4,427	\$ 1,562
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	\$ 240	\$ —	\$ 1,427
Provision of bonus funded through restricted shares issued and vested	<u>\$ —</u>	<u>\$ 6,914</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 resort development 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, 2010 and 2009, 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. 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, except for the Company’s \$600,000 10.25% senior notes, due 2018 (the “Senior Notes”) as disclosed in Note 10 to the consolidated financial statements which estimated fair value is based on quoted market price.

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 for repayments of the Company's senior secured credit facility (the "City of Dreams Project Facility") and payments of City of Dreams project costs in accordance with the City of Dreams Project Facility as disclosed in Note 10 to the consolidated financial statements.

(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 including its gaming promoters in Macau which receivable can be offset against commissions payable and any other value items held by the Company to the respective customer and for which the Company intends to set-off when required. As of December 31, 2010 and 2009, a substantial portion of the Company's markers were due from customers residing in foreign countries. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries.

Accounts receivable, including casino, hotel and other receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems it is probable the receivable is uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful debts is maintained to reduce the 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. Management believes that as of December 31, 2010 and 2009, no significant concentrations of credit risk existed for which an allowance had not already been recorded.

(g) Inventories

Inventories consist of retail merchandise, food and beverage items and certain operating supplies, which are stated at the lower of cost or market value. Cost is calculated using the first-in, first-out, average and specific identification methods. Write downs of potentially obsolete or slow-moving inventory are recorded based on management's specific analysis of inventory.

(h) Property and Equipment

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.

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—continued

Depreciation and amortization are 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:

<u>Classification</u>	<u>Estimated useful life</u>
Buildings	7 to 25 years or over the term of the land use right agreement, whichever is shorter
Furniture, fixtures and equipment	2 to 10 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, interest rate swap agreements and the Senior Notes. 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 \$105,180, \$82,310 and \$49,629, of which \$11,823, \$50,486 and \$49,629 were capitalized for the years ended December 31, 2010, 2009 and 2008, respectively. Additionally, deferred financing costs of nil, \$4,414 and \$7,262 were capitalized for the years ended December 31, 2010, 2009 and 2008, 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.

(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

MELCO CROWN ENTERTAINMENT LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

(l) **Impairment of Long-Lived Assets (Other Than Goodwill)**—continued

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, 2010, 2009 and 2008, impairment losses amounting to nil, \$282 and \$17, 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. 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 or in connection with the issuance of long-term debt are capitalized and amortized over the terms of the related debt agreements using the effective interest method. Approximately \$14,302, \$10,388 and \$8,027 were amortized during the years ended December 31, 2010, 2009 and 2008, 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 performed. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer. Minimum operating and right to use fee, adjusted for contractual base fee and operating fee escalations, are included in entertainment, retail and other revenues and are recognized on a straight-line basis over the terms of the related agreement.

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.

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**

The retail value of rooms, food and beverage, entertainment, retail and other services furnished to guests without charge is included in gross revenues and then deducted as promotional allowances. The estimated cost of providing such promotional allowances for the years ended December 31, 2010, 2009 and 2008, is primarily included in casino expenses as follows:

	Year Ended December 31,		
	2010	2009	2008
Rooms	\$10,395	\$ 6,778	\$ 4,240
Food and beverage	27,870	17,296	9,955
Entertainment, retail and others	5,545	3,448	—
	\$43,810	\$27,522	\$14,195

(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 \$1,362,007, \$737,485 and \$767,544 for the years ended December 31, 2010, 2009 and 2008, 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 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 \$45,267, \$29,018 and \$5,283 for the years ended December 31, 2010, 2009 and 2008, respectively.

(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.

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—continued

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) income.

(u) Share-based Compensation Expenses

The Company issued restricted shares and share options under its share incentive plan during the years ended December 31, 2010, 2009 and 2008.

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.

(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 share-based awards.

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—continued**

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:

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Weighted-average number of ordinary shares outstanding used in the calculation of basic loss per share	1,595,552,022	1,465,974,019	1,320,946,942
Incremental weighted-average number of ordinary shares from assumed exercised of restricted shares and share options using the treasury stock method	<u>—</u>	<u>—</u>	<u>—</u>
Weighted-average number of ordinary shares outstanding used in the calculation of diluted loss per share	<u>1,595,552,022</u>	<u>1,465,974,019</u>	<u>1,320,946,942</u>

During the years ended December 31, 2010, 2009 and 2008, 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 9,377,509, 13,931,088 and 3,897,756 ordinary shares from the assumed conversion of these restricted shares and share options using the treasury stock method for the years ended December 31, 2010, 2009 and 2008, 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 accumulated other comprehensive losses, 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, 2010 is included in Note 11 to the consolidated financial statements.

(y) **Accumulated Other Comprehensive Losses**

Accumulated other comprehensive losses represent foreign currency translation adjustment and changes in the fair value of interest rate swap agreements. As of December 31, 2010 and 2009, the Company's accumulated other comprehensive losses consisted of the following:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Foreign currency translation adjustment.	\$ (924)	\$ (956)
Changes in the fair value of interest rate swap agreements.	<u>(10,421)</u>	<u>(28,078)</u>
	<u>\$(11,345)</u>	<u>\$(29,034)</u>

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

(z) **Reclassifications**

The consolidated financial statements for prior years reflect certain reclassifications, which have no effect on previously reported net loss, to conform to the current year presentation.

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

In January 2010, the Financial Accounting Board (“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 did not and is not expected to have a material impact on the Company’s financial position, results of operations and cash flows.

In April 2010, the FASB issued ASU 2010-16, Entertainment—Casinos (Topic 924); Accruals for Casino Jackpot Liabilities. This ASU clarifies that an entity should not accrue a casino jackpot liability (or portions thereof) before the jackpot is won if the entity can avoid paying that jackpot. Jackpots should be accrued and charged to revenue when an entity has the obligation to pay the jackpot. ASU 2010-16 is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company adopted the ASU as of January 1, 2011. 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.

In December 2010, the FASB issued Accounting Standards Update (“ASU”) No. 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts, a consensus of the FASB Emerging Issues Task Force (Issue No. 10-A)*, modifies Step 1 of the goodwill impairment test under FASB Accounting Standards Codification (“ASC”) Topic 350, *Intangibles—Goodwill and Other*, for reporting units with zero or negative carrying amounts to require an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are adverse qualitative factors, including the examples provided in FASB ASC paragraph 350-20-35-30, in determining whether an interim goodwill impairment test between annual test dates is necessary. On adoption of this ASU, goodwill impairment that results from this requirement to perform Step 2 of the goodwill impairment test would be recognized as cumulative effect adjustment to beginning retained earnings in the period of adoption. The ASU is effective for fiscal year, and interim periods within those years, beginning after December 15, 2010 for a public entity. The Company adopted the ASU as of January 1, 2011. The Company has one reporting unit with goodwill—Mocha Clubs. As the carrying amount of that reporting unit is greater than zero, adoption of this ASU will not have a material impact for the Company.

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,	
	2010	2009
Components of accounts receivable, net are as follows:		
Casino	\$293,976	\$283,265
Hotel	4,438	2,457
Other	2,597	681
Sub-total	\$301,011	\$286,403
Less: allowance for doubtful debts	(41,490)	(24,227)
	\$259,521	\$262,176

During the years ended December 31, 2010 and 2009, the Company has provided allowance for doubtful debts of \$32,241 and \$16,114 and has written off accounts receivables of \$941 and \$643, respectively.

4. PROPERTY AND EQUIPMENT, NET

	December 31,	
	2010	2009
Cost		
Buildings	\$2,439,425	\$2,219,127
Furniture, fixtures and equipment	381,231	307,305
Plant and gaming machinery	131,104	114,983
Leasehold improvements	147,530	97,188
Motor vehicles	4,309	3,375
Sub-total	\$3,103,599	\$2,741,978
Less: accumulated depreciation	(481,040)	(249,780)
Sub-total	\$2,622,559	\$2,492,198
Construction in progress	49,336	294,448
Property and equipment, net	\$2,671,895	\$2,786,646

As of December 31, 2010 and 2009, construction in progress in relation to the City of Dreams project 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). As of December 31, 2010 and 2009, total cost capitalized for construction in progress amounted to \$7,820 and \$35,713, respectively, for the City of Dreams project.

5. GAMING SUBCONCESSION, NET

	December 31,	
	2010	2009
Deemed cost	\$ 900,000	\$ 900,000
Less: accumulated amortization	(243,258)	(186,021)
Gaming subconcession, net	\$ 656,742	\$ 713,979

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 2011 through 2021, and approximately \$27,135 in 2022.

MELCO CROWN ENTERTAINMENT LIMITED

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

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. LONG-TERM PREPAYMENT, DEPOSITS AND OTHER ASSETS

Long-term prepayment, deposits and other assets consisted of the following:

	December 31,	
	2010	2009
Entertainment production costs	\$68,483	\$42,573
Less: accumulated amortization	<u>(2,283)</u>	<u>—</u>
Entertainment production costs, net	\$66,200	\$42,573
Deposit and other	12,085	9,792
Long-term receivables, net	<u>17,344</u>	<u>—</u>
Long-term prepayment, deposits and other assets	<u><u>\$95,629</u></u>	<u><u>\$52,365</u></u>

Entertainment production costs represent the amount incurred and capitalized for the entertainment show in City of Dreams, which commenced performance in September 2010. The Company expects that amortization of entertainment production costs will be approximately \$6,848 each year from 2011 through 2019, and approximately \$4,568 in 2020.

Long-term receivables, net includes an allowance for doubtful debts of \$14,978 as of December 31, 2010, with \$9,978 and \$5,000 raised during the years ended December 31, 2010 and 2009, respectively.

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

Land use rights consisted of the following:

	December 31,	
	2010	2009
Altira Macau	\$141,543	\$141,543
City of Dreams	<u>376,122</u>	<u>376,021</u>
	\$517,665	\$517,564
Less: accumulated amortization	<u>(89,510)</u>	<u>(69,988)</u>
Land use rights, net	<u><u>\$428,155</u></u>	<u><u>\$447,576</u></u>

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. The land grant amendment process was completed on September 15, 2010.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2010	2009
Construction costs payable	\$ 14,218	\$ 80,668
Customer deposits and ticket sales	50,143	45,852
Outstanding gaming chips and tokens	131,158	136,774
Other gaming related accruals	15,065	21,216
Gaming tax accruals	137,299	67,376
Land use right payable	15,191	29,781
Operating expense accruals	90,867	67,232
Interest rate swap liabilities	<u>8,143</u>	<u>11,344</u>
	<u><u>\$462,084</u></u>	<u><u>\$460,243</u></u>

10. LONG-TERM DEBT

Long-term debt consisted of the following:

	December 31,	
	2010	2009
City of Dreams Project Facility	\$1,131,805	\$1,683,207
\$600,000 10.25% senior notes, due 2018	<u>592,443</u>	<u>—</u>
	\$1,724,248	\$1,683,207
Current portion of long-term debt	<u>(202,997)</u>	<u>(44,504)</u>
	<u><u>\$1,521,251</u></u>	<u><u>\$1,638,703</u></u>

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

City of Dreams Project Facility

On September 5, 2007, Melco Crown Gaming (the “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 (the “Scheduled 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. In addition to the Scheduled Amortization Payments, the Borrower is also subject to quarterly mandatory prepayments (the “Mandatory Prepayments”) in respect of the following amounts within certain subsidiaries of the Borrower (together with the Borrower collectively referred to as the “Borrowing Group”) including but not limited to: (i) 50% of the net proceeds of any permitted equity issuance of any member of the Borrowing Group; (ii) the net proceeds of any asset sales; (iii) net termination proceeds paid under the Borrower’s subconcession and certain contracts or agreements; (iv) certain net proceeds or liquidated damages paid; (v) insurance proceeds net of expenses to obtain such proceeds; and (vi) excess cash as defined under a leverage test.

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. 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. As of December 31, 2010, the Term Loan Facility was fully drawn down and the availability period for this facility has expired.

The indebtedness under the City of Dreams Project Facility is guaranteed by the Borrowing Group. Security for the City of Dreams Project Facility includes a first-priority mortgage over all land where Altira Macau and the City of Dreams are 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.

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 investments, 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, 2010 and 2009, the net assets of the Borrowing Group of approximately \$1,553,000 and \$1,543,000 were restricted from being distributed under the terms of the City of Dreams Project Facility, respectively.

In May 2010, the Borrower entered into an amendment agreement to the City of Dreams Project Facility (the “Amendment Agreement”). The Amendment Agreement, among other things, (i) amends the date of the first covenant test date to December 31, 2010; (ii) provides additional flexibility to the financial covenants; (iii) removes the obligation but retains the right to enter into any new interest rate or foreign currency swaps or other hedging arrangements; and (iv) restricts the use of the net proceeds received from the issuance of the Senior Notes to repayment of certain amounts outstanding under the City of Dreams Project Facility, including prepaying the Term Loan Facility in an amount of \$293,714 and the Revolving Credit Facility in an

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

City of Dreams Project Facility—continued

amount of \$150,352, with the remaining net proceeds in an amount of \$133,000 deposited in a bank account that is restricted for use to pay future Scheduled Amortization Payments commencing December 2010 as well as providing for a permanent reduction of the Revolving Credit Facility of \$100,000.

In addition to the prepayment of the Term Loan Facility and Revolving Credit Facility in May 2010 as mentioned in the preceding paragraph, the Borrower further repaid \$35,693 and prepaid \$71,643 of the Term Loan Facility in December 2010 according to the Scheduled Amortization Payments and the Mandatory Prepayments, respectively.

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 satisfies certain prescribed leverage ratio tests upon completion of the City of Dreams project. As of December 31, 2010, the interest rate is reduced to LIBOR or HIBOR plus a margin of 2.50% per annum.

The balance of \$250,000 short-term deposits which were placed by the Borrower in May and September 2009 to replace the letters of credit previously provided to support the contingent equity commitment by the major shareholders of MCE, Melco and Crown, were to be released upon the final completion for the City of Dreams project (or earlier subject to lender determination that the full amount is not required to meet remaining costs) and compliance with other release conditions under the City of Dreams Project Facility. As of December 31, 2010, the balance of \$22,758 remained in the bank account that was restricted to meet the remaining City of Dreams project costs under disbursement terms.

The Borrower has not drawn down further on the Term Loan Facility and Revolving Credit Facility during the year ended December 31, 2010. During the year ended December 31, 2009, the Borrower drew down a total of \$70,951, which includes \$12,685 and HK\$453,312,004 (equivalent to \$58,266) 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), on the Revolving Credit Facility, respectively.

The Borrower 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 year ended December 31, 2010, the Borrower recognized loan commitment fees with credit amount of \$3,811, which include a commitment fee of \$814 and a reversal of accrual not required of \$4,625. Loan commitment fees amounted to \$2,253 and \$14,965 during the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2010 and 2009, total outstanding borrowings relating to the City of Dreams Project Facility was \$1,131,805 and \$1,683,207, respectively. Management believes the Company is in compliance with all covenants as of December 31, 2010 and 2009. As of December 31, 2010, approximately \$100,488 of the City of Dreams Project Facility remains available for future drawdown.

\$600,000 10.25% senior notes, due 2018

On May 17, 2010, MCE Finance Limited (formerly known as MPEL Holdings Limited, Melco PBL Holdings Limited and MPBL Limited) (“MCE Finance”), a subsidiary of MCE, issued and listed the Senior Notes on the Official List of the Singapore Exchange Securities Trading Limited. The purchase price paid by the initial purchasers was 98.671% of the principal amount. The Senior Notes are general obligations of MCE Finance, rank equally in right of payment to all existing and future senior indebtedness of MCE Finance and rank senior in right of payment to any existing and future subordinated indebtedness of MCE Finance. The Senior Notes are effectively subordinated to all of MCE Finance’s existing and future secured indebtedness to the extent of the value of the assets securing such debt. MCE and one of its subsidiaries, MPEL International Limited (together, the “Senior Guarantors”), fully and unconditionally and jointly and severally guaranteed the Senior Notes on a senior secured basis. Certain other indirect subsidiaries of MCE Finance, including Melco Crown Gaming (together with the Senior Guarantors, the “Guarantors”), fully and unconditionally and

MELCO CROWN ENTERTAINMENT LIMITED

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(In thousands of U.S. dollars, except share and per share data)

10. LONG-TERM DEBT—continued

\$600,000 10.25% senior notes, due 2018—continued

jointly and severally guaranteed the Senior Notes on a senior subordinated secured basis. The Senior Notes mature on May 15, 2018. Interest on the Senior Notes is accrued at a rate of 10.25% per annum and is payable semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2010.

The net proceeds from the offering after deducting the original issue discount of approximately \$7,974 and underwriting commissions and other expenses of approximately \$14,960 was approximately \$577,066. MCE used the net proceeds from the offering to reduce the indebtedness under the City of Dreams Project Facility by approximately \$444,066 and deposited the remaining \$133,000 in a bank account that is restricted for use to pay future City of Dreams Project Facility amortization payments commencing December 2010. The Senior Notes have been reflected net of discount under long-term debt in the consolidated balance sheet as of December 31, 2010.

At any time after May 15, 2014, MCE Finance may redeem some or all of the Senior Notes at the redemption prices set forth in the prospectus plus accrued and unpaid interest, additional amounts and liquidated damages, if any, to the redemption date. Prior to May 15, 2014, MCE Finance may redeem all or part of the Senior Notes at the redemption price set forth in the prospectus plus the applicable “make-whole” premium described in the prospectus plus accrued and unpaid interest, additional amounts and liquidated damages, if any, to the redemption date. Prior to May 15, 2013, MCE Finance may redeem up to 35% of the principal amount of the Senior Notes with the net cash proceeds from one or more certain equity offerings at the redemption price set forth in the prospectus, plus accrued and unpaid interest, additional amounts and liquidated damages, if any, to the redemption date. In addition, subject to certain exceptions and as more fully described in the prospectus, MCE Finance may redeem the Senior Notes in whole, but not in part, at a price equal to 100% of their principal amount plus accrued interest and unpaid interest, additional amounts and liquidated damages, if any, to the date fixed by MCE Finance for redemption, if MCE Finance or any Guarantor would become obligated to pay certain additional amounts as a result of certain changes in withholding tax laws or certain other circumstances. MCE Finance may also redeem the Senior Notes if the gaming authority of any jurisdiction in which MCE, MCE Finance or any of their respective subsidiaries conducts or proposed to conduct gaming requires holders or beneficial owners of the Senior Notes to be licensed, qualified or found suitable under applicable gaming laws and such holder or beneficial owner, as the case may be, fails to apply or become licensed or qualified or is found unsuitable.

The indenture governing the Senior Notes contains certain covenants that, subject to certain exceptions and conditions, limit the ability of MCE Finance and its restricted subsidiaries’ ability to, among other things, (i) incur or guarantee additional indebtedness; (ii) make specified restricted payments; (iii) issue or sell capital stock; (iv) sell assets; (v) create liens; (vi) enter into agreements that restrict the restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; (vii) enter into transactions with shareholders or affiliates; and (viii) effect a consolidation or merger. As of December 31, 2010, MCE Finance was in compliance with each of the financial restrictions and requirements.

MCE Finance has entered into a registration rights agreement whereby MCE Finance has registered the notes to be issued in an exchange offer for the Senior Notes with the U.S. Securities and Exchange Commission in August 2010 and with further amendments filed in October and November 2010 in connection with the exchange offer, which registration statement was effective on November 12, 2010.

Total interest on long-term debt included amortization of discount in connection with issuance of Senior Notes of \$417, interest incurred on Senior Notes of \$38,438 for the year ended December 31, 2010, and interest incurred on City of Dreams Project Facility of \$39,157, \$50,824 and \$40,178, for the years ended December 31, 2010, 2009 and 2008, respectively, of which \$11,823, \$37,374 and \$40,178 were capitalized as discussed in Note 2(i) to the consolidated financial statements.

During the years ended December 31, 2010 and 2009, the Company’s average borrowing rates were approximately 6.71% and 5.73% per annum, respectively.

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

\$600,000 10.25% senior notes, due 2018—continued

Scheduled maturities of the Company's long-term debt as of December 31, 2010 including the accretion of debt discounts of approximately \$7,557 are as follows:

<u>Year ending December 31,</u>	
2011.....	\$ 202,997
2012.....	294,383
2013.....	289,540
2014.....	344,885
Thereafter.....	<u>600,000</u>
	<u><u>\$1,731,805</u></u>

11. OTHER LONG-TERM LIABILITIES

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Interest rate swap liabilities.....	\$2,278	\$16,727
Deferred rent liabilities.....	4,037	3,613
Other deposits received.....	<u>181</u>	<u>279</u>
	<u><u>\$6,496</u></u>	<u><u>\$20,619</u></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 expired 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, 2010 and 2009, the notional amounts of the outstanding interest rate swap agreements amounted to \$492,265 and \$842,127, 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 losses until the hedged interest expenses is recognized in earnings.

As of December 31, 2010 and 2009, the fair values of interest rate swap agreements were recorded as interest rate swap liabilities, of which \$8,143 and \$11,344 were included in accrued expenses and other current liabilities and \$2,278 and \$16,727 were included in other long-term liabilities, respectively. The Company estimates that over the next twelve months, \$9,752 (2009: \$23,855) of the net unrealized losses on the interest rate swaps will be reclassified from accumulated other comprehensive losses into interest expenses.

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 City of Dreams Project Facility, loans from shareholders and land use right payable approximate their fair values as they carry market interest rates. The estimated fair value of the Senior Notes, based on quoted market price, was approximately \$693,750 as of December 31, 2010. As of December 31, 2010 and 2009, the Company did not have any non-financial assets

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

12. FAIR VALUE MEASUREMENTS—continued

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, 2010 and 2009:

	<u>Quoted Prices In Active Market for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total Fair Value</u>
<i>Interest rate swap liabilities</i>				
December 31, 2010	<u>\$ —</u>	<u>\$10,421</u>	<u>\$ —</u>	<u>\$10,421</u>
December 31, 2009	<u>\$ —</u>	<u>\$28,071</u>	<u>\$ —</u>	<u>\$28,071</u>

The fair value of these interest rate swap agreements approximates the amount the Company would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based on a standard valuation model that projects future cash flows and discounts those future cash flows to a present value using market-based observable inputs such as interest rate yields. Since significant observable inputs are used in the valuation model, the interest rate swap arrangements are considered a level 2 item in the fair value hierarchy.

13. CAPITAL STRUCTURE

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 net proceeds 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 net proceeds after deducting the offering expenses which amounted to \$209,112.

In connection with the Company's restricted shares granted as disclosed in Note 15 to the consolidated financial statements, 1,254,920, 8,297,110 and 226,317 ordinary shares were vested and issued during the years ended December 31, 2010, 2009 and 2008, respectively.

The Company issued 8,785,641 and 2,614,706 ordinary shares to its depository bank for issuance to employees upon their future vesting of restricted shares and exercise of share options during the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010, 43,737 (2009: 2,528,319) and 804,285 (2009: nil) of these ordinary shares have been issued to employees upon vesting of restricted shares and exercise of share options, respectively, and the balance of 8,409,186 (2009: 471,567) ordinary shares continue to be held by the Company for future issuance.

As of December 31, 2010 and 2009, the Company had 1,597,248,925 and 1,595,145,983 ordinary shares issued and outstanding, respectively.

14. INCOME TAX EXPENSE (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 profits from 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, 2010, 2009 and 2008.

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

14. INCOME TAX EXPENSE (CREDIT)—continued

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 property tax holiday on any 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 Macau government has also granted to Altira Hotel Limited a declaration of utility purposes benefit on specific vehicles purchased, pursuant to which it is entitled to a vehicle tax holiday provided there is no change in use or disposal of those vehicles within 5 years from the date of purchase.

The provision for income tax consisted of:

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Income tax provision for current year:			
Macau Complementary Tax	\$ 165	\$ 190	\$ —
Hong Kong Profits Tax	473	731	892
Profits tax in other jurisdictions	<u>65</u>	<u>—</u>	<u>—</u>
Sub-total	<u>\$ 703</u>	<u>\$ 921</u>	<u>\$ 892</u>
(Over) under provision of income tax in prior years:			
Macau Complementary Tax	\$ (18)	\$ 2	\$ —
Hong Kong Profits Tax	(1)	351	(239)
Profits tax in other jurisdictions	<u>8</u>	<u>—</u>	<u>—</u>
Sub-total	<u>\$ (11)</u>	<u>\$ 353</u>	<u>\$ (239)</u>
Deferred tax charge (credit):			
Macau Complementary Tax	\$ 166	\$(1,537)	\$(2,038)
Hong Kong Profits Tax	58	131	(85)
Profits tax in other jurisdictions	<u>4</u>	<u>—</u>	<u>—</u>
Sub-total	<u>\$ 228</u>	<u>\$(1,406)</u>	<u>\$(2,123)</u>
Total income tax expense (credit)	<u>\$ 920</u>	<u>\$ (132)</u>	<u>\$(1,470)</u>

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

14. INCOME TAX EXPENSE (CREDIT)—continued

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

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Loss before income tax	\$ (9,605)	\$(308,593)	\$(3,933)
Macau Complementary Tax rate	12%	12%	12%
Income tax credit at Macau Complementary Tax rate	(1,153)	(37,031)	(472)
Effect of different tax rates of subsidiaries operating in other jurisdictions	169	235	126
(Over) under provision in prior years	(11)	353	(239)
Effect of income for which no income tax expense is payable	(258)	(633)	(1,102)
Effect of expense for which no income tax benefit is receivable	7,868	2,978	779
Effect of tax holiday granted by Macau government	(28,069)	—	(8,855)
Losses that cannot be carried forward	—	15,639	—
Change in valuation allowance	22,374	18,327	8,293
	<u>\$ 920</u>	<u>\$ (132)</u>	<u>\$(1,470)</u>

Macau Complementary Tax and Hong Kong Profits Tax have been provided at 12% (2009 and 2008: 12%) and 16.5% (2009 and 2008: 16.5%) on the estimated taxable income earned in or derived from Macau and Hong Kong, respectively during the relevant years, if applicable. Profits tax in other jurisdictions for the year ended December 31, 2010 was provided mainly for the profits of the representative offices and branches set up by a subsidiary in the region where they operate. No provision for the profits tax in other jurisdictions for the years ended December 31, 2009 and 2008 was made as the representative offices and branches incurred tax losses where they operate. No provision for income tax in the United States of America for the years ended December 31, 2010, 2009 and 2008 was provided as the subsidiaries incurred tax losses.

Melco Crown Gaming has been granted with a tax holiday from Macau Complementary Tax on casino gaming profits by the Macau government in 2007. In February 2011, Melco Crown Gaming applied for an additional 5-year exemption from Macau Complementary Tax on casino gaming profits. Melco Crown Gaming reported net loss during the year ended December 31, 2009 which had no impact to the basic and diluted loss per share of the Company. During the years ended December 31, 2010 and 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 years ended December 31, 2010 and 2008 would have been increased by \$28,069 and \$8,855, respectively, and basic and diluted loss per share would have reported additional loss of \$0.018 and \$0.007 per share, respectively. 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 positive effective tax rate for the year ended December 31, 2010 was 9.6% and the negative effective tax rates for the years ended December 31, 2009 and 2008 were 0.04% and 37.4%, respectively. Such rates differ from the statutory Macau Complementary Tax rate of 12% primarily due to the effect of change in valuation allowance for the years ended December 31, 2010, 2009 and 2008, the impact of a net loss of Melco Crown Gaming during the year ended December 31, 2009 and the effect of tax holiday granted by the Macau government as described in the preceding paragraph during the years ended December 31, 2010 and 2008.

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

14. INCOME TAX EXPENSE (CREDIT)—continued

The deferred income tax assets and liabilities as of December 31, 2010 and 2009, consisted of the following:

	December 31,	
	2010	2009
Deferred income tax assets		
Net operating loss carryforwards	\$ 47,183	\$ 33,085
Valuation allowance		
Current	(6,968)	(7,311)
Long-term	(40,190)	(25,774)
Sub-total	<u>\$(47,158)</u>	<u>\$(33,085)</u>
Total net deferred income tax assets	<u>\$ 25</u>	<u>\$ —</u>
Deferred income tax liabilities		
Land use rights	\$(16,209)	\$(17,149)
Intangible assets	(505)	(505)
Unrealized capital allowance	<u>(1,296)</u>	<u>(103)</u>
Net deferred income tax liabilities	<u>\$(18,010)</u>	<u>\$(17,757)</u>

As of December 31, 2010 and 2009, valuation allowance of \$47,158 and \$33,085 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, 2010, adjusted operating tax loss carry forwards, amounting to \$58,064, \$148,469 and \$186,451 will expire in 2011, 2012 and 2013, respectively. Operating tax loss carry forwards of \$60,923 has expired during the year ended December 31, 2010.

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, 2010, 2009 and 2008 and there is no material unrecognized tax benefit which would favourably affect the effective income tax rate in future periods. As of December 31, 2010 and 2009, 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 of the Company and its subsidiaries remain open and subject to examination by the tax authorities of Hong Kong, Macau, the United States of America and other jurisdictions until the statute of limitations expire in each corresponding jurisdiction. The statute of limitations in Macau, Hong Kong and the United States of America are 5 years, 6 years and 3 years, respectively.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued
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15. SHARE-BASED COMPENSATION—continued

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, 2010 and 2009, 63,347,487 shares and 62,964,552 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, 2010, 2009 and 2008 with exercise price determined at the closing price of the date of grant. These ordinary share options became exercisable over different vesting periods ranging from immediately vested on date of grant to four 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 years 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 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, 2010, 2009 and 2008. These restricted shares have a vesting period ranging from immediately vested on date of grant to four years. The grant date fair value is determined with reference to the market closing price at date of grant.

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.

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 fair value per option was estimated at the date of grant using the following weighted-average assumptions (excludes options granted in the stock option exchange program):

	December 31,		
	2010	2009	2008
Expected dividend yield	—	—	—
Expected stock price volatility	79.24%	74.60%	57.65%
Risk-free interest rate	1.78%	1.45%	1.67%
Forfeiture rate	—	—	—
Expected average life of options (years)	5.5	5.5	4.7

Share Options

A summary of share options activity under the share incentive plan as of December 31, 2010 and 2009, and changes during the years ended December 31, 2010, 2009 and 2008 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, 2008	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	22,342,398	\$1.26		
Granted	4,266,174	\$1.17		
Exercised	(804,285)	\$1.17		
Forfeited	(5,169,216)	\$1.27		
Expired	(181,578)	\$4.48		
Outstanding at December 31, 2010	<u>20,453,493</u>	<u>\$1.22</u>	<u>7.20</u>	<u>\$ 20,016</u>
Exercisable at December 31, 2010	<u>7,950,311</u>	<u>\$1.23</u>	<u>5.81</u>	<u>\$ 8,060</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, 2010 are presented below:

	Vested			
	Number of Share Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Range of exercise prices per share (\$1.01—\$5.06) (Note)	7,950,311	\$1.23	5.81	\$8,060

Note: 8,571,224 share options vested and 181,578 vested share options expired during the year ended December 31, 2010.

	Expected to Vest			
	Number of Share Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Range of exercise prices per share (\$1.01—\$5.06).	12,503,182	\$1.21	8.08	\$11,956

The weighted-average fair value of share options granted (excludes options granted in the stock option exchange program) during the years ended December 31, 2010, 2009 and 2008 were \$0.84, \$0.67 and \$0.80, respectively. 804,285 share options were exercised and proceeds amounted to \$938 were recognized during the year ended December 31, 2010. The total intrinsic value of share options exercised for the year ended December 31, 2010 was \$767. No share options were exercised during the years ended December 31, 2009 and 2008 and therefore no cash proceeds were recognized.

As of December 31, 2010, there was \$6,988 unrecognized compensation costs related to unvested share options. The costs are expected to be recognized over a weighted-average period of 2.25 years.

Restricted Shares

A summary of the status of the share incentive plan's restricted shares as of December 31, 2010, and changes during the years ended December 31, 2010, 2009 and 2008 are presented below:

	Number of Restricted Shares	Weighted-Average Grant Date Fair Value
Unvested at 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 and January 1, 2010	3,246,031	\$1.41
Granted	1,463,151	1.38
Vested	(1,298,657)	1.67
Forfeited	(761,466)	1.27
Unvested at December 31, 2010	2,649,059	\$1.31

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—continued

The total fair values at date of grant of the restricted shares vested during the years ended December 31, 2010, 2009 and 2008 were \$2,166, \$17,433 and \$1,433, respectively.

As of December 31, 2010, there was \$2,346 of unrecognized compensation costs related to restricted shares. The costs are expected to be recognized over a weighted-average period of 2.05 years.

The impact of share options and restricted shares for the years ended December 31, 2010, 2009 and 2008 recognized in the consolidated financial statements were as follows:

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Share options	\$4,439	\$ 5,169	\$2,598
Restricted shares	<u>1,606</u>	<u>6,638</u>	<u>4,420</u>
Total share-based compensation expenses	\$6,045	\$11,807	\$7,018
Less: share-based compensation expenses capitalized	<u>(2)</u>	<u>(422)</u>	<u>(163)</u>
Share-based compensation recognized in general and administrative expenses . .	<u>\$6,043</u>	<u>\$11,385</u>	<u>\$6,855</u>

16. EMPLOYEE BENEFIT PLANS

The Company provides defined contribution plans for their employees in Macau, Hong Kong, United States of America and other jurisdictions. For the years ended December 31, 2010, 2009 and 2008, the Company's contributions into the provident fund were \$5,070, \$5,012 and \$4,584, respectively.

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, 2010 and 2009, the balance of the reserve amounted to \$3 in each of those years.

The City of Dreams Project Facility 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.

The indenture governing the Senior Notes also contains certain covenants that, subject to certain exceptions and conditions, restrict the payment of dividends for MCE Finance and its restricted subsidiaries.

18. COMMITMENTS AND CONTINGENCIES

(a) Capital Commitments

As of December 31, 2010, the Company had capital commitments contracted for but not provided mainly for the construction and acquisition of property and equipment for City of Dreams totaling \$2,843.

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 \$65,659 has been paid as of December 31, 2010 and

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

(a) **Capital Commitments—continued**

the remaining amount of \$39,432, accrued with 5% interest per annum, will be paid in five 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. 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 land grant amendment process was completed on September 15, 2010. As of December 31, 2010 and 2009, the total outstanding balances of the land use right has been included in accrued expenses and other current liabilities in an amount of \$15,191 and \$29,781 and in land use right payable in an amount of \$24,241 and \$39,432, respectively. 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, 2010, the Company's total commitments of payment in form of government land use fees for the City of Dreams site was \$26,754.

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, 2010, the Company's total commitments of payment in form of government land use fees for the Altira Macau site was \$3,453.

(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, 2010, 2009 and 2008, the Company incurred rental expenses amounting to \$15,373, \$14,557 and \$12,060, respectively.

As of December 31, 2010, minimum lease payments under all non-cancellable leases were as follows:

Year ending December 31,

2011	\$10,734
2012	7,382
2013	5,339
2014	3,853
2015	2,564
Over 2015	<u>7,103</u>
Total minimum lease payments	<u>\$36,975</u>

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 July 2016. Certain of the

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—continued

operating and right to use agreements include minimum base fee and operating fee with escalated contingent fee clauses. During the years ended December 31, 2010, 2009 and 2008, the Company received contingent fees amount to \$12,801, \$5,547 and nil, respectively.

As of December 31, 2010, minimum future fees to be received under all non-cancellable operating and right to use agreements were as follows:

<u>Year ending December 31,</u>	
2011	\$10,836
2012	10,440
2013	9,770
2014	9,233
2015	4,998
Over 2015	<u>848</u>
Total minimum future fees to be received	<u>\$46,125</u>

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 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.
- ii) 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.
- iii) To pay the Macau government a sum of 1.6% of the gross revenues of the gaming business operations on a monthly basis, that will be made available to a public foundation for the promotion, development and study of social, cultural, economic, educational, scientific, academic and charity activities, to be determined by the Macau government.
- iv) To pay the Macau government a sum of 2.4% of the gross revenues of the gaming business operations on a monthly basis, which will be used for urban development, tourist promotion and the social security of Macau.
- v) To pay special gaming tax to the Macau government of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.
- vi) Melco Crown 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)

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

from September 8, 2011 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, 2010, 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 totaling \$2,421. Expenses for the shuttle buses and limousines services during the years ended December 31, 2010 and 2009 amounted to \$12,709 and \$10,653, respectively.

As of December 31, 2010, 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 Mocha Clubs, Altira Macau and the City of Dreams totaling \$8,670. Expenses for such services during the years ended December 31, 2010 and 2009 amounted to \$17,201 and \$5,561, respectively.

As of December 31, 2010, the Company had other commitments contracted for but not provided in respect of trademark and memorabilia license fee for the operations of City of Dreams hotels and casino totaling \$7,579. Expenses for the trademark and memorabilia license fee during the years ended December 31, 2010 and 2009 amounted to \$1,610 and \$889, respectively.

As of December 31, 2010, the Company had other commitments contracted for but not provided in respect of fee for the operations of entertainment show in City of Dreams, which commenced performance in September 2010, totaling \$28,833. Expenses for such fee for the operations of entertainment show during the year ended December 31, 2010 amounted to \$2,349.

(d) Contingencies

As of December 31, 2010, 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)(vi) to the consolidated financial statements.

As of December 31, 2010, the Company has entered into two deeds of guarantee with third parties amounted to \$10,000 to guarantee certain payment obligations of the City of Dreams’ operations.

As of December 31, 2010, a bank guarantee issued to the Macau government amounted to \$22,462 (MOP180,000,000) to guarantee payment of additional land premium payable as disclosed in Note 8 to the consolidated financial statements has been released.

(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.

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

During the years ended December 31, 2010, 2009 and 2008, the Company entered into the following material related party transactions:

	Year Ended December 31,		
	2010	2009	2008
<i>Amounts paid/payable to affiliated companies</i>			
Advertising and promotional expenses	\$ 75	\$ 211	\$ 597
Consultancy fee capitalized in construction in progress	—	1,312	246
Consultancy fee recognized as expense	868	1,301	1,168
Management fees	17	45	1,698
Network support fee	—	28	52
Office rental	2,271	2,354	1,466
Operating and office supplies	181	257	255
Property and equipment	1,287	59,482	16,327
Repairs and maintenance	236	87	655
Service fee expense	500	748	781
Traveling expense capitalized in construction in progress	3	65	66
Traveling expense recognized as expense	3,542	2,809	1,387
<i>Amounts received/receivable from affiliated companies</i>			
Other service fee income	268	896	276
Rooms and food and beverage income	80	23	100
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
Interest charges recognized as expense	242	215	—
<i>Amounts received/receivable from a shareholder</i>			
Other service fee income	23	—	—
Rooms and food and beverage income	39	—	—

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 companies—The Company reimbursed Melco's subsidiary for service fees incurred on its behalf for rental, office administration, travel and security coverage for the operation of the office of the Company's Chief Executive Officer during the years ended December 31, 2010, 2009 and 2008. Melco's subsidiary provided services to the Company which included management of general and administrative matters and consultancy during the years ended December 31, 2010, 2009 and 2008, and advertising and promotion, system maintenance and administration support and repairs and maintenance during the year ended December 31, 2008. Other service fee income was received from Melco's subsidiary during the years ended December 31, 2010 and 2009 and Melco's subsidiary purchased rooms and food and beverage services from the Company during the year ended December 31, 2009. Melco's associated companies purchased rooms and food and beverage services from the Company during the year ended December 31, 2009 and the Company purchased property and equipment from Melco's associated company during the year ended December 31, 2009. The outstanding balance due from Melco's subsidiary as of December 31, 2010 was \$1,463, mainly related to prepayment of operating

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

(a) Amounts Due From Affiliated Companies—continued

expenses, and as of December 31, 2009, the outstanding balance with Melco's subsidiary was a payable of \$607. The outstanding balances due from Melco's associated companies as of December 31, 2010 and 2009 amounted to \$1 in each of those periods. These amounts were unsecured, non-interest bearing and repayable on demand.

Shun Tak Holdings Limited's subsidiary—Shun Tak Holdings Limited's subsidiary purchased rooms and food and beverage services from the Company, and provided traveling services to the Company during the year ended December 31, 2010, a company in which relatives of Mr. Lawrence Ho, the Company's Co-Chairman and Chief Executive Officer, have beneficial interests. As of December 31, 2010 and 2009, the outstanding balances due from this subsidiary of Shun Tak Holdings Limited of \$64 and nil, respectively, were unsecured, non-interest bearing and repayable on demand.

(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 and consultancy from Elixir, a wholly-owned subsidiary of Melco before Melco disposed of it in July 2010, primarily related to the Altira Macau and City of Dreams during the years ended December 31, 2010, 2009 and 2008. The Company paid network support fee to Elixir during the years ended December 31, 2009 and 2008. 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, 2010, 2009 and 2008. As of December 31, 2009, the outstanding balance due to Elixir of \$5,046 was 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, 2010, 2009 and 2008. Relatives of Mr. Lawrence Ho, have beneficial interests within those companies. The traveling expenses in connection with construction of City of Dreams were capitalized as costs related to construction in progress during the construction period for the years ended December 31, 2010, 2009 and 2008. The Company paid advertising and promotional expenses to STDM Group during the years ended December 31, 2010, 2009 and 2008, and Shun Tak Group during the years ended December 31, 2009 and 2008, respectively. The Company incurred rental expenses from leasing office premises from STDM Group and Shun Tak Group during the years ended December 31, 2010, 2009 and 2008. As of December 31, 2010 and 2009, the outstanding balances due to STDM Group of \$164 and \$171 and Shun Tak Group of \$276 and \$440, respectively, were unsecured, non-interest bearing and repayable on demand.

Melco's subsidiaries and its associated companies—Melco's subsidiary provided consultancy services to the Company during the year ended December 31, 2010. The Company purchased operating and office supplies from Melco's subsidiary and its associated companies during the years ended December 31, 2010 and 2008. The Company incurred rental expenses from leasing office premises from Melco's subsidiary during the years ended December 31, 2010, 2009 and 2008. The Company purchased property and equipment from Melco's subsidiaries and its associated companies during the years ended December 31, 2009 and 2008. Melco's associated company provided network support and repairs and maintenance services to the Company during the year ended December 31, 2008. Melco's associated companies purchased rooms and food and beverage services from the Company during the years ended December 31, 2009 and 2008. As of December 31, 2010 and 2009, the outstanding balances due to Melco's subsidiaries and its associated companies of \$134 and \$113, 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, 2010, 2009 and 2008, the Company paid rental expenses and service fees for

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

Mocha Clubs gaming premises to Lisboa and SJM, companies in which relatives of Mr. Lawrence Ho have beneficial interests. There were no outstanding balances with Lisboa and SJM as of December 31, 2010 and 2009.

Crown's subsidiary—Crown's subsidiary provided services to the Company primarily for the construction of City of Dreams and the operations which included general consultancy and management of sale representative offices during the years ended December 31, 2010, 2009 and 2008. Part of the consultancy charges was capitalized as costs related to construction in progress during construction period for the years ended December 31, 2009 and 2008. The Company reimbursed Crown's subsidiary for associated costs including traveling expenses during the years ended December 31, 2010, 2009 and 2008. The Company purchased property and equipment from Crown's subsidiary during the years ended December 31, 2009 and 2008. The Company received rental income from Crown's subsidiary during the year ended December 31, 2010 and other service fee income from Crown's subsidiary during the years ended December 31, 2010, 2009 and 2008. Crown's subsidiary purchased rooms and food and beverage services from the Company during the years ended December 31, 2010 and 2008. As of December 31, 2010 and 2009, the outstanding balances due to Crown's subsidiary of \$99 and \$975, 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 and 2008. The Company incurred repairs and maintenance expense with Shuffle Master and Stargames during the year ended December 31, 2008, in which the Company's former Chief Operating Officer who resigned this position in May 2009 was an independent non-executive director of its parent company during this period. There were no outstanding balances with Shuffle Master and Stargames as of December 31, 2009.

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 had beneficial interest until end of December 2009, for Altira Macau and City of Dreams. The outstanding balance due to Chang Wah as of December 31, 2009 of \$32 was 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 City of Dreams. There were no outstanding balances with MGM as of December 31, 2010 and 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, 2010 and 2009 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, 2010, the loan balance due to Melco was repayable in May 2012.

The Company received other service fee income from Melco during the year ended December 31, 2010 and Melco purchased rooms and food and beverage services from the Company during the years ended December 31, 2010 and 2009. The amounts of \$23 and \$17 due to Melco as of December 31, 2010 and 2009, respectively, mainly related to interest payable on the outstanding loan balances, 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

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

The outstanding loan balances due to Crown as of December 31, 2010 and 2009 amounted to \$41,280 in each of those years, were unsecured and interest bearing at 3-months HIBOR per annum. As of December 31, 2010, the loan balance due to Crown was repayable in May 2012.

The amounts of \$13 and \$8 due to Crown as of December 31, 2010 and 2009, respectively, related to interest payable on the outstanding loan balances, were unsecured, non-interest bearing and repayable on demand.

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, 2010 and 2009. Taipa Square Casino is included within Corporate and Others. All revenues were generated in Macau.

Total Assets

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Mocha Clubs	\$ 145,173	\$ 144,455
Altira Macau	571,504	575,477
City of Dreams	3,202,692	3,075,052
Corporate and Others	<u>965,071</u>	<u>1,067,861</u>
Total consolidated assets	<u>\$4,884,440</u>	<u>\$4,862,845</u>

Capital Expenditures

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Mocha Clubs	\$ 13,140	\$ 11,448	\$ 15,491
Altira Macau	7,784	6,712	6,275
City of Dreams	94,279	808,424	1,148,098
Corporate and Others	<u>4,457</u>	<u>2,152</u>	<u>21,334</u>
Total capital expenditures	<u>\$119,660</u>	<u>\$828,736</u>	<u>\$1,191,198</u>

For the years ended December 31, 2010, 2009 and 2008, there was no single customer that contributed more than 10% of the total revenues.

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

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

	Year Ended December 31,		
	2010	2009	2008
NET REVENUES			
Mocha Clubs	\$ 111,984	\$ 97,984	\$ 91,967
Altira Macau	859,755	658,043	1,313,047
City of Dreams	1,638,401	552,141	—
Corporate and Others	31,836	24,705	11,120
Total net revenues	<u>2,641,976</u>	<u>1,332,873</u>	<u>1,416,134</u>
ADJUSTED PROPERTY EBITDA (1)			
Mocha Clubs	29,831	25,416	25,805
Altira Macau	133,679	13,702	162,487
City of Dreams	326,338	56,666	(23)
Total adjusted property EBITDA	<u>489,848</u>	<u>95,784</u>	<u>188,269</u>
OPERATING COSTS AND EXPENSES			
Pre-opening costs	(18,648)	(91,882)	(21,821)
Amortization of gaming subconcession	(57,237)	(57,237)	(57,237)
Amortization of land use rights	(19,522)	(18,395)	(18,269)
Depreciation and amortization	(236,306)	(141,864)	(51,379)
Share-based compensation	(6,043)	(11,385)	(6,855)
Property charges and others	(91)	(7,040)	(290)
Corporate and others expenses	(59,489)	(40,028)	(31,244)
Total operating costs and expenses	<u>(397,336)</u>	<u>(367,831)</u>	<u>(187,095)</u>
OPERATING INCOME (LOSS)	<u>92,512</u>	<u>(272,047)</u>	<u>1,174</u>
NON-OPERATING EXPENSES			
Interest income	404	498	8,215
Interest expenses, net of capitalized interest	(93,357)	(31,824)	—
Amortization of deferred financing costs	(14,302)	(5,974)	(765)
Loan commitment fees	3,811	(2,253)	(14,965)
Foreign exchange gain, net	3,563	491	1,436
Other income, net	1,074	2,516	972
Costs associated with debt modification	(3,310)	—	—
Total non-operating expenses	<u>(102,117)</u>	<u>(36,546)</u>	<u>(5,107)</u>
LOSS BEFORE INCOME TAX	(9,605)	(308,593)	(3,933)
INCOME TAX (EXPENSE) CREDIT	(920)	132	1,470
NET LOSS	<u>\$ (10,525)</u>	<u>\$ (308,461)</u>	<u>\$ (2,463)</u>

Note

- (1) "Adjusted property EBITDA" is earnings before interest, taxes, depreciation, amortization, other expenses (including pre-opening costs, share-based compensation, property charges and others, corporate and other expenses and non-operating expenses). The chief operating decision maker used Adjusted property EBITDA to measure the operating performance of Mocha Clubs, Altira Macau and City of Dreams and to compare the operating performance of its properties with those of its competitors.

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In May 2010, MCE Finance ("Issuer"), a subsidiary of MCE (the "Parent"), issued \$600,000 10.25% Senior Notes due 2018 as disclosed in Note 10 to the consolidated financial statements.

The Issuer and all subsidiary guarantors except Melco Crown Gaming are 100% directly or indirectly owned by the Parent guarantor. Certain Macau laws require companies limited by shares (*sociedade anónima*)

MELCO CROWN ENTERTAINMENT LIMITED

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

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION—continued

incorporated in Macau to have a minimum of three shareholders, and all gaming concessionaires and subconcessionaires to be managed by a Macau permanent resident, the managing director, who must hold at least 10% of the share capital of the concessionaire or subconcessionaire. In accordance with such Macau laws, approximately 90% of the share capital of Melco Crown Gaming is indirectly owned by the Parent. While MCE complies with the Macau laws, Melco Crown Gaming is considered an indirectly 100% owned subsidiary of the Parent for purposes of the consolidated financial statements of the Parent because the economic interest of the 10% holding of the managing director is limited to, in aggregate with other class A shareholders, MOP 1 on the winding up or liquidation of Melco Crown Gaming and to receive an aggregate annual dividend of MOP 1. The City of Dreams Project Facility and the gaming subconcession agreement significantly restrict the Parent's, the Issuer's and the subsidiary guarantors' ability to obtain funds from each other guarantor subsidiary in the form of a dividend or loan.

Condensed consolidating financial statements for the Parent, Issuer, guarantor subsidiaries and non-guarantor subsidiaries as of December 31, 2010 and 2009, and for the years ended December 31, 2010, 2009, and 2008 are presented in the following tables. Information has been presented such that investments in subsidiaries, if any, are accounted for under the equity method and the principal elimination entries eliminate the investments in subsidiaries and intercompany balances and transactions. Additionally, the guarantor and non-guarantor subsidiaries are presented on a combined basis.

MELCO CROWN ENTERTAINMENT LIMITED

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

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION—continued

CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2010

	Parent	Issuer	Guarantor Subsidiaries ⁽¹⁾	Non-guarantor Subsidiaries	Elimination	Consolidated
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 3,198	\$ —	\$ 410,767	\$ 27,958	\$ —	\$ 441,923
Restricted cash	—	—	167,286	—	—	167,286
Accounts receivable, net	—	—	259,521	—	—	259,521
Amounts due from affiliated companies . .	1,351	—	167	60	(50)	1,528
Intercompany receivables	77,682	8,099	32,198	174,481	(292,460)	—
Amount due from a shareholder	—	—	1	—	(1)	—
Income tax receivable	198	—	—	—	—	198
Inventories	—	—	10,228	—	—	10,228
Prepaid expenses and other current assets	4,722	9	13,810	1,247	—	19,788
Total current assets	<u>87,151</u>	<u>8,108</u>	<u>893,978</u>	<u>203,746</u>	<u>(292,511)</u>	<u>900,472</u>
PROPERTY AND EQUIPMENT, NET . .	—	—	2,660,069	11,826	—	2,671,895
GAMING SUBCONCESSION, NET	—	—	656,742	—	—	656,742
INTANGIBLE ASSETS, NET	—	—	4,220	—	—	4,220
GOODWILL	—	—	81,915	—	—	81,915
INVESTMENTS IN SUBSIDIARIES	2,734,880	2,254,958	4,058,120	6,301	(9,054,259)	—
LONG-TERM PREPAYMENT, DEPOSITS AND OTHER ASSETS	641	—	94,470	518	—	95,629
DEFERRED TAX ASSETS	—	—	—	25	—	25
DEFERRED FINANCING COSTS	—	13,452	31,935	—	—	45,387
LAND USE RIGHTS, NET	—	—	428,155	—	—	428,155
TOTAL	<u>\$2,822,672</u>	<u>\$2,276,518</u>	<u>\$8,909,604</u>	<u>\$222,416</u>	<u>\$(9,346,770)</u>	<u>\$4,884,440</u>
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable	\$ —	\$ —	\$ 8,880	\$ —	\$ —	\$ 8,880
Accrued expenses and other current liabilities	1,889	8,270	441,642	10,283	—	462,084
Income tax payable	—	—	—	934	—	934
Current portion of long-term debt	—	—	202,997	—	—	202,997
Intercompany payables	181,771	19	93,329	17,341	(292,460)	—
Amounts due to affiliated companies	137	—	510	76	(50)	673
Amounts due to shareholders	37	—	—	—	(1)	36
Total current liabilities	<u>183,834</u>	<u>8,289</u>	<u>747,358</u>	<u>28,634</u>	<u>(292,511)</u>	<u>675,604</u>
LONG-TERM DEBT	—	592,443	928,808	—	—	1,521,251
OTHER LONG-TERM LIABILITIES	—	—	6,476	20	—	6,496
DEFERRED TAX LIABILITIES	—	—	17,818	192	—	18,010
ADVANCE FROM ULTIMATE HOLDING COMPANY	—	—	1,047,648	11,254	(1,058,902)	—
LOAN FROM INTERMEDIATE HOLDING COMPANY	—	—	578,617	—	(578,617)	—
LOANS FROM SHAREHOLDERS	115,647	—	—	—	—	115,647
LAND USE RIGHT PAYABLE	—	—	24,241	—	—	24,241
SHAREHOLDERS' EQUITY						
Total shareholders' equity	<u>2,523,191</u>	<u>1,675,786</u>	<u>5,558,638</u>	<u>182,316</u>	<u>(7,416,740)</u>	<u>2,523,191</u>
TOTAL	<u>\$2,822,672</u>	<u>\$2,276,518</u>	<u>\$8,909,604</u>	<u>\$222,416</u>	<u>\$(9,346,770)</u>	<u>\$4,884,440</u>

MELCO CROWN ENTERTAINMENT LIMITED

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

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION—continued

CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2009

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries⁽¹⁾</u>	<u>Non-guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 34,358	\$ —	\$ 177,057	\$ 1,183	\$ —	\$ 212,598
Restricted cash	—	—	233,085	3,034	—	236,119
Accounts receivable, net	—	—	262,176	—	—	262,176
Amounts due from affiliated companies	—	—	14	31	(44)	1
Intercompany receivables	64,676	—	10,069	176,169	(250,914)	—
Inventories	—	—	6,534	—	—	6,534
Prepaid expenses and other current assets	12,605	—	15,101	1,718	(9,656)	19,768
Total current assets	<u>111,639</u>	<u>—</u>	<u>704,036</u>	<u>182,135</u>	<u>(260,614)</u>	<u>737,196</u>
PROPERTY AND EQUIPMENT, NET						
	—	—	2,773,321	13,325	—	2,786,646
GAMING SUBCONCESSION, NET	—	—	713,979	—	—	713,979
INTANGIBLE ASSETS, NET	—	—	4,220	—	—	4,220
GOODWILL	—	—	81,915	—	—	81,915
INVESTMENTS IN SUBSIDIARIES						
	2,697,541	1,665,989	4,058,121	6,301	(8,427,952)	—
LONG-TERM PREPAYMENT, DEPOSITS AND OTHER ASSETS						
	1,178	—	50,685	502	—	52,365
DEFERRED FINANCING COST	—	—	38,948	—	—	38,948
LAND USE RIGHTS, NET	—	—	447,576	—	—	447,576
TOTAL	<u>\$2,810,358</u>	<u>\$1,665,989</u>	<u>\$8,872,801</u>	<u>\$202,263</u>	<u>\$(8,688,566)</u>	<u>\$4,862,845</u>
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable	\$ —	\$ —	\$ 8,719	\$ —	\$ —	\$ 8,719
Accrued expenses and other current liabilities	3,302	—	462,749	3,848	(9,656)	460,243
Income tax payable	387	—	—	381	—	768
Current portion of long-term debt	—	—	44,504	—	—	44,504
Intercompany payables	180,336	1	64,185	6,392	(250,914)	—
Amounts due to affiliated companies	1,620	—	5,655	153	(44)	7,384
Amounts due to shareholders	22	—	—	3	—	25
Total current liabilities	<u>185,667</u>	<u>1</u>	<u>585,812</u>	<u>10,777</u>	<u>(260,614)</u>	<u>521,643</u>
LONG-TERM DEBT	—	—	1,638,703	—	—	1,638,703
OTHER LONG-TERM LIABILITIES						
	—	—	20,606	13	—	20,619
DEFERRED TAX LIABILITIES	—	—	17,654	103	—	17,757
ADVANCE FROM ULTIMATE HOLDING COMPANY						
	—	—	1,021,869	11,254	(1,033,123)	—
LOANS FROM SHAREHOLDERS	115,647	—	—	—	—	115,647
LAND USE RIGHT PAYABLE	—	—	39,432	—	—	39,432
SHAREHOLDERS' EQUITY						
Total shareholders' equity	<u>2,509,044</u>	<u>1,665,988</u>	<u>5,548,725</u>	<u>180,116</u>	<u>(7,394,829)</u>	<u>2,509,044</u>
TOTAL	<u>\$2,810,358</u>	<u>\$1,665,989</u>	<u>\$8,872,801</u>	<u>\$202,263</u>	<u>\$(8,688,566)</u>	<u>\$4,862,845</u>

MELCO CROWN ENTERTAINMENT LIMITED

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

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION—continued

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the year ended December 31, 2010

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries⁽¹⁾</u>	<u>Non-guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
OPERATING REVENUES						
Casino	\$ —	\$ —	\$ 2,550,542	\$ —	\$ —	\$ 2,550,542
Rooms	—	—	86,165	—	(2,447)	83,718
Food and beverage	—	—	61,738	—	(5,059)	56,679
Entertainment, retail and others	—	—	33,692	194	(1,207)	32,679
Gross revenues	—	—	2,732,137	194	(8,713)	2,723,618
Less: promotional allowances	—	—	(81,642)	—	—	(81,642)
Net revenues	—	—	2,650,495	194	(8,713)	2,641,976
OPERATING COSTS AND EXPENSES						
Casino	—	—	(1,951,336)	—	2,312	(1,949,024)
Rooms	—	—	(16,674)	—	542	(16,132)
Food and beverage	—	—	(33,263)	—	365	(32,898)
Entertainment, retail and others	—	—	(25,332)	—	5,556	(19,776)
General and administrative	(14,985)	(19)	(197,478)	(47,268)	59,920	(199,830)
Pre-opening costs	—	—	(18,972)	—	324	(18,648)
Amortization of gaming subconcession	—	—	(57,237)	—	—	(57,237)
Amortization of land use rights	—	—	(19,522)	—	—	(19,522)
Depreciation and amortization	—	—	(234,427)	(1,879)	—	(236,306)
Property charges and others	—	—	(91)	—	—	(91)
Total operating costs and expenses	(14,985)	(19)	(2,554,332)	(49,147)	69,019	(2,549,464)
OPERATING (LOSS) INCOME	(14,985)	(19)	96,163	(48,953)	60,306	92,512
NON-OPERATING INCOME (EXPENSES)						
Interest (expenses) income, net	(236)	759	(93,499)	23	—	(92,953)
Other finance costs	—	(1,134)	(9,357)	—	—	(10,491)
Foreign exchange (loss) gain, net	(41)	(179)	2,042	1,741	—	3,563
Other income, net	11,257	19	391	49,713	(60,306)	1,074
Costs associated with debt modification	—	—	(3,310)	—	—	(3,310)
Share of results of subsidiaries	(6,129)	(7,298)	(1)	—	13,428	—
Total non-operating income (expenses)	4,851	(7,833)	(103,734)	51,477	(46,878)	(102,117)
(LOSS) INCOME BEFORE INCOME TAX						
INCOME TAX	(10,134)	(7,852)	(7,571)	2,524	13,428	(9,605)
INCOME TAX EXPENSES	(391)	—	(166)	(363)	—	(920)
NET (LOSS) INCOME	<u>\$(10,525)</u>	<u>\$(7,852)</u>	<u>\$ (7,737)</u>	<u>\$ 2,161</u>	<u>\$ 13,428</u>	<u>\$ (10,525)</u>

MELCO CROWN ENTERTAINMENT LIMITED

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

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION—continued

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the year ended December 31, 2009

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries⁽¹⁾</u>	<u>Non-guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
OPERATING REVENUES						
Casino	\$ —	\$ —	\$ 1,304,634	\$ —	\$ —	\$ 1,304,634
Rooms	—	—	42,598	—	(1,383)	41,215
Food and beverage	—	—	29,450	—	(1,270)	28,180
Entertainment, retail and others ..	—	—	10,103	1	1,773	11,877
Gross revenues	—	—	1,386,785	1	(880)	1,385,906
Less: promotional allowances ...	—	—	(53,033)	—	—	(53,033)
Net revenues	—	—	1,333,752	1	(880)	1,332,873
OPERATING COSTS AND EXPENSES						
Casino	—	—	(1,130,887)	—	585	(1,130,302)
Rooms	—	—	(6,402)	—	45	(6,357)
Food and beverage	—	—	(16,936)	—	83	(16,853)
Entertainment, retail and others ..	—	—	(4,283)	—	279	(4,004)
General and administrative	(21,089)	—	(122,884)	(22,584)	35,571	(130,986)
Pre-opening costs	—	—	(91,994)	(530)	642	(91,882)
Amortization of gaming subconcession	—	—	(57,237)	—	—	(57,237)
Amortization of land use rights ..	—	—	(18,395)	—	—	(18,395)
Depreciation and amortization ...	—	—	(139,875)	(1,989)	—	(141,864)
Property charges and others	—	—	(4,185)	(2,855)	—	(7,040)
Total operating costs and expenses	(21,089)	—	(1,593,078)	(27,958)	37,205	(1,604,920)
OPERATING LOSS	(21,089)	—	(259,326)	(27,957)	36,325	(272,047)
NON-OPERATING (EXPENSES) INCOME						
Interest (expenses) income, net ..	(119)	—	(31,208)	1	—	(31,326)
Other finance costs	—	—	(8,227)	—	—	(8,227)
Foreign exchange (loss) gain, net	(115)	—	711	(98)	(7)	491
Other income, net	15,127	—	303	23,404	(36,318)	2,516
Share of results of subsidiaries ..	(301,368)	(296,065)	(216)	—	597,649	—
Total non-operating (expenses) income	(286,475)	(296,065)	(38,637)	23,307	561,324	(36,546)
LOSS BEFORE INCOME TAX ..	(307,564)	(296,065)	(297,963)	(4,650)	597,649	(308,593)
INCOME TAX (EXPENSES) CREDIT						
	(897)	—	1,536	(507)	—	132
NET LOSS	<u>\$(308,461)</u>	<u>\$(296,065)</u>	<u>\$(296,427)</u>	<u>\$(5,157)</u>	<u>\$597,649</u>	<u>\$(308,461)</u>

MELCO CROWN ENTERTAINMENT LIMITED

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

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION—continued

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the year ended December 31, 2008

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries⁽¹⁾</u>	<u>Non-guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
OPERATING REVENUES						
Casino	\$ —	\$ —	\$ 1,405,932	\$ —	\$ —	\$ 1,405,932
Rooms	—	—	17,575	—	(491)	17,084
Food and beverage	—	—	16,480	—	(373)	16,107
Entertainment, retail and others	—	—	5,396	—	—	5,396
Gross revenues	—	—	1,445,383	—	(864)	1,444,519
Less: promotional allowances	—	—	(28,385)	—	—	(28,385)
Net revenues	—	—	1,416,998	—	(864)	1,416,134
OPERATING COSTS AND EXPENSES						
Casino	—	—	(1,159,974)	—	44	(1,159,930)
Rooms	—	—	(1,359)	—	17	(1,342)
Food and beverage	—	—	(12,748)	—	3	(12,745)
Entertainment, retail and others	—	—	(1,240)	—	—	(1,240)
General and administrative	(22,115)	—	(90,990)	(12,997)	35,395	(90,707)
Pre-opening costs	—	—	(21,901)	(3)	83	(21,821)
Amortization of gaming subconcession	—	—	(57,237)	—	—	(57,237)
Amortization of land use rights	—	—	(18,269)	—	—	(18,269)
Depreciation and amortization	—	—	(50,485)	(894)	—	(51,379)
Property charges and others	—	—	(290)	—	—	(290)
Total operating costs and expenses	(22,115)	—	(1,414,493)	(13,894)	35,542	(1,414,960)
OPERATING (LOSS) INCOME	(22,115)	—	2,505	(13,894)	34,678	1,174
NON-OPERATING INCOME (EXPENSES)						
Interest income, net	5,755	—	2,438	22	—	8,215
Other finance costs	—	—	(15,730)	—	—	(15,730)
Foreign exchange (loss) gain, net	(409)	—	1,865	(20)	—	1,436
Other income, net	18,291	—	6	17,353	(34,678)	972
Share of results of subsidiaries	(3,866)	(6,862)	(46)	—	10,774	—
Total non-operating income (expenses)	19,771	(6,862)	(11,467)	17,355	(23,904)	(5,107)
(LOSS) INCOME BEFORE INCOME TAX						
INCOME TAX (EXPENSES) CREDIT	(119)	—	2,038	(449)	—	1,470
NET (LOSS) INCOME	\$ (2,463)	\$ (6,862)	\$ (6,924)	\$ 3,012	\$ 10,774	\$ (2,463)

MELCO CROWN ENTERTAINMENT LIMITED

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

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION—continued

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the year ended December 31, 2010

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries⁽¹⁾</u>	<u>Non-guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Net cash provided by (used in)						
operating activities	\$ 7,623	\$ (238)	\$ 383,056	\$11,514	\$ —	\$ 401,955
CASH FLOWS FROM						
INVESTING ACTIVITIES						
Advances to subsidiaries	(25,777)	(577,441)	—	—	603,218	—
Amounts due from subsidiaries	(13,006)	—	—	—	13,006	—
Acquisition of property and equipment	—	—	(196,624)	(761)	—	(197,385)
Deposits for acquisition of property and equipment	—	—	(5,224)	—	—	(5,224)
Payment for entertainment production costs	—	—	(27,116)	—	—	(27,116)
Changes in restricted cash	—	—	65,799	3,338	—	69,137
Payment for land use right	—	—	(29,802)	—	—	(29,802)
Proceeds from sale of property and equipment	—	—	80	—	—	80
Net cash (used in) provided by investing activities	<u>(38,783)</u>	<u>(577,441)</u>	<u>(192,887)</u>	<u>2,577</u>	<u>616,224</u>	<u>(190,310)</u>
CASH FLOWS FROM						
FINANCING ACTIVITIES						
Payment of deferred financing costs	—	(14,346)	(8,598)	—	—	(22,944)
Advance from ultimate holding company	—	—	25,777	—	(25,777)	—
Amount due to ultimate holding company	—	(1)	323	12,684	(13,006)	—
Loan from intermediate holding company	—	—	577,441	—	(577,441)	—
Principal payments on long-term debt	—	—	(551,402)	—	—	(551,402)
Proceeds from long-term debt	—	592,026	—	—	—	592,026
Net cash provided by financing activities	<u>—</u>	<u>577,679</u>	<u>43,541</u>	<u>12,684</u>	<u>(616,224)</u>	<u>17,680</u>
NET (DECREASE) INCREASE IN						
CASH AND CASH						
EQUIVALENTS	(31,160)	—	233,710	26,775	—	229,325
CASH AND CASH						
EQUIVALENTS AT						
BEGINNING OF YEAR	<u>34,358</u>	<u>—</u>	<u>177,057</u>	<u>1,183</u>	<u>—</u>	<u>212,598</u>
CASH AND CASH						
EQUIVALENTS AT END OF						
YEAR	<u>\$ 3,198</u>	<u>\$ —</u>	<u>\$ 410,767</u>	<u>\$27,958</u>	<u>\$ —</u>	<u>\$ 441,923</u>

MELCO CROWN ENTERTAINMENT LIMITED

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

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION—continued

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the year ended December 31, 2009

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries⁽¹⁾</u>	<u>Non-guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Net cash used in operating activities	\$ (11,476)	\$ —	\$ (100,062)	\$ (719)	\$ —	\$ (112,257)
CASH FLOWS FROM						
INVESTING ACTIVITIES						
Advances to subsidiaries	(1,023,370)	—	—	—	1,023,370	—
Amounts due from subsidiaries . .	522,661	—	—	—	(522,661)	—
Acquisition of property and equipment	—	—	(934,961)	(2,113)	—	(937,074)
Deposits for acquisition of property and equipment	—	—	(2,712)	—	—	(2,712)
Prepayment of entertainment production costs	—	—	(21,735)	—	—	(21,735)
Changes in restricted cash	—	—	(165,108)	(3,034)	—	(168,142)
Payment for land use right	—	—	(30,559)	—	—	(30,559)
Refund of deposit for acquisition of land interest	—	—	—	12,853	—	12,853
Proceeds from sale of property and equipment	—	—	3,729	1	—	3,730
Net cash (used in) provided by investing activities	<u>(500,709)</u>	<u>—</u>	<u>(1,151,346)</u>	<u>7,707</u>	<u>500,709</u>	<u>(1,143,639)</u>
CASH FLOWS FROM						
FINANCING ACTIVITIES						
Payment of deferred financing costs	—	—	(870)	—	—	(870)
Advance from ultimate holding company	—	—	1,012,114	11,256	(1,023,370)	—
Amount due to ultimate holding company	—	—	(499,309)	(23,352)	522,661	—
Proceeds from issue of share capital	383,529	—	—	—	—	383,529
Proceeds from long-term debt . .	—	—	270,691	—	—	270,691
Net cash provided by (used in) financing activities	<u>383,529</u>	<u>—</u>	<u>782,626</u>	<u>(12,096)</u>	<u>(500,709)</u>	<u>653,350</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS						
	(128,656)	—	(468,782)	(5,108)	—	(602,546)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
	<u>163,014</u>	<u>—</u>	<u>645,839</u>	<u>6,291</u>	<u>—</u>	<u>815,144</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR						
	<u>\$ 34,358</u>	<u>\$ —</u>	<u>\$ 177,057</u>	<u>\$ 1,183</u>	<u>\$ —</u>	<u>\$ 212,598</u>

MELCO CROWN ENTERTAINMENT LIMITED

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

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION—continued

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the year ended December 31, 2008

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries⁽¹⁾</u>	<u>Non-guarantor Subsidiaries</u>	<u>Elimination</u>	<u>Consolidated</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Net cash provided by (used in)						
operating activities	\$ 9,419	\$ (1)	\$ (23,030)	\$ 2,454	\$ —	\$ (11,158)
CASH FLOWS FROM INVESTING ACTIVITIES						
Amounts due from subsidiaries	(420,055)	—	—	—	420,055	—
Acquisition of property and equipment	—	—	(1,041,552)	(12,440)	—	(1,053,992)
Deposits for acquisition of property and equipment	—	—	(34,699)	—	—	(34,699)
Prepayment of entertainment production costs	—	—	(16,127)	—	—	(16,127)
Changes in restricted cash	—	—	231,006	—	—	231,006
Payment for land use right	—	—	(42,090)	—	—	(42,090)
Proceeds from sale of property and equipment	—	—	2,300	—	—	2,300
Net cash used in investing activities	<u>(420,055)</u>	<u>—</u>	<u>(901,162)</u>	<u>(12,440)</u>	<u>420,055</u>	<u>(913,602)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of deferred financing costs	—	—	(7,641)	—	—	(7,641)
Loans from shareholders	—	—	(181)	—	—	(181)
Amount due to ultimate holding company	—	1	404,617	15,437	(420,055)	—
Proceeds from long-term debt	—	—	912,307	—	—	912,307
Net cash provided by financing activities	<u>—</u>	<u>1</u>	<u>1,309,102</u>	<u>15,437</u>	<u>(420,055)</u>	<u>904,485</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS						
EQUIVALENTS	(410,636)	—	384,910	5,451	—	(20,275)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>573,650</u>	<u>—</u>	<u>260,929</u>	<u>840</u>	<u>—</u>	<u>835,419</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 163,014</u>	<u>\$ —</u>	<u>\$ 645,839</u>	<u>\$ 6,291</u>	<u>\$ —</u>	<u>\$ 815,144</u>

Note

(1) The guarantor subsidiaries column includes financial information of Melco Crown Gaming which is not 100% owned by the Parent.

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)

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,198	\$ 34,358
Amounts due from subsidiaries	77,682	64,676
Amounts due from affiliate companies	1,351	—
Income tax receivable	198	—
Prepaid expenses and other current assets	4,722	12,605
Total current assets	<u>87,151</u>	<u>111,639</u>
INVESTMENTS IN SUBSIDIARIES	2,734,880	2,697,541
LONG-TERM PREPAYMENT, DEPOSITS AND OTHER ASSETS	641	1,178
TOTAL	<u>\$2,822,672</u>	<u>\$2,810,358</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accrued expenses and other current liabilities	\$ 1,889	\$ 3,302
Income tax payable	—	387
Amounts due to affiliated companies	137	1,620
Amounts due to subsidiaries	181,771	180,336
Amounts due to shareholders	37	22
Total current liabilities	<u>183,834</u>	<u>185,667</u>
LOANS FROM SHAREHOLDERS	115,647	115,647
SHAREHOLDERS' EQUITY		
Ordinary shares at US\$0.01 par value per share (Authorized—2,500,000,000 shares as of December 31, 2010 and 2009 and issued—1,605,658,111 and 1,595,617,550 shares as of December 31, 2010 and 2009)	16,056	15,956
Treasury shares, at US\$0.01 par value per share (8,409,186 and 471,567 shares as of December 31, 2010 and 2009)	(84)	(5)
Additional paid-in capital	3,095,730	3,088,768
Accumulated other comprehensive losses	(11,345)	(29,034)
Accumulated losses	(577,166)	(566,641)
Total shareholders' equity	<u>2,523,191</u>	<u>2,509,044</u>
TOTAL	<u>\$2,822,672</u>	<u>\$2,810,358</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)

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUE	\$ —	\$ —	\$ —
OPERATING EXPENSES			
General and administrative	<u>(14,985)</u>	<u>(21,089)</u>	<u>(22,115)</u>
Total operating expenses	<u>(14,985)</u>	<u>(21,089)</u>	<u>(22,115)</u>
OPERATING LOSS	<u>(14,985)</u>	<u>(21,089)</u>	<u>(22,115)</u>
NON-OPERATING INCOME (EXPENSES)			
Interest income	6	96	5,755
Interest expenses	(242)	(215)	—
Foreign exchange loss, net	(41)	(115)	(409)
Other income, net	11,257	15,127	18,291
Share of results of subsidiaries	<u>(6,129)</u>	<u>(301,368)</u>	<u>(3,866)</u>
Total non-operating income (expenses)	<u>4,851</u>	<u>(286,475)</u>	<u>19,771</u>
LOSS BEFORE INCOME TAX	(10,134)	(307,564)	(2,344)
INCOME TAX EXPENSE	<u>(391)</u>	<u>(897)</u>	<u>(119)</u>
NET LOSS	<u><u>\$ (10,525)</u></u>	<u><u>\$ (308,461)</u></u>	<u><u>\$ (2,463)</u></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 Losses	Accumulated Losses	Total Shareholders' Equity	Comprehensive (Loss) Income
	Shares	Amount	Shares	Amount					
BALANCE AT									
JANUARY 1, 2008	1,320,938,902	\$13,209	—	\$—	\$2,682,125	\$(11,076)	\$(255,717)	\$2,428,541	
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	—	—	—	—	7,018	—	—	7,018	
Shares issued upon restricted shares vested	226,317	3	—	—	(3)	—	—	—	
Shares issued for future exercise of share options	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	—	—	—	—	11,807	—	—	11,807	
Shares issued, net of offering expenses	263,155,335	2,631	—	—	380,898	—	—	383,529	
Shares issued upon restricted shares vested	8,297,110	83	—	—	6,831	—	—	6,914	
Shares issued for future vesting of restricted shares	2,614,706	26	(2,614,706)	(26)	—	—	—	—	
Issuance of shares for restricted shares vested	—	—	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)
Net loss for the year	—	—	—	—	—	—	(10,525)	(10,525)	\$ (10,525)
Foreign currency translation adjustment	—	—	—	—	—	32	—	32	32
Change in fair value of interest rate swap agreements	—	—	—	—	—	17,657	—	17,657	17,657
Share-based compensation	—	—	—	—	6,045	—	—	6,045	
Shares issued upon restricted shares vested	1,254,920	12	—	—	(12)	—	—	—	
Shares issued for future vesting of restricted shares and exercise of share options	8,785,641	88	(8,785,641)	(88)	—	—	—	—	
Issuance of shares for restricted shares vested	—	—	43,737	1	(1)	—	—	—	
Exercise of share options	—	—	804,285	8	930	—	—	938	
BALANCE AT									
DECEMBER 31, 2010	<u>1,605,658,111</u>	<u>\$16,056</u>	<u>(8,409,186)</u>	<u>\$(84)</u>	<u>\$3,095,730</u>	<u>\$(11,345)</u>	<u>\$(577,166)</u>	<u>\$2,523,191</u>	<u>\$ 7,164</u>

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,		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$(10,525)	\$ (308,461)	\$ (2,463)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Share-based compensation	6,043	11,385	6,855
Share of results of subsidiaries	6,129	301,368	3,866
Changes in operating assets and liabilities:			
Amounts due from affiliated companies	(1,351)	—	2
Prepaid expenses and other current assets	8,821	(11,885)	2,753
Long-term prepayment and deposits	537	537	(1,715)
Accrued expenses and other current liabilities	(1,413)	(1,605)	2,119
Income tax payable	(585)	(909)	119
Amounts due to shareholders	15	(1,973)	—
Amounts due to affiliated companies	(1,483)	67	(2,108)
Amounts due to subsidiaries	1,435	—	(9)
Net cash provided by (used in) operating activities	<u>7,623</u>	<u>(11,476)</u>	<u>9,419</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to subsidiaries	(25,777)	(1,023,370)	—
Amounts due from subsidiaries	<u>(13,006)</u>	<u>522,661</u>	<u>(420,055)</u>
Net cash used in investing activities	<u>(38,783)</u>	<u>(500,709)</u>	<u>(420,055)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	<u>—</u>	<u>383,529</u>	<u>—</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,160)	(128,656)	(410,636)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR . . .	<u>34,358</u>	<u>163,014</u>	<u>573,650</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,198</u>	<u>\$ 34,358</u>	<u>\$ 163,014</u>

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, 2010 and 2009, approximately \$1,553,000 and \$1,543,000, 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, 2010, 2009 and 2008.

2. Basis of presentation

The condensed financial information has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the parent company has used equity method to account for its investments in subsidiaries.

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Melco Crown Entertainment Limited
RMB2,300,000,000 3.75% Bonds due 2013



Melco Crown Entertainment
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April 29, 2011